

DELTA AIR LINES INC /DE/

FORM 10-K (Annual Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-5424

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

58-0218548
(I.R.S. Employer Identification No.)

Post Office Box 20706
Atlanta, Georgia
(Address of principal executive offices)

30320-6001
(Zip Code)

Registrant's telephone number, including area code: (404) 715-2600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.01 per share
8 1/8% Notes Due July 1, 2039

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and non-accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2006 was approximately \$148 million.

On January 31, 2007, there were outstanding 197,335,938 shares of the registrant's common stock.

This document is also available on our website at <http://investor.delta.com/edgar.cfm>.

Documents Incorporated By Reference

Part III of this Form 10-K will be filed with the Securities and Exchange Commission as an amendment to this Form 10-K in accordance with General Instruction G(3).

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Forward -Looking Information

Statements in this Form 10-K (or otherwise made by us or on our behalf) which are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future, may be “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. For examples of such risks and uncertainties, please see the cautionary statements contained in “Risk Factors Relating to Delta” and “Risk Factors Relating to the Airline Industry” in “Item 1A. Risk Factors” of this Form 10-K. We undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this report.

Other Information

On September 14, 2005 (the “Petition Date”), we and substantially all of our subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). On December 19, 2006, we filed a Plan of Reorganization (the “Plan”), which, after amendment, is being submitted to a vote of creditors and is subject to confirmation by the Bankruptcy Court. Under the Plan, current holders of our equity securities would not receive any distributions, and the equity securities would be cancelled upon the effective date of the Plan. Accordingly, we urge that caution be exercised with respect to existing and future investments in our equity securities and any of our liabilities or other securities. Additional information about our Chapter 11 filing is available on the Internet at www.delta.com/restructure. Bankruptcy Court filings, claims information and our proposed Plan are available at www.deltadocket.com. Information contained on these websites is not part of, and is not incorporated by reference in, this Form 10-K.

Unless otherwise indicated, the terms “Delta,” the “Company,” “we,” “us,” and “our” refer to Delta Air Lines, Inc. and its subsidiaries.

PART I

ITEM 1. BUSINESS

General Description

We are a major air carrier that provides scheduled air transportation for passengers and cargo throughout the United States and around the world. We offer customers service to more destinations than any other global airline, with Delta and Delta Connection carrier service to 308 destinations in 52 countries. With more than 60 new international routes added since 2005, we are increasing our international service significantly. We are a leader across the Atlantic with flights to 31 trans-Atlantic destinations. We also offer more than 600 weekly flights to 58 destinations in Latin America and the Caribbean. We are a founding member of the SkyTeam international alliance, a global airline alliance that provides customers with extensive worldwide destinations, flights and services. Including our SkyTeam and worldwide codeshare partners, we offer flights to 462 worldwide destinations in 99 countries.

For the years ended December 31, 2006, 2005 and 2004, passenger revenues accounted for 91 %, 90% and 91% of our consolidated operating revenues, respectively, and cargo revenues and other sources accounted for 9 %, 10% and 9% of our consolidated operating revenues, respectively. In 2006, our operations in North America, the Atlantic, Latin America and the Pacific accounted for 75 %, 18 %, 6 % and 1 %, respectively, of our consolidated operating revenues. In 2005, our operations in North America, the Atlantic, Latin America and the Pacific accounted for 80%, 14%, 5% and 1%, respectively, of our consolidated operating revenues. In 2004, our operations in North America, the Atlantic, Latin America and the Pacific accounted for 81%, 14%, 4% and 1%, respectively, of our consolidated operating revenues.

We are incorporated under the laws of the State of Delaware. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport in Atlanta, Georgia (the “Atlanta Airport”). Our telephone number is (404) 715-2600, and our Internet address is www.delta.com. Information contained on this website is not part of, and is not incorporated by reference in, this Form 10-K.

See “ Risk Factors Relating to Delta” and “Risk Factors Relating to the Airline Industry” in Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7 for additional discussion of trends and factors affecting us and our industry.

Airline Operations

Our route network is centered around the hub system we operate at airports in Atlanta, Cincinnati, New York (John F. Kennedy International Airport (“JFK”)) and Salt Lake City. Each of these hub operations includes Delta flights that gather and distribute traffic from markets in the geographic region surrounding the hub to domestic and international cities and to other Delta hubs. Our hub system also provides passengers with access to our principal international gateways in Atlanta and JFK.

As briefly discussed below, other key characteristics of our route network include our alliances with foreign airlines; the Delta Connection program; the Delta Shuttle; and our domestic marketing alliances, including with Continental Airlines, Inc. (“Continental”) and Northwest Airlines, Inc. (“Northwest”).

International Alliances

We have formed bilateral and multilateral marketing alliances with foreign airlines to improve our access to international markets. These arrangements can include codesharing, reciprocal frequent flyer program benefits, shared or reciprocal access to passenger lounges, joint promotions, common use of airport gates and ticket counters, ticket office co-location and other marketing agreements. These alliances often present opportunities in other areas, such as airport ground handling arrangements and aircraft maintenance insourcing.

Our international codesharing agreements enable us to market and sell seats to an expanded number of international destinations. Under international codesharing arrangements, we and a foreign carrier each publish our respective airline designator codes on a single flight operation, thereby allowing us and the foreign carrier to offer joint service with one aircraft, rather than operating separate services with two aircraft. These arrangements typically allow us to sell seats on a foreign carrier’s aircraft that are marketed under our “DL” designator code and permit the foreign airline to sell seats on our aircraft that are marketed under the foreign carrier’s two-letter designator code. We have international codeshare arrangements in effect with Aeromexico, Air France, Air Jamaica (currently expected to terminate on April 30, 2007), Alitalia, Avianca, China Airlines, China Southern, CSA Czech Airlines, El Al Israel Airlines, KLM Royal Dutch Airlines, Korean Air and Royal Air Maroc (and some affiliated carriers operating in conjunction with these airlines).

In addition to our agreements with individual foreign airlines, we are a member of the SkyTeam international airline alliance. The other full members of SkyTeam are Aeroflot, Aeromexico, Air France, Alitalia, Continental, CSA Czech Airlines, KLM Royal Dutch Airlines, Korean Air and Northwest. One goal of SkyTeam is to link the route networks of the member airlines, providing opportunities for increased connecting traffic while offering enhanced customer service through mutual codesharing arrangements, reciprocal frequent flyer and lounge programs and coordinated cargo operations.

In 2002, we, Air France, Alitalia, CSA Czech Airlines and Korean Air received limited antitrust immunity from the U.S. Department of Transportation (the “DOT”) that enables us and our immunized partners to offer a more integrated route network and develop common sales, marketing and discount programs for customers.

Delta Connection Program

The Delta Connection program is our regional carrier service, which feeds traffic to our route system through contracts with regional air carriers that operate flights serving passengers primarily in small- and medium-sized cities. The program enables us to increase the number of flights we have in certain locations, to better match capacity with demand and to preserve our presence in smaller markets. The Delta Connection program operates the largest number of regional jets in the United States.

Through the Delta Connection program, we have contractual arrangements with seven regional carriers to operate regional jet and, in certain cases, turbo-prop aircraft using our “DL” designator code. Our wholly-owned subsidiary, Comair, operates all of its flights under our code. Atlantic Southeast Airlines, Inc., which we sold to SkyWest, Inc. (“SkyWest”) in September 2005, continues to operate all of its flights under our code. In addition, we have agreements with the following regional carriers that operate some of their flights using our code: SkyWest Airlines, Inc., a subsidiary of SkyWest; Chautauqua Airlines, Inc., a subsidiary of Republic Airways Holdings, Inc. (“Republic Holdings”); Shuttle America Corporation, a subsidiary of Republic Holdings; Freedom Airlines, Inc., a subsidiary of Mesa Air Group, Inc.; and American Eagle Airlines, Inc.

We generally pay the regional carriers, including Comair, amounts defined in their respective contract carrier agreements, which are based on a determination of the carriers’ respective cost of operating those flights and other factors intended to approximate market rates for those services. These agreements are long-term agreements, usually with initial terms of at least ten years, that grant us the option to extend the initial term and provide us the right to terminate the agreement for convenience at certain future dates. Our arrangement with Eagle, which is limited to certain flights operated to and from the Los Angeles International Airport, as well as a portion of the flights operated by SkyWest Airlines, are structured as revenue proration agreements. These proration agreements establish a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries. For additional information regarding our contract carrier agreements, see Note 8 of the Notes to the Consolidated Financial Statements.

Delta Shuttle

We operate a high frequency service targeted to northeast business travelers known as the Delta Shuttle. The Delta Shuttle provides nonstop, hourly service on business days between New York - LaGuardia Airport (“LaGuardia”) and both Boston - Logan International Airport and Washington, D.C. - Ronald Reagan National Airport (“Reagan”).

Domestic Alliances

We have entered into marketing alliances with (1) Continental and Northwest (including regional carriers affiliated with each) and (2) Alaska Airlines and Horizon Air Industries, both of which include mutual codesharing and reciprocal frequent flyer and airport lounge access arrangements. These marketing relationships are designed to permit the carriers to retain their separate identities and route networks while increasing the number of domestic and international connecting passengers using the carriers’ route networks.

Fuel

Our results of operations are significantly impacted by changes in the price and availability of aircraft fuel. The following table shows our aircraft fuel consumption and costs for 2004 through 2006.

Year	Gallons Consumed (Millions)	Cost ⁽¹⁾ (Millions)	Average Price Per Gallon ⁽¹⁾	Percentage of Total Operating Expenses
2006	2,111	\$4,319	\$2.04	25%
2005	2,492	4,271	1.71	23%
2004	2,527	2,924	1.16	16%

(1) Net of fuel hedge (losses) gains under our fuel hedging program of (\$108) million and \$105 million for 2006 and 2004, respectively. We had no fuel hedge contracts in 2005.

Our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from off-shore sources and under contracts that permit the refiners to set the price.

We periodically use derivative instruments designated as cash flow hedges, which are comprised of heating oil and jet fuel swap and collar contracts, to manage our exposure to changes in fuel prices. Information regarding our fuel hedging program is set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risks Associated with Financial Instruments — Aircraft Fuel Price Risk” in Item 7 and in Note 4 of the Notes to the Consolidated Financial Statements.

We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability or price of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns, and other unpredictable events may result in fuel supply shortages and fuel price increases in the future.

Competition

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and existing carriers, some of which have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at our hub airports in Atlanta and JFK from other carriers. In addition, our operations at our hub airports also compete with operations at the hubs of other airlines that are located in close proximity to our hubs. We also face increasing competition in smaller to medium-sized markets from rapidly expanding regional jet operators. Our ability to compete effectively depends, in significant part, on our ability to maintain a cost structure that is competitive with other carriers.

In addition, we compete with foreign carriers, both on interior U.S. routes, due to marketing and codesharing arrangements, and in international markets. International marketing alliances formed by domestic and foreign carriers, including the Star Alliance (among United Airlines, Lufthansa German Airlines and others) and the oneworld Alliance (among American Airlines, British Airways and others) have significantly increased competition in international markets. Through marketing and codesharing arrangements with U.S. carriers, foreign carriers have obtained access to interior U.S. passenger traffic. Similarly, U.S. carriers have increased their ability to sell international transportation, such as transatlantic services to and beyond European cities, through alliances with international carriers.

Frequent Flyer Program

We have a frequent flyer program, the SkyMiles[®] program, which offers incentives to customers to increase travel on Delta. This program allows program members to earn mileage for travel awards by flying on Delta, Delta Connection carriers and participating airlines. Mileage credit may also be earned by using certain services offered by program participants, such as credit card companies, hotels, car rental agencies, telecommunication services and internet services. In addition, individuals and companies may purchase mileage credits. We reserve the right to terminate the program with six months’ advance notice, and to change the program’s terms and conditions at any time without notice.

Mileage credits can be redeemed for free or upgraded air travel on Delta and participating airlines, for membership in our Crown Room Club and for other program participant awards. Travel awards are subject to certain transfer restrictions and capacity-controlled seating. In some cases, blackout dates may apply. Program accounts with no activity for 12 consecutive months after enrollment are deleted. Miles will not expire so long as, at least once every two years, the participant (1) takes a qualifying flight on Delta or a Delta Connection carrier, (2) earns miles through one of our program participants, (3) buys miles from Delta or (4) redeems miles for any program award.

Regulatory Matters

The DOT and the Federal Aviation Administration (“FAA”) exercise regulatory authority over air transportation in the United States. The DOT has authority to issue certificates of public convenience and necessity required for airlines to provide domestic air transportation. An air carrier that the DOT finds fit to operate is given unrestricted authority to operate domestic air transportation (including the carriage of passengers and cargo). Except for constraints imposed by regulations regarding “Essential Air Services,” which are applicable to certain small communities, airlines may terminate service to a city without restriction.

The DOT has jurisdiction over certain economic and consumer protection matters, such as unfair or deceptive practices and methods of competition, advertising, denied boarding compensation, baggage liability and disabled passenger transportation. The DOT also has authority to review certain joint venture agreements between major carriers. The FAA has primary responsibility for matters relating to air carrier flight operations, including airline operating certificates, control of navigable air space, flight personnel, aircraft certification and maintenance and other matters affecting air safety.

Authority to operate international routes and international codesharing arrangements is regulated by the DOT and by the governments of the foreign countries involved. International route awards are also subject to the approval of the President of the United States for conformance with national defense and foreign policy objectives.

The Transportation Security Administration and the United States Customs and Border Protection, each a division of the Department of Homeland Security, are responsible for certain civil aviation security matters, including passenger and baggage screening at U.S. airports and international passenger prescreening prior to entry into or departure from the United States.

Airlines are also subject to various other federal, state, local and foreign laws and regulations. For example, the United States Department of Justice has jurisdiction over airline competition matters. The United States Postal Service has authority over certain aspects of the transportation of mail. Labor relations in the airline industry, as discussed below, are generally governed by the Railway Labor Act. Environmental matters are regulated by various federal, state, local and foreign governmental entities. Privacy of passenger and employee data is regulated by domestic and foreign laws and regulations.

Fares and Rates

Airlines set ticket prices in most domestic and international city pairs without governmental regulation, and the industry is characterized by significant price competition. Certain international fares and rates are subject to the jurisdiction of the DOT and the governments of the foreign countries involved. Many of our tickets are sold by travel agents, and fares are subject to commissions, overrides and discounts paid to travel agents, brokers and wholesalers.

Route Authority

Our flight operations are authorized by certificates of public convenience and necessity and, to a limited extent, by exemptions issued by the DOT. The requisite approvals of other governments for international operations are controlled by bilateral agreements with, or permits or approvals issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the United States and the foreign country or countries involved, changes in United States or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of our international route authorities or otherwise affect our international operations. Bilateral agreements between the United States and various foreign countries served by us are subject to renegotiation from time to time.

Certain of our international route and codesharing authorities are subject to periodic renewal requirements. We request extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance this practice will continue in general or with respect to a specific renewal. Dormant route authority may not be renewed in some cases, especially where another U.S. carrier indicates a willingness to provide service.

Airport Access

Operations at three major domestic airports and certain foreign airports served by us are regulated by governmental entities through allocations of “slots” or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each slot represents the authorization to land at or take off from the particular airport during a specified time period.

In the United States, the FAA currently regulates slot allocations at Reagan in Washington, D.C., and has imposed analogous regulatory mechanisms which restrict operations at O'Hare International Airport in Chicago, and LaGuardia in New York. Our operations at these airports generally require the allocation of slots or analogous regulatory authorities. We currently have sufficient slots or analogous authorizations to operate our existing flights, and we have generally been able to obtain the rights to expand our operations and to change our schedules. There is no assurance, however, that we will be able to do so in the future because, among other reasons, such allocations are subject to changes in governmental policies.

Environmental Matters

The Airport Noise and Capacity Act of 1990 recognizes the rights of operators of airports with noise problems to implement local noise abatement programs so long as such programs do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. This statute generally provides that local noise restrictions on Stage 3 aircraft first effective after October 1, 1990, require FAA approval. While we have had sufficient scheduling flexibility to accommodate local noise restrictions in the past, our operations could be adversely impacted if locally-imposed regulations become more restrictive or widespread.

The FAA issued a final rule, effective August 4, 2005, adopting the International Civil Aviation Organization's ("ICAO") Chapter 4 noise standard, which is known as the Stage 4 standard in the United States. This standard requires that all new commercial jet aircraft designs certificated on or after January 1, 2006 be at least ten decibels quieter than the existing Stage 3 noise standard requires. This new standard does not apply to existing aircraft or to the continued production of aircraft types already certificated. All new aircraft that we have on order will meet the proposed Stage 4 standard. Accordingly, the rule is not expected to have any significant impact on us.

The U.S. Environmental Protection Agency (the "EPA") is authorized to regulate aircraft emissions. Our aircraft comply with the applicable EPA standards. On November 17, 2005, the EPA issued a final rule adopting emissions control standards for aircraft engines previously adopted by the ICAO. These standards apply to newly designed engines certified after December 31, 2003 and align the U.S. aircraft engine emission standards with existing international standards. The rule, as adopted, is not expected to have a material impact on us. However, a group of state and local air regulators has filed a petition for review in the Court of Appeals for the District of Columbia Circuit challenging the rule on a number of grounds. We are monitoring these proceedings.

In December 2004, Miami-Dade County filed a lawsuit in Florida Circuit Court against us, seeking injunctive relief and alleging responsibility for past and future environmental cleanup costs and civil penalties for environmental conditions at Miami International Airport. This lawsuit is related to several other actions filed by the County against other parties to recover environmental remediation costs incurred at the airport. This lawsuit is currently stayed as a result of our Chapter 11 proceedings, and we anticipate settling this lawsuit through the bankruptcy process. Although the ultimate outcome of this matter cannot be predicted with certainty, management believes that the resolution of this matter will not have a material adverse effect on our Consolidated Financial Statements.

We have been identified by the EPA as a potentially responsible party (a "PRP") with respect to certain Superfund Sites, and have entered into consent decrees regarding some of these sites. Our alleged disposal volume at each of these sites is small when compared to the total contributions of all PRPs at each site. We are aware of soil and/or ground water contamination present on our current or former leaseholds at several domestic airports. To address this contamination, we have a program in place to investigate and, if appropriate, remediate these sites. We anticipate that many of the environmental liabilities at Superfund Sites and former leaseholds will be resolved through the bankruptcy proceedings. Although the ultimate outcome of these matters cannot be predicted with certainty, management believes that the resolution of these matters will not have a material adverse effect on our Consolidated Financial Statements.

Civil Reserve Air Fleet Program

We participate in the Civil Reserve Air Fleet program (the "CRAF Program"), which permits the United States military to use the aircraft and crew resources of participating U.S. airlines during airlift emergencies, national emergencies or times of war. We have agreed to make available under the CRAF Program a portion of our international range aircraft from October 1, 2006 until September 30, 2007. As of October 1, 2006, the following numbers of our international range aircraft are available for CRAF activation:

Stage	Description of Event Leading to Activation	International Passenger Aircraft Allocated	Number of Aeromedical Aircraft Allocated	Total Aircraft by Stage
I	Minor Crisis	7	N/A	7
II	Major Theater Conflict	13	13	26
III	Total National Mobilization	43	44	87

The CRAF Program has only been activated twice, both times at the Stage I level, since it was created in 1951.

