

DP3 reaches agreement with Delta and Creditors Committee over pre-plan termination NQ benefits

Delta grants claim for missed payments; DP3 motions and objections dismissed

Dear DP3 Member and others;

After months of litigation and in negotiations recently begun at Delta's request, DP3 has reached an agreement with Delta and the Unsecured Creditors Committee that resolves the question of unpaid non-qualified benefits through plan termination and other matters.

The DP3 Board of Trustees believes that this settlement is the best available outcome of some of the issues in the legal proceedings DP3 has undertaken on behalf of all retired pilots since Delta filed for Chapter 11 protection in September. It is a result that many thought could not be achieved against huge obstacles in a major bankruptcy.

I will try to provide a comprehensive explanation of the settlement, but first here are some key bullet points:

- Delta acknowledges, and will grant to each Covered Pilot, an allowed claim for the full value of all non-qualified pension benefits accrued and unpaid from the bankruptcy filing to the NQ Plan termination date. This claim will be granted to all pilots who will have retired prior to the NQ plan termination date.
- Part of the allowed claim is a \$9 million Administrative Claim. Each Covered Pilot will receive in cash, his or her pro rata share of the Admin Claim after expenses.
- Delta acknowledges that DP3 may pursue a claim in court for post-plan termination non-qualified pension benefits.
- By withdrawing our objection to LOA 51, we enhance the security of all retired pilots by helping to ensure the highest possible level of funding in the Qualified Plan if it is taken over by the PBGC.
- DP3 has agreed to dismiss with prejudice (which means that the party that raised the issue may not raise the issue again), all active DP3 legal matters, including the DP3 Adversary Proceeding, the DP3 Objection to LOA 51, the DP3 1113 Representative Motion, the DP3

Motion to Compel and its subsequent appeal now before the bankruptcy court.

Following is a summary of the agreement. If there are any disagreements between this letter and the agreement, the agreement controls. The Stipulation and Order has been executed and was filed with the Bankruptcy Court May 31; it becomes effective upon approval by the court. I encourage you to read it in full on the DP3 web site at www.dp3.org.

Summary points

1. Delta acknowledges and will grant a claim to Covered Pilots for unpaid accrued non-qualified benefits from the date of the bankruptcy petition to the date the Non- Qualified Plans are terminated.
2. Each Covered Pilot will receive an individual claim for his or her total accrued and unpaid non-qualified benefit. Each pilot will receive in cash his or her pro rata share of an administrative claim of \$9 million; the balance of the total claim will be issued as an allowed (confirmed) unsecured claim, all minus court-approved legal expenses.

From the agreement:

"For the period commencing on the Petition Date and ending on the termination date of the Non- Qualified Plans (the "NQ Termination Date"), pilots who retired prior to the NQ Termination Date and have accrued and unpaid benefits arising under the Non-Qualified Plans ("Covered Pilots") shall collectively have an allowed administrative claim in the aggregate amount of \$9 million (the "NQ Admin Claim") and an allowed general non-priority unsecured claim for the balance of the Non-Qualified Plan benefits accrued and unpaid from the Petition Date to the NQ Termination Date (the "Balance Claim").

"Delta and the [General Unsecured] Committee acknowledge that benefits under the Non-Qualified Plans have been accruing since the Petition Date at a rate of approximately \$7 million per month--

--Distributions in respect of both the NQ Admin Claim and the Balance Claim shall be made to Covered Pilots under a plan of reorganization pro rata according to their individual percentages of the total accrued and unpaid NQ Benefits as of the NQ Termination Date, less any allowed legal expenses--"

3. Once the \$9 million Administrative Claim Allowance and the Balance Claim Allowance are approved by court order, it may be possible to sell the claims. There is an active market for such Allowances among claims traders and either or both claims may be sold at market or held as desired. (DP3 will assist any pilot or group of pilots wishing to sell their claim.)

4. (The informal market for such Delta Claims is now approximately 90% of face value for an Administrative Claim and approximately \$0.25-\$0.27 on the dollar for the Balance Claim obligation. At NWA, debt similar to the Delta Balance Claim is selling near or above \$0.40 on the dollar. Obviously, these markets are dynamic and the value of any claim will vary with the financial performance of the corporation and many other factors.)

"No later than 60 days after the termination of the Non-Qualified Plans, Delta will file an omnibus order allowing the NQ Admin Claim and the Balance Claim for each individual Covered Pilot as set forth herein."

5. The actual payment by Delta in cash to holders of an Administrative Claim or distribution of stock to holders of a Balance Claim will occur as soon as practicable after Delta's bankruptcy Plan of Reorganization is confirmed by the Bankruptcy Court.

6. Post-termination claims: DP3 and Delta, *"--fully reserve their rights as to the existence, allowability and amount of any general unsecured non-priority Post-Termination Claim"* regarding future unpaid non-qualified benefits. Nearly 3,600 covered pilots times their individual non-qualified benefit over their life expectancy produces a very big number.

DP3 will aggressively seek to establish this claim and then reach a fair settlement with Delta. If established, this claim will be a general non-priority unsecured claim among other general unsecured creditors' claims.

