

AP

Nearly 12 Pct of PBGC's Delta Stake Sold

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Pension Insurer Sells 12 Pct of Stake Delta Gave It After Chap 11

ATLANTA (AP) -- The government's pension insurer has sold nearly 12 percent of the stake in Delta Air Lines Inc. that it received as compensation for the massive liability it assumed when the carrier terminated its pilots pension plan while reorganizing under bankruptcy protection.

The Pension Benefit Guaranty Corp. received \$106.2 million from the 14 stock sales in February, which reduced the stake it received in Delta from 49,484,950 shares to 43,567,017 shares, according to an analysis of regulatory filings made last week.

The transactions were made by J.P. Morgan Investment Management Inc., which was assigned by the PBGC to have investment and voting authority over PBGC's shares of Delta stock.

The filing did not say why the shares were sold, but it did say that PBGC did not acquire the shares for investment purposes or for the purpose or effect of influencing Delta.

PBGC has not acquired any additional shares of Delta stock, the filings said.

In December 2006, a federal judge upheld an order approving Atlanta-based Delta's request to terminate its pilots' defined benefit pension plan.

Delta's active pilots did not object to the termination of the plan because they agreed not to as part of a concessions package they reached with management. Some retired pilots did object, however.

As compensation for the increased liability that was later assumed by the PBGC, Delta agreed to give the agency an unsecured claim of \$2.2 billion. Unsecured creditors typically recover only a fraction of what they are owed.

The distribution of shares the PBGC received on May 3, 2007 -- 49,484,950 -- at the reorganized Delta's initial share price -- \$21.75 -- equals \$1.1 billion, about half the value of the unsecured claim the PBGC received.

According to one of the SEC filings, Delta is expected to make additional distributions to holders of allowed unsecured claims, and the PBGC may receive additional shares of Delta stock in future distributions.

Delta's termination of the pilot pension plan meant the PBGC took over the plan and is responsible for paying the pilots' benefits up to a maximum limit, in many cases less than what the pilots were expecting under the company plan. Delta emerged from Chapter 11 in April 2007.