Regulatory and Legislative Proposals

A number of Congressional bills and proposed DOT regulations have been considered in recent years to address airline competition and other issues. Some of these proposals would require large airlines with major operations at certain airports to divest or make available to other airlines slots, gates, facilities and other assets at those airports. Other measures would limit the service or pricing responses of major carriers that appear to target new entrant airlines. In addition, concerns about airport congestion issues have caused the DOT and FAA to consider various proposals for access to certain airports, including “congestion-based” landing fees and programs that would withdraw slots from existing carriers and reallocate those slots (either by lottery or auction to the highest bidder) to carriers with little or no current presence at such airports. These proposals, if enacted, could negatively impact our existing services and our ability to respond to competitive actions by other airlines. Furthermore, recent events related to extreme weather delays may cause the DOT to consider proposals related to airlines’ handling of lengthy flight delays during extreme weather conditions.

Employee Matters

Railway Labor Act

Our relations with labor unions in the United States are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent an unrepresented craft or class of employees is required to file with the National Mediation Board (the “NMB”) an application alleging a representation dispute, along with authorization cards signed by at least 35% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of authorization cards, conducts an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class. Under the NMB’s usual rules, a labor union will be certified as the representative of the employees in a craft or class only if more than 50% of those employees vote for union representation. A certified labor union then enters into negotiations toward a collective bargaining agreement with the employer.

Under the Railway Labor Act, a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. Either party may request that the NMB appoint a federal mediator to participate in the negotiations for a new or amended agreement. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists and offer binding arbitration. If either party rejects binding arbitration, a 30-day “cooling off” period begins. At the end of this 30-day period, the parties may engage in “self help,” unless the President of the United States appoints a Presidential Emergency Board (“PEB”) to investigate and report on the dispute. The appointment of a PEB maintains the “status quo” for an additional 60 days. If the parties do not reach agreement during this period, the parties may then engage in “self help.” “Self help” includes, among other things, a strike by the union or the imposition of proposed changes to the collective bargaining agreement by the airline. Congress and the President have the authority to prevent “self help” by enacting legislation that, among other things, imposes a settlement on the parties.

Collective Bargaining

As of December 31, 2006, we had a total of approximately 51,300 full-time equivalent employees. Approximately 17% of these employees are represented by unions. The following table presents certain information concerning the union representation of our active domestic employees.

Employee Group	Approximate Number of Employees Represented	Union	Date on which Collective Bargaining Agreement Becomes Amendable
Delta Pilots	5,810	ALPA	December 31, 2009
Delta Flight Superintendents	170	PAFCA	January 1, 2010
Comair Pilots	1,345	ALPA	May 21, 2007 ⁽¹⁾
Comair Maintenance Employees	535	IAM	December 31, 2010
Comair Flight Attendants	880	IBT	December 31, 2010

(1) On February 12, 2007, Comair and ALPA reached a tentative agreement to reduce Comair's pilot labor costs. The agreement is subject to ratification by Comair pilots and Bankruptcy Court approval. If ratified and approved, the agreement would become effective March 2, 2007 and become amendable on March 2, 2011.

Labor unions periodically engage in organizing efforts to represent various groups of employees of Delta and Comair that are not represented for collective bargaining purposes. The timing and outcome of these organizing efforts cannot presently be determined.

For additional information about our collective bargaining agreements, see Note 1 of the Notes to the Consolidated Financial Statements.

Additional Information

We make available free of charge on our website our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after these reports are filed with or furnished to the Securities and Exchange Commission. Information on our website is not incorporated into this Form 10-K or our other securities filings and is not a part of those filings.

ITEM 1A. RISK FACTORS

Risk Factors Relating to Delta

We filed for reorganization under Chapter 11 of the Bankruptcy Code on September 14, 2005 and are subject to the risks and uncertainties associated with Chapter 11 proceedings.

For the duration of our Chapter 11 proceedings, our operations, including our ability to execute our business plan, are subject to the risks and uncertainties associated with bankruptcy. Risks and uncertainties associated with our Chapter 11 proceedings include the following:

- our ability to prosecute, confirm and consummate our proposed Plan;
- the actions and decisions of our creditors and other third parties who have interests in our Chapter 11 proceedings that may be inconsistent with our plans;
- our ability to obtain court approval with respect to motions in the Chapter 11 proceedings prosecuted from time to time;
- our ability to obtain and maintain normal terms with vendors and service providers;
- our ability to maintain contracts that are critical to our operations; and
- risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for us to confirm our proposed Plan, to appoint a Chapter 11 trustee or to convert the cases to Chapter 7 cases.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events or publicity associated with our Chapter 11 proceedings could adversely affect our sales of tickets and the relationship with our customers, as well as with vendors and employees, which in turn could adversely affect our operations and financial condition, particularly if the Chapter 11 proceedings are unexpectedly protracted. Also, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond timely to certain events or take advantage of certain opportunities.

Because of the risks and uncertainties associated with our Chapter 11 proceedings, the ultimate impact that events that occur during these proceedings will have on our business, financial condition and results of operations cannot be accurately predicted or quantified.

Our business is dependent on the price and availability of aircraft fuel. Continued periods of historically high fuel costs will continue to materially adversely affect our operating results. Likewise, significant disruptions in the supply of aircraft fuel would materially adversely affect our operations and operating results.

Our operating results are significantly impacted by changes in the price and availability of aircraft fuel. Fuel prices increased substantially in 2004, 2005 and 2006. In 2006, our average fuel price per gallon rose 19% to \$2.04 as compared to an average price of \$1.71 in 2005, which was 47% higher than our average price of \$1.16 in 2004. In 2003, our average fuel price per gallon was 81.78¢. The fuel costs represented 25%, 23%, and 16% of our operating expenses in 2006, 2005 and 2004, respectively. These increasing costs have had a significant negative effect on our results of operations and financial condition.

Our ability to pass along the increased costs of fuel to our customers is limited by the competitive nature of the airline industry. We often have not been able to increase our fares to fully offset the effect of increased fuel costs in the past and we may not be able to do so in the future.

In addition, our aircraft fuel purchase contracts do not provide material protection against price increases or assure the availability of our fuel supplies. We purchase most of our aircraft fuel under contracts that establish the price based on various market indices. We also purchase aircraft fuel on the spot market, from offshore sources and under contracts that permit the refiners to set the price. To attempt to manage our exposure to changes in fuel prices, we periodically use derivative instruments designated as cash flow hedges, which are comprised of heating oil and jet fuel swap and collar contracts, though we may not be able to successfully manage this exposure. Depending on the type of hedging instrument used, our ability to benefit from declines in fuel prices may be limited.

We are currently able to obtain adequate supplies of aircraft fuel, but it is impossible to predict the future availability or price of aircraft fuel. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in additional fuel supply shortages and fuel price increases in the future. Additional increases in fuel costs or disruptions in fuel supplies could have additional negative effects on us.

Our substantial indebtedness may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs.

We will have substantial indebtedness even if our Plan is consummated. Our substantial indebtedness could have important consequences. For example, our substantial indebtedness could:

- require us to dedicate a substantial portion of cash flow from operations to the payment of principal, and interest on, indebtedness, thereby reducing the funds available for other purposes;
- make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events;
- limit our ability to withstand competitive pressures;
- reduce our flexibility in planning for or responding to changing business and economic conditions; and/or
- place us at a competitive disadvantage to competitors that have relatively less debt than we have.

In addition, a substantial level of indebtedness could limit our ability to obtain additional financing on acceptable terms or at all for working capital, capital expenditures and general corporate purposes. We have historically had substantial liquidity needs in the operation of our business. These liquidity needs could vary significantly and may be affected by general economic conditions, industry trends, performance and many other factors not within our control. Substantial indebtedness, along with other factors, will limit our ability to obtain financing to meet such liquidity needs.

Our exit financing credit facility will include financial and other covenants that will impose restrictions on our financial and business operations.

As part of the Plan, we expect to enter into an exit financing credit facility with various lenders from whom we have received commitments. This credit facility will contain financial covenants that will require us to maintain a minimum fixed charge ratio, minimum unrestricted cash reserves and minimum collateral coverage ratios. In addition, our exit financing credit facility will restrict our ability to, among other things, incur additional secured indebtedness, make investments, sell assets if not in compliance with coverage ratio tests, pay dividends or repurchase stock. These covenants may have a material impact on our operations. In addition, if we fail to comply with the covenants in the exit financing credit facility and are unable to obtain a waiver or amendment, an event of default would result under the exit financing credit facility.

The exit financing credit facility is also expected to contain other events of default customary for financings of this type, including cross defaults to certain other indebtedness and certain change of control events. If an event of default were to occur, the lenders could declare outstanding borrowings under these agreements immediately due and payable. We cannot provide assurance that we would have sufficient liquidity to repay or refinance borrowings under the exit financing credit facility if accelerated upon an event of default. In addition, an event of default or declaration of acceleration under the exit financing credit facility could also result in an event of default under other indebtedness.

The closing and funding of the exit financing credit facility is subject to the completion of definitive documentation and other conditions.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business is labor intensive, utilizing large numbers of pilots, flight attendants and other personnel. Approximately 18% of our workforce is unionized. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct business. Relations between air carriers and labor unions in the United States are governed by the Railway Labor Act, which provides that a collective bargaining agreement between an airline and a labor union does not expire, but instead becomes amendable as of a stated date. The Railway Labor Act generally prohibits strikes or other types of self-help actions both before and after a collective bargaining agreement becomes amendable, unless and until the collective bargaining processes required by the Railway Labor Act have been exhausted.

In addition, if we or our affiliates are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements or if additional segments of our workforce become unionized, they may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act and the Bankruptcy Code. See Note 1 of the Notes to the Consolidated Financial Statements for information about Comair's negotiations with its work groups. Likewise, if third party regional carriers with whom we have contract carrier agreements are unable to reach agreement with their unionized work groups on current or future negotiations regarding the terms of their collective bargaining agreements, those carriers may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act, which could have a negative impact on our operations.

Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

Our business is heavily dependent on our operations at the Atlanta Airport and at our other hub airports in Cincinnati, JFK and Salt Lake City. Each of these hub operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. A significant interruption or disruption in service at the Atlanta airport or at one of the company's other hubs could have a serious impact on our business, financial condition and results of operations.

We are increasingly dependent on technology in our operations, and if our technology fails or we are unable to continue to invest in new technology, our business may be adversely affected.

We have become increasingly dependent on technology initiatives to reduce costs and to enhance customer service in order to compete in the current business environment. For example, we have made significant investments in delta.com, check-in kiosks, "Delta Direct" phone banks and related initiatives. The performance and reliability of the technology are critical to our ability to attract and retain customers and our ability to compete effectively. These initiatives will continue to require significant capital investments in our technology infrastructure to deliver these expected benefits. If we are unable to make these investments, our business and operations could be negatively affected.

In addition, any internal technology error or failure or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Any individual, sustained or repeated failure of technology could impact our customer service and result in increased costs. Like all companies, our technology systems and related data may be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial consequences to our business.

If we experience further losses of senior management and other key employees, our operating results could be adversely affected, and we may not be able to attract and retain additional qualified management personnel.

We are dependent on the experience and industry knowledge of our officers and other key employees to execute our business plans. Our financial performance, along with our Chapter 11 proceedings, created uncertainty that led to a significant increase in unwanted attrition. Although unwanted attrition has slowed, we remain at risk of losing additional management talent critical to the successful transformation and ongoing operation of our business. If we experience a substantial turnover in our leadership and other key employees, our performance could be materially adversely impacted. Furthermore, we may be unable to attract and retain additional qualified executives as needed in the future.

We are facing significant litigation and if any such significant litigation is concluded in a manner adverse to us, our financial condition and operating results could be materially adversely affected.

We are involved in legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. As a result of our Chapter 11 filing, most attempts to collect, secure or enforce remedies with respect to pre-petition claims against the company are subject to the automatic stay provisions of section 362(a) of the Bankruptcy Code and certain liabilities could be discharged in the Chapter 11 proceedings. While we cannot reasonably estimate the potential loss for certain of our legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify damages being sought, if the outcome of any significant litigation is adverse to the company and such proceedings are not discharged in the Chapter 11 proceedings, our financial condition and operating results could be materially adversely impacted.

We are at risk of losses and adverse publicity stemming from any accident involving our aircraft.

An aircraft crash or other accident could expose us to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that the insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate or an aircraft that is operated by an airline that is one of our codeshare partners could create a public perception that our aircraft are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft and harm our business. For a description of the Comair flight 5191 accident, see “Legal Proceedings - Comair Flight 5191” in Item 3.

Any “ownership change” could limit our ability to utilize our net operating losses carryforwards.

Under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), a corporation is generally allowed a deduction in any taxable year for net operating losses carried over from prior years. As of December 31, 2006, we had approximately \$7.8 billion of federal and state net operating loss carryforwards.

A corporation’s use of its net operating loss carryforwards is generally limited under section 382 of the Internal Revenue Code if a corporation undergoes an “ownership change.” When an “ownership change” occurs pursuant to the implementation of a plan of reorganization under the Bankruptcy Code, the general limitation under section 382 of the Internal Revenue Code may not apply if certain requirements are satisfied under either section 382(l)(5) or section 382(l)(6) of the Internal Revenue Code. We will experience an “ownership change” in connection with the Plan, but we have not yet determined whether we will be eligible for or rely on the special rule under section 382(l)(5) or the special rule under section 382(l)(6). Assuming we rely on section 382(l)(5) of the Internal Revenue Code, a second “ownership change” within two years from the effective date of the Plan would eliminate completely our ability to utilize our net operating loss carryovers. Regardless of whether we rely on section 382(l)(5) of the Internal Revenue Code, an “ownership change” after the effective date of the Plan could significantly limit our ability to utilize our net operating loss carryforwards for taxable years including or following such “ownership change.”

Transfer restrictions on our stock issued in connection with the Plan may limit the liquidity of our stock.

To reduce the risk of a potential adverse effect on our ability to utilize our net operating loss carryovers, our new certificate of incorporation will contain certain restrictions on the transfer of our stock issued in connection with the Plan. These transfer restrictions will be effective for two years following the effective date of the Plan, subject to extension for an additional three years. These transfer restrictions may adversely affect the ability of certain holders of our stock to dispose of or acquire shares of our stock during the period the restrictions are in place. Furthermore, while the purpose of these transfer restrictions is to prevent an “ownership change” from occurring within the meaning of section 382 of the Internal Revenue Code, no assurance can be given that such an ownership change will not occur.

Risk Factors Relating to the Airline Industry

The airline industry is highly competitive and, if we cannot successfully compete in the marketplace, our business, financial condition and operating results will be materially adversely affected.

We face significant competition with respect to routes, services and fares. Our domestic routes are subject to competition from both new and established carriers, some of which have lower costs than we do and provide service at low fares to destinations served by us. In particular, we face significant competition at our hub airports in Atlanta and JFK from other carriers. In addition, our operations at our hub airports also compete with operations at the hubs of other airlines that are located in close proximity to our hubs. For example, our hubs in Atlanta, JFK, Cincinnati and Salt Lake City compete with, among others, U.S. Airways’ hubs in Charlotte, Philadelphia, Pittsburgh, and Phoenix, respectively. We also face increasing competition in smaller to medium-sized markets from rapidly expanding regional jet operators. In addition, we compete with foreign carriers, both on interior U.S. routes, due to marketing and codesharing arrangements, and in international markets.

The continuing growth of low-cost carriers, including Southwest, AirTran and JetBlue, in the United States has placed significant competitive pressure on us and other network carriers. In addition, other hub-and-spoke carriers such as US Airways and United Airlines reduced their costs through Chapter 11 reorganizations. Our ability to compete effectively with low-cost carriers, restructured carriers and other airlines depends, in part, on our ability to maintain a cost structure that is competitive with those carriers. If we cannot maintain our costs at a competitive level, then our business, financial condition and operating results could be materially adversely affected.

The airline industry has changed fundamentally since the terrorist attacks on September 11, 2001, and our business, financial condition and operating results have been materially adversely affected.

Since the terrorist attacks of September 11, 2001, the airline industry has experienced fundamental and permanent changes, including substantial revenue declines and cost increases, which have resulted in industry-wide liquidity issues. The terrorist attacks significantly reduced the demand for air travel, and additional terrorist activity involving the airline industry could have an equal or greater impact. Additional terrorist attacks or fear of such attacks, even if not made directly on the airline industry, negatively affect us and the airline industry. Although global economic conditions have improved from their depressed levels after September 11, 2001, the airline industry in the United States experienced a prolonged reduction in business travel and increased price sensitivity in customers’ purchasing behavior. In addition, aircraft fuel prices have increased significantly during the last several years, were at historically high levels for an extended period during 2005 and remained at or near those levels during 2006. Industry capacity has remained high despite these conditions. We expect that all of these conditions will persist.

The airline industry is subject to extensive government regulation, and new regulations may increase our operating costs.

Airlines are subject to extensive regulatory and legal compliance requirements that result in significant costs. For instance, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that necessitate significant expenditures. We expect to continue incurring expenses to comply with the FAA’s regulations.

Other laws, regulations, taxes and airport rates and charges have also been imposed from time to time that significantly increase the cost of airline operations or reduce revenues. For example, the Aviation and Transportation Security Act, which became law in November 2001, mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. The federal government has on several occasions proposed a significant increase in the per ticket tax. Due to the weak revenue environment, the existing tax has negatively impacted our revenues because we have generally not been able to increase our fares to pass these fees on to our customers. Similarly, the proposed ticket tax increase, if implemented, could negatively impact our revenues.

Furthermore, we and other U.S. carriers are subject to domestic and foreign laws regarding privacy of passenger and employee data that are not consistent in all countries in which we operate. In addition to the heightened level of concern regarding privacy of passenger data in the United States, certain European government agencies are initiating inquiries into airline privacy practices. Compliance with these regulatory regimes is expected to result in additional operating costs and could impact our operations and any future expansion.

Our insurance costs have increased substantially as a result of the September 11 terrorist attacks, and further increases in insurance costs or reductions in coverage could have a material adverse impact on our business and operating results.

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. Since September 24, 2001, the U.S. government has been providing U.S. airlines with war-risk insurance to cover losses, including those resulting from terrorism, to passengers, third parties (ground damage) and the aircraft hull. The coverage currently extends through August 31, 2007. The withdrawal of government support of airline war-risk insurance would require us to obtain war-risk insurance coverage commercially, if available. Such commercial insurance could have substantially less desirable coverage than that currently provided by the U.S. government, may not be adequate to protect our risk of loss from future acts of terrorism, may result in a material increase to our operating expenses or may not be obtainable at all, resulting in an interruption to our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Flight Equipment

Our active aircraft fleet at December 31, 2006 is summarized in the following table.

