

June 14, 2007

Calculating Your Initial Claim Allocation and Distribution

By now you should have received the initial distribution on account of your allowed claim or claims in Delta's bankruptcy. You should also have received a letter from Delta and an earnings statement, in the form of a check stub or stubs.

Since this distribution was made, Delta has received many inquiries about the individual amounts of the distribution and how each distribution was calculated. Many people have compared the net amount of the initial distribution they received to the dollar amount of the claim that they have and don't understand why there is such a big difference. In most cases, there are five primary drivers of the differences, including:

- **For many, the information you received earlier this year was only an estimate of the value of your claim. As explained in that earlier information, your claim has since been adjusted for various reasons depending on the nature of your claim.**
- **Claim values are not paid at 100 cents on the dollar.**
 - **For Class 4 or Class 5 (those with a claim value of more than \$2000), claim values are only used to determine how many shares of new Delta stock you will receive.**
 - **For Class 6 (Convenience Class – those with claims of \$2000 or less which received cash rather than shares) under Delta's Plan of Reorganization claim payment was calculated at a rate of 70 cents on the dollar.**
- **Taxes had to be withheld from your initial distribution.**
 - **FICA was withheld from all 1114 medical claims** (codes on your paystubs may include CL5Qual, CL6Qual, Claimsh)
 - **FICA was not withheld from non-qualified settlement for pilots that retired prior to September 14, 2005** (codes on your paystubs may include CL5NQual, CL6NQual, Claimsh).
 - **[Click here](#) for federal, state and local tax rates that were withheld.**
 - **Consistent with previous practice, taxes are not withheld from survivor disbursements; a 1099 will be issued at the end of the year.**
- **The ultimate value you realize on account of your claim is tied to the market price of Delta stock for those in Class 4 and 5**
- **This is only the initial distribution for Class 4 and 5, and you may receive another small distribution at some date in the future**
 - **For Class 6, the distribution you have received is the only one you will get.**

These concepts are further developed in an example which you may access by following this link: This includes Delta's methodology for allocating and distributing all unsecured claims, which includes all retiree claims. [Click here](#) to view and download the example.

We hope that this helps clarify some of your questions around your distribution.

Example

Delta applied the same four-step methodology in the claims allocation and distribution process for all its general unsecured retiree claims. We've outlined these below:

Step 1 – Finalize your individual claim amount (doesn't apply to all individuals)

In some cases, the claim amounts in the original notice sent to you were estimates that had to be adjusted as follows:

- Non-Qualified pension claims for retired pilots were adjusted to pay the allocated legal fees incurred by DP3, as provided in the court approved agreement.
- Certain medical claims for ground and flight attendant retirees included a component to be calculated based on a monthly claim amount through emergence. In estimating the original claim amounts, we used a date of June 2007, as provided in the court approved agreement. Since Delta emerged from bankruptcy in April 2007 instead, actual claims in this category are smaller than originally estimated.

Step 2 – Allocate the Shares

The “claim dollars” you have are not paid at 100 cents on the dollar – For those in Class 4 or Class 5 (those with a claim value of more than \$2000), the claim value is only used to determine how many of the new shares of Delta stock you will receive. As part of the bankruptcy process, we divide your allowed claim by all the claims in the whole case¹. We then multiply the resulting fraction by the number of shares currently available to be distributed to unsecured creditors to determine how many shares you will receive. In Delta's case every general unsecured claim of \$10,000 against Delta (\$10,000 “claim dollars”) received an initial distribution of approximately 225 shares of new common stock in the reorganized Delta Air Lines. It makes no difference whether you elected your distribution in cash or shares – the same number of shares was allocated to you.

If you are in Class 6 (Convenience Class – those with claims of \$2000 or less), your claim allocation was made to you in cash based on a 70 cents on the dollar recovery rate. As stated in Delta's Plan of Reorganization and as is typical in most bankruptcies, all unsecured claims will recover only a certain percentage on the dollar. For example, if your claim amount was \$1,500, your gross cash distribution before taxes would be \$1,050 ($\1500×0.70). 70 cents on the dollar was established in Delta's confirmed Plan of Reorganization based on the midpoint of the 62-78 cents on the dollar projected recovery rate Delta had in its POR.

¹ “Allowed claims” are those that have been allowed by the bankruptcy court and are no longer in dispute.

Step 3 – Calculate Withholding Taxes

Taxes had to be withheld from your initial distribution. You have received a net distribution from Delta, which means that Delta withheld certain tax amounts pursuant to law. As shown in the example below, a total of 87 shares of Delta stock (out of 225) were withheld to pay the applicable taxes, leaving 138 net shares to be distributed. Your personal tax withholding information can be found in the check stub or stubs you received from Delta shortly after your claim was distributed to you.

