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Reply Deadline: December 12, 2006, 5:00
Hearing Date and Time: December 20, 2006, 2:30 p.m.

UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

-----X
 In re:) Chapter 11
)
 DELTA AIR LINES, INC., *et al*,) Case No. 05-17923 (ASH)
)
 Debtors.) Jointly Administered
 -----X

**RESPONSE OF DP3, INC. AND TRUSTEES IN SUPPORT OF
 DEBTOR’S MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT WITH THE
 PENSION BENEFIT GUARANTY CORPORATION**

DP3, Inc. d/b/a Delta Pilots’ Pension Preservation Organization (“DP3”) and retired pilots James H. Gray, Jim Bomar, Richard Colby, Don Mairose, Ron Stowe, William Wirth, John Mills, and Roger Ross (collectively referred to as “Trustees”), by their undersigned attorneys, hereby respond to the Debtors’ Motion for Approval of Settlement Agreement with Pension Benefit Guaranty Corporation (“PBGC”) regarding the Delta Pilots Retirement Plan (the “Pilots Plan”). See Docket No. 3750 (the “Motion”), filed December 4, 2006. In support of their response, DP3 and the Trustees respectfully state:

1. The Debtors’ Motion seeks approval of a settlement with PBGC that will facilitate the termination of the Pilots Plan, resolve the pending appeal of PBGC and allow the claims of PBGC.
2. Despite the harm suffered, and to be suffered, by the retired pilots, DP3 has recognized that the Debtors’ decision to terminate the plan is the best decision under all the

circumstances. There are no funds available to fund the \$3 billion dollar funding shortfall, nor any realistic way to deal with the negative effect of the plan's lump sum option. These Debtors simply cannot afford this plan. A liquidation of the Debtors would only impose further hardships on the retired pilots in the form of the complete loss of retiree medical benefits and the devaluation of the retirees' bankruptcy claims. Faced with that reality and the belief that PBGC will involuntarily terminate the plan if the lump sum window reopens, DP3 supports the Debtors' request for the approval of the settlement with PBGC. If the Pilots Plan is to be terminated, a termination which grants a substantial claim to PBGC to increase the funds available to allocate to the retirees' qualified plan payments is preferred by DP3 and its Trustees.

3. The Motion cites four factors that a bankruptcy court should consider in exercising its discretion under Bankruptcy Rule 9019 which authorizes a debtor to compromise.

Those four factors are:

- (1) the probability of success in the litigation;
- (2) the difficulties associated with collection of any judgment that may be obtained,
- (3) the complexity of the litigation, and the attendant expense, inconvenience and delay;
- and
- (4) the paramount interests of the creditors.

Protective Comm. for Indep. Stockholder of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424-25 (1968)(quoting Case v. Los Angeles Lumber Prods. Co., 308 U.S. 106, 130(1939)).

4. With respect to the first and second factors, the Debtors have comprehensively addressed the probability of success and their financial needs for the settlement in the Motion.

5. With respect to the third factor – the complexity of the issues and the attendant expense, inconvenience and delay, the retired pilots whom DP3 represents submit that the record itself is evidence that this factor has been met. The record contains a huge volume of pleadings, exhibits, financial information, and expert testimony from plan administrators, actuaries and

financial consultant and demonstrates the complexity of the issues. The delay in the resolution of the final allocation to the retired pilots if the PBGC's claims are not resolved and allowed will be substantial and potentially detrimental to the value of those claims. The allowance and valuation of significant liquidated and contingent claims, and the creation of a cooperative process to deal with significant ERISA issues and the logistics related to a multibillion dollar pension plan termination justify a settlement.