Aircraft Type	Current Fleet			Total	Average Age
	Owned	Capital Lease	Operating Lease		
B-737-800	71	—	—	71	6.2
B-757-200	68	32	21	121	15.3
B-767-300	4	1	19	24	16.4
B-767-300ER	50	—	9	59	10.9
B-767-400ER	21	—	—	21	5.8
B-777-200ER	8	—	—	8	6.9
MD-88	63	32	25	120	16.5
MD-90	16	—	—	16	11.1
CRJ-100	20	—	83	103	9.3
CRJ-200	21	—	9	30	4.2
CRJ-700	27	—	—	27	3.4
Total	369	65	166	600	11.4

Our purchase commitments (firm orders) for aircraft as well as options to purchase additional aircraft, as of December 31, 2006, are shown in the tables below.

Aircraft on Firm Order	Delivery in Calendar Years Ending				
	2007	2008	2009	2010	Total
B-737-700	—	7	3	—	10
B-737-800	10	7	14	19	50 ⁽¹⁾
B-777-200LR	—	2	3	—	5
Total ⁽²⁾	10	16	20	19	65

(1) We have definitive agreements, which were approved by the Bankruptcy Court, with third parties to sell 48 B-737-800 aircraft immediately after those aircraft are delivered to us by the manufacturer starting in 2007. These aircraft are included in the above table because we continue to have a contractual obligation to purchase these aircraft from the manufacturer.

(2) See Note 8 of the Notes to the Consolidated Financial Statements for information about (a) an agreement we entered into in January 2007 to purchase 30 CRJ-900 aircraft, with options to acquire an additional 30 CRJ-900 aircraft, and (b) letters of intent we have entered into to lease 13 B-757-200ER aircraft from third parties.

Aircraft on Option ⁽¹⁾	Delivery in Calendar Years Ending					
	2008	2009	2010	After 2010	Total	Rolling Options
B-737-800	—	—	14	46	60	120
B-767-300/300ER	1	2	2	5	10	2
B-767-400	1	2	2	13	18	—
B-777-200LR	1	—	2	8	11	13
CRJ-200	13	15	5	—	33	—
CRJ-700	11	19	5	—	35	—
Total	27	38	30	72	167	135

(1) Aircraft options have scheduled delivery slots, while rolling options replace options and are assigned delivery slots as options expire or are exercised. See Note 8 of the Notes to the Consolidated Financial Statements for information about an agreement we entered into in January 2007 to purchase 30 CRJ-900 aircraft, with options to acquire an additional 30 aircraft.

Ground Facilities

We lease most of the land and buildings that we occupy. Our largest aircraft maintenance base, various computer, cargo, flight kitchen and training facilities and most of our principal offices are located at or near the Atlanta Airport, on land leased from the City of Atlanta generally under long-term leases. We own a portion of our principal offices, our Atlanta reservations center and other real property in Atlanta.

We lease ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports that we serve. At most airports that we serve, we have entered into use agreements which provide for the non-exclusive use of runways, taxiways, and other improvements and facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. These leases and use agreements generally run for periods of less than one year to thirty years or more, and often contain provisions for periodic adjustments of lease rates, landing fees and other charges applicable under that type of agreement. Examples of major leases and use agreements at Delta hub or other significant airports that will expire in the next several years include, among others: (1) Atlanta central passenger terminal lease and the airport use agreement, which expire in 2010; (2) Salt Lake City airport use and lease agreement, which expires in 2008; and (3) LaGuardia terminal lease, which expires in 2008. We also lease aircraft maintenance facilities and air cargo facilities at certain airports, including, among others, our main Atlanta maintenance base, Atlanta air cargo facilities and hangar and air cargo facilities at the Cincinnati/Northern Kentucky International Airport and Salt Lake City International Airport. Our aircraft maintenance facility leases generally require us to pay the cost of providing, operating and maintaining such facilities, including, in some cases, amounts necessary to pay debt service on special facility bonds issued to finance their construction. We also lease marketing, ticket and reservations offices in certain locations for varying terms. Additional information relating to our leases of our ground facilities is set forth in Note 7 of the Notes to the Consolidated Financial Statements.

In recent years, some airports have increased or sought to increase the rates charged to airlines to levels that we believe are unreasonable. The extent to which such charges are limited by statute or regulation and the ability of airlines to contest such charges has been subject to litigation and to administrative proceedings before the DOT. If the limitations on such charges are relaxed, or the ability of airlines to challenge such proposed rate increases is restricted, the rates charged by airports to airlines may increase substantially.

The City of Atlanta, with our support and the support of other airlines, is currently implementing portions of a ten year capital improvement program (the "CIP") at the Atlanta Airport. Implementation of the CIP should increase the number of flights that may operate at the airport and reduce flight delays. The CIP includes, among other things, a new approximately 9,000 foot full-service runway that opened in May 2006, related airfield improvements, additional terminal and gate capacity, new cargo and other support facilities and roadway and other infrastructure improvements. If fully implemented, the CIP is currently estimated by the City of Atlanta to cost approximately \$6.8 billion, which exceeds the \$5.4 billion CIP approved by the airlines in 1999. The CIP runs through 2010, with individual projects scheduled to be constructed at different times. A combination of federal grants, passenger facility charge revenues, increased user rentals and fees, and other airport funds are expected to be used to pay CIP costs directly and through the payment of debt service on bonds. Certain elements of the CIP have been delayed, and there is no assurance that the CIP will be fully implemented. Failure to implement certain portions of the CIP in a timely manner could adversely impact our operations at the Atlanta Airport.

ITEM 3. LEGAL PROCEEDINGS

Chapter 11 Proceedings

As discussed above, on September 14, 2005, we and certain of our subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The reorganization cases are being jointly administered under the caption "In re Delta Air Lines, Inc., et al., Case No. 05-17923-ASH." The Debtors continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. As of the date of the Chapter 11 filing, then pending litigation against the Debtors was generally stayed, and absent further order of the Bankruptcy Court, most parties may not take any action to recover on pre-petition claims against the Debtors.

Delta Family-Care Savings Plan Litigation

On March 16, 2005, a retired Delta employee filed an amended class action complaint in the U.S. District Court for the Northern District of Georgia against Delta, certain current and former Delta officers and certain current and former Delta directors on behalf of himself and other participants in the Delta Family-Care Savings Plan (“Savings Plan”). The amended complaint alleges that the defendants were fiduciaries of the Savings Plan and, as such, breached their fiduciary duties under ERISA to the plaintiff class by (1) allowing class members to direct their contributions under the Savings Plan to a fund invested in Delta common stock; and (2) continuing to hold Delta’s contributions to the Savings Plan in Delta’s common and preferred stock. The amended complaint seeks damages unspecified in amount, but equal to the total loss of value in the participants’ accounts from September 2000 through September 2005 from the investment in Delta stock. Defendants deny that there was any breach of fiduciary duty, and have moved to dismiss the complaint. The District Court stayed the action against Delta due to the bankruptcy filing and granted the motion to dismiss filed by the individual defendants. The plaintiffs appealed to the United States Court of Appeals for the Eleventh Circuit the District Court’s decision to dismiss the complaint against the individual defendants but voluntarily dismissed this appeal, pending resolution of the automatic stay of their claim against Delta.

Comair Flight 5191

On August 27, 2006, Comair Flight 5191 crashed shortly after take-off in a field near the Blue Grass Airport in Lexington, Kentucky. All 47 passengers and two members of the flight crew died in the accident. The third crew member survived with severe injuries. Lawsuits arising out of this accident have been filed against Comair on behalf of at least 36 passengers, including a number of lawsuits that also name Delta as a defendant. Additional lawsuits are anticipated. These lawsuits, which are in preliminary stages, generally assert claims for wrongful death and related personal injuries, and seek unspecified damages, including punitive damages in most cases. All but four of the lawsuits filed to date have been filed either in the U.S. District Court for the Eastern District of Kentucky or in state court in Fayette County, Kentucky. The cases filed in state court in Kentucky have been or are expected to be removed to federal court. One lawsuit has been filed in the U.S. District Court for the Northern District of New York, one lawsuit has been filed in state court in Broward County, Florida, and two lawsuits have been filed in the U.S. District Court for the District of Kansas. The federal court in New York has ordered the case filed there to be transferred to the federal court in Kentucky. Our motion is currently pending in federal court in Florida to transfer the case filed in Florida to the federal court in Kentucky. We are also seeking to transfer the lawsuits filed in Kansas to the federal court in Kentucky. Those matters pending in the Eastern District of Kentucky have been consolidated as “In Re Air Crash at Lexington, Kentucky, August 27, 2006, Master File No. 5:06-CV-316.”

In addition, Comair has filed an action in the U.S. District Court for the Eastern District of Kentucky against the United States (based on the actions of the FAA), the Lexington Airport Board and certain other Lexington airport defendants, seeking to apportion potential liability for damages arising from this accident among all responsible parties.

We carry aviation risk liability insurance and believe that this insurance is sufficient to cover any liability likely to arise from this accident.

For a discussion of certain environmental matters, see “Business — Environmental Matters” in Item 1.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our security holders during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Until October 13, 2005, our common stock was traded on the New York Stock Exchange ("NYSE") under the symbol "DAL". As the result of our bankruptcy proceedings, our common stock was suspended from trading by the NYSE on October 13, 2005 and thereafter delisted by the NYSE. Our common stock is being quoted and, has been quoted since its suspension from the NYSE, on the Pink Sheets Electronic Quotation Service ("Pink Sheets") maintained by Pink Sheets LLC for the National Quotation Bureau, Inc. The tickler symbol "DALRQ" has been assigned to our common stock for over-the-counter quotations.

The following table sets forth for the periods indicated, the highest and lowest sales price for our common stock, as reported on the NYSE for the period through October 13, 2005 and the quarterly high and low bid quotations for our common stock as reported on the Pink Sheets for the period beginning October 13, 2005. The quotations from the Pink Sheets reflect inter-dealer prices, without retail markup, markdown or commissions, and may not represent actual transactions.

	High	Low
Fiscal 2005		
First Quarter	\$ 7.78	\$ 3.80
Second Quarter	4.39	2.46
Third Quarter	4.10	0.68
Fourth Quarter (through October 13, 2005)	0.87	0.58
Fourth Quarter (from October 13, 2005)	0.89	0.50
Fiscal 2006		
First Quarter	\$ 0.88	\$ 0.30
Second Quarter	0.81	0.50
Third Quarter	1.78	0.63
Fourth Quarter	1.77	0.96

As of January 31, 2007, there were approximately 25,270 holders of record of our common stock.

We suspended the payment of dividends on our common stock in 2003. We expect to retain any future earnings to fund our operations and meet our cash and liquidity needs. Therefore, we do not anticipate paying any dividends on our common stock for the foreseeable future.

Current holders of Delta's common stock and other equity interests will not receive any distributions under the Debtors' proposed Plan. These equity interests would be cancelled upon the effectiveness of the proposed Plan. Accordingly, we urge that caution be exercised with respect to existing and future investments in Delta's equity securities and any of Delta's liabilities or other securities.

ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Operations ⁽¹⁾ For the years ended December 31,

(in millions, except share data)	2006 ⁽²⁾	2005 ⁽³⁾	2004 ⁽⁴⁾	2003 ⁽⁵⁾	2002 ⁽⁶⁾
Operating revenues	\$ 17,171	\$ 16,191	\$ 15,235	\$ 14,308	\$ 13,866
Operating expenses	17,113	18,192	18,543	15,093	15,175
Operating income (loss)	58	(2,001)	(3,308)	(785)	(1,309)
Interest expense, net ⁽⁷⁾	(801)	(973)	(787)	(721)	(629)
Miscellaneous income, net ⁽⁸⁾	(19)	(1)	94	317	(22)
Gain (loss) on extinguishment of debt, net	—	—	9	—	(42)
Loss before reorganization items, net	(762)	(2,975)	(3,992)	(1,189)	(2,002)
Reorganization items, net	(6,206)	(884)	—	—	—
Loss before income taxes	(6,968)	(3,859)	(3,992)	(1,189)	(2,002)
Income tax benefit (provision)	765	41	(1,206)	416	730
Net loss	(6,203)	(3,818)	(5,198)	(773)	(1,272)
Preferred stock dividends	(2)	(18)	(19)	(17)	(15)
Net loss attributable to common shareowners	\$ (6,205)	\$ (3,836)	\$ (5,217)	\$ (790)	\$ (1,287)
Basic and diluted loss per share	\$ (31.58)	\$ (23.75)	\$ (41.07)	\$ (6.40)	\$ (10.44)
Dividends declared per common share	\$ —	\$ —	\$ —	\$ 0.05	\$ 0.10

Other Financial and Statistical Data ⁽¹⁾ For the years ended December 31,

	2006 ⁽²⁾	2005 ⁽³⁾	2004 ⁽⁴⁾	2003 ⁽⁵⁾	2002 ⁽⁶⁾
Total assets (<i>millions</i>)	\$ 19,622	\$ 20,039	\$ 21,801	\$ 25,939	\$ 24,720
Long-term debt and capital leases (excluding current maturities) (<i>millions</i>)	\$ 6,509	\$ 6,557	\$ 13,005	\$ 11,538	\$ 10,174
Shareowners' (deficit) equity (<i>millions</i>)	\$ (13,593)	\$ (9,895)	\$ (5,796)	\$ (659)	\$ 893
Weighted average shares outstanding	196,496,349	161,532,291	127,033,234	123,397,129	123,292,670
Revenue passengers enplaned (<i>thousands</i>)	106,649	118,853	110,000	104,452	107,048
Available seat miles (<i>millions</i>)	147,995	156,793	151,679	139,505	145,232
Revenue passenger miles (<i>millions</i>)	116,133	119,954	113,311	102,301	104,422
Operating revenue per available seat mile	11.60¢	10.33¢	10.04¢	10.26¢	9.55¢
Passenger revenue per available seat mile	10.56¢	9.33¢	9.09¢	9.17¢	8.69¢
Passenger mile yield	13.46¢	12.19¢	12.17¢	12.73¢	12.26¢
Operating cost per available seat mile	11.56¢	11.60¢	12.23¢	10.82¢	10.45¢
Passenger load factor	78.5%	76.5%	74.7%	73.3%	71.9%
Breakeven passenger load factor	78.2%	87.0%	92.6%	77.8%	79.3%
Fuel gallons consumed (<i>millions</i>)	2,111	2,492	2,527	2,370	2,514
Average price per fuel gallon, net of hedging activity	\$ 2.04	\$ 1.71	\$ 1.16	\$ 0.82	\$ 0.67
Full-time equivalent employees, end of period	51,300	55,600	69,150	70,600	75,100

(1) Includes the operations under contract carrier agreements with unaffiliated regional air carriers:

- Chautauqua Airlines, Inc. and SkyWest Airlines, Inc. for all periods presented,
- Shuttle America Corporation for the year ended December 31, 2006 and from September 1 through December 31, 2005,
- Atlantic Southeast Airlines for the year ended December 31, 2006 and from September 8 through December 31, 2005,
- Freedom Airlines, Inc. for the year ended December 31, 2006 and from October 1, 2005 through December 31, 2005, and
- Flyi, Inc (formerly Atlantic Coast Airlines) from January 1, 2002 through November 1, 2004.

(2) Includes a \$6.2 billion charge or \$31.58 diluted EPS for reorganization costs; \$310 million of noncash charges or \$1.58 diluted EPS associated with certain accounting adjustments; and a \$765 million income tax benefit or \$3.89 diluted EPS (see Item 7).

(3) Includes an \$888 million charge or \$5.49 diluted EPS for restructuring, asset writedowns, pension settlements and related items, net and an \$884 million

charge or \$5.47 diluted EPS for reorganization costs (see Item 7).

- (4) Includes a \$1.9 billion charge or \$14.76 diluted EPS related to the impairment of intangible assets; a \$1.2 billion charge or \$9.51 diluted EPS for deferred income tax valuation; a \$123 million gain, or \$0.97 diluted EPS from the sale of investments; and a \$41 million gain or \$0.33 diluted EPS from restructuring, asset writedowns, pension settlements and related items, net (see Item 7).
- (5) Includes a \$268 million charge (\$169 million net of tax, or \$1.37 diluted EPS) for restructuring, asset writedowns, pension settlements and related items, net; a \$398 million gain (\$251 million net of tax, or \$2.03 diluted EPS) for reimbursements received under the Emergency Wartime Supplemental Appropriations Act; compensation; and a \$304 million gain (\$191 million net of tax, or \$1.55 diluted EPS) for certain other income and expense items.
- (6) Includes a \$439 million charge (\$277 million net of tax, or \$2.25 diluted EPS) for restructuring, asset writedowns, and related items, net; a \$34 million gain (\$22 million net of tax, or \$0.17 diluted EPS) for compensation under the Air Transportation Safety and System Stabilization Act; and a \$94 million charge (\$59 million net of tax, or \$0.47 diluted EPS) for certain other income and expense items.
- (7) Includes interest income.
- (8) Includes (losses) gains from the sale of investments and fuel hedging activity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Background

On September 14, 2005 (the "Petition Date"), we and substantially all of our subsidiaries (collectively, the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The reorganization cases are being jointly administered under the caption, "In re Delta Air Lines, Inc., et al., Case No. 05-17923-ASH."

The Debtors are operating as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. In general, as debtors-in-possession, the Debtors are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

Under Section 365 and other relevant sections of the Bankruptcy Code, we may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft and aircraft engines, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this Form 10-K, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under the Bankruptcy Code.

On December 19, 2006, we filed with the Bankruptcy Court our Plan of Reorganization and a related Disclosure Statement, which contemplate that Delta will emerge from Chapter 11 as an independent airline. The Plan of Reorganization, as amended (the "Plan"), addresses various subjects with respect to the Debtors, including the resolution of pre-petition obligations, as well as the capital structure and corporate governance after exit from Chapter 11.

The Plan provides that most holders of allowed unsecured claims against the Debtors will receive common stock of reorganized Delta in satisfaction of their claims. Some holders of allowed unsecured claims against the Debtors would have the right to request cash proceeds of sales of common stock of reorganized Delta in lieu of such stock, and certain others would receive cash in satisfaction of their claims. Current holders of Delta's equity interests would not receive any distributions, and their equity interests would be cancelled once the Plan becomes effective.

On February 7, 2007, the Bankruptcy Court approved the amended Disclosure Statement, and authorized the Debtors to begin soliciting votes from creditors to approve the Plan. The official committee of unsecured creditors (the "Creditors Committee") and the two official retiree committees appointed in the Debtors' Chapter 11 proceedings each support the Plan. To be accepted by holders of claims against the Debtors, the Plan must be approved by at least one-half in number and two-thirds in dollar amount of claims actually voting in each impaired class.

April 9, 2007 is the deadline for creditors to vote on the Plan. The Bankruptcy Court has scheduled a confirmation hearing on April 25, 2007 to consider approval of the Plan. If the Plan is approved by the creditors and confirmed by the Bankruptcy Court, the Debtors are planning to emerge from Chapter 11 shortly thereafter.

For additional information regarding the Debtors' Chapter 11 proceedings, see Note 1 of the Notes to the Consolidated Financial Statements.

