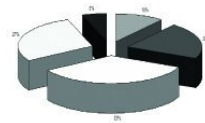




ADC Dispatch



06-06

November 1, 2006

Claim Sale

Today, a 30-day window opens during which all Delta pilots who have received an allocation of the \$2.1 billion ALPA Claim may elect to participate in a potential claim sale. This claim sale window will close at 3:00 p.m. ET on Thursday, November 30, 2006. This *Dispatch* will expand on the claim sale information in *ADC Dispatch 06-02*, and provide you with additional information to assist you in making a decision as to whether or not you would like to participate in any potential claim sale.

Prior to discussing a claim sale, it may be helpful to review what an unsecured bankruptcy claim is and how a claim is handled when there is *no* claim sale involved. When a company files for bankruptcy, it gains, among other things, a legal means to avoid paying certain money otherwise due to its unsecured creditors. These debts are often eliminated or substantially reduced during the bankruptcy restructuring process. In turn, each unsecured creditor typically asserts a “claim” against the company for the amount owed. In the case of the ALPA Claim, the union was successful in negotiating a \$2.1 billion “general non-priority unsecured claim . . . in respect of the concessions made by ALPA and savings to the Company resulting from achievement of consensual Modifications to the PWA” under the terms of Letter 7*.

Unsecured creditors are paid on their claims only after the debtor pays the administrative costs of the bankruptcy and satisfies the claims of the secured creditors. Often, the unsecured creditors receive common stock of the reorganized company for their claim. In those cases, the company will issue new stock to all of its unsecured creditors, and each individual unsecured creditor will receive a pro rata portion of the new stock determined by the ratio of the creditor’s individual claim to the size of the overall creditor claim pool.

Prior to filing its plan of reorganization (POR), a company will consult with its investment bankers and determine how many total shares to issue for the reorganized company at bankruptcy exit. Each creditor then receives a pro rata portion of the new shares issued to

* Provisions for the ALPA Claim previously contained in Letter 51 are now embodied in Letter 7 of the newly rewritten PWA.

creditors. For example, let's say a company has filed for Chapter 11 and during the reorganization, numerous unsecured creditors assert claims against the estate for \$20 billion dollars. Further, assume that one of those creditors has a claim for \$2 billion dollars against the company. As the company approaches bankruptcy exit, it will file a plan of reorganization which will include the issuance of shares in the reorganized company to settle the claims of its unsecured creditors. In our example, let's assume the corporation issues 100 million shares to satisfy those claims. Each individual unsecured creditor will receive a portion of these shares in accordance with the formula:

$$(A \div B) \times C = S$$

Where A is the creditor's claim value, B is the total size of the claim pool, C is the total number of shares issued by the company to all unsecured creditors and S is the shares allocated to the creditor. So in our example, the creditor with the \$2 billion claim would receive 10 million shares in the reorganized company, or ten percent of the total shares issued to creditors:

$$(\$2 \text{ billion} \div \$20 \text{ billion}) \times 100 \text{ million shares} = 10 \text{ million shares of stock}$$

How much are the new shares worth? Until the stock begins to trade on the open market, there is no way to answer that question. Further, the creditors' recovery (cents on the dollar of his claim) will be determined only when he sells his shares on the open market. If, for example, the creditor sells his shares at a price of \$30 per share, he will receive:

$$10 \text{ million shares} \times \$30 \text{ per share} = \$300 \text{ million}$$

Since he had a claim of \$2 billion, he can look back and see that he received 15 cents on the dollar for his claim:

$$\$300 \text{ million} \div \$2 \text{ billion} = 0.15 \text{ or } 15 \text{ cents per claim dollar}$$

In summary, a company exiting Chapter 11 will issue some number of shares in the reorganized company to its unsecured creditors, each creditor will be entitled to his pro rata number of shares, and the dollar value of the shares will be set by the market. A creditor's "recovery" – the number of cents on the dollar of his initial claim against the company – can only be determined when he sells his shares on the open market.