6. For the reasons above of complexity, uncertainty and expenses, the settlement is in the interest of creditors. This settlement is of particular interest to the retired pilots since Delta, pursuant to the applicable IRS and ERISA regulations, was required to calculate the pilots' benefits on the basis of the value of the assets that were actually in the Pilots Plan trust before paying the estimated benefits starting October 1, 2006. Those benefits will be recalculated when PBGC receives its distribution from Delta on account of its unsecured claim; and some of those retirees will have the benefit of a calculation which will include an additional \$225,000,000 from the notes and the value of the \$2.2 billion dollar claim as a result of this settlement. These amounts represent a very substantial increase in the assets in the Pilots Plan trust. In addition, the termination of the plan by PBGC will remove a contingency to the allowance of the claims of the retired pilots arising from the termination of the Supplemental Plan, enabling those retired pilots to be able to transfer claims for immediate payment if so desired. The allowance of the Supplemental Plan Post-Termination Claims is the subject of a separate settlement set for hearing on the same day as the Motion.

7. The Debtors and numerous other parties including DP3 and its Trustees have acknowledged the value of fair and reasonable settlements which will expedite the reorganization

of the company and have worked to present such settlements to the Court. This settlement is one more demonstration of that effort.

8. While DP3 naturally would have preferred that the circumstances were such that a termination of these plans could have been avoided, the Debtors' proposed agreement with PBGC is a settlement that promotes the interests of its creditors by increasing the Debtors prospects for a successful reorganization while mitigating the losses suffered by the participants in the terminated plans to the maximum extent reasonably possible in the present situation.

BACKGROUND

9. DP3 is a Delaware, not-for-profit corporation formed in October of 2003, to preserve the earned pensions, health insurance and other benefits promised by Delta to its retired pilots, their children and survivors. DP3 currently has 2,850 members. The individuals who join DP3 in responding to the Motion are retired pilots who serve as Trustees for DP3.

10. Delta provided pension and retiree benefits to approximately 5,800 retired pilots, their children and survivors. These benefits were paid pursuant to benefit plans required under and incorporated into the terms of the Pilot Working Agreement, as amended and modified by letters of agreement between Delta and ALPA.

11. DP3 and the Trustees reached a settlement with the Debtors relating to the claims owed to the retired pilots under the Supplemental Plan which accrued prior to a plan termination date (which is proposed to be September 2, 2006) for the allowance of a \$9,000,000 administrative claim and a general unsecured priority claim for approximately \$75,000,000. On November 27, 2006, DP3 and the Debtors and the Committee filed a motion for approval of a stipulation that would provide an additional \$719,000,000 in general unsecured claims to the

participants in the Supplemental Plan. The allowance of those claims is contingent on the termination of the Pilots Plan and the Supplemental Plan.

12. When the Pilots Plan commenced estimated termination pension payments a short while ago, retired pilots experienced a significant reduction in their benefits. The only prospect for increasing those benefits from the Pilots Plan is if there is a significant recovery by the PBGC. This settlement represents a substantial step toward that recovery.

WAIVER OF MEMORANDUM

13. In as much as the relevant legal authorities are set forth herein, no novel issues of law are raised and, in reliance on Order Approving Notice, Case Management and Administrative Procedures entered on October 6, 2005 (“Procedures Order”) (Docket No. 660), DP3 has not filed a separate memorandum in support of its response.

WHEREFORE, the Trustees and DP3 respectfully request that the Court approve the settlement between the Debtors and PBGC, and grant such further relief as may be equitable under the circumstances of this case.

Respectfully submitted,

/s/ Shelley D. Rucker

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CERTIFICATE OF SERVICE

I hereby certify that on December 12, 2006, a copy of the foregoing was filed electronically. Notice of this filing will be sent by operation of the Court's electronic filing system to all parties indicated on the electronic filing receipt. Simultaneously, a true and exact copy of the foregoing was served by deposit thereof in First Class U.S. Mail on Core Parties and the non-ECF service list downloaded from the case information website on December 12, 2006, and dated as of June 30, 2006 and updated through December 12, 2006.

This 12th day of December, 2006.

/s/ Shelley D. Rucker

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