In general, Delta used the following tax withholding rates:

Social Security and Medicare (FICA) – Where applicable, tax was withheld at a rate of 6.2% for social security and 1.45% for Medicare. If your allowed claim is related to a Pilot Non-Qualified Settlement and you already paid those taxes at the time you retired (i.e. you retired on or before September 1, 2005), you were not subject to social security or Medicare taxation on this amount. If your allowed claim is related to medical benefits (or Pilot Non-Qualified Settlement for someone who retired after September 1, 2005), then social security and Medicare taxes were withheld. Some of you have indicated to us that the Social Security Administration has told you that payments on account of bankruptcy claims are not subject to social security and Medicare taxation. The Social Security Administration is not the agency that determines whether a particular payment is subject to tax withholding. That determination rests with the Internal Revenue Service and in some cases, judicial interpretation. We firmly believe that these payments are subject to these taxes, as confirmed by numerous court decisions and our discussions with the Internal Revenue Service.

For payments that are subject to these taxes, if the value of the payment on account of your claim causes you to exceed year to date income of \$97,500, you will only be subject to social security taxation up to that amount. The amount above the \$97,500 is not subject to social security taxation. Medicare taxes continue even when social security taxes stop.

Federal – If your allowed claim was between \$0 and \$2000, tax was withheld at a flat-rate of 10%, and if between \$2,000 and \$100,000, tax was withheld at a flat-rate of 15%. If your allowed claim is greater than \$100,000, tax was withheld at a flat rate of 25%.

State and local – Tax was withheld at the supplemental rate associated with your residence location.

Step 4 – Make the Initial Distribution

After the gross number of shares was determined and taxes were withheld, the net shares were deposited into a Fidelity brokerage account (for those electing equity rather than cash). How much those shares are worth is determined by the market price of the stock; which changes day to day. In the example below, this unsecured creditor with a \$10,000 claim received an initial distribution of 138 shares of Delta stock which was worth \$2,698.68 as of the close of the market on June 1st when the stock price was \$19.55.

For those who elected to receive cash, the net shares from Step 3 was multiplied by \$19.4762, the average share price of the shares sold over the month of May so that the net cash received was \$2688.49.

For those in Class 6 (Convenience Class), the claim amount was multiplied by 0.70 to produce the gross amount of the payment which then had taxes withheld as described above.

Next Steps

For Class 6, there will be no more distributions. These claims have been satisfied in full by the payment you have received.

For Class 4 and 5, you may receive another small distribution of shares or cash in the future which will then be the full satisfaction of your claim. The distribution you just received was the initial distribution we are making to you. As required by our Plan of Reorganization, we have reserved some shares based on the amount of unresolved claims that were still outstanding as of the date we made the final determinations for the initial distribution. You may receive a final distribution in the future when the remaining disputed bankruptcy claims are settled. The timing and amount of the future distribution cannot be determined at this time, but is likely to be more than 12 months from now. We will communicate to you further once we know more about the timing of your final distribution.

**Example of Retiree Claim Calculation
Class 4 & 5**

Description	Retiree Electing Shares	Retiree Electing Cash	
		Shares	Cash (1)
Claim Amount	\$10,000		
Gross Shares Distributed on \$10,000 claim	225.00	225.00 X \$19.4762 =	\$4,382.15
Tax Withholdings (2):			
Federal income tax	25.00%	(56.25) X \$19.4762 =	(\$1,095.54)
FICA	7.65%	(17.21) X \$19.4762 =	(\$335.19)
Georgia State Income	6.00%	(13.50) X \$19.4762 =	(\$262.93)
Total Tax Withholdings	(86.96)	(86.96) X \$19.4762 =	(\$1,693.65)
Net Shares or Cash Distributed	138.04	138.04 X \$19.4762 =	\$2,688.49
Share Price on June 1 for deposit on June 4	\$19.55		
Market Value of net shares at June 1 closing price	\$2,698.68		\$2,688.49

Example of Retiree Claim Calculation
Class 6 / Convenience Class

Description	Retiree Cash Distribution
Claim Amount	\$1,500
Gross Cash Distributed on \$1,500 Claim ($\1500×0.7) (1):	\$ 1,050.00
Tax Withholdings (2):	
Federal Income Tax	\$ (105.00)
FICA	\$ (80.33)
Georgia State Income	\$ (63.00)
Total Tax Withholdings	\$ (248.33)
Net Cash Distributed	\$ 801.68