"--to the extent there is any claim arising in connection with the Non-Qualified Plans for the period on and after the NQ Termination Date (any such claim, a "Post-Termination Claim"), such claim is a general non-priority unsecured claim, the parties do not presently agree as to whether there is any such Post-Termination Claim, and, if so, in what amount."

"Therefore, all parties fully reserve their rights as to the existence, allowability and amount of any general unsecured non-priority Post-Termination Claim. Should Delta, the Committee or any other party allege that LOA # 51 has itself extinguished the right to, or existence of, a Post-Termination Claim, then DP3 shall be free to argue, solely and exclusively for the purposes of advocating for the existence of a non-priority general unsecured Post-Termination Claim, that any such effect of LOA #51 on the rights of Covered Pilots under the Non-Qualified Plans is improper and unlawful for the reasons set forth in the DP3 Objection or under ERISA."

7. DP3 agrees to the dismissal of all motions and objections. The agreement resolves all claims regarding unpaid non-qualified benefits from the date of petition through NQ plan termination (but not post-termination claims—see #6).

8. DP3 reserves all of its rights to refile a request for retiree Section 1113 representation if another Section 1113 motion is filed with the court.

"--provided however, that should further Section 1113 proceedings be resumed or instituted during these cases with respect to the PWA, DP3 reserves the right to refile a motion seeking an authorized 1113 representative for retired pilots, and Delta and the Committee reserve all their rights with respect thereto. "

9. DP3, as an entity, will not sue ALPA over any Non- Qualified Plan. However the agreement does not restrict or prohibit any DP3 member or any covered pilot from bringing his or her individual action against ALPA.

10. Reasonable legal fees and expenses for Miller & Martin, PLLC, must be approved by the court and cannot exceed 10% of the actual distribution value. Fees and expenses will be paid out of the NQ Admin Claim and the Balance Claim.

11. All legal fees paid under this agreement will be credited to the Pilots Account at Miller & Martin, PLLC.

12. Without objection by June 20, 2006, all covered pilots will be bound by this agreement. If a covered pilot wishes to object in a proper and timely manner and the objection has not been resolved between the pilot, DP3, the Creditors Committee and Delta by July 15, 2006, a hearing will be scheduled.

"At that hearing, DP3 shall seek to certify all Covered Pilots as a class in connection with the DP3 Adversary Proceeding for the purpose of implementing this settlement with respect to, inter alia, such objecting pilots, with such class to be represented by MILLER & MARTIN PLLC."

Qualified plan termination

Termination of the qualified plan is only indirectly addressed in this agreement but it is very important to mention. Since the termination of the qualified pension plan appears to be inevitable—and likely imminent—DP3 believes that it is in the best interests of *all* retired pilots drawing benefits from the plan that the highest possible funding level be assured when or if the Plan is taken over by the PBGC.

The withdrawal of our objection to LOA 51 enhances the future security of all retirees by allowing the plan to terminate in a timely manner and not risk further significant reductions in Plan funding should the Plan again be required by ERISA to resume payment of lump sums. ALPA has agreed to not oppose the termination of the qualified plan in LOA 51.

A refresher on how we got here--

You will recall the surprise we all shared when, on Sept. 15 at its first appearance in bankruptcy court, Delta did not request permission from the court to pay earned non-qualified monthly pension benefits to pilots nor to make the contractually required minimum contributions to the qualified pilot pension plan.

DP3 was in court on that day and we objected vigorously to Delta's action (or lack of action); much of the litigation now resolved by this Stipulation is a direct consequence of DP3's continuous and persistent effort to reverse the results of Delta's decision.

While we were not able to make every affected pilot whole for the rest of their lives--far from it--this settlement restores at least a portion of our lost NQ benefit with the possibility of more in the future. Without DP3, it is near certain that none of this would have been possible.

You will also recall that Delta wanted a single 1114 committee with pilots representing only a small minority of its members. Following yet another difficult and protracted path through the legal wilderness, Judge Hardin appointed a Pilot 1114 Committee in February. To have a pilot-only 1114 committee is rare, if not unprecedented. Again,

without DP3's determination, retired pilots, disabled pilots, survivors and dependents would not have a single, unified voice to speak on their behalf.

And what lies ahead--

Major challenges still lie ahead. First, DP3 will immediately direct our legal team and other professionals to begin the technical and detailed research needed to assert and then litigate the claim for future lost non-qualified Plan benefits—the post- termination claim.

Second, if you have been watching events at USAirways, United, TWA, and if you remember anything about the travail at Eastern, you know that we very likely have a long, tortuous road ahead when we begin dealing with the PBGC over our benefits after it takes over the qualified plan. DP3 will again step forward to represent all retired pilots in matters dealing with the PBGC and Delta.

Third, our legal team will assist retired pilots both with the preparation of individual claims for this pre- plan termination non-qualified settlement and with the preparation of claims if we prevail in reaching an agreement over post-termination benefits.

Finally, as a watchdog and guardian, DP3 will remain prepared to inject itself into the bankruptcy at any point in the future when the earned pension benefits of retirees, disabled pilots, survivors and dependents come under attack from any direction.

I am sure that many of you will have questions— please ask them. We will do our best to answer you individually and will later post some Q&As on our web site.

This settlement could not have been reached without your trust, loyalty and steadfast support.

Thank you.

Jim Gray
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