Overview of 2006 Results

In 2006, we recorded a net loss of \$6.2 billion, which is primarily attributable to a \$6.2 billion charge to reorganization items, net. Our 2006 financial results also include a \$765 million income tax benefit associated with the reversal of certain income tax valuation allowances and a \$310 million noncash charge associated with certain accounting adjustments. For additional information about these matters, see "Results of Operations - 2006 Compared to 2005" and "Basis of Presentation of Consolidated Financial Statements - Accounting Adjustments" below.

From an operational perspective, we reported operating income of \$58 million in 2006, a \$2.1 billion improvement in operating results compared to 2005 and our first annual operating profit since 2000. This improvement is due in large part to revenue increases and cost reductions we have achieved during our Chapter 11 reorganization from revenue and network productivity improvements, in-court restructuring initiatives and labor cost reductions.

During 2006, we also strengthened our liquidity. Cash and cash equivalents and short-term investments totaled \$2.6 billion at December 31, 2006, compared to \$2.0 billion at December 31, 2005.

Our Business Plan

Our reorganization in Chapter 11 has involved a fundamental transformation of our business. Shortly after the Petition Date, we outlined a business plan intended to make Delta a simpler, more efficient and more customer focused airline with an improved financial condition.

Restructuring Business Plan

As part of the Chapter 11 reorganization process, we were seeking \$3.0 billion in annual financial improvements by the end of 2007. As of December 31, 2006, we reached that goal and these improvements are reflected in our Consolidated Financial Statements for 2006. We expect we will achieve additional financial improvements in 2007. The \$3.0 billion in annual financial improvements under our restructuring business plan is a result of (1) revenue and network productivity improvements, (2) in-court restructuring initiatives and (3) labor cost reductions. Some of our accomplishments in these areas are described below.

Revenue and Network Productivity Improvements. Key initiatives accomplished by the end of 2006 in the area of revenue and network productivity improvements include:

- simplifying our fleet, including retiring four aircraft types;
- right-sizing capacity to better meet customer demand, including utilizing smaller aircraft in domestic operations, which reduced domestic mainline capacity by 16% in 2006 compared to 2005;
- growing our international presence by shifting wide-body aircraft from domestic to international operations, which increased international capacity by 21% in 2006 compared to 2005; and
- increasing point-to-point flying and right-sizing and simplifying our domestic hubs to achieve a greater local traffic mix.

We strengthened our domestic hubs and are continuing to increase international service. For example, in 2006, we added more than 50 new daily flights to 20 cities in 18 countries in Europe and other countries such as India and Israel, capitalizing on our international gateways at Hartsfield-Jackson Atlanta International Airport, which is the world's largest hub, and John F. Kennedy International Airport in New York. In addition, we offer more than 600 weekly flights to 58 destinations in Latin America and the Caribbean.

In-Court Restructuring Initiatives. Our business plan includes annual cost reductions through in-court initiatives such as debt restructurings, lease and facility restructurings, aircraft lease renegotiations and rejections, vendor contract renegotiations and retiree healthcare benefit modifications. Some of our accomplishments through the end of 2006 include:

- restructuring our fleet by rejecting, returning or selling approximately 188 aircraft; and

- making cost-saving progress on many facility agreements, including a review of approximately 55 locations. We have rejected or restructured leases at various airports, including Dallas, Orlando and Tampa.

Labor Cost Reductions. Our business plan includes annual benefits through reduced employment costs. During our Chapter 11 proceedings, by the end of 2006, we had:

- reached an agreement with the Air Line Pilots Association, International (“ALPA”) under which we expect to receive approximately \$280 million in average annual pilot labor cost savings between June 1, 2006 and December 31, 2009 from changes in pilot pay rates, benefits and work rules. This excludes savings we will achieve from the termination of the primary qualified defined benefit pension plan for pilots (“Pilot Plan”) and the related non-qualified plans;
- implemented plans designed to achieve more than \$600 million per year in non-pilot employment cost reductions. These cost reductions included charges to pay and benefits for non-pilot employees and staffing reductions;
- reached agreements with committees representing our retired pilots and retired non-pilot employees that provide us with approximately \$50 million in annual savings from changes to retiree healthcare benefit coverage;
- advocated successfully for pension reform legislation, culminating in the Pension Protection Act. As a result, we intend to preserve our defined benefit pension plan for active and retired non-pilot employees;
- reached agreement with the Pension Benefit Guaranty Corporation (the “PBGC”) regarding the termination of the Pilot Plan; and
- implemented an enhanced profit-sharing plan that will allow employees to share in our future success.

Emergence Business Plan

As a result of our reorganization, we expect to emerge from bankruptcy as a competitive, standalone airline with a global network. We intend to be the airline of choice for customers by continuing to improve the customer experience on the ground and in the air. Our business strategy touches all facets of our operations - the destinations we will serve, the way we will serve our customers, and the fleet we will operate - in order to earn customer preference and continue to improve revenue performance. At the same time, we intend to remain focused on maintaining the competitive cost structure we have obtained from our reorganization to improve our financial position and pursue long-term stability as a standalone carrier.

Important aspects of our emergence business strategy include the following:

- *Leveraging Network Strength to Provide Expanded International Service.* We will continue to focus on international growth. With our geographically-balanced hubs, we believe we are well-positioned for international growth from the U.S. to Europe and Latin America. In addition, we expect our hubs will help us increase service to Africa and Asia.
- *Maintaining Focus on Improving the Customer Experience.* Our focus on safety will remain our top priority. We are also committed to continuous improvement throughout our operations to earn our customers’ preference. We have renewed our focus on improving our product and customer service through aircraft cabin and airport improvements.
- *Maximizing a Streamlined and Upgraded Fleet.* We are supporting the ongoing changes to our network by bolstering our internationally-capable mainline fleet. We plan to pursue additional strategic improvements to our fleet by adding high-performance aircraft that will enable us to serve new destinations with appropriate capacity. We have announced plans to add 28 internationally capable aircraft scheduled for delivery in 2007 through 2009.

- *Capturing the Benefit of Competitive Cost Structure.* Through initiatives undertaken during the Chapter 11 proceedings and previous productivity initiatives, we currently have one of the lowest mainline unit cost structures of any full service carrier. These efforts have resulted in reduced costs throughout our organization, including reductions in employment costs, retiree pension and healthcare costs and aircraft fleet costs. We recognize that, to succeed, we must maintain the competitive unit cost structure that we developed through our restructuring efforts.
- *Generating Cash Flow from Operations Necessary to Fund Capital Expenditures and Reduce Debt.* Over an extended period following emergence from Chapter 11, we intend to balance long-term operating growth with overall credit improvement. At emergence from bankruptcy, we expect to have significantly reduced our total debt from pre-petition levels. Ongoing improvements to our financial condition are, however, necessary for us to withstand industry and economic volatility and to have favorable, consistent access to capital markets.

Unsolicited Merger Proposal

On November 15, 2006, US Airways Group, Inc. (“US Airways”) publicly announced an unsolicited proposal to engage in a merger transaction with us (the “US Airways Proposal”).

Under the original US Airways Proposal, the holders of unsecured claims in our bankruptcy cases would have received \$4.0 billion in cash and 78.5 million shares of US Airways common stock. In addition, US Airways contemplated that our debtor-in-possession financing agreements and all other allowed secured claims and administrative claims in our bankruptcy cases would be assumed or paid in full. The US Airways Proposal was conditioned on satisfactory completion of a due diligence investigation on us, the Bankruptcy Court’s approval of a mutually agreeable plan of reorganization predicated upon a merger, regulatory approvals and approval by the shareholders of US Airways.

On December 15, 2006, our Board of Directors unanimously determined that the US Airways Proposal was inadequate, presented unacceptably high risk that it could not be consummated in the manner suggested by US Airways, was not in our best interests or in the best interests of our creditors, as well as our other stakeholders, and rejected the US Airways Proposal. The Board of Directors also determined that our interest and that of our creditors would be best served if we proceeded with filing the Plan, together with the Disclosure Statement, with the Bankruptcy Court. This decision by our Board of Directors was made after careful consideration and extensive review and consultation with its legal and financial advisors.

On January 10, 2007, US Airways increased its offer to merge with us and set forth a revised proposal (the “Revised US Airways Proposal”) under which the holders of our unsecured claims would have received \$5.0 billion in cash and 89.5 million shares of US Airways common stock. US Airways said that the Revised US Airways Proposal would expire on February 1, 2007 unless, prior to that date, there was affirmative creditor support for the commencement of due diligence, the required filings under the Hart-Scott-Rodino Antitrust Improvements Act had been made and the hearing on the Disclosure Statement scheduled for February 7, 2007 had been adjourned.

On January 31, 2007, the Creditors Committee announced support for our standalone Plan of Reorganization. The Creditors Committee said that it had considered various factors, including the risks associated with, and the likelihood of a successful consummation of, the Revised US Airways Proposal and the Plan in reaching its conclusion in favor of the standalone Plan of Reorganization. Following this announcement, US Airways withdrew its proposal.

Basis of Presentation of Consolidated Financial Statements

Our Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”), including the provisions of American Institute of Certified Public Accountants’ Statement of Position 90-7, “Financial Reporting by Entities in Reorganization Under the Bankruptcy Code” (“SOP 90-7”). This contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. Accordingly, our Consolidated Financial Statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Due to our Chapter 11 proceedings, the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty. Accordingly, there is substantial doubt about the current financial reporting entity's ability to continue as a going concern. Upon emergence from bankruptcy, we expect to adopt fresh start reporting in accordance with SOP 90-7 which will result in our becoming a new entity for financial reporting purposes. The adoption of fresh start reporting may have a material impact on the consolidated financial statements of the new financial reporting entity.

The accompanying Consolidated Financial Statements do not reflect or provide for the consequences of the Chapter 11 proceedings. In particular, the financial statements do not show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or their status and priority; (3) as to shareowners' equity accounts, the effect of any changes that may be made in our capitalization; or (4) as to operations, the effect of any changes that may be made in our business.

Sale of ASA

On September 7, 2005, we sold Atlantic Southeast Airlines, Inc. ("ASA"), our wholly owned subsidiary, to SkyWest, Inc. ("SkyWest"). After the sale, the revenue and expenses related to our contract carrier agreement with ASA are reported as regional affiliates passenger revenues and contract carrier arrangements, respectively, in our Consolidated Statements of Operations. Prior to the sale, expenses related to ASA were reported in the applicable expense line item in our Consolidated Statements of Operations. See Note 11 of the Notes to the Consolidated Financial Statement for additional information on the sale of ASA.

Accounting Adjustments

During 2006, we recorded certain out-of-period adjustments ("Accounting Adjustments") in our Consolidated Financial Statements that are reflected in our results for the year ended December 31, 2006. These adjustments resulted in an aggregate net noncash charge approximating \$310 million to our Consolidated Statement of Operations, consisting primarily of:

- A \$112 million charge in landing fees and other rents. This adjustment is associated primarily with our airport facility leases at John F. Kennedy International Airport in New York. It resulted from historical differences associated with recording escalating rent expense based on actual rent payments instead of on a straight-line basis over the lease term as required by Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases" ("SFAS 13").
- A \$108 million net charge related to the sale of mileage credits under our SkyMiles frequent flyer program. This includes an \$83 million decrease in passenger revenues, a \$106 million decrease in other, net operating revenues, and an \$81 million decrease in other operating expenses. This net charge primarily resulted from the reconsideration of our position with respect to the timing of recognizing revenue associated with the sale of mileage credits that we expect will never be redeemed for travel.
- A \$90 million charge in salaries and related costs to adjust our accrual for postemployment healthcare benefits. This adjustment is due to healthcare payments applied to this accrual over several years, which should have been expensed as incurred.

We believe the Accounting Adjustments, considered individually and in the aggregate, are not material to our Consolidated Financial Statements for each of the years ended December 31, 2006, 2005 and 2004. In making this assessment, we considered qualitative and quantitative factors, including the substantial net loss in each of these three years, the noncash nature of the Accounting Adjustments, our substantial shareowners' deficit at the end of each of these three years and our status as a debtor-in-possession under Chapter 11 of the Bankruptcy Code.

Results of Operations — 2006 Compared to 2005

Net Loss

Our consolidated net loss was \$6.2 billion in 2006 and \$3.8 billion in 2005. The net loss for 2006 includes (1) a \$6.2 billion charge to reorganization items, net (see “Reorganization Items, Net” below), (2) \$310 million of noncash charges associated with certain accounting adjustments (see “Accounting Adjustments” above) and (3) a \$765 million income tax benefit (see “Income Tax Benefit” below). As discussed below, the net loss for 2005 includes an \$888 million charge to restructuring, asset writedowns, pension settlements and related items, net and an \$884 million charge to reorganization items, net.

Operating Revenue

	Year Ended December 31,		Increase (Decrease)	% Increase (Decrease)
(in millions)	2006	2005		
Operating Revenue:				
Passenger:				
Mainline	\$11,773	\$11,399	\$ 374	3 %
Regional affiliates	3,853	3,225	628	19 %
Total passenger revenue	15,626	14,624	1,002	7 %
Cargo	498	524	(26)	(5)%
Other, net	1,047	1,043	4	0 %
Total operating revenue	\$17,171	\$16,191	\$ 980	6 %

Operating revenue totaled \$17.2 billion for the year ended December 31, 2006, a \$980 million, or 6%, increase compared to the year ended December 31, 2005. Passenger revenue increased 7% while capacity decreased 6%. The increase in passenger revenue is due to a rise of 10% and 13% in passenger mile yield and passenger revenue per available seat mile (“Passenger RASM”), respectively, from fare increases that reflect strong passenger demand as well as actions we have taken since our Chapter 11 filing to achieve revenue and network productivity improvements. Passenger revenue and other, net revenue were negatively impacted by certain Accounting Adjustments discussed above. Passenger revenue of regional affiliates increased due to (1) a change in how we classify ASA’s revenues as a result of its sale to SkyWest and (2) new contract carrier agreements with Shuttle America Corporation (“Shuttle America”) and Freedom Airlines, Inc. (“Freedom”), effective September 1, 2005 and October 1, 2005, respectively.

(in millions)	Year Ended		Increase (Decrease)			
	December 31, 2006		Year Ended December 31, 2006 vs. 2005			
	Passenger Revenue	Passenger Revenue	RPMs	Yield	Passenger RASM	Load Factor
Passenger Revenue:						
North American passenger revenue	\$ 11,787	2%	(10)%	14%	18%	2.8
International passenger revenue	3,719	24%	20 %	3%	2%	(0.6)
Charter revenue	120	2%	(21)%	28%	12%	(5.3)
Total passenger revenue	\$ 15,626	7%	(3)%	10%	13%	2.0

North American Passenger Revenue. North American passenger revenue increased 2%, driven by a 14% increase in passenger mile yield and a 2.8 point increase in load factor which were partially offset by a 13% decline in capacity. Passenger RASM increased 18%. The decline in capacity, partially offset by the increase in load factor, resulted in a 10% decline in revenue passenger miles (“RPMs”), or traffic. The increases in passenger revenue, passenger mile yield and Passenger RASM reflect (1) fare increases implemented as part of the improved industry revenue environment and (2) the positive impact of our strategic initiatives, including right-sizing capacity to better meet customer demand and increasing point-to-point flying and simplifying our domestic hubs to achieve a greater local traffic mix.

International Passenger Revenue. International passenger revenue increased 24%, generated by a 20% increase in RPMs from a 21% increase in capacity. The passenger mile yield and Passenger RASM increased 3% and 2%, respectively. These results reflect increases in service to international destinations, primarily in the Atlantic and Latin America markets, from the restructuring of our route network.

Operating Expense

	Year Ended December 31,		Increase	% Increase
(in millions)	2006	2005	(Decrease)	(Decrease)
Operating Expense:				
Aircraft fuel	\$ 4,319	\$ 4,271	\$ 48	1%
Salaries and related costs	4,128	5,058	(930)	(18)%
Contract carrier arrangements	2,656	1,318	1,338	102%
Depreciation and amortization	1,276	1,273	3	0%
Contracted services	1,083	1,096	(13)	(1)%
Passenger commissions and other selling expenses	888	948	(60)	(6)%
Landing fees and other rents	865	863	2	0%
Aircraft maintenance materials and outside repairs	735	776	(41)	(5)%
Passenger service	328	345	(17)	(5)%
Aircraft rent	316	541	(225)	(42)%
Restructuring, asset writedowns, pension settlements and related items, net	13	888	(875)	(99)%
Other	506	815	(309)	(38)%
Total operating expense	\$17,113	\$ 18,192	\$ (1,079)	(6)%

Operating expense was \$17.1 billion for the year ended December 31, 2006, a \$1.1 billion, or 6%, decrease compared to the year ended December 31, 2005. As discussed below, the decrease in operating expense was primarily due to a decrease in 2006 in (1) salaries and related costs, (2) charges related to restructuring, asset writedowns, pension settlements and related items, net, (3) aircraft rent and (4) other expenses. These decreases were partially offset by (1) higher contract carrier arrangements expense primarily due to a change in how we classify ASA expense as a result of our sale of ASA on September 7, 2005, (2) certain Accounting Adjustments discussed above and (3) an increase in aircraft fuel prices.

Operating capacity decreased 6% to 148 billion available seat miles primarily due to the reduction of our aircraft fleet as part of our business plan initiatives. Operating cost per available seat mile decreased less than 1% to 11.56¢, because the decrease in total operating expense discussed above was offset by the reduction in operating capacity.

Aircraft fuel. Aircraft fuel expense increased due to higher fuel prices despite reduced consumption. Our average fuel price per gallon increased 19% to \$2.04. Fuel gallons consumed decreased 15% due to a reduction in Mainline capacity and our sale of ASA. As a result of this sale, ASA's fuel gallons are no longer part of our fuel gallons consumed. Aircraft fuel expense includes fuel hedge losses of \$108 million in 2006.

Salaries and related costs. The decrease in salaries and related costs primarily reflects a 12% decline due to lower Mainline headcount and our sale of ASA, and a 9% decrease from salary rate and benefit cost reductions for our pilot and non-pilot employees, partially offset by certain Accounting Adjustments discussed above.

Contract carrier arrangements. Contract carrier arrangements expense increased primarily due to (1) a 73% increase from the change in how we classify ASA's expenses as a result of its sale to SkyWest and (2) an 18% increase from new contract carrier agreements with Shuttle America and Freedom.

Landing fees and other rents. Landing fees and other rents remained relatively constant because (1) a 4% decrease from the change in how we classify ASA's expenses as a result of its sale to SkyWest and (2) a net 4% decrease due to our shifting of capacity from domestic to international, were offset by certain Accounting Adjustments discussed above.

Aircraft rent. The decline in aircraft rent expense is primarily due to a 29% decrease from the renegotiation and rejection of certain leases in connection with our restructuring efforts and an 8% decrease from the change in how we classify ASA's expenses as a result of its sale to SkyWest.

Restructuring, asset writedowns, pension settlements and related items, net. For 2006, restructuring, asset writedowns, pension settlements and related items, net totaled a \$13 million charge, primarily due to the following:

- *Workforce Reduction.* A \$29 million charge related to our decision in 2005 to reduce staffing by approximately 7,000 to 9,000 jobs by December 2007, which has been substantially completed. This charge was partially offset by a \$21 million reduction in accruals associated with prior year workforce reduction programs.

