



Lisa LeRoy
Manager
Disbursement &
Receivables Services

Delta Air Lines, Inc.
1030 Delta Boulevard
Department 832/ATG
Atlanta, GA 30354

August 9, 2011

Martin F. Tynan
2333 Chelsea Road
Palos Verdes Estates, CA 90274

Dear Mr. Tynan:

Your letter of May 20, 2011 to Chris Collins of Delta's Human Resources division has been forwarded to me. In your letter you have two questions regarding your individual 1114 claim distribution (specifically, paragraphs 4 and 5 of your letter). The balance of your letter pertains to legal matters. The legal matters were separately addressed by Deborah Brown of Delta's legal division in her June 27, 2011 letter to you. This letter responds to the two questions regarding your 1114 claim distribution.

In paragraph 4 you question the tax withholding on your final distribution. Your allowed 1114 claim #1030957 was \$132,278.00. As such, it was subject to federal income tax withholding of 25% applicable to claims over \$100,000, not the 15% withholding rate applicable to claims greater than \$2,000 but less than \$100,000. Additionally, 1114 claims were subject to state and FICA tax withholding. The 191.84 shares withheld for tax purposes covered federal (25%), state (6.6%) and FICA (4.2% of Social Security and 1.45% for Medicare) taxes. ($25\% + 6.6\% + 4.2\% + 1.45\% = 37.25\%$. $515.00 \times 37.25\% = 191.84$ shares.) This was detailed in your individualized statement and explanation of share distributions dated April 25, 2011. I have enclosed a copy for your reference.

In paragraph 5 you reference the initial distribution was 44.5% of the total owed. This statement is not correct. I believe instead that you are referring to the conversion factor, or share divisor, used in the 2007 distribution and provided on the statement explanations mailed February 12, 2008, a copy of which is enclosed for your reference. That conversion factor was 44.45796.

The 2007 initial distribution was *approximately* 224.9 shares per each \$10,000 of allowed general unsecured claim. To get this, we rounded 0.02249315 to 224.9 shares/\$10,000 in order to simplify the calculation and its explanation. This also equates to a conversion factor of 1/.02249315, or 44.4579.

Applying this methodology to your claim produced the following with respect to your initial distribution:

- Your initial distribution was 2,975 gross shares.
- Using the multiplier, your initial distribution calculates to 2,975 gross shares ($\$132,278.00 \times .02249315$ shares = 2,975 shares).
- Using the simplified method of 224.9 shares/\$10,000 rate, your initial distribution also calculates to 2,975 gross shares ($\$132,278 \times 224.9 / \$10,000 = 2,975$ shares).
- Using the conversion factor, your initial distribution again calculates to 2,975 gross shares ($\$132,278 / 44.4579 = 2,975$ shares).

In the 2007 communication attached, we used the conversion factor to communicate the gross number of shares you would receive in the initial distribution. As you can see, using any of the other methods also resulted in the same gross share amount.

In the Delta case, allowed general unsecured claims received, in total, approximately 263.9 shares per \$10,000 of allowed claim value: approximately 224.9 shares per \$10,000 of allowed claim value in the initial distribution plus the final distribution of 39 shares per \$10,000 of allowed claim value. Using these figures, the initial distribution was approximately 85% of the gross total shares distributed, as was the case with your individual claim. (You received 2975 gross shares in the initial distribution plus 515 gross shares in the final distribution, for a total of 3490 gross shares. $2975/3490$ equals approximately 85%). *Please note that these figures are gross shares prior to any applicable withholding for taxes.*

Mr. Martin F. Tynan
August 9, 2011
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The ultimate value of your recovery is dependent upon the share value at the time you sell them. As such, it is not possible to provide a dollar figure for your ultimate recovery.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa LeRoy". The signature is fluid and cursive, with a large initial "L" and "R".

Lisa LeRoy
Manager, Disbursement & Receivables Services
Delta Air Lines, Inc.

Cc: Chris Collins
Enclosures



Christopher Collins
Managing Director
HR Service Delivery

Delta Air Lines, Inc.
Department 216
PO Box 20706
Atlanta, GA 30320-6001

April 25, 2011

Martin F. Tynan
2333 Chelsea Road
Palos Verdes Estates, CA 90274

Dear Martin F. Tynan,

On December 16, 2010 the Bankruptcy Court granted Delta's request for an Order for Final Decree closing Delta's Chapter 11 case. Enclosed you will find materials relating to the final distribution(s) that you recently received from Delta on account of your allowed claim(s). The enclosed materials are intended to assist you in preparing your 2011 tax return and address specific questions you may have regarding this distribution.

