

AP

US Airways Withdraws \$9.8B Bid for Delta

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US Airways Drops Bid for Delta After Creditors Say Airline Should Exit Chapter 11 on Its Own

ATLANTA (AP) -- US Airways Group Inc. dropped its \$9.8 billion hostile bid for Delta Air Lines Inc. on Wednesday after a key group of the bankrupt carrier's creditors said Delta would be better off emerging from Chapter 11 on its own.

With the dual decisions, Atlanta-based Delta cleared a big hurdle in its effort to exit bankruptcy by the middle of this year as a stand-alone company, but it isn't out of the woods yet. Smaller creditors could ultimately vote not to approve Delta's reorganization plan, and some have already filed objections to the disclosure statement to the Delta plan.

A Feb. 7 hearing in bankruptcy court in New York is scheduled to discuss the disclosure statement. If the statement related to Delta's operations is approved, Delta could begin soliciting votes for approval of its reorganization plan. Delta hopes to hold a confirmation hearing on its plan in April.

US Airways disclosed its initial hostile bid for Delta on Nov. 15. US Airways later raised its bid by nearly 20 percent in hopes of swaying Delta's official committee of unsecured creditors.

"Using the bankruptcy process the right way, Delta people have transformed their company's business model," Delta Chief Executive Gerald Grinstein said in a statement. "Our focus now is on the work still before us to emerge from Chapter 11 this spring as a strong, healthy, and vibrant global competitor."

In his own statement, Doug Parker, chief executive of Tempe, Ariz.-based US Airways, said he was disappointed by the decision by the creditors committee. His airline quickly withdrew its bid, which was set to expire Thursday if the committee did not show support for moving the bid forward.

Parker said the committee "is ignoring its fiduciary obligation" to the creditors it represents.

"Our proposal would have provided substantially more value to Delta's unsecured creditors than the Delta standalone plan," Parker said.

Delta's official unsecured creditors committee said in a statement it reached its decision after a lengthy review of both Delta's proposal and US Airways' proposal.

Analysts had said regulatory concerns over US Airways' proposal might be a bigger issue than the money at stake. Delta had said the US Airways proposal would cause a significant delay in Delta's emergence from Chapter 11 because of how regulators would view the overlapping routes of the two carriers. US Airways had argued regulatory issues would not cause a delay.

Delta has said it projects it will be worth \$9.4 billion to \$12 billion when it emerges from bankruptcy. Its management had said repeatedly it wanted the carrier to remain on its own and not combine with US Airways.

The official creditors committee said in its statement that it "has determined that it will support the stand-alone plan of reorganization as finally agreed upon between Delta and the creditors committee that will be filed later this week." It did not say if Delta's amended plan will make any major changes.

"The creditors committee reached this determination after engaging in extensive discussions with representatives of Delta and US Airways over the last two months and upon consideration of the

advice of the creditors committee's legal, financial and industry advisers," the committee's statement said.

The statement added, "In reaching this decision, the creditors committee considered a variety of factors, including, but not limited to, valuation of, the timing and the risks associated with, and the likelihood of a successful consummation of the US Airways proposal and the (Delta reorganization) plan."

The committee said it will work with Delta to confirm Delta's plan. It did not elaborate on its reasoning for supporting Delta's plan.

Eventually, creditors will vote on whether to approve Delta's reorganization plan or any competing plan that may be filed with the court. The plan also must be approved by the court.

Typically, in each class of creditors, Delta's plan would have to be approved by holders of two-thirds of the claims and a majority of the number of individual creditors. If a class is not impaired -- that is, if they are guaranteed of getting all of their money back no matter what -- they generally don't get to vote.

If one or more classes of creditors do not approve the plan, Delta could still confirm the plan through a so-called cramdown, a maneuver in which it must show the court that the dissenting class will receive more under the plan than it would under a Chapter 7 liquidation.

The company also would have to show that any subordinate class, such as shareholders, would get nothing in the way of recovery under the reorganization plan. Delta already has met that second test because its plan calls for current shares of the company to be wiped out.

If a competing plan were filed, creditors would vote on each individually. There have been bankruptcy cases where two competing reorganization plans were approved by creditors; in such a case, a judge decides which plan is confirmed after holding a hearing to determine which plan is in the "better interest" of the creditors.

Arizona Gov. Janet Napolitano said Wednesday she believes US Airways will move forward and look for other opportunities.

"They seem to be doing very, very well," Napolitano said. "And since I consider them a hometown airline, I think that's a good thing."

US Airways had said it would have kept the Delta name if it bought Delta, but it hadn't said where the merged company would be based.

Georgia Lt. Gov. Casey Cagle said Delta's stand-alone plan is in "the best interest of all citizens, not only for Georgia, but for our nation."

Associated Press Writers Chris Kahn in Phoenix and Doug Gross in Atlanta contributed to this report.