It is also important to point out that in most bankruptcies, the company cannot distribute the total amount of new shares to its creditors on the date it emerges from Chapter 11 because it has not yet completed the complex process of determining the final amount of "allowed" or valid bankruptcy claims. Instead, a company typically distributes a majority of its stock pool at exit and the remaining shares over time as the final claims pool is determined. This process may take months or even more than a year. In the United Airlines bankruptcy, for example, the company distributed about 70 percent of creditor shares at exit and will distribute the remaining 30 percent over the 15 months following the bankruptcy.

Now let's look at the ALPA Claim. What is an individual pilot's claim allocation worth? The answer is, it depends. The allocation model described in *ADC Dispatch 06-03* was used to estimate how many claim dollars each eligible pilot would initially receive, but as we saw in the example above, the value of a claim dollar is unknown. Delta has not yet filed its POR and we do not know a number of variables needed to determine the value of each pilot's claim allocation. For example, we do not know:

- The total size of the claim pool
- The number of shares that the new Delta will issue when it exits bankruptcy
- The value the market will place on those shares once issued and Delta exits bankruptcy
- The price at which the individual pilot may eventually sell those shares

Only when these variables become known will an individual pilot be able to determine how many cents on the dollar he received for his claim dollar allocation. The key concept here is that a pilot who chooses not to participate in a claim sale will receive shares – not dollars – from the bankruptcy settlement, and the shares are always “worth” whatever they can be sold for on the open market, but shares only equate to dollars when actually sold.

Claim Sale Option

Now let's look at what happens in a claim sale. As the term implies, a creditor's claim can be sold prior to bankruptcy exit. In a claim sale transaction, the creditor sells his claim to a third party or parties. The claim and right to the equity then belong to the third party, and the original creditor receives cash from the third party, though not until or shortly after bankruptcy exit.

In essence, selling a bankruptcy claim is the equivalent of selling the right to receive new stock when the company emerges from bankruptcy. There is an active claims trading market on Wall Street that is dominated by hedge funds and other large institutions that want to hold the company stock when it emerges from Chapter 11 (either as a long term investment or, more likely, to hold a mixture of “long” and “short” positions in stock) or as a small part of a multi-billion dollar hedging strategy.

Hedge funds and similar large institutions purchase bankruptcy claims for reasons that differ from the reasons that individual investors buy common stock. An individual investor typically buys a security to sell at a higher price in a reasonable period of time. A hedge fund may make a similar “long” bet that the stock will rise in the future, but it may also buy claims as part of a “short” bet that the stock falls in the future or as a hedge against other economic events (like falling oil prices, for example). Whatever their rationale, the large institutional investors that buy bankruptcy claims today have vastly different risk profiles, capital pools and strategies than individual investors and **may** be willing to pay a premium to buy a large portion of bankruptcy claims.

After a thorough analysis, the Delta MEC elected to authorize a claim sale for those Delta pilots who wish to participate in order to allow every eligible pilot the opportunity to convert his or her claim allocation into cash at the highest price that the market will bear.

Note: ALPA, the MEC and their professional advisors will not offer financial advice, and you should not construe this *ADC Dispatch* as investment, tax or legal advice. ALPA, the MEC and their professional advisors will not make any recommendation as to whether a pilot should participate in the claim sale, offer any advice with respect to this program or take any responsibility for the results of the claim sale.

The MEC has retained the Athena Advisory Group, LLC and has directed Athena to sell the participating portion of the ALPA Claim for the highest possible amount in the claims trading market, but no less than 25 cents on the dollar (after the payment of all fees and expenses).*

Features of the MEC-authorized claim sale program include:

