

A summary of a meeting between the DP3 Board of Trustees and Gerald Grinstein, CEO, Delta Air Lines

February 23, 2004

The Board of Trustees of the Delta Pilots Pension Preservation Organization requested meetings with Mr. Grinstein and Delta MEC Chairman, Captain John Malone. The meeting with Mr. Grinstein was held Feb. 23, 2004. A meeting with Captain Malone is scheduled March 4.

Present were Mr. Grinstein, Delta attorney Walter Brill and DP3 Board members Bill Houseman, Jim Gray, Reuben Black, Jim Haigh, Ron Stowe and Jim Bomar.

The discussion and questions covered a range of subjects relating to Delta's financial health, employee morale, bankruptcy, management's relations with pilots and other employees and general industry issues. At the request of Mr. Brill, detailed questions about pension liabilities and their disposition were not raised because of pending class action litigation. Here are the meeting highlights.

Delta's health and pilot talks: Mr. Grinstein began with a brief description of Delta's financial condition which he described as "unhealthy." He said that reducing high pilot costs is the single biggest hurdle which Delta faces. Mr. Grinstein said that Delta pilot costs are more than 200% higher than AirTran, 192% higher than JBLU, 82% higher than UAL and 60% higher than AMR. He repeated his analogy comparing Delta to a patient who has had a massive heart attack and needs a stent to survive but has instead been offered aspirin therapy (comparing what Delta has requested from the pilots and the counter-offer from ALPA).

He described Delta's balance sheet and present cost structure in stark terms. Mr. Grinstein said "We have consumed our balance sheet - we have been living off our balance sheet for the last few years, selling or borrowing against assets to maintain liquidity and to finance negative cash flow." Delta has negative equity - it owes more than the company is worth. Mr. Grinstein said Delta has approximately \$21 billion in debt and that pilot pay cuts in the amount set out in the Company's current proposal are required now but that amount would soon grow to a much larger amount at Delta's present rate of cash burn.

Mr. Grinstein described ALPA's position as "modest," that it would only temporarily preserve present jobs and salaries, prevent further access to capital markets and prevent expansion. In contrast, he said that JBLU is forecasting 20% growth. Mr. Grinstein said that ALPA's current position would do little to help Delta in the present market and that Delta "would have trouble surviving another economic downturn or 9/11-type event without major pilot cost reductions".

Mr. Grinstein recalled the celebration of the Delta "UAL+1" contract signed in 2001. He said that we would happily settle for another UAL+1 agreement based on United's current rates.

A pilot settlement in 2005? Mr. Grinstein was asked about his published statement suggesting that a mid-contract settlement with the pilots might not occur until mid-2005. The Pilot Working Agreement is amendable in May 2005. He replied that Delta's current liquidity would not last through a lengthy Section 6 negotiation. "If we wait until the Spring of 2005 or even this fall to get this settled," he said, "the deeper the hole becomes." Without relief, Mr. Grinstein said Delta could be forced to consider bankruptcy if its cash position deteriorated too far.

Are other employees next? When asked if an agreement with the pilots would open the door to further cuts for non-contract employees, Mr. Grinstein very forcefully replied that, "*The other employees are subsidizing the pilots!*" Everything has already changed for [the non-contract employees]," he said. "Their pensions, work rules and retirement plans have all changed. They have all given." Mr. Grinstein said that Delta non-contract employees now have pay and benefits comparable to those found at AMR and UAL - which is in bankruptcy.

Trusts and Trust. We raised the issue of the SERPs. We pointed out that although the public uproar and bad publicity have abated, many retirees, pilots and other employees still deeply resent the special retirement trusts provided for a small group of executives. Further, angry employees point to Mr. Grinstein as a member of the Delta Board of Directors Compensation Committee that approved the special trusts.

"So, what about trust, credibility, morale and negotiations?" we asked. Mr. Grinstein said that, "while the [negative] result was predictable, Board deliberations must be kept confidential." He added, "I have done all I can do to repair the damage at this time; we have to move on. We need to focus on the future, not the past."

Road Shows. Mr. Grinstein said he would soon [begin a] series of road shows around the system open to all employees. ALPA was invited to participate in the road shows but declined.

Retirees. We discussed Delta's near total lack of direct communication to retirees. In these uncertain and threatening times the vast majority of retirees receive information about Delta from scattered news sources, second hand accounts or not at all. Other discussions included retiree pass benefits and easier access to Delta's web site.

We suggested that the possibility of retirees assisting Delta be included in the Strategic Review. We told Mr. Grinstein that DP3 would be willing to participate. Mr. Grinstein made notes about our comments and suggestions. He invited DP3's Chairman to contact him directly to discuss retiree problems and said that DP3 would be added to Delta's distribution lists for public announcements.

Retirement Funding. We voiced our concern about the inability to get current values of retirement assets and assumptions. Mr. Brill said he would investigate a more timely way to get us the information that can be released to the public.

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