

# Delta Seeks Creditor Help To Fend Off US Airways Bid

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Delta Air Lines began trying to rally support from creditors for its push to fend off an \$8.76 billion hostile takeover bid by [US Airways](#), with the Atlanta carrier firmly reiterating its determination to emerge from bankruptcy as a standalone company.

Delta Chief Executive Gerald Grinstein and other executives at the third-largest U.S. airline by traffic held a series of conference calls yesterday with creditors to sift through terms of US Airways' cash-and-stock offer, pressing creditors to back Delta's restructuring plan. The move could give Delta an early advantage in its fight to remain independent, since US Airways hasn't had any face-to-face meetings with Delta's official creditors committee.

US Airways officials were still trying to arrange a meeting with representatives of Delta's official creditors committee. People familiar with the situation said such a meeting could come as early as next week, with Delta officials expected to attend. "We're looking forward to meeting with them. We want to sit with them and show them the value of this deal," said US Airways spokeswoman Andrea Rader.

The Atlanta airline said the executives were reviewing the unsolicited proposal, which seeks to combine US Airways, based in Tempe, Ariz., with its much bigger rival under the Delta name and become the biggest US airline in terms of passenger traffic.

"As we are obligated to, we will continue to work, including with our creditors, to examine the unsolicited proposal from US Airways," said Marshall S. Huebner, of Davis Polk & Wardwell, who has led Delta's restructuring.

Delta faces the burden of proving to creditors that the airline would be more valuable by itself after restructuring than US Airways' bid. US Airways said its offer of \$4 billion in cash and 78.5 million of its shares was at least a 25% premium based on where unsecured Delta bonds were trading. Delta's 8.300% coupon bonds maturing Dec. 15, 2029, are up nearly \$236 per \$1,000 of face value since Tuesday according to data from bond-tracking company MarketAxess. Doug Parker, US Airways CEO, has pointed to the rise in Delta's unsecured bonds as a sign that at least unsecured bondholders thought US Airways offered a better deal.

However, antitrust concerns could squelch a deal or make it less attractive. Also, Delta management has the exclusive right to present restructuring plans through Feb. 15 and could stymie US Airways' efforts to gain financial data necessary to put together a detailed offer to creditors. Delta officials are aiming to exit bankruptcy as early as April, which puts pressure on Mr. Parker to act fast.

US Airways stock continued its post-proposal rally, rising \$1.11 to \$60.61 as of 4 p.m. in New York Stock Exchange composite trading; the shares are up 19% since Tuesday, the day before the bid was announced.

Meanwhile, Mr. Grinstein continued his defense to employees and creditors of his plan to emerge from bankruptcy as a stand-alone carrier. Mr. Grinstein learned of the proposal from a radio report as he was getting ready for work. He rushed to his Blackberry to find a letter and a voicemail from Mr. Parker.

People familiar with the matter said Mr. Grinstein was steaming from being blindsided. In a message to employees he said "we had no advance warning of any kind." He said his intent was that Delta remain a "standalone company."

One of the biggest hurdles for a successful US Airways-Delta merger will be resistance from US Airways' labor union leaders, who voiced opposition to a proposed deal yesterday. Management must still combine the work forces of its two predecessor airlines, US Airways and America West, and negotiate new pay and benefit contracts.

"If this airline can't successfully put two airlines together, we're very

skeptical about their chances of putting three together," said Jack Stephan, chairman of the unit of the Air Line Pilots Association union at US Airways.

Even before the Delta bid surfaced, pilots at US Airways had planned to picket this week at airports in Phoenix and Charlotte. Yesterday nearly 600 of them showed up to protest what they say are substandard contracts with little-to-no improvement in pay or benefits and unreasonable work rules.

Ms. Rader, the US Airways spokeswoman, said the negotiations have had some progress, though it has been on low-hanging issues so far. She disagreed with the union's assertion that the current merger is not working well. "There are a lot of milestones that we are hitting and that we're on track to meet and when we make mistakes we get them fixed," she said.

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