- Each pilot who received a claim dollar allocation will have the opportunity to participate in the claim sale.
 - Participation is voluntary.
 - If you wish to participate in a claim sale, you must make an affirmative irrevocable election to do so. You must make this election by logging on to <http://www.deltapilotsadc.org> and following the links to the claim sale page of the website. The default choice is that you do **not** wish to participate in a claim sale. If you do **not** wish to participate in a claim sale, you need take no action, and you will receive equity in a reorganized Delta Air Lines.
- The claim sale will have a floor price of 25 cents on the dollar (after fees and expenses).
 - If only a portion of the claim can be sold for 25 cents or more, all pilots who elected to participate in a claim sale will receive a pro rata portion of their claim allocation in cash and the remainder in equity. For example, if only 70 percent of the claim of those participating can be sold, all pilots who elected to participate in a claim sale will sell 70 percent of their claim dollar allocation and receive the remaining 30 percent of their allocation in equity.
 - If none of the claim of those participating can be sold for at least 25 cents on the dollar, a claim sale will not take place.
- You may only choose to sell *all* or *none* of your claim allocation. You may not elect to sell only a portion of your claim.
- **Once you elect to participate, your decision is irrevocable.**

Should there be a claim sale and once we know which pilots have elected to participate, Athena will seek to sell the corresponding portion of the ALPA Claim into the market. Depending on market conditions, the auction process will establish a sale price for the ALPA Claim at some point in late 2006 or, more likely, early 2007. We currently expect that the claim sale will be funded with cash proceeds on or about the date Delta emerges from bankruptcy.

It is important to know that a claim sale may or may not occur. Whether a claim sale takes place will depend on a number of factors, including whether ALPA and the Company agree on certain

* Athena will receive a 1.25% fee from the gross proceeds of the claim sale. In addition, there may be modest legal and administrative fees involved in the claim sale.

items for a claim sale (under LOA 7) and whether, in any potential sale, ALPA’s financial advisors receive an offer not less than the minimum price (25 cents for each dollar of the claim).

Risks/Benefits of a claim sale

As with almost any financial transaction, there are risks and benefits associated with participating in a claim sale.

The potential benefits of the claim sale include the possibility of receiving a favorable price, the administrative ease of receiving cash rather than stock, and the ability to receive a single distribution of cash proceeds rather than several distributions of new Delta stock over a potentially lengthy period of time.

The potential risks in the claim sale program include the possibility that the value of Delta stock will be higher upon exit from bankruptcy than the relative value received by pilots in the claim sale. If, for example, a portion of the ALPA Claim sells for 28 cents on the dollar and Delta stock trades for the equivalent of 30 cents on the dollar when Delta emerges from Chapter 11, participating pilots, in theory, would lose those 2 cents. Of course, if Delta stock trades at the equivalent of 26 cents on the dollar, participating pilots would gain those 2 cents.

Equity/Claim Sale Comparison		
	No Claim Sale Participation	Claim Sale Participation
What is my estimated initial claim dollar allocation?	The estimated initial allocation was determined by allocation model described in <i>ADC Dispatch 06-03</i> . This allocation is independent of your decision whether or not to participate in a claim sale.	Same.

<p>What is my estimated claim allocation worth?</p>	<p>It depends on a number of factors including the number of shares Delta issues to its unsecured creditors, the size of the creditors' pool of claims and the price of those shares on the open market. Until those variables are known, there is no way to determine the value of your equity in reorganized Delta Air Lines.</p>	<p>It depends on how much the claim can be sold for. The MEC's advisors will auction the claim for the maximum possible price but no less than 25 cents on the claim dollar (after fees and expenses). If the MEC's financial advisors cannot sell at least some of the claim for at least 25 cents on the claim dollar, the claim sale will not take place. If only a portion can be sold for a minimum of 25 cents on the dollar, participating pilots will sell a pro rata portion of their claim. The remainder will be received in Delta stock.</p>
<p>Are there any tax differences between participating in the claim sale and receiving stock?</p>	<p>The tax treatment is the same in either case. In accordance with the terms of Letter 7, and to the maximum extent permitted by law, the stock will be contributed to the Delta Pilots Defined Contribution Plan, a qualified plan under IRS regulations; the remainder of the shares will be distributed to you net of normal payroll taxes and withholdings.</p>	<p>The tax treatment is the same in either case. In accordance with the terms of Letter 7, and to the maximum extent permitted by law, claim sale proceeds will be contributed to the Delta Pilots Defined Contribution Plan, a qualified plan under IRS regulations; the remainder of the proceeds will be paid to you net of normal payroll taxes and withholdings.</p>

<p>Are there any timing differences between participating in the claim sale and receiving stock?</p>	<p>All creditors will likely receive an initial distribution of new Delta stock at or about the time the Company emerges from Chapter 11 and additional distributions over the following months as all post-bankruptcy issues have been finalized. A significant portion of the total stock distribution could be held back for the final distribution. This is true for all Delta's creditors, not just pilots.</p>	<p>In a claim sale, participants will receive 100 percent of the proceeds of the sale on or shortly after bankruptcy exit.</p>
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Summary

The claim allocation model has been run, and all eligible pilots have received an estimated initial allocation of their portion of the \$2.1 billion ALPA Claim.