Enclosed you will find:

- ➔ • An individualized statement regarding the distribution(s) that you received.
- ➔ • An explanation of how the cash and share distributions were calculated.
- A copy of the Social Security Administration Form 131 (SSA 131). Delta has filed this form with the SSA on your behalf. The enclosed copy is for your records.
- A copy of IRS Form 8935. Delta has filed this form with the IRS on your behalf. The enclosed copy is for your records.

Frequently Asked Questions (FAQ) and answers concerning the enclosed materials and the final bankruptcy distribution will be posted on the Retiree Connection on DeltaNet and updated as needed. Please refer to these if you have questions. Agents at the Delta Employee Service Center (ESC) or those at Fidelity are not trained to answer your questions specific to the enclosed documents. We suggest you consult your tax professional.

Thanks again for your continued support of Delta.

Sincerely,

Christopher Collins
Managing Director - HR Service Delivery

How the SHARE Distributions were Calculated

The letter next to each subject heading refers to the location of this information on your Individualized Statement

A. Calculating Your Gross Shares (gross shares are rounded to 2 decimal places):

As previously stated, the Final distribution to Retiree creditors holding allowed general unsecured claims in the Delta bankruptcy case was approximately 39 shares per \$10,000 allowed claim amount. When combined with the Initial distribution of 224.9 shares per \$10,000 Allowed Claim amount, the total distributed for allowed general unsecured claims was approximately 263.9 shares per \$10,000 Allowed Claim amount. (Please note that these figures are for gross shares, prior to any applicable withholding for taxes, for claims below \$1M that received an initial distribution prior to February 2009).

Both cash and share (equity) distributions are calculated in terms of shares. The approximate gross number of shares due for this final distribution can be determined using the following conversion factor based on your Allowed Claim Amount.

$$\text{Gross Shares} = \text{Allowed claim amount} \times 0.003894898$$

We have received several questions asking why you are only receiving a portion and not the total amount of your Allowed Claim. As in every bankruptcy, general unsecured claim values are only used to determine how many shares of new Delta stock you will receive. The amount of your Allowed Claim is not the amount you will receive as a result of the bankruptcy distributions. The actual value of a creditor's recovery will depend on the market value of Delta's stock. Together, the initial and final distributions are in full satisfaction of your pre-petition claim. With this distribution, your claim has been satisfied in full through the bankruptcy process and there will be no further distributions on account of the above referenced claim.

B. Calculating Taxes Shares (tax shares are rounded to 3 decimal places):

Taxes in Shares (Tax Shares)

In accordance with the Confirmed Plan of Reorganization (the "Plan"), Delta was required to sell shares (Tax Shares) in advance of the final distribution to fund the cash to pay the taxes for the final share distribution. To accomplish this, we applied the agreed upon* standard tax rates to calculate how many of your shares (tax shares) should be sold to cover taxes. We then calculated all taxes in terms of shares and sold those shares from March 14-16, at the average share price of \$10.412. We refer to the cash received from the sale of your tax shares as your "tax pool" of dollars.

Standard Tax Rates

*Delta and the Internal Revenue Service agreed to apply the following federal income tax withholding flat-rates for Claimants. Rates vary based on Claim size, and are not individually determined:

I. for Claims \$2,000 or greater but less than \$100,000, a withholding rate of 15% (Class 5 claims).

→ II. for Claims \$100,000 and greater, a withholding rate of 25%. (Class 4 claims).

→ Additional state, local and FICA taxes (4.2% for Social Security and 1.45% for Medicare) were withheld, as applicable.

→ FICA was withheld from all 1114 medical claims (codes on your pay stub may include EQQUAL.)

FICA was not withheld from non-qualified claim settlements for pilots that retired prior to September 1, 2005 (codes on your pay stub may include EQNQUAL.)

State and local taxes were withheld at the supplemental rate associated with your residence location.

Survivor and Estate Disbursements

Consistent with previous practice, taxes were not withheld from survivor or estate disbursements. If the retiree passed away in 2011, only Social Security and Medicare taxes have been withheld. These taxes will be reported on a W-2. The bankruptcy distribution will be reported on a 1099M. Tax forms will be issued to survivors and estates at the beginning of 2012.