For 2005, restructuring, asset writedowns, pension settlements and related items, net totaled an \$888 million charge consisting of the following:

- *Pension curtailment charge.* A \$447 million curtailment charge related to the Pilot and Non-pilot Plans. This charge relates to the freeze of service accruals under the Pilot Plan effective December 31, 2004, and the impact of the planned reduction of 6,000 to 7,000 jobs announced in November 2004 on the Non-pilot Plan (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Pension settlements.* \$388 million in settlement charges primarily related to the Pilot Plan due to a significant increase in pilot retirements and lump sum distributions from plan assets (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Workforce reduction.* A \$46 million charge related to our decision in 2005 to reduce staffing by approximately 7,000 to 9,000 jobs by December 2007, which has been substantially completed. This charge was offset by a net \$3 million reduction in accruals associated with prior year workforce reduction programs.
- *Asset charges.* A \$10 million charge related to the removal from service of six B-737-200 aircraft prior to their lease expiration dates.

Other. The decrease in other operating expense primarily reflects (1) a 12% decrease due to an adjustment related to certain nonincome tax reserves, (2) a 10% decrease from certain Accounting Adjustments discussed above and (3) an 8% decrease related to the change in how we classify ASA's expenses as a result of its sale to SkyWest.

Operating Income (Loss) and Operating Margin

We reported operating income of \$58 million for the year ended December 31, 2006, compared to an operating loss of \$2.0 billion for the year ended December 31, 2005. Operating margin, which is the ratio of operating income (loss) to operating revenues, was less than 1% and (12%) for 2006 and 2005, respectively.

Other (Expense) Income

Other expense, net for 2006 was \$820 million, compared to \$974 million for 2005. This change is substantially attributable to a 16%, or \$162 million, decrease in interest expense which was partially offset by a \$19 million increase in miscellaneous, net expense primarily associated with our fuel hedge positions.

The reduction in interest expense is primarily attributable to a \$206 million decrease due to the accounting treatment of certain interest charges under our Chapter 11 proceedings in accordance with SOP 90-7 (see Note 2 of the Notes to the Consolidated Financial Statements). The decrease in interest expense was partially offset by a \$97 million increase from a higher level of debt outstanding and higher interest rates.

The increase in miscellaneous, net expense is primarily due to charges related to the ineffective portion of our fuel hedge positions accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." For additional information about our fuel hedge positions, see Note 2 of the Notes to the Consolidated Financial Statements.

Reorganization Items, Net

Reorganization items, net totaled a \$6.2 billion charge for 2006, primarily consisting of the following:

- *Pilot pension termination.* \$2.2 billion and \$801 million allowed general, unsecured pre-petition claims in connection with our settlement agreements with the PBGC and a group representing retired pilots, respectively. Charges for these claims were offset by \$1.3 billion in settlement gains associated with the derecognition of previously recorded Pilot Plan and pilot non-qualified plan obligations upon each plan's termination. For additional information regarding these settlement agreements and the termination of these plans, see Note 10 of the Notes to the Consolidated Financial Statements.
- *Pilot collective bargaining agreement.* A \$2.1 billion allowed general, unsecured pre-petition claim in connection with our comprehensive agreement with ALPA reducing our pilot labor costs. For additional information regarding this agreement, see Note 1 of the Notes to the Consolidated Financial Statements.
- *Aircraft financing renegotiations and rejections.* \$1.7 billion of estimated claims associated with restructuring the financing arrangements for 188 aircraft and the rejection of 16 aircraft leases.
- *Retiree healthcare benefit claims.* \$539 million of allowed general, unsecured pre-petition claims in connection with agreements that we reached with committees representing both pilot and non-pilot retired employees reducing their postretirement healthcare benefits. For additional information regarding these agreements, see Note 10 of the Notes to the Consolidated Financial Statements.

Reorganization items, net totaled an \$884 million charge for 2005, primarily consisting of the following:

- *Aircraft financing renegotiations, rejections and repossessions.* A \$611 million charge for estimated claims associated with restructuring the financing arrangements for seven aircraft, the rejection of 50 aircraft leases and the repossession of 15 aircraft.
- *Debt issuance and discount costs.* A \$163 million charge associated with the write-off of certain debt issuance costs and discounts in conjunction with the valuation of our unsecured and undersecured debt.
- *Facility leases.* An \$88 million charge for estimated claims in connection with the rejection of certain unexpired facility leases and the related bond obligations.

Income Tax Benefit

For 2006, we recorded an income tax benefit totaling \$765 million. The amount primarily reflects a decrease to our deferred tax asset valuation allowances from the reversal of accrued pension liabilities associated with the derecognition of previously recorded Pilot Plan and pilot non-qualified plan obligations upon each plan's termination.

For 2005, we recorded an income tax benefit totaling \$41 million. The amount is primarily the result of a \$1.6 billion adjustment to our deferred tax asset valuation allowance due to increases in the deferred tax asset related to our additional minimum pension liability and net operating loss carryforwards.

For additional information about the income tax valuation allowance, see Note 9 of the Notes to the Consolidated Financial Statements.

Results of Operations — 2005 Compared to 2004

Net Loss

Our consolidated net loss was \$3.8 billion in 2005 and \$5.2 billion in 2004. The net loss for 2005 includes an \$888 million charge to restructuring, asset writedowns, pension settlements and related items, net (see “Restructuring, asset writedowns, pension settlements and related items, net” below) and an \$884 million charge to reorganization items, net (see “Reorganization Items, Net” above). As discussed below, the net loss for 2004 includes a \$1.9 billion impairment of intangible assets related to the write-off of goodwill associated with ASA and Comair and a \$1.2 billion income tax provision primarily related to recording a valuation allowance for our deferred income tax assets.

Operating Revenue

	Year Ended December 31,		Increase	% Increase
(in millions)	2005	2004	(Decrease)	(Decrease)
Operating Revenue:				
Passenger:				
Mainline	\$ 11,399	\$ 10,880	\$ 519	5%
Regional affiliates	3,225	2,910	315	11%
Total passenger revenue	14,624	13,790	834	6%
Cargo	524	500	24	5%
Other, net	1,043	945	98	10%
Total operating revenue	\$ 16,191	\$ 15,235	\$ 956	6%

Operating revenue totaled \$16.2 billion for the year ended December 31, 2005, a \$956 million, or 6%, increase compared to the year ended December 31, 2004. Passenger revenue increased 6% on a 3% increase in capacity. The increase in passenger revenue reflects a 6% rise in RPMs and a flat passenger mile yield. The relatively constant passenger mile yield reflects our lack of pricing power due to the continuing growth of low-cost carriers with which we compete in most of our domestic markets, high industry capacity and price sensitivity by our customers, enhanced by the availability of airline fare information on the Internet. During the fourth quarter of 2005, passenger mile yield increased 8% compared to the fourth quarter of 2004, which reflects a general improvement in the overall business environment and the structural changes we made to strengthen our route network since our Chapter 11 filing.

(in millions)	Year Ended December 31, 2005		Increase (Decrease) Year Ended December 31, 2005 vs. 2004			
	Passenger Revenue	Passenger Revenue	RPMs	Yield	Passenger RASM	Load Factor
Passenger Revenue:						
North American passenger revenue	\$ 11,503	4 %	4 %	—	3%	2.2
International passenger revenue	3,003	17 %	13 %	4%	4%	—
Charter revenue	118	(2)%	(25)%	30%	20%	(3.6)
Total passenger revenue	\$ 14,624	6 %	6 %	—	3%	1.8

North American Passenger Revenue. North American passenger revenue increased 4% due to increased traffic in 2005. In the first half of 2005 yields averaged 5% below the first half of 2004, while in the second half of 2005 yields averaged 5% higher than the second half of 2004.

International Passenger Revenue. Higher international passenger revenue reflects a capacity increase of 13%. RPMs also increased 13%, while passenger mile yield increased 4%. Passenger RASM increased 4% to 8.45¢ and load factor remained consistent with the prior year. These increases reflect increases in service to international destinations, primarily in transatlantic markets.

Operating Expense

	Year Ended December 31,		Increase	% Increase
(in millions)	2005	2004	(Decrease)	(Decrease)
Operating Expense:				
Salaries and related costs	\$ 5,058	\$ 6,338	\$ (1,280)	(20)%
Aircraft fuel	4,271	2,924	1,347	46 %
Depreciation and amortization	1,273	1,244	29	2 %
Contracted services	1,096	999	97	10 %
Contract carrier arrangements	1,318	932	386	41 %
Landing fees and other rents	863	875	(12)	(1)%
Aircraft maintenance materials and outside repairs	776	681	95	14 %
Aircraft rent	541	716	(175)	(24)%
Passenger commissions and other selling expenses	948	939	9	1 %
Passenger service	345	349	(4)	(1)%
Impairment of intangible assets	—	1,875	(1,875)	NM
Restructuring, asset writedowns, pension settlements and related items, net	888	(41)	929	NM
Other	815	712	103	14 %
Total operating expense	\$ 18,192	\$ 18,543	\$ (351)	(2)%

Operating expense for 2005 was \$18.2 billion, which includes an \$888 million charge for restructuring, asset writedowns, pension settlements and related items, net. Operating expense for 2004 totaled \$18.5 billion, which includes a \$1.9 billion impairment of intangible assets related to the write-off of goodwill associated with ASA and Comair. For additional information about this charge, see Note 5 of the Notes to the Consolidated Financial Statements.

Operating capacity for 2005 increased 3% to 157 billion available seat miles, primarily due to operational efficiencies from the redesign of our Atlanta hub from a banked to a continuous hub, which allowed us to increase system-wide capacity with no additional Mainline aircraft. Operating cost per available seat mile decreased 5% to 11.60¢.

Salaries and related costs. The decrease in salaries and related costs includes a 17% decrease from salary rate reductions for our pilot and non-pilot employees and a 7% decline due to lower headcount.

Aircraft fuel. Aircraft fuel expense increased \$1.3 billion, or 46%, driven by higher fuel prices, which were slightly offset by a reduction in total gallons consumed due to our sale of ASA to SkyWest on September 7, 2005. Our average fuel price per gallon increased 47% to \$1.71 while total gallons consumed decreased 1%. Fare increases implemented during 2005 in response to rising aircraft fuel prices offset only a small portion of those cost increases. During 2005, we had no significant hedges or contractual arrangements to reduce our fuel costs below market levels. Our fuel expense is shown net of fuel hedge gains of \$105 million in 2004.

Contract carrier arrangements. Contract carrier arrangements expense increased primarily due to (1) a change in how we account for ASA's expenses as a result of its sale to SkyWest and (2) new contract carrier agreements with Shuttle America and Freedom. These increases were partially offset by the termination of our contract carrier arrangement with Flyi, Inc. in 2004.

Aircraft rent. The decrease in aircraft rent expense largely reflects a 21% decrease due to our lease restructuring in the December 2004 quarter, which resulted in the reclassification of certain aircraft leases from operating to capital. As discussed below, this reclassification increased our interest expense. The reduction in aircraft rent expense also reflects our rejection of the leases for 50 aircraft, the renegotiation of the leases for seven aircraft and the repossession of 15 aircraft in connection with our Chapter 11 proceedings during 2005.

Restructuring, asset writedowns, pension settlements and related items, net. For 2005, restructuring, asset writedowns, pension settlements and related items, net totaled an \$888 million charge consisting of the following:

- *Pension Curtailment Charge.* A \$447 million curtailment charge related to our Pilot Plan and Non-pilot Plan. This charge relates to the freeze of service accruals under the Pilot Plan effective December 31, 2004 and the impact of the planned reduction of 6,000 to 7,000 jobs announced in November 2004 on the Non-pilot Plan (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Pension Settlements.* \$388 million in settlement charges primarily related to the Pilot Plan due to a significant increase in pilot retirements and lump sum distributions from plan assets (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Workforce Reduction.* A \$46 million charge related to our decision in 2005 to reduce staffing by approximately 7,000 to 9,000 jobs by December 2007, which has been substantially completed. This charge was offset by a net \$3 million reduction in accruals associated with prior year workforce reduction programs.
- *Asset Charges.* A \$10 million charge related to the removal from service of six B-737-200 aircraft prior to their lease expiration dates.

For 2004, restructuring, asset writedowns, pension settlements and related items, net totaled a \$41 million gain consisting of the following:

- *Elimination of Retiree Healthcare Subsidy.* A \$527 million gain related to our decision to eliminate the company provided healthcare coverage subsidy for employees who retire after January 1, 2006 (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Pension Settlements.* \$251 million in settlement charges related to the Pilot Plan due to a significant increase in pilot retirements and lump sum distribution from plan assets (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Workforce Reduction.* A \$194 million charge related to our decision to reduce staffing by approximately 6,000 to 7,000 jobs by December 2005. This charge included charges of \$152 million related to special termination benefits and \$42 million related to employee severance (see Note 10 of the Notes to the Consolidated Financial Statements).
- *Asset Charges.* A \$41 million aircraft impairment charge related to our agreement to sell eight owned MD-11 aircraft. In October 2004, we sold these aircraft and related inventory to a third party for \$227 million.

Other. The increase in other operating expense primarily reflects a 13% rise due to the increase of incremental costs associated with our SkyMiles frequent flyer program and a 5% increase from higher fuel taxes. These increases were partially offset by the impact of our sale of ASA. For additional information regarding our SkyMiles frequent flyer program, see Note 2 of the Notes to the Consolidated Financial Statements.

Other (Expense) Income

Other expenses, net for 2005 increased 42% to \$974 million, compared to \$684 million for 2004. This change is substantially attributable to a 25%, or \$208 million, increase in interest expense in 2005 and a gain from sale of investments which we recognized in 2004.

Interest expense increased primarily due to a 31% increase from higher levels of debt outstanding and higher interest rates as well as a 10% rise due to additional interest related to the reclassification of certain aircraft leases from operating leases to capital leases as a result of renegotiations during the December 2004 quarter (see discussion of aircraft rent expense above). These increases were offset by a 15% decrease due to the accounting treatment of certain interest charges under our Chapter 11 proceedings in accordance with SOP 90-7.

Gain from sale of investments was \$123 million for 2004 primarily due to the sale of our remaining equity interest in Orbitz, Inc. For additional information about this sale, see Note 2 of the Notes to the Consolidated Financial Statements.

Reorganization Items, Net

Reorganization items, net totaled an \$884 million charge for 2005. See “Results of Operations - 2006 Compared to 2005” for additional information on these items.

Income Tax Benefit (Provision)

In 2004, we recorded a valuation allowance on our net deferred tax assets because we determined it was more likely than not that we would not be able to realize the benefit of those tax assets. In 2005, we increased our valuation allowance by approximately \$1.6 billion. For additional information about the income tax valuation allowance, see Note 9 of the Notes to the Consolidated Financial Statements.

Financial Condition and Liquidity

During our Chapter 11 proceedings, we entered into a number of agreements related to financing arrangements and settlements of pre-petition claims. For a description of the arrangements that had an effect on our liquidity, see Notes 6 and 8 of the Notes to the Consolidated Financial Statements.

On January 30, 2007, we secured commitments for a \$2.5 billion exit financing facility (“Exit Facility”) to be used in connection with our plan to exit bankruptcy in the second quarter of 2007. For further information about the Exit Facility, see Note 6 of the Notes to the Consolidated Financial Statements.

We have obligations under our agreement with ALPA and the PBGC Settlement Agreement to issue an aggregate of \$875 million of new unsecured notes. For further information about our agreement with ALPA and the PBGC Settlement Agreement, see Notes 1 and 10 of the Notes to the Consolidated Financial Statements.

Our Amended and Restated DIP Credit Facility and the Amex Post-Petition Facility include certain affirmative, negative and financial covenants. We were in compliance with these covenant requirements at December 31, 2006 and 2005.

Sources and Uses of Cash

We expect to meet our cash needs for 2007 from cash flows from operations, cash and cash equivalents and short-term investments and financing arrangements. As discussed in Note 6 of the Notes to the Consolidated Financial Statements, we have obtained commitments for a \$2.5 billion Exit Facility in connection with our plan to exit bankruptcy in the second quarter of 2007.

Our cash and cash equivalents and short-term investments were \$2.6 billion at December 31, 2006, compared to \$2.0 billion at December 31, 2005. Restricted cash totaled \$802 million and \$928 million at December 31, 2006 and 2005, respectively. Cash and cash equivalents at December 31, 2006 and 2005 include \$156 million and \$155 million, respectively, which is set aside for the payment of certain operational taxes and fees to various governmental authorities.

Cash flows from operating activities

Cash provided by operating activities was \$993 million for the year ended December 31, 2006, an increase of \$1.3 billion and \$2.0 billion compared to the years ended December 31, 2005 and 2004, respectively. Cash provided by operating activities in 2006 reflects an increase of \$401 million and \$2.0 billion in working capital compared to 2005 and 2004, respectively. These increases are primarily a result of revenue and network productivity improvements, in-court restructuring initiatives and labor cost reductions implemented in connection with our restructuring business plan during our Chapter 11 proceedings and an improved revenue environment. For additional information regarding our restructuring business plan and operational performance, see “Our Business Plan,” “Results of Operations - 2006 Compared to 2005,” and “Results of Operations — 2005 Compared to 2004,” respectively.

Our 2006 cash flows from operating activities also includes a \$116 million decrease in our restricted cash balance primarily due to a release of cash from restricted to operating as a result of agreements we reached with certain vendors. In 2005, our restricted cash balance increased significantly primarily due to cash holdbacks associated with our Visa/MasterCard credit card processing agreement. For the year ended December 31, 2006, we classified changes to our restricted cash balances primarily associated with credit card holdbacks to cash flows from operating activities to better reflect the nature of restricted cash activities. Prior to 2006, we presented such changes as an investing activity. For additional information regarding this reclassification, see Note 2 of the Notes to the Consolidated Financial Statements.

Cash flows from investing activities

Cash used in investing activities totaled \$361 million for the year ended December 31, 2006, compared to cash provided by investing activities of \$22 million for the year ended December 31, 2005. This change reflects a \$401 million decrease in cash used for the purchase of flight and ground equipment in 2006. Our 2005 cash flows from investing activities also includes \$842 million in proceeds from our sale of ASA and certain flight equipment.

Cash provided by investing activities totaled \$22 million for the year ended December 31, 2005, compared to cash used in investing activities of \$320 million for the year ended December 31, 2004. This change reflects \$570 million of flight equipment additions in 2005, including \$417 million we paid to purchase 11 B-737-800 aircraft that we sold to a third party immediately after these aircraft were delivered to us by the manufacturer. Our 2005 cash flows from investing activities also include \$842 million in proceeds from our sale of ASA and certain flight equipment discussed above.

Cash flows from financing activities

Cash used in financing activities totaled \$606 million for the year ended December 31, 2006, compared to cash provided by financing activities of \$830 million for the year ended December 31, 2005. This change is primarily due to the net proceeds we received under our Secured Super-Priority Debtor-In-Possession Credit Agreement (the "DIP Credit Facility") shortly after our Chapter 11 filing in 2005. As a result of our Chapter 11 filing, we ceased making payments on our unsecured debt. For additional information regarding our Chapter 11 proceedings and long-term debt, see Notes 1 and 6, respectively, of the Notes to the Consolidated Financial Statements.