For those pilots who wish to receive equity in the reorganized Delta Air Lines, you need take no action. You will receive equity based on your claim dollar final allocation relative to the overall size of the claim pool and also dependant on the number of shares Delta issues to settle the claims of its unsecured creditors. You will receive most of your equity at or shortly after bankruptcy exit, but as is the case with all unsecured creditors, you will not receive all of your equity for possibly months and perhaps more than a year after Delta's exit from bankruptcy. The value of your equity will be determined by the market once Delta stock trades on a public exchange.

The MEC has authorized a voluntary claim sale program. If you choose to participate, you must do so by visiting <http://www.deltapilotsadc.org> and making an affirmative, irrevocable decision to do so **no later than 3:00 p.m. ET on Thursday, November 30, 2006.**

A list of frequently asked questions accompanies this *ADC Dispatch*.

NOTE: This and all other *ADC Dispatches* are available on both the www.deltapilots.org and the www.deltapilotsadc.org websites.

Frequently Asked Questions
Concerning the ALPA Claim Sale Program

Disclaimer: ALPA, the MEC and its professional advisors are not offering financial advice to individual pilots, and you should not construe this communication as investment, tax or legal advice of any kind. We make no recommendation on whether a pilot should opt to participate in the ALPA Claim sale, and we take no responsibility for the results of the claim sale. No person has been authorized by ALPA, the MEC or any of its professional advisors to provide you with any recommendation or advice concerning the ALPA Claim sale program.

Q1. What is the “ALPA Claim”?

A1. The \$2.1 billion ALPA Claim is the right to share in the payment made to all Delta’s allowed unsecured creditors at the end of the Delta bankruptcy. ALPA negotiated “an unsecured claim . . . in the amount of \$2.1 billion . . . in respect of the concessions made by ALPA and savings to the Company resulting from achievement of consensual Modifications to the PWA.” These modifications are those under the terms of Letter 7[†].

Q2. Is the ALPA Claim related to the new Delta stock that Delta’s unsecured creditors will receive when the Company exits from bankruptcy?

A2. Yes. Delta’s unsecured creditors will likely receive new Delta stock as payment for their bankruptcy claims in proportion to the amount of their claims when Delta emerges from Chapter 11.

Q3. How much of the ALPA Claim will I get?

A3. Each eligible pilot will receive an allocation from the ALPA Claim under the claim allocation program adopted by the MEC in October. Your *estimated* initial claim allocation can be viewed at <http://www.deltapilotsadc.org>.

Q4. How many shares of new Delta stock will I receive from the ALPA Claim?

A4. That depends on the final total amount of claims recognized in the Delta bankruptcy and the total number of shares of new Delta stock distributed to the Company’s creditors. The formula for determining the number of shares for an individual will look like this: $S = (A/B) \times C$, where “S” is the number of shares you are entitled to receive, “A” is your final claim allocation, “B” is the total claim pool of all allowed unsecured claims and “C” is the total number of shares to be distributed to Delta creditors under the Plan of Reorganization (“POR”). “A”, “B” and “C”

[†] Provisions for the ALPA Claim previously contained in Letter 51 are now embodied in Letter 7 of the newly rewritten PWA.

are unknown at this time. "A" is estimated but unknown precisely because each eligible pilot's estimated initial allocation amount will likely change (because of corrections for any errors and also due to the forfeiture and redistribution rules, as discussed in *ADC Dispatch 06-03*). "B" is unknown because the total claim pool is not yet final and "C" is unknown because Delta has not yet filed its Plan of Reorganization.