How the SHARE Distributions were Calculated

The letter next to each subject heading refers to the location of this information on your Individualized Statement

Calculating Tax Shares

Tax Share Calculation	
1	Gross Shares x 4.2% = Social Security Tax Shares
2	Gross Shares x 1.45% = Medicare Tax Shares
3	Gross Shares x Applicable Federal Tax Rate = Federal Tax Shares
4	Gross Shares x Applicable State Tax Rate = State Tax Shares
5	Gross Shares x Applicable Local Tax Rate = Local Tax Shares
6	Total Tax Shares = Sum of Social Security, Medicare, Federal, State and Local Tax Shares

C. Calculating the Tax Pool in Dollars (\$)

Tax Pool (\$) = Total Tax shares x \$10.412

D. Calculating Your Net Distribution in Shares (net shares are rounded to 2 decimal places):

Net Distribution Shares = Gross Shares - Tax Shares

E. Calculating Your Net Distribution in Dollars

Net Shares Distribution (\$) = Net Shares x \$9.91

Note: The Delta Stock Price for the cash distribution (\$10.412) is the average price collected for stock sold March 14-16 to pay all taxes and the cash distribution. The Delta Stock price for the share distribution (\$9.91) was the closing price of Delta Stock on March 23, which was the closing price the day prior to being deposited into the Fidelity accounts and the value Fidelity will refer to as the cost basis for your shares.

Note: If you elected to pay your withholding taxes in cash in advance of the equity distribution and your correct payment was received and processed by the deadline, your "net" distribution is the same as your "gross" distribution and the cash you remitted is shown as the tax amounts on your paystub.

F. Calculating Your Gross Distribution in Dollars:

Gross Distribution (\$):

Gross Shares Distribution (\$) = Tax Pool (\$) + Net Distribution (\$)

As previously stated, Tax Shares were valued at \$10.412 (the price at which the stock was sold to generate cash between March 14-16) and Net Shares were valued at \$9.91 (the price of the stock on March 23 the day prior to the actual distribution).

The difference in share prices on the dates of sale versus March 23 resulted in a small over withholding of taxes. We have allocated all of these excess Tax Pool dollars received from the sale of your Tax Shares to income taxes (Federal, State and Local) on your paystub. Although this will cause some of the income tax withholding rates to appear slightly overstated, this excess withholding will apply towards your other forms of income when you prepare your 2011 income tax return. Please consult your tax advisor if you have additional questions.

- Social Security Tax (\$) = Gross Distribution (\$) x 4.2%
- Medicare Tax (\$) = Gross Distribution (\$) x 1.45%

The excess tax dollar pool was allocated to federal, state and local taxes based on the following calculation:

- Remaining Tax Shares = Federal Tax Shares + State Tax Shares + Local Tax Shares
- Remaining Tax Pool (\$) to be allocated = Total Tax Pool (\$) - Social Security Tax (\$) - Medicare Tax (\$)
- Federal Tax (\$) = Federal Tax Shares / Remaining Tax Shares x Remaining Tax Pool (\$)
- State Tax (\$) = State Tax Shares / Remaining Tax Shares x Remaining Tax Pool (\$)
- Local Tax (\$) = Local Tax Shares / Remaining Tax Shares x Remaining Tax Pool (\$)

Explanation of Individualized Retiree Claim Distribution Statement**Class 4 and/or Class 5 Equity**

Class: CL4 (claims greater than \$100,000) or CL5 (claims between \$2,000 and \$100,000). This is the type of allowed claim referenced. Each type of allowed claim received a different treatment under Delta's Plan of Reorganization. If you have more than one different type of allowed claim, each type is discussed separately on your statement.

Classification: Claims with different classifications (Non-Qualified Pension Claims and 1114 Medical Claims) are treated differently for tax purposes. Please refer to Item 4, below, for a discussion of the withholding for tax purposes for various claim classifications.

Schedule Number: This is the schedule number assigned to each separate claim. One individual may have more than one claim and more than one schedule number.

Item 1 – Allowed Claim Amount:

This is the amount of your allowed Class 4 or Class 5 claim in Delta's bankruptcy. As directed by Delta's Plan of Reorganization, those with allowed Class 4 claims received an initial distribution of equity in the reorganized Delta on account of such claims. Those with allowed Class 5 claims had the opportunity to elect to receive either cash or equity on account of such claims.

Item 2 – Shares Allocated:

As stated in Delta's Plan of Reorganization and as is typical in most bankruptcies, holders of allowed unsecured claims will not receive distributions equal to the amount of their claims.

For allowed claims in Class 4 or Class 5, the amount of your allowed claim was used to determine how many shares of stock in the reorganized Delta you would receive. As part of the bankruptcy process, we divided the amount of your allowed claim by a rough estimate of the amount of unsecured claims that might ultimately be allowed. We then multiplied the resulting fraction by the number of shares available to be distributed to unsecured creditors in order to determine how many shares you would receive as an initial distribution. Pursuant to this calculation, an allowed general unsecured claim of \$10,000 against Delta (i.e. \$10,000 "claim dollars") received an initial distribution of approximately 225 shares of new common stock in the reorganized Delta Air Lines. The number of shares you should have received is equal your allowed claim amount (Item 1) divided by a conversion factor of 44.45796 (rounded to the whole share).