Cash provided by financing activities totaled \$830 million and \$636 million for the years ended December 31, 2005 and 2004, respectively. This change is primarily attributable to the net proceeds we received under our DIP Credit Facility as discussed above compared to the net proceeds we received in 2004 in connection with newly entered or amended financing arrangements in the aggregate amount of \$1.8 billion and the issuance of 2 ⅞ % Convertible Senior Notes due 2024 in the amount of \$325 million. As discussed above, after filing for bankruptcy, we ceased making payments on our unsecured debt.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2006 that relate to debt; operating leases; aircraft order commitments; capital leases; contract carrier obligations; other material, noncancelable purchase obligations; and other liabilities. We are in the process of evaluating our executory contracts in order to determine which contracts will be assumed in our Chapter 11 proceedings. Therefore, obligations as currently quantified in the table below and in the text immediately following the footnotes to the table will continue to change. The table below does not include contracts that we have successfully rejected through our Chapter 11 proceedings. The table also does not include commitments that are contingent on events or other factors that are uncertain or unknown at this time, some of which are discussed in footnotes to this table and in the text immediately following the footnotes.

(in millions)	Contractual Obligations by Year						Total
	2007	2008	2009	2010	2011	After 2011	
Long-term debt, not including liabilities subject to compromise ⁽¹⁾⁽²⁾	\$ 1,466	\$ 2,152	\$ 392	\$ 1,300	\$ 1,307	\$ 1,071	\$ 7,688
Long-term debt classified as liabilities subject to compromise ⁽¹⁾	453	640	868	177	103	2,704	4,945
Operating lease payments ⁽³⁾⁽⁴⁾	1,257	1,182	977	915	792	4,915	10,038
Aircraft order commitments ⁽⁵⁾	523	823	960	712	—	—	3,018
Capital lease obligations not subject to compromise ⁽³⁾⁽⁶⁾	104	100	99	99	94	94	590
Capital lease obligations subject to compromise ⁽³⁾⁽⁶⁾	6	3	—	—	—	—	9
Contract carrier obligations ⁽⁷⁾	2,167	2,272	2,344	2,281	2,242	17,930	29,236
Other purchase obligations ⁽⁸⁾	212	51	46	28	25	5	367
Other liabilities ⁽⁹⁾	45	—	—	—	—	—	45
Total ⁽¹⁰⁾	\$6,233	\$7,223	\$ 5,686	\$5,512	\$4,563	\$26,719	\$55,936

(1) These amounts are included in our Consolidated Balance Sheets. Interest on long-term debt is not included in the table above. For additional information about our debt and related matters, see Note 6 of the Notes to the Consolidated Financial Statements.

(2) Under our comprehensive agreement with ALPA reducing our pilot labor costs, we are required to issue for the benefit of pilots, no later than 120 days following our emergence from bankruptcy, senior unsecured notes (“Pilot Notes”) with an aggregate principal amount of \$650 million, a term of up to 15 years and an annual interest rate calculated to ensure the Pilot Notes trade at par on the issuance date. The Pilot Notes are pre-payable at any time at our option, and we may replace all or a portion of the principal amount of the Pilot Notes with cash prior to their issuance.

Under our settlement agreement with the PBGC relating to the termination of the Pilot Plan, we are required to issue to the PBGC, no later than seven business days after our emergence from bankruptcy, senior unsecured notes (“PBGC Notes”) with an aggregate principal amount of \$225 million, a term of up to 15 years and an annual interest rate calculated to ensure the PBGC Notes trade at par on the issuance date. We may replace all or a portion of the principal amount of the PBGC Notes with cash prior to their issuance, which we are required to do under certain circumstances.

The Pilot Notes and the PBGC Notes are not included in the table above.

(3) Although we are not generally permitted to make any payments on pre-petition obligations as a result of our Chapter 11 proceedings, we have reached agreements with certain aircraft financing parties under Section 1110 of the Bankruptcy Code and received approval from the Bankruptcy Court to continue to make payments on certain aircraft debt and lease obligations. The amounts included remain subject to change until a plan of reorganization is approved and we emerge from Chapter 11.

(4) This amount includes our noncancelable operating leases and our lease payments related to aircraft under our contract carrier agreements with ASA, SkyWest Airlines, Freedom and Shuttle America. Emerging Issues Task Force 01-08, “Determining Whether an Arrangement Contains a Lease”, provides guidance on whether an arrangement contains a lease within the scope of SFAS 13 and is applicable to agreements entered into or modified after June 30, 2003. Because we entered into our contract carrier agreement with Chautauqua prior to June 30, 2003, payments totaling \$183 million related to Chautauqua aircraft are not included in the table. See Note 7 of the Notes to the Consolidated Financial Statements for further information.

We have signed a letter of intent with a third party to lease 10 B-757-200ER aircraft. These aircraft will be delivered from July 2007 through November 2007 and will be leased for seven years and three months each. We have also signed a letter of intent with a separate third party to lease three B-757-200ER aircraft which would be delivered to us in the first quarter of 2008, or such earlier dates as the parties may agree and will be leased for five years. These aircraft leases are not included in the table above.

(5) Our aircraft order commitments as of December 31, 2006 consist of firm orders to purchase five B-777-200LR aircraft, 10 B-737-700 aircraft and 50 B-737-800 aircraft, including 48 B-737-800 aircraft, which we have entered into definitive agreements to sell to third parties immediately following delivery of these aircraft to us by the manufacturer starting in 2007. The impact of these sales on the future commitments above would be a total reduction of approximately \$2.0 billion during the period 2007 through 2010.

On January 31, 2007, we entered into an agreement to acquire 30 CRJ-900 aircraft from Bombardier Inc., with options to acquire an additional 30 CRJ-900 aircraft. The aircraft will be delivered in two-class, 76 seat configuration between September 2007 and February 2010. We expect these aircraft will be operated by regional air carriers under contract carrier agreements, and the purchase agreement permits assignment of the aircraft and related support provisions to other carriers. We have available to us long-term, secured financing commitments to fund a substantial portion of the aircraft purchase price for the 30 firm orders. These aircraft order commitments are not included in the table above.

- (6) Interest payments related to capital lease obligations are included in the table. The present value of these obligations, excluding interest, is included on our Consolidated Balance Sheets. For additional information about our capital lease obligations, see Note 7 of the Notes to the Consolidated Financial Statements.
- (7) This amount represents our minimum fixed obligation under our contract carrier agreements with Chautauqua, Shuttle America, ASA, SkyWest Airlines, and Freedom (excluding contract carrier lease payments accounted for as operating leases, (see footnote (4) above)). For additional information regarding our contract carrier agreements, see Note 8 of the Notes to the Consolidated Financial Statements.
- (8) Includes purchase obligations pursuant to which we are required to make minimum payments for goods and services, including but not limited to insurance, outsourced human resource services, marketing, maintenance, obligations related to Comair, technology, and other third party services and products. For additional information about other commitments and contingencies, see Note 8 of the Notes to the Consolidated Financial Statements.
- (9) Represents other liabilities on our Consolidated Balance Sheets for which we are obligated to make future payments related to medical benefit costs incurred but not yet paid. These liabilities are not included in any other line item on this table.
- (10) In addition to the contractual obligations included in the table, we have significant cash obligations that are not included in the table. For example, we will pay wages required under collective bargaining agreements; fund pension plans (as discussed below); purchase capacity under contract carrier arrangements (as discussed below); and pay credit card processing fees and fees for other goods and services, including those related to fuel, maintenance and commissions. While we are parties to legally binding contracts regarding these goods and services, the actual commitment is contingent on certain factors such as volume and/or variable rates that are uncertain or unknown at this time. Therefore, these items are not included in the table. In addition, purchase orders made in the ordinary course of business are excluded from the table and any amounts which we are liable for under the purchase orders are included in current liabilities on our Consolidated Balance Sheets.

The following items are not included in the table above:

Pension Plans. We sponsor qualified defined contribution and defined benefit pension plans for eligible employees and retirees. Our funding obligations for these plans are governed by the Employee Retirement Income Security Act of 1974 (“ERISA”). Estimates of pension plan funding requirements can vary materially from actual funding requirements because the estimates are based on various assumptions, including those described below.

Defined Contribution Pension Plans (“DC Plans”). During the year ended December 31, 2006, we contributed approximately \$110 million to our DC Plans. Estimates of future funding requirements under our DC Plans are not reasonably estimable at this time. Under our comprehensive agreement with ALPA reducing our pilot labor costs, ALPA received, among other things, a \$2.1 billion allowed general, unsecured pre-petition claim in our bankruptcy proceedings. The proceeds of this claim will be distributed to pilot accounts under the Delta Family-Care Savings Plan to the extent permitted by the Internal Revenue Code, thereby reducing the amount we can contribute under the Internal Revenue Code to the DC Plan for pilots in 2007. In addition, we intend to implement changes to our DC Plan for non-pilot employees following our exit from bankruptcy but the design of these plan changes has not yet been finalized.

Defined Benefit Pension Plans (“DB Plans”). During the year ended December 31, 2006, we contributed approximately \$4 million to our DB Plans. Under our settlement agreement with the PBGC, the Pilot Plan was terminated effective September 2, 2006, and we agreed to initiate, prior to our emergence from Chapter 11, a standard termination of a separate frozen qualified defined benefit pension plan for certain pilots formerly employed by Western Air Lines. In addition, our non-qualified defined benefit pension plans for pilots were terminated effective September 2, 2006.

Effective December 31, 2005, future pay and service accruals under the Non-pilot Plan were frozen. The Pension Preservation Act of 2006 allows us to reduce the funding obligations for the Non-pilot Plan over the next several years. As a result of this legislation, we intend to maintain the Non-pilot Plan. While this legislation makes our funding obligations for the Non-pilot Plan more predictable, factors outside our control will continue to have an impact on the funding requirements for that plan.

Estimates of future funding requirements for the Non-pilot Plan are based on various assumptions, including legislative changes regarding these obligations. These assumptions also include, among other things, the actual and projected market performance of assets of the Non-pilot Plan; statutory requirements; the terms of the Non-pilot Plan; and demographic data for participants in the Non-pilot Plan, including the number of participants and the rate of participant attrition.

Assuming current funding rules and current plan design, we estimate that the funding requirements under the Non-pilot Plan for 2007, 2008 and 2009 will aggregate approximately \$300 million.

Contract Carriers. We have long-term contract carrier agreements with the following five regional air carriers (in addition to Comair): Chautauqua, Shuttle America, ASA, SkyWest Airlines, and Freedom. Under these agreements, the carriers operate some or all of their aircraft using our flight code, and we schedule those aircraft, sell the seats on those flights and retain the related revenues. We pay those airlines an amount, as defined in the applicable agreement, which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services.

Under these long-term contract carrier agreements, we are obligated to pay certain minimum fixed obligations, which are included in the table above. The remaining estimated expenses are not included in the table because these expenses are contingent based on the costs associated with the operation of contract carrier flights by those air carriers as well as rates that are unknown at this time. We cannot reasonably estimate at this time our expenses under the contract carrier agreements in 2007 and thereafter.

We may terminate the Chautauqua and Shuttle America agreements without cause at any time after May 2010 and January 2013, respectively, by providing certain advance notice. If we terminate either the Chautauqua or Shuttle America agreements without cause, Chautauqua or Shuttle America, respectively, has the right to (1) assign to us leased aircraft that the airline operates for us, provided we are able to continue the leases on the same terms the airline had prior to the assignment and (2) require us to purchase or lease any of the aircraft that the airline owns and operates for us at the time of the termination. If we are required to purchase aircraft owned by Chautauqua or Shuttle America, the purchase price would be equal to the amount necessary to (1) reimburse Chautauqua or Shuttle America for the equity it provided to purchase the aircraft and (2) repay in full any debt outstanding at such time that is not being assumed in connection with such purchase. If we are required to lease aircraft owned by Chautauqua or Shuttle America, the lease would have (1) a rate equal to the debt payments of Chautauqua or Shuttle America for the debt financing of the aircraft calculated as if 90% of the aircraft was debt financed by Chautauqua or Shuttle America and (2) other specified terms and conditions.

We estimate that the total fair values, determined as of December 31, 2006, of the aircraft that Chautauqua or Shuttle America could assign to us or require that we purchase if we terminate without cause our contract carrier agreements with those airlines (the “ Put Right ”) are \$483 million and \$367 million, respectively. The actual amount that we may be required to pay in these circumstances may be materially different from these estimates. If the Chautauqua or Shuttle America Put Right is exercised, we must also pay to the exercising carrier 10% interest (compounded monthly) on the equity the carrier provided when it purchased the put aircraft. These equity amounts for Chautauqua and Shuttle America total \$56 million and \$34 million, respectively.

For additional information on contract carrier agreements see Note 8 of the Notes to the Consolidated Financial Statements.

Interest and Related Payments. Estimated amounts for future interest and related payments in connection with our long-term debt obligations are based on the fixed and variable interest rates specified in the associated debt agreements. We expect to pay \$643 million related to interest on our fixed and variable rate long-term debt not subject to compromise in 2007. Estimates on variable rate interest were calculated using implied short-term LIBOR based on LIBOR at December 31, 2006. The related payments represent credit enhancements required in conjunction with certain financing agreements. As a result of our Chapter 11 filing, actual interest expense in 2007 is expected to be less than the contractual interest expense. See Note 2 of the Notes to the Consolidated Financial Statements for information about our policy relating to interest expense.

Legal Contingencies. We are involved in various legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. We cannot reasonably estimate the potential loss for certain legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify the damages being sought. As a result of our Chapter 11 proceedings, virtually all pre-petition pending litigation against us is stayed and related amounts accrued have been classified in liabilities subject to compromise on the Consolidated Balance Sheet at December 31, 2006 and 2005.

Other Contingent Obligations under Contracts. In addition to the contractual obligations discussed above, we have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. Because these obligations are contingent on our termination of the contract without cause prior to its expiration date, no obligation would exist unless such a termination occurs. We also cannot predict the impact, if any, that our Chapter 11 proceedings might have on these obligations.

For additional information about other contingencies not discussed above as well as discussions related to general indemnifications, see Note 8 of the Notes to the Consolidated Financial Statements.

Application of Critical Accounting Policies

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. We periodically evaluate these estimates and assumptions, which are based on historical experience, changes in the business environment and other factors that management believes to be reasonable under the circumstances. Actual results may differ materially from these estimates.

Claims Resolution Process. As of February 7, 2007, claims totaling about \$87.0 billion have been filed with the Bankruptcy Court against the Debtors, and we expect new and amended claims to be filed in the future, including claims amended to assign values to claims originally filed with no designated value. We have identified, and we expect to continue to identify, many claims that we believe should be disallowed by the Bankruptcy Court because they are duplicative, have been later amended or superseded, are without merit, are overstated or for other reasons. As of February 7, 2007, the Bankruptcy Court has disallowed approximately \$1.2 billion of claims and has not yet ruled on our other objections to claims, the disputed portions of which aggregate to an additional \$2.8 billion. We expect to continue to file objections in the future. Because the process of analyzing and objecting to claims is ongoing, the amount of disallowed claims may increase significantly in the future.

Through the claims resolution process, differences in amounts scheduled by the Debtors and claims filed by creditors will be investigated and resolved, including through the filing of objections with the Bankruptcy Court where appropriate. In light of the substantial number and amount of claims filed, the claims resolution process may take considerable time to complete, and we expect that it will continue after our emergence from Chapter 11. Accordingly, the ultimate number and amount of allowed claims is not presently known, nor is the exact recovery with respect to allowed claims presently known.

Passenger Revenue. We record sales of passenger tickets as air traffic liabilities on our Consolidated Balance Sheets. Passenger revenue is recognized when we provide transportation or when the ticket expires unused, reducing the related air traffic liability. We periodically evaluate the estimated air traffic liability and record any resulting adjustments in our Consolidated Statements of Operations in the period in which the evaluations are completed. These adjustments relate primarily to refunds, exchanges, transactions with other airlines and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Frequent Flyer Program. We have a frequent flyer program, the SkyMiles Program, offering incentives to increase travel on Delta. This program allows participants to earn mileage for travel awards by flying on Delta, Delta Connection carriers and participating airlines, as well as through participating companies such as credit card companies, hotels and car rental agencies. Mileage credits can be redeemed for free or upgraded air travel on Delta and participating airlines, for membership in our Crown Room Club and for other program awards.

For SkyMiles accounts with sufficient mileage credits to qualify for a free travel award, we record a liability for the estimated incremental cost of flight awards that are earned and expected to be redeemed for travel on Delta or other airlines. Our incremental costs include our system average cost per passenger for fuel, food and other direct passenger costs for awards to be redeemed on Delta. These estimates are generally updated based on our 12-month historical average for such costs. We also accrue a frequent flyer liability for the mileage credits that are expected to be used for travel on participating airlines based on historical usage patterns and contractual rates. We periodically record adjustments to this liability in other operating expenses on our Consolidated Statements of Operations based on awards earned, awards redeemed, changes in our estimated incremental costs and changes to the SkyMiles program. Changes in these estimates could have a material impact on the liability in the year in which the change occurs and in future years. The liability is recorded in other accrued liabilities on our Consolidated Balance Sheets.

At December 31, 2006 and 2005, we estimated that approximately eight million and seven million free travel awards, respectively, were expected to be redeemed for free travel on Delta or other airlines. This estimate excludes mileage credits in SkyMiles accounts which (1) do not have sufficient mileage credits to qualify for a free travel award or (2) have sufficient mileage credits to qualify for a free travel award but which are not expected to be redeemed for such an award.

We sell mileage credits in our SkyMiles frequent flyer program to participating companies such as credit card companies, hotels and car rental agencies. The portion of the revenue from the sale of mileage credits that approximates the fair value of travel to be provided is deferred and recognized as passenger revenue over the period when transportation is expected to be provided. Amounts received in excess of the transportation's fair value are recognized in income currently and classified as other revenue. A change in assumptions as to the period over which the mileage credits are expected to be used (currently 15 to 41 months), the actual redemption activity for mileage credits or our estimate of the fair value of transportation expected to be provided could have a material impact on our revenue in the year in which the change occurs and in future years.

Our total liability for future SkyMiles award redemptions for free travel on us or participating airlines as well as unrecognized revenue from selling SkyMiles mileage credits was approximately \$887 million and \$607 million at December 31, 2006 and 2005, respectively. These amounts were recorded as components of other accrued liabilities on our Consolidated Balance Sheets.

Long-Lived Assets. Our flight equipment and other long-lived assets have a recorded value of \$13.0 billion on our Consolidated Balance Sheet at December 31, 2006. This value is based on various factors, including the assets' estimated useful lives and their estimated salvage values. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), we record impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts. The impairment loss recognized is the amount by which the asset's carrying amount exceeds its estimated fair value.