Q5. How much is my allocation of the new Delta stock or the ALPA Claim worth?

A5. These values are unknown. Once the Company emerges from bankruptcy, the new Delta stock will be listed on a national stock exchange – e.g., the New York Stock Exchange or NASDAQ – and will eventually trade in the market like any other stock. These shares will be worth whatever you could sell them for in the public stock markets on any given day. If you participate in any claim sale, the value of your claim allocation will be reflective of the amount the claim is sold for at auction.

Q6. Why would anyone sell their claim now instead of waiting to receive the new Delta stock later?

A6. Those who sell bankruptcy claims typically do so because the creditor prefers to receive cash rather than stock, because the creditor likes the price that the market will pay for the claims or for any number of other reasons.

Q7. How much are Delta bankruptcy claims selling for in today's market?

A7. The claims trading market is more volatile and less clearly understood than the public markets for stocks and bonds. There is no central clearinghouse or information system that tracks claim trades; instead, buyers and sellers hold auctions from time to time, and the rest of the market gets a sense of where the most recent trade settled from these occasional sales. Smaller lots of Delta claims and Delta unsecured bonds have recently sold for between 24 and 28 cents on the dollar. These prices can change on any given day, and no one knows how the market will price a large block of Delta claims.

Q8. How will the ALPA Claim sale work?

A8. Pilots wishing to participate in any potential claim sale must make an affirmative irrevocable decision to do so **no later than 3:00 p.m. ET on Thursday, November 30, 2006**. At that point, the MEC's financial advisors will know how much of the ALPA Claim is available to sell. At some point before the Company exits bankruptcy, if there is a claim sale the financial advisors will auction that portion of the ALPA Claim into the claim trading market for the highest possible price, but not for less than 25 cents per dollar (after fees and expenses). The transaction, if it occurs, will be completed on or about the date Delta emerges from Chapter 11. In accordance with the terms of Letter 7, and to the maximum extent permitted by law, the claim sale proceeds will be contributed to the Delta Pilots Defined Contribution Plan for a participating pilot; any proceeds remaining will be distributed to the participating pilot net of normal payroll taxes and withholdings.

Q9. Why is there a minimum claim sale price of 25 cents on the dollar?

A9. Based on the advice of the MEC's financial advisors, the minimum claim sale price was set at 25 cents on the claim dollar (after fees and expenses). As of October 2006, smaller lots of Delta claims and Delta unsecured bonds are selling for between 24 and 28 cents on the dollar. There is no guarantee that this minimum price will be met and, if it is not, there will be no claim sale.

Q10. Are there any tax differences between participating in the claim sale and receiving stock?

A10. No. If you participate in any claim sale, then, in accordance with the terms of Letter 7, and to the maximum extent permitted by law, claim sale proceeds will be contributed to the Delta Pilots Defined Contribution Plan, a qualified plan under IRS regulations; the remainder of the proceeds will be paid to you subject to normal payroll taxes and withholdings.

If you receive stock, then in accordance with the terms of Letter 7, and to the maximum extent permitted by law, the stock will be contributed to the Delta Pilots Defined Contribution Plan, a qualified plan under IRS regulations; the remainder of the shares will be distributed to you subject to normal payroll taxes and withholdings.

Q11. Are there any timing differences between participating in the claim sale and receiving stock?

A11. Yes. Under many bankruptcy plans of reorganization, creditors receive an initial distribution of new company stock at or about the time the company emerges from Chapter 11. A portion of the total stock distribution, however, is oftentimes held back for final distribution until the process of determining the final amount of "allowed" or valid bankruptcy claims is complete. This will likely occur in the Delta bankruptcy process and, if so, will apply to all Delta creditors, not just pilots. On the other hand, in a claim sale, pilot participants will receive 100 percent of the proceeds of the sale on or about the exit date.

Q12. What are there risks and benefits of participating in the claim sale instead of waiting to receive new Delta stock?

A12. Like almost any financial transactions, the claim sale program has potential benefits and potential risks.

