



Internal Memorandum

Date: January 12, 2006

To: Delta Employees, Retirees and Survivors

From: Robert L. Kight, Vice President – Compensation and Benefits

Subject: PAYMENTS FROM THE DELTA FAMILY – CARE DISABILITY & SURVIVORSHIP TRUST

In a recent newspaper advertisement, a group of retired Delta employees claimed that the company has improperly funded certified-time and severance benefits from the Delta Family-Care Disability and Survivorship Trust (the “Trust”). We strongly disagree with these charges, and believe that it was – and is – entirely legal and proper to fund these important employee benefits from the Trust. The matter is pending before the Bankruptcy Court and will be resolved through the judicial process.

In the meantime, here are some important points you should know:

- There is no question as to whether the law allows employee benefits like severance and certified-time to be paid from the Trust – it does. The legal arguments of the retiree group are primarily about internal procedure, and in our view are wrong.
- The Trust is separate from the Delta Family-Care Disability and Survivorship Plan (the “D&S Plan”). That Plan, not the Trust, provides for non-pilot survivor, life-insurance and disability benefits (including certified-time, which is a form of disability benefit). The Trust merely serves as a source of funds from which numerous non-pension benefits can be paid, including benefits under both the D&S Plan and Delta’s various severance plans. The Trust was structured this way from the beginning.
- If and when the over \$200 million in the Trust runs out, D&S Plan benefits would still continue to be paid – the funds would simply come from Delta’s general assets rather than from the Trust.
- Delta has made no proposals to change or reduce any long-term disability, survivor, or life insurance benefits for either retirees or for survivors. Make no mistake, however: the ability to continue to pay these and other benefits over the long term is dependent, not on any trust, but on our ability to survive and to transform the company to profitability.
- Not one penny from the Trust has ever been used to pay severance to executives. The severance plans that were funded by the Trust were offered only to front-line and supervisory employees, general managers and below.
- The supposedly improper Trust withdrawals for certified-time and severance benefits total approximately \$80 million over four years, roughly \$20 million per year on average. By comparison, in 2004 alone, Delta funded over \$350 million in non-pilot employee and retiree medical benefits out of its operating cash (more than the current assets in the Trust). Legally, we could have taken steps to make these payments from the Trust. Despite our financial situation, we did not.
- The notion that Delta tried to hide the fact that severance and certified-time are being paid from the Trust also is wrong. We have disclosed this in program materials available to all employees and publicly filed financial records since these payments began.

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The retiree group maintains it “isn’t right,” even if legal, to use money from the Trust to pay any benefits other than survivor and life insurance benefits or those disability benefits which were paid from the Trust prior to January 1, 2004. We strongly disagree.

In order to survive, Delta must marshal its limited resources in the manner that will give the company the best chance to succeed. Since the events of September 11, 2001, we have had an urgent need to conserve cash, which continues today. If the Trust had not been utilized as the law allows, we might have been forced into other, earlier cuts in the benefits provided to both active and retired employees. Going forward, any limitation on Delta’s ability to use all lawfully available resources to support its survival and eventual emergence from bankruptcy creates risks for all Delta people.

While it is too early in the bankruptcy process to know what may be necessary, we hope to be able to maintain for employees, retirees and their survivors our monthly survivor, disability and life insurance benefits in as close to their current form as we can, particularly for those currently receiving payments. In the same way, we hope to be able to continue certified time and severance benefits for our active employees. But to be clear, it is not the D&S Trust that protects the long-term interests of Delta people. Transforming our company into a profitable carrier is the only way we will have the chance to provide these kinds of benefits for all Delta people over the long term.

I hope this information has been helpful to your understanding of this situation. If you continue to have questions, please check the following web sites for further updates on this and other issues: if you are an active employee, log on to <http://dlnet.delta.com/portal/Employee+Connection>; if you are a retiree, log on to <http://www.dlretiree.info>.

Thank you.

A handwritten signature in black ink, appearing to read "MAS/A". The signature is stylized and somewhat cursive.

Robert L. Kight
Vice President – Compensation and Benefits