

AP

Delta Exiting Bankruptcy, Faces Changes

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By Harry R. Weber, AP Business Writer

After Major Facelift, Day for Delta to Exit Bankruptcy Arrives

ATLANTA (AP) -- Delta Air Lines Inc. has undergone a major facelift during more than a year and a half in bankruptcy, but other changes are on the way as the nation's No. 3 carrier exits Chapter 11 on Monday.

Among other things, it has set aside \$10 million for a rebranding effort, the company's chief bankruptcy lawyer, Marshall Huebner, said in court recently. Executives at Delta also have said that after the company exits bankruptcy, it will consider shedding Comair, a Delta subsidiary that provides regional service for the airline.

Delta's outgoing chief executive, Gerald Grinstein, said last week he did not expect any "immediate action" on Erlanger, Ky.-based Comair since Delta has a new board of directors.

Doug Abbey, a partner in the aviation consulting firm The Velocity Group, said he expects Delta to make a decision on Comair fairly quickly.

"I suspect that's one of the first orders of business coming out of bankruptcy," Abbey said. "I can't even predict how that's going to go."

Delta's board also will be looking for a new CEO to replace Grinstein, 74, who has said he plans to step down once his successor is appointed.

Meanwhile, a Delta spokeswoman, Betsy Talton, said "additional investments in Delta's image will be unveiled" at a news conference at the company's Atlanta headquarters a few hours after the airline exits bankruptcy protection. Talton declined to give details ahead of the announcement.

Repainting its planes is something that could help Delta with its brand image, but would take time to complete for a fleet consisting of several hundred aircraft, Abbey said.

"I think it's appropriate because this is clearly a new Delta, but in and of themselves, these things tend to be a very long-term project," Abbey said.

A new advertising campaign also could be in Delta's future, Abbey said.

The initiatives would be on top of major changes that Delta put in place while in bankruptcy, including restructuring its fleet, expanding international service, improving aircraft cabins, cutting costs and eliminating more jobs.

On the financial side, existing shares of Delta's stock will be canceled at the time the airline exits bankruptcy. Shares of new stock will be issued to creditors and begin trading publicly on the New York Stock Exchange on Thursday. That day, Delta executives will ring the closing bell from the floor of the NYSE.

The company says 400 million shares will be issued, putting the target initial public offering at \$23.50 a share to \$30 a share based on Delta's projected valuation of \$9.4 billion to \$12 billion.

Delta's reorganization plan will give unsecured creditors between 62 percent and 78 percent of the value of their allowed claims as shares of new Delta stock. Delta employees also will get a lump-sum cash payment from the airline based on a percentage of their salary and will receive an equity stake in the reorganized company. Checks to employees are to be issued Tuesday.

More than 95 percent of creditors voted to endorse the plan for Delta to leave bankruptcy, and a federal bankruptcy judge in New York on April 25 gave the airline the green light to exit Chapter 11 on Monday. Conditions included closing on a \$2.5 billion loan that will be used to repay another loan that helped fund the airline's operations while in bankruptcy.

The company is hosting a series of celebratory events starting Monday. Top executives will address employees and brief reporters. They also will spend 10 days visiting select cities, including Salt Lake City, Boston and Washington, to attend employee receptions.

Delta entered Chapter 11 on Sept. 14, 2005, amid high fuel prices and the burdens of high labor and pension expenses. Delta significantly reduced its labor and pension costs while under court protection. As of March 31, the company had 52,260 full-time employees, according to a regulatory filing Friday. The figure includes subsidiary Comair.

The bankruptcy process has been expensive for Delta, which has run up more than \$127.9 million in bills for fees and expenses for its lawyers, consultants and advisers through the end of January. It could spend tens of millions more once the final fee and expense requests are dealt with.

As Delta looks to its future outside of bankruptcy and it seeks to return to profitability after billions in losses the last six years, competition will continue to be an issue it will have to deal with.

Abbey said that means there won't been any room for failure on Delta's business plan.

"It's important that operationally speaking, there aren't any disasters," he said.

Delta Air Lines Inc.: <http://www.delta.com>