The potential benefits of the claim sale are the possibility of receiving a favorable price, the administrative ease of receiving cash rather than stock, and the ability to receive a single distribution of cash proceeds (whether directly or into a qualified plan) rather than several distributions of new Delta stock over a potentially lengthy period of time.

The potential risk in the claim sale program is that the value of Delta stock will be higher upon exit from bankruptcy than the relative value received by pilots in the claim sale. If, for example, we sell a portion of the ALPA Claim for 28 cents on the dollar and Delta stock trades for the

equivalent of 30 cents on the dollar when Delta emerges from Chapter 11, participating pilots, in theory, would lose those 2 cents. Of course, if Delta stock trades at the equivalent of 26 cents on the dollar, participating pilots would gain those 2 cents.

Q13. But what if I want to hold Delta stock after the Company exits Chapter 11? Aren't some people saying that Delta will be a hot stock after exit?

A13. Your decision to participate in the claim sale is entirely independent of whatever you might think about Delta stock after the Company emerges from bankruptcy. If you want to hold Delta stock as a long-term investment, you can either (a) not participate in any claim sale and receive shares under the distribution (most at exit and the rest later) or (b) participate in any claim sale and use the proceeds of any claim sale to buy and hold Delta stock. No one knows how Delta stock will trade after the bankruptcy exit.

Q14. So, should I participate in the ALPA Claims sale?

A14. That's entirely up to you. ALPA, the MEC and its professional advisors do not give financial advice of any kind and offer no view on whether it's a good idea or a bad idea to sell claims rather than receive Delta stock. The MEC has created the claims sale program as a service for the pilot group to provide individual pilots with the option of taking advantage of the claim trading market if they choose to do so. If you so desire, you should consult your personal investment advisors.

Q15. When does the period for participating in the ALPA Claim sale end?

A15. You must affirmatively and irrevocably elect to participate in the program by **3:00 p.m. ET on November 30, 2006** in order to participate in the ALPA Claim sale.

Q16. How do I participate in the claim sale program?

A16. You can elect to participate in the ALPA Claim sale program by logging on to <http://www.deltapilotsadc.org> **no later than 3:00 p.m. ET on November 30, 2006**. This web site will include a claim sale web page which will provide you with the opportunity to elect to participate in any claim sale. To log on to the web site, you will use your six-digit employee number and the "personal identification number" (PIN) you created on the web site during the "data verification window." If you are a first time visitor to the website, you will register using your six-digit employee number and the last four digits of your social security number. You will then be prompted to create a PIN before proceeding to the claim sale page.

Q17. What if I don't want to participate?

A17. Then you do not have to do anything. If you are eligible, you will receive an allocation of new Delta stock from the ALPA Claim. In any event, you should definitely log on to the web site in order to gain full information on the claim allocation. If you log on to <http://www.deltapilotsadc.org>, you will be afforded the opportunity to proceed through the web pages *without* electing to sell your claim.

Q18. Can I revoke or change my decision after I elect to participate?

A18. No. **The election to participate in the claims sale program is irrevocable.** Make your claim sale decision accordingly.

Q19. What happens if only a portion of the total authorized ALPA Claim can be sold?

A19. Each pilot participating in the claim sale program will receive a pro rata share of the cash proceeds of the claim sale. The balance of the pilot's allocation will be distributed as new Delta stock. For example, if all the pilots who elect to participate have an interest in the ALPA Claim in the amount of \$500 million, but only \$250 million can be sold at the minimum or greater price, then each of the participating pilots would receive one-half of his ALPA Claim allocation in cash and one-half in stock (again this may be in whole or in part deposited into a qualified plan).

Q20. Could the ALPA Claim sale program allow a third party to put together a controlling stake in Delta?

A20. Not likely. The ALPA Claim will be sold broadly into the market in relatively small chunks. For tax reasons, no one can buy Delta stock unless the purchase would leave them holding less than five percent of the Company. We do not expect any single buyer of the ALPA Claim to hold more than \$20 to \$30 million of Delta stock. In addition, the MEC's professional advisors will structure the sale so that no third party can aggregate a substantial position in Delta stock from the ALPA Claim.