In order to evaluate potential impairment as required by SFAS 144, we group assets at the fleet type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of passenger yield, fuel costs, labor costs and other relevant factors. We estimate aircraft fair values using published sources, appraisals and bids received from third parties, as available. For additional information about our accounting policy for the impairment of long-lived assets, see Notes 2 and 5 of the Notes to the Consolidated Financial Statements.

Income Tax Valuation Allowance and Contingencies. In accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"), deferred tax assets should be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The future realization of our net deferred tax assets depends on the availability of sufficient future taxable income. In making this determination, we consider all available positive and negative evidence and make certain assumptions. We consider, among other things, our deferred tax liabilities; the overall business environment; our historical earnings and losses; our industry's historically cyclical periods of earnings and losses; and our outlook for future years.

Our income tax provisions are based on calculations and assumptions that are subject to examination by the Internal Revenue Service and other tax authorities. Although we believe that the positions taken on previously filed tax returns are reasonable, we have established tax and interest reserves in recognition that various taxing authorities may challenge the positions we have taken, which could result in additional liabilities for taxes and interest. We review the reserves as circumstances warrant and adjust the reserves as events occur that affect our potential liability, such as lapsing of applicable statutes of limitations, conclusion of tax audits, a change in exposure based on current calculations, identification of new issues, release of administrative guidance, or the rendering of a court decision affecting a particular issue. We adjust the income tax provision in the period in which the facts that give rise to the revision become known.

For additional information about income taxes, see Notes 2 and 9 of the Notes to the Consolidated Financial Statements.

Pension Plans. We sponsor DB Plans for our eligible employees and retirees. The impact of these DB Plans on our Consolidated Financial Statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005, and 2004 is presented in Note 10 of the Notes to the Consolidated Financial Statements. Assuming current plan design, we currently estimate that our defined benefit pension plan expense in 2007 will be approximately \$100 million. The effect of our DB Plans on our Consolidated Financial Statements is subject to many assumptions. We believe the most critical assumptions are (1) the weighted average discount rate and (2) the expected long-term rate of return on the assets of our DB Plans. The Pilot Plan and pilot non-qualified defined benefit pension plans were terminated during 2006. For additional information regarding these terminations, see Note 10 of the Notes to the Consolidated Financial Statements.

We determine our weighted average discount rate on our measurement date primarily by reference to annualized rates earned on high quality fixed income investments and yield-to-maturity analysis specific to our estimated future benefit payments. We used a weighted average discount rate of 5.88% and 5.69% at September 30, 2006 and 2005, respectively. Additionally, our weighted average discount rate for net periodic benefit cost in each of the past three years has varied from the rate selected on our measurement date, ranging from 6.09% in 2004 to 5.67% in 2006, due to remeasurements throughout the year. The impact of a 0.50% change in our weighted average discount rate is shown in the table below.

The expected long-term rate of return on the assets of our DB Plans is based primarily on specific asset investment studies for our DB Plans performed by outside consultants who used historical returns on our DB Plans' assets. The investment strategy for pension plan assets is to utilize a diversified mix of global public and private equity portfolios, public and private fixed income portfolios, and private real estate and natural resource investments to earn a long-term investment return that meets or exceeds a 9% annualized return target. Our historical annualized ten-year rate of return on plan assets is approximately 9% as of December 31, 2006. The impact of a 0.50% change in our expected long-term rate of return is shown in the table below.

Change in Assumption	Effect on 2007 Pension Expense	Effect on Accrued Pension Liability at December 31, 2006
0.50% decrease in discount rate	+\$15 million	+\$475 million
0.50% increase in discount rate	-\$15 million	-\$475 million
0.50% decrease in expected return on assets	+\$20 million	—
0.50% increase in expected return on assets	-\$20 million	—

Our rate of change in future compensation levels is based primarily on labor contracts with our employees under collective bargaining agreements and expected future pay rate changes for other employees. Due to the freeze of benefit accruals effective December 31, 2005 in our Non-pilot Plan, adjusting the rate of change in future compensation levels does not have an impact on 2007 pension expense or on the accrued pension liability at December 31, 2006.

For additional information about our pension plans, see Note 10 of the Notes to the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 158, “Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS Nos. 87, 88, 106 and 132(R)” (“SFAS 158”). This statement, among other things, requires that we recognize the funded status of our defined benefit pension and other postretirement plans in our Consolidated Balance Sheet as of December 31, 2006, with changes in the funded status recognized through comprehensive loss in the year in which such changes occur. Application of this standard resulted in (1) a \$685 million net decrease in accrued pension and other postretirement and postemployment liabilities, (2) a \$248 million decrease in the intangible pension asset in other noncurrent assets and (3) a \$437 million decrease in shareowners’ deficit. The adoption of SFAS 158 had no effect on our Consolidated Statement of Operations for any period presented. For additional information related to the adoption of SFAS 158, see Note 10 of the Notes to the Consolidated Financial Statements.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 is intended to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. The cumulative effect of applying this interpretation must be reported as an adjustment to the opening balance of shareowners’ deficit in 2007. We are currently evaluating the impact of FIN 48 on our Consolidated Financial Statements and anticipate the adjustment to shareowners’ deficit will not be material.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”), which requires an entity to recognize compensation expense in an amount equal to the fair value of its share based payments, such as stock options granted to employees. This standard replaces SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees.” We adopted SFAS 123R on January 1, 2006. For additional information regarding SFAS 123R, see Note 2 in the Notes to the Consolidated Financial Statement.

Market Risks Associated with Financial Instruments

We have significant market risk exposure related to aircraft fuel prices and interest rates. Market risk is the potential negative impact of adverse changes in these prices or rates on our Consolidated Financial Statements. To manage the volatility relating to these exposures, we periodically enter into derivative transactions pursuant to stated policies (see Note 4 of the Notes to the Consolidated Financial Statements). We expect adjustments to the fair value of financial instruments accounted for under SFAS 133 to result in ongoing volatility in earnings and shareowners’ deficit.

The following sensitivity analyses do not consider the effects of a change in demand for air travel, the economy as a whole, or actions we may take to seek to mitigate our exposure to a particular risk. For these and other reasons, the actual results of changes in these prices or rates may differ materially from the following hypothetical results.

Aircraft Fuel Price Risk

Our results of operations may be materially impacted by changes in the price of aircraft fuel. To manage this risk, we periodically enter into derivative contracts comprised of heating oil and jet fuel swap and collar contracts, to hedge a portion of our projected aircraft fuel requirements. We do not enter into fuel hedge contracts for speculative purposes.

In 2006, aircraft fuel expense accounted for 25% of our total operating expenses. Aircraft fuel expense for 2006 increased 1% compared to 2005 due to higher fuel prices, despite reduced consumption. Our average fuel price per gallon increased 19% to \$2.04, while total gallons consumed decreased 15%, due to a reduction in Mainline capacity and our sale of ASA.

As of December 31, 2006, we had hedged 36% of our projected fuel requirements for the March 2007 quarter using heating oil and jet fuel zero-cost collar contracts with a weighted average contract cap and floor price of \$1.93 and \$1.82, respectively. We recognized a \$17 million loss from the settlement of certain of these contracts at January 31, 2007. During January 2007, we hedged approximately 24% of our projected fuel requirements for the nine months ending September 30, 2007 using heating oil and jet fuel zero-cost collar and swap contracts. The swap contracts have a weighted average contract price of \$1.58 and the zero-cost collar contracts have a weighted average contract cap and floor price of \$1.83 and \$1.67, respectively. As of January 31, 2007, our open fuel hedge contracts had an estimated fair market value gain of \$2 million. We have not entered into any hedges for the December 2007 quarter. We estimate that a 10% rise in the price per gallon of heating oil and jet fuel would change the estimated fair market value associated with our outstanding contracts at settlement to a \$41 million gain.

We project that our aircraft fuel consumption will be 2.6 billion gallons in 2007. Based on a projected average jet fuel price of \$2.00 per gallon for 2007, a 10% rise in jet fuel prices would increase our aircraft fuel expense by \$487 million, inclusive of the impact of effective hedge instruments that have settled or are outstanding as of January 31, 2007.

We did not have any fuel hedge contracts outstanding as of December 31, 2005.

For additional information regarding derivative contracts and other exposures to market risks, see Note 4 of the Notes to the Consolidated Financial Statements.

Interest Rate Risk

Our exposure to market risk from volatility in interest rates is primarily associated with our long-term debt obligations. Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. The following sensitivity analysis for long-term debt at December 31, 2006 and 2005 excludes long-term debt subject to compromise due to our status as a debtor-in-possession under Chapter 11. At December 31, 2006 and 2005, a 10% increase in average annual interest rates would have decreased the estimated fair value of our long-term debt not subject to compromise by \$114 million and \$78 million, respectively, and increase interest expense by \$24 million and \$19 million, respectively. At December 31, 2006 and 2005, we did not have any interest rate swaps or contractual arrangements that would reduce our interest expense. For additional information on our long-term debt agreements, see Note 6 of the Notes to the Consolidated Financial Statements.

While operating as a debtor-in-possession, in accordance with SOP 90-7, we record interest expense only to the extent (1) interest will be paid during our Chapter 11 proceeding or (2) it is probable interest will be an allowed priority, secured, or unsecured claim. Interest expense recorded on our Consolidated Statements of Operations totaled \$870 million for 2006. Contractual interest expense (including interest expense that is associated with obligations classified as liabilities subject to compromise) totaled \$1.2 billion for 2006.

Glossary of Defined Terms

ASM — Available Seat Mile. A measure of capacity. ASMs equal the total number of seats available for transporting passengers during a reporting period multiplied by the total number of miles flown during that period.

Cargo Ton Miles — The total number of tons of cargo transported during a reporting period, multiplied by the total number of miles cargo is flown during that period.

Cargo Ton Mile Yield — The amount of cargo revenue earned per cargo ton mile during a reporting period.

CASM — (Operating) Cost per Available Seat Mile. The amount of operating cost incurred per ASM during a reporting period, also referred to as “unit cost”.

Passenger Load Factor — A measure of utilized available seating capacity calculated by dividing RPMs by ASMs for a reporting period.

Passenger Mile Yield — The amount of passenger revenue earned per RPM during a reporting period.

RASM — (Operating or Passenger) Revenue per ASM. The amount of operating or passenger revenue earned per ASM during a reporting period. Passenger RASM is also referred to as “unit revenue.”

RPM — Revenue Passenger Mile. One revenue-paying passenger transported one mile. RPMs equal the number of revenue passengers during a reporting period multiplied by the number of miles flown by those passengers during that period, RPMs are also referred to as “traffic”.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is set forth in Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risks Associated With Financial Instruments” and in Note 4 of the Notes to the Consolidated Financial Statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the Index on page F-1 of the Consolidated Financial Statements and the Notes thereto contained in this Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

For information about our change in independent registered public accounting firms from Deloitte & Touche LLP, our auditors for the fiscal year ended December 31, 2005, to Ernst & Young LLP for the fiscal year ending December 31, 2006, please refer to our Form 8-K filed with the SEC on February 3, 2006.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of December 31, 2006 to ensure that material information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes In Internal Control

During the three months ended December 31, 2006, we did not make any changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2006.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, which also audited our Consolidated Financial Statements for the year ended December 31, 2006. Ernst & Young LLP's report on management's assessment of internal control over financial reporting is set forth below.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of
Delta Air Lines, Inc. (Debtor-in-Possession)

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Delta Air Lines, Inc. (Debtor-in-Possession) (the "Company") maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Delta Air Lines, Inc. (Debtor-in-Possession) maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Delta Air Lines, Inc. (Debtor-in-Possession) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Delta Air Lines, Inc. (Debtor-in-Possession) as of December 31, 2006, and the related consolidated statements of operations, shareowners' deficit, and cash flows in the year ended December 31, 2006. Our report dated March 1, 2007 expressed an unqualified opinion thereon and included explanatory paragraphs related to (i) the Company's ability to continue as a going concern and (ii) changes in accounting for postretirement benefit plans and share-based compensation.

/s/ Ernst & Young LLP
Atlanta, Georgia
March 1, 2007

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item will be filed with the Securities and Exchange Commission as an amendment to this Form 10-K in accordance with General Instruction G(3).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be filed with the Securities and Exchange Commission as an amendment to this Form 10-K in accordance with General Instruction G(3).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be filed with the Securities and Exchange Commission as an amendment to this Form 10-K in accordance with General Instruction G(3).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item will be filed with the Securities and Exchange Commission as an amendment to this Form 10-K in accordance with General Instruction G(3).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be filed with the Securities and Exchange Commission as an amendment to this Form 10-K in accordance with General Instruction G(3).

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) (1), (2). The financial statements required by this item are listed in the Index to Consolidated Financial Statements in this Form 10-K. The schedule required by this item is included in the Notes to the Consolidated Financial Statements. All other financial statement schedules are not required or are inapplicable and therefore have been omitted.

(3). The exhibits required by this item are listed in the Exhibit Index to this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are listed as Exhibits 10.6 through 10.14 in the Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 2nd day of March, 2007.

DELTA AIR LINES, INC

By: /s/ Gerald Grinstein

Gerald Grinstein
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 2nd day of March, 2007 by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signature</u>	<u>Title</u>
/s/ Gerald Grinstein Gerald Grinstein	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Edward H. Bastian Edward H. Bastian	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Edward H. Budd Edward H. Budd	Director
/s/ Dominico De Sole Dominico De Sole	Director
/s/ David R. Goode David R. Goode	Director
Patricia L. Higgins	Director

<u>Signature</u>	<u>Title</u>
/s/ Arthur E. Johnson Arthur E. Johnson	Director
/s/ Karl J. Krapek Karl J. Krapek	Director
Paula Rosput Reynolds	Director
John F. Smith, Jr.	Chairman of the Board
/s/ Kenneth B. Woodrow Kenneth B. Woodrow	Director

EXHIBIT INDEX

- 3.1 Delta's Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on May 23, 2005).*
- 3.2 Delta's By-Laws (Filed as Exhibit 3.2 to Delta's Current Report on Form 8-K as filed on May 23, 2005).*
- 4.1 Indenture dated as of March 1, 1983, between Delta and The Citizens and Southern National Bank, as trustee, as supplemented by the First and Second Supplemental Indentures thereto dated as of January 27, 1986 and May 26, 1989, respectively (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 2-82412), Exhibit 4(b) to Delta's Registration Statement on Form S-3 (Registration No. 33-2972), and Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*
- 4.2 Third Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of March 1, 1983, as supplemented, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*
- 4.3 Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as trustee (Filed as Exhibit 4(a) to Amendment No. 1 to Delta's Registration Statement on Form S-3 (Registration No. 33-34523)).*
- 4.4 First Supplemental Indenture dated as of August 10, 1998, between Delta and The Bank of New York, as successor trustee, to the Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, as predecessor trustee (Filed as Exhibit 4.7 to Delta's Annual Report on Form 10-K for the year ended June 30, 1998).*
- 4.5 Indenture dated as of May 1, 1991, between Delta and The Citizens and Southern National Bank of Florida, as Trustee (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 33-40190)).*

Delta is not filing any other instruments evidencing any indebtedness because the total amount of securities authorized under any single such instrument does not exceed 10% of the total assets of Delta and its subsidiaries on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

- 10 . 1 Purchase Agreement No. 2022 between Boeing and Delta relating to Boeing Model 737-632/-732/-832 Aircraft (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10 . 2 Purchase Agreement No. 2025 between Boeing and Delta relating to Boeing Model 767-432ER Aircraft (Filed as Exhibit 10.4 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10 . 3 Letter Agreements related to Purchase Agreements No. 2022 and/or No. 2025 between Boeing and Delta (Filed as Exhibit 10.5 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10 . 4 Aircraft General Terms Agreement between Boeing and Delta (Filed as Exhibit 10.6 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).*/**
- 10 . 5(a) Amended and Restated Secured Super-Priority Debtor in Possession Credit Agreement dated as of March 27, 2006 among Delta Air Lines, Inc., a Debtor and Debtor in Possession, as Borrower, the other Credit Parties signatory thereto, each a Debtor and Debtor in Possession, as Credit Parties, the Lenders signatory thereto from time to time, as Lenders, and General Electric Capital Corporation, as Administrative Agent and Lender ("Amended and Restated Secured Super-Priority Debtor-in-Possession Credit Agreement").
- 10.5(b) Amendment No. 1 to Amended and Restated Secured Super-Priority Debtor-in-Possession Credit Agreement dated as of August 31, 2006 .
- 10 . 6 Delta 2000 Performance Compensation Plan (Filed as Appendix A to Delta's Proxy Statement dated September 15, 2000).*
- 10 . 7 First Amendment to Delta 2000 Performance Compensation Plan, effective April 25, 2003 (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003).*
- 10 . 8 2002 Delta Excess Benefit Plan (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).*

10 . 9	2002 Delta Supplemental Excess Benefit Plan (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).*
10 . 10	Form of Excess Benefit Agreement between Delta and its officers (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002).*
10 . 11	Form of Non-Qualified Benefit Agreement (Filed as Exhibit 10.19 to Delta's Annual Report on Form 10-K for the year ended December 31, 2003).*
10 . 12	Directors' Deferred Compensation Plan, as amended (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003).*
10.13(a)	Delta Air Lines, Inc. Director and Officer Severance Plan (Filed as Exhibit 10.1 to Delta's Current Report on Form 8-K filed on February 23, 2006).*
10.13(b)	Form of Agreement Related to Relinquishment of Certain Prior Severance Benefits (Non-pilot). (Filed as Exhibit 10.15(b) to Delta's Annual Report on Form 10-K for the year ended December 31, 2005).*
10.13(c)	Form of Agreement Related to Relinquishment of Certain Prior Severance Benefits (Pilot). (Filed as Exhibit 10.15(c) to Delta's Annual Report on Form 10-K for the year ended December 31, 2005).*
10.13(d)	Form of Acknowledgement of Ineligibility for Severance Benefits Under Any Delta Plan or Program, as executed by Messrs. Grinstein and Whitehurst. (Filed as Exhibit 10.15(d) to Delta's Annual Report on Form 10-K for the year ended December 31, 2005).*
10.13(e)	Form of Separation Agreement and General Release Applicable to Executive Officers. (Filed as Exhibit 10.15(e) to Delta's Annual Report on Form 10-K/A for the year ended December 31, 2005).*
10.14	Description of Certain Benefits of Executive Officers (Filed as Exhibit 10.16 to Delta's Annual Report on Form 10-K/A for the year ended December 31, 2005).*
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Deloitte & Touche LLP.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002.

*Incorporated by reference.

**Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to Delta's request for confidential treatment.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareowners of
Delta Air Lines, Inc. (Debtor-in-Possession)

We have audited the accompanying consolidated balance sheet of Delta Air Lines, Inc. (Debtor-in-Possession) (the “Company”) as of December 31, 2006, and the related consolidated statements of operations, shareowners’ deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delta Air Lines, Inc. (Debtor-in-Possession) at December 31, 2006, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that Delta Air Lines, Inc. (Debtor-in-Possession) will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code on September 14, 2005 which raises substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to this matter are also described in Note 1. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As discussed in Note 2 to the consolidated financial statements, in 2006 the Company changed its methods of accounting for postretirement benefit plans and share-based compensation.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Delta Air Lines, Inc.’s (Debtor-in-Possession) internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 1, 2007

REPORT OF INDEPENDENT REGISTERED ACCOUNTING FIRM

To the Board of Directors and Shareowners of Delta Air Lines, Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheet of Delta Air Lines, Inc. (Debtor and Debtor-in -Possession) and subsidiaries (the "Company") as of December 31, 2005, and the related consolidated statements of operations, cash flows, and shareowners' deficit for each of the two years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delta Air Lines, Inc. (Debtor and Debtor-in -Possession) and subsidiaries at December 31, 2005, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 2, the Company has filed for reorganization under Chapter 11 of the United States Bankruptcy Code. The accompanying financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to shareowner accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's recurring losses, labor issues and its bankruptcy filing result in uncertainty regarding the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, and raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note 1. The consolidated financial statements do not include adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
March 27, 2006

Delta Air Lines, Inc.
Debtor and Debtor-In-Possession
Consolidated Balance Sheets
December 31, 2006 and 2005

ASSETS (in millions)	2006	2005
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,034	\$ 2,008
Short-term investments	614	-
Restricted cash	750	870
Accounts receivable, net of an allowance for uncollectible accounts of \$21 and \$41 at December 31, 2006 and 2005, respectively	915	819
Expendable parts and supplies inventories, net of an allowance for obsolescence of \$161 and \$201 at December 31, 2006 and 2005, respectively	181	172
Deferred income taxes, net	402	99
Prepaid expenses and other	489	512
Total current assets	<u>5,385</u>	<u>4,480</u>
PROPERTY AND EQUIPMENT:		
Flight equipment	17,641	18,591
Accumulated depreciation	<u>(6,800)</u>	<u>(6,621)</u>
Flight equipment, net	<u>10,841</u>	<u>11,970</u>
Ground property and equipment	4,575	4,791
Accumulated depreciation	<u>(2,838)</u>	<u>(2,847)</u>
Ground property and equipment, net	<u>1,737</u>	<u>1,944</u>
Flight and ground equipment under capital leases	474	535
Accumulated amortization	<u>(136)</u>	<u>(213)</u>
Flight and ground equipment under capital leases, net	<u>338</u>	<u>322</u>
Advance payments for equipment	<u>57</u>	<u>44</u>
Total property and equipment, net	<u>12,973</u>	<u>14,280</u>
OTHER ASSETS:		
Goodwill	227	227
Operating rights and other intangibles, net of accumulated amortization of \$190 and \$189 at December 31, 2006 and 2005, respectively	89	74
Other noncurrent assets	948	978
Total other assets	<u>1,264</u>	<u>1,279</u>
Total assets	<u>\$ 19,622</u>	<u>\$ 20,039</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Delta Air Lines, Inc.
Debtor and Debtor-In-Possession
Consolidated Balance Sheets
December 31, 2006 and 2005

LIABILITIES AND SHAREOWNERS' DEFICIT

(in millions, except share data)

	2006	2005
CURRENT LIABILITIES:		
Current maturities of long-term debt and capital leases	\$ 1,503	\$ 1,186
Air traffic liability	1,797	1,712
Accounts payable	936	934
Taxes payable	500	525
Deferred revenue	363	182
Accrued salaries and related benefits	405	435
Other accrued liabilities	265	291
Total current liabilities	<u>5,769</u>	<u>5,265</u>
NONCURRENT LIABILITIES:		
Long-term debt and capital leases	6,509	6,557
Deferred income taxes, net	406	132
Deferred revenue and credits	346	186
Other	368	167
Total noncurrent liabilities	<u>7,629</u>	<u>7,042</u>
LIABILITIES SUBJECT TO COMPROMISE	19,817	17,380
COMMITMENTS AND CONTINGENCIES		
EMPLOYEE STOCK OWNERSHIP PLAN		
PREFERRED STOCK:		
Series B ESOP Convertible Preferred Stock, \$1.00 par value, \$72.00 stated and liquidation value; zero and 4,667,568 shares issued and outstanding at December 31, 2006 and 2005, respectively	-	336
Unearned compensation under employee stock ownership plan	-	(89)
Total Employee Stock Ownership Plan Preferred Stock	<u>-</u>	<u>247</u>
SHAREOWNERS' DEFICIT:		
Common stock:		
\$0.01 par value, 900,000,000 shares authorized, 202,081,648 shares issued at December 31, 2006 and 2005	2	2
Additional paid-in capital	1,561	1,635
Accumulated deficit	(14,414)	(8,209)
Accumulated other comprehensive loss	(518)	(2,722)
Treasury stock at cost, 4,745,710 shares at December 31, 2006, and 12,738,630 shares at December 31, 2005	(224)	(601)
Total shareowners' deficit	<u>(13,593)</u>	<u>(9,895)</u>
Total liabilities and shareowners' deficit	<u>\$ 19,622</u>	<u>\$ 20,039</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Delta Air Lines, Inc.
Debtor and Debtor-In-Possession
Consolidated Statements of Operations
For the years ended December 31, 2006, 2005 and 2004

(in millions, except per share data)	2006	2005	2004
OPERATING REVENUE:			
Passenger:			
Mainline	\$ 11,773	\$ 11,399	\$ 10,880
Regional affiliates	3,853	3,225	2,910
Cargo	498	524	500
Other, net	1,047	1,043	945
Total operating revenue	17,171	16,191	15,235
OPERATING EXPENSE:			
Aircraft fuel	4,319	4,271	2,924
Salaries and related costs	4,128	5,058	6,338
Contract carrier arrangements	2,656	1,318	932
Depreciation and amortization	1,276	1,273	1,244
Contracted services	1,083	1,096	999
Passenger commissions and other selling expenses	888	948	939
Landing fees and other rents	865	863	875
Aircraft maintenance materials and outside repairs	735	776	681
Passenger service	328	345	349
Aircraft rent	316	541	716
Restructuring, asset writedowns, pension settlements and related items, net	13	888	(41)
Impairment of intangible assets	-	-	1,875
Other	506	815	712
Total operating expense	17,113	18,192	18,543
OPERATING INCOME (LOSS)	58	(2,001)	(3,308)
OTHER (EXPENSE) INCOME:			
Interest expense (contractual interest expense equals \$1,200 and \$1,169 for the years ended December 31, 2006 and 2005, respectively)	(870)	(1,032)	(824)
Interest income	69	59	37
(Loss) gain from sale of investments, net	-	(1)	123
Miscellaneous, net	(19)	-	(20)
Total other expense, net	(820)	(974)	(684)
LOSS BEFORE REORGANIZATION ITEMS	(762)	(2,975)	(3,992)
REORGANIZATION ITEMS, NET	(6,206)	(884)	-
LOSS BEFORE INCOME TAXES	(6,968)	(3,859)	(3,992)
INCOME TAX BENEFIT (PROVISION)	765	41	(1,206)
NET LOSS	(6,203)	(3,818)	(5,198)
PREFERRED STOCK DIVIDENDS	(2)	(18)	(19)

NET LOSS ATTRIBUTABLE TO COMMON SHAREOWNERS	<u><u>\$ (6,205)</u></u>	<u><u>\$ (3,836)</u></u>	<u><u>\$ (5,217)</u></u>
BASIC AND DILUTED LOSS PER SHARE	<u><u>\$ (31.58)</u></u>	<u><u>\$ (23.75)</u></u>	<u><u>\$ (41.07)</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

Delta Air Lines, Inc.
Debtor and Debtor-In-Possession
Consolidated Statements of Cash Flows
For the years ended December 31, 2006, 2005 and 2004

(in millions)	2006	2005	2004
Cash Flows From Operating Activities:			
Net loss	\$ (6,203)	\$ (3,818)	\$ (5,198)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Asset and other writedowns	18	14	1,915
Depreciation and amortization	1,276	1,273	1,244
Deferred income taxes	(765)	(41)	1,206
Pension, postretirement and postemployment expense in excess of (less than) payments	489	896	(121)
Reorganization items, net	6,206	884	-
Gain on extinguishment of debt, net	-	(9)	(9)
Loss (gain) from sale of investments, net	-	1	(123)
Changes in certain current assets and liabilities:			
(Increase) decrease in short-term investments, net	(614)	336	204
Increase in receivables	(152)	(122)	(27)
Decrease (increase) in restricted cash	116	(482)	(15)
Decrease (increase) in prepaid expenses and other current assets	41	(67)	(151)
Increase in air traffic liability	86	145	259
Increase (decrease) in accounts payable and other accrued liabilities	154	667	(233)
Other, net	<u>341</u>	<u>16</u>	<u>26</u>
Net cash provided by (used in) operating activities	993	(307)	(1,023)
Cash Flows From Investing Activities:			
Property and equipment additions:			
Flight equipment, including advance payments	(265)	(570)	(373)
G round property and equipment, including technology	(148)	(244)	(387)
(Increase) decrease in restricted investments related to the Boston airport terminal project	(2)	81	159
Proceeds from sales of flight equipment	40	425	234
Proceeds from sale of wholly owned subsidiary, net of cash remaining with subsidiary	-	417	-
Other, net	<u>14</u>	<u>(87)</u>	<u>47</u>
Net cash (used in) provided by investing activities	(361)	22	(320)
Cash Flows From Financing Activities:			
Payments on long-term debt and capital lease obligations	(600)	(1,615)	(1,452)
Proceeds from long-term obligations	-	295	2,123
Proceeds from DIP financing	-	2,250	-
Payments on DIP financing	-	(50)	-
Other, net	<u>(6)</u>	<u>(50)</u>	<u>(35)</u>
Net cash (used in) provided by financing activities	(606)	830	636
Net Increase (Decrease) In Cash and Cash Equivalents	26	545	(707)
Cash and cash equivalents at beginning of year	<u>2,008</u>	<u>1,463</u>	<u>2,170</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,034</u></u>	<u><u>\$ 2,008</u></u>	<u><u>\$ 1,463</u></u>
Supplemental disclosure of cash paid (refunded) for:			

Interest, net of amounts capitalized	\$	728	\$	783	\$	768
Professional fee disbursements due to bankruptcy		101		6		-
Interest received due to bankruptcy		(109)		(15)		-
Cash received from aircraft renegotiation		(10)		-		-
Income taxes, net		(1)		2		-

Non-cash transactions:

Aircraft delivered under seller-financing	\$	-	\$	251	\$	314
Debt extinguishment from aircraft renegotiation		171		-		-
Flight equipment under capital leases		159		-		-
Dividends on Series B ESOP Convertible Preferred Stock		2		15		22
Current maturities of long-term debt exchanged for shares of common stock		-		45		-

The accompanying notes are an integral part of these Consolidated Financial Statements.

Delta Air Lines, Inc.
Debtor and Debtor-In-Possession
Consolidated Statements of Shareowners' Deficit
For the years ended December 31, 2006, 2005 and 2004

(in millions, except share data)	Common Stock	Additional Paid-In Capital	Retained Earnings/ (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at January 1, 2004	\$ 271	\$ 3,272	\$ 844	\$ (2,338)	\$ (2,708)	\$ (659)
Comprehensive loss:						
Net loss	-	-	(5,198)	-	-	(5,198)
Other comprehensive loss	-	-	-	(20)	-	(20)
Total comprehensive loss (See Note 13)						(5,218)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	-	-	(19)	-	-	(19)
Transfer of 113,672 shares of common from Treasury under stock incentive plan and other equity plans						
(\$47.20 per share ⁽¹⁾)	-	(5)	-	-	5	-
Transfer of 6,330,551 shares of common from Treasury under ESOP (\$47.20 per share ⁽¹⁾)	-	(266)	-	-	299	33
Issuance of 9,842,778 shares of common stock related to Delta's transformation plan (\$6.98 per share)	15	53	-	-	-	68
Other	-	(2)	-	-	1	(1)
Balance at December 31, 2004	286	3,052	(4,373)	(2,358)	(2,403)	(5,796)
Comprehensive loss:						
Net loss	-	-	(3,818)	-	-	(3,818)
Other comprehensive loss	-	-	-	(364)	-	(364)
Total comprehensive loss (See Note 13)						(4,182)
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	-	-	(18)	-	-	(18)
Transfer of 34,378 shares of common from Treasury under stock incentive and other equity plans (\$47.20 per share ⁽¹⁾)	-	(2)	-	-	2	-
Transfer of 38,140,673 shares of common from Treasury under ESOP (\$47.20 per share ⁽¹⁾)	-	(1,738)	-	-	1,800	62
Issuance of 11,336,203 shares of common stock related to Delta's transformation plan (\$3.40 per share)	5	34	-	-	-	39
Amendment to Certificate of Incorporation to increase number of authorized shares of common stock from 450 million to 900 million and to decrease par value from \$1.50 per share to \$.01 per share	(289)	289	-	-	-	-
Balance at December 31, 2005	2	1,635	(8,209)	(2,722)	(601)	(9,895)
Comprehensive loss:						
Net loss	-	-	(6,203)	-	-	(6,203)
Other comprehensive income	-	-	-	1,780	-	1,780
Total comprehensive loss (See Note 13)						(4,423)
Adoption of SFAS 158, net of tax	-	-	-	424	-	424
Dividends on Series B ESOP Convertible Preferred Stock allocated shares	-	-	(2)	-	-	(2)

Compensation expense associated with vesting stock options	-	8	-	-	-	8						
Compensation expense associated with the rejection of stock options	-	55	-	-	-	55						
Transfer of 7,996,125 shares of common from Treasury under ESOP (\$47.20 per share ⁽¹⁾)	-	(137)	-	-	377	240						
Balance at December 31, 2006	\$	2	\$	1,561	\$	(14,414)	\$	(518)	\$	(224)	\$	(13,593)

(1) Average price per share

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Chapter 11 Proceedings

General Information

Delta Air Lines, Inc., a Delaware corporation, is a major air carrier that provides air transportation for passengers and cargo throughout the U.S. and around the world. Our Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our wholly owned subsidiaries, including Comair, Inc. (“Comair”), which are collectively referred to as Delta.

On September 14, 2005 (the “Petition Date”), we and substantially all of our subsidiaries (collectively, the “Debtors”) filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the “Bankruptcy Code”), in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The reorganization cases are being jointly administered under the caption “In re Delta Air Lines, Inc., et al., Case No. 05-17923-ASH.”

The Debtors are operating as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. In general, as debtors-in-possession, the Debtors are authorized under Chapter 11 to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.

Our reorganization in Chapter 11 has involved a fundamental transformation of our business. Shortly after the Petition Date, we outlined a business plan intended to make Delta a simpler, more efficient and more customer focused airline with an improved financial condition. Under this plan, we were seeking \$3.0 billion in annual financial improvements by the end of 2007 through revenue increases and cost reductions. As of December 31, 2006, we reached that goal and these improvements are reflected in our Consolidated Financial Statements for 2006. We expect we will achieve additional financial improvements in 2007.

As a result of our reorganization, we expect to emerge from bankruptcy as a competitive, standalone airline with a global network. Our business strategy touches all facets of our operations - the destinations we will serve, the way we will serve our customers, and the fleet we will operate - in order to earn customer preference and continue to improve revenue performance. At the same time, we intend to remain focused on maintaining the competitive cost structure we have obtained from our reorganization to improve our financial position and pursue long-term stability as a standalone carrier.

Important aspects of our emergence business strategy include the following:

- *Leveraging Network Strength to Provide Expanded International Service.* We will continue to focus on international growth. With our geographically-balanced hubs, we believe we are well-positioned for international growth from the U.S. to Europe and Latin America. In addition, we expect our hubs will help us increase service to Africa and Asia.
- *Maintaining Focus on Improving the Customer Experience.* Our focus on safety will remain our top priority. We are also committed to continuous improvement throughout our operations to earn our customers’ preference. We have renewed our focus on improving our product and customer service through aircraft cabin and airport improvements.
- *Maximizing a Streamlined and Upgraded Fleet.* We are supporting the ongoing changes to our network by bolstering our internationally-capable mainline fleet. We plan to pursue additional strategic improvements to our fleet by adding high-performance aircraft that will enable us to serve new destinations with appropriate capacity. We have announced plans to add 28 internationally capable aircraft scheduled for delivery in 2007 through 2009.
- *Capturing the Benefit of Competitive Cost Structure.* Through initiatives undertaken during the Chapter 11 proceedings and previous productivity initiatives, we currently have one of the lowest mainline unit cost structures of any full service carrier. These efforts have resulted in reduced costs throughout our organization, including reductions in employment costs, retiree pension and healthcare costs and aircraft fleet costs. We recognize that, to succeed, we must maintain the competitive unit cost structure that we developed through our restructuring efforts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- *Generating Cash Flow from Operations Necessary to Fund Capital Expenditures and Reduce Debt.* Over an extended period following emergence from Chapter 11, we intend to balance long-term operating growth with overall credit improvement. At emergence from bankruptcy, we expect to have significantly reduced our total debt levels from pre-petition levels. Ongoing improvements to our financial condition are, however, necessary for us to withstand industry and economic volatility and to have favorable, consistent access to capital markets.

Filing of Plan of Reorganization with the Bankruptcy Court. In order to successfully exit bankruptcy, the Debtors must propose and obtain confirmation from the Bankruptcy Court of a plan (or plans) of reorganization that satisfies the requirements of the Bankruptcy Code. The Debtors had the exclusive right to file a plan of reorganization until February 15, 2007, and have until April 16, 2007 to obtain the necessary acceptances to a plan. These periods may be extended by the Bankruptcy Court for cause. If the Debtors' exclusivity period were to lapse, any party in interest may file a plan of reorganization for any of the Debtors.

On December 19, 2006, we filed with the Bankruptcy Court our Plan of Reorganization and a related Disclosure Statement, which contemplate that Delta will emerge from Chapter 11 as an independent airline. The Plan of Reorganization, as amended (the "Plan"), addresses various subjects with respect to the Debtors, including the resolution of pre-petition obligations as well as the capital structure and corporate governance after exit from Chapter 11.

The Plan provides that most holders of allowed unsecured claims against the Debtors will receive common stock of reorganized Delta in satisfaction of their claims. Some holders of allowed unsecured claims against the Debtors would have the right to request cash proceeds of sales of common stock of reorganized Delta in lieu of such stock, and certain others would receive cash in satisfaction of their claims. Current holders of Delta's equity interests would not receive any distributions, and their equity interests would be cancelled once the Plan becomes effective.

On February 7, 2007, the Bankruptcy Court approved the amended Disclosure Statement, and authorized the Debtors to begin soliciting votes from creditors to approve the Plan. The official committee of unsecured creditors (the "Creditors Committee") and the two official retiree committees appointed in the Debtors' Chapter 11 proceedings each support the Plan. To be accepted by holders of claims against the Debtors, the Plan must be approved by at least one-half in number and two-thirds in dollar amount of claims actually voting in each impaired class.

April 9, 2007 is the deadline for creditors to vote on the Plan. The Bankruptcy Court has scheduled a confirmation hearing on April 25, 2007 to consider approval of the Plan. If the Plan is approved by the creditors and confirmed by the Bankruptcy Court, the Debtors are planning to emerge from Chapter 11 shortly thereafter.

Under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a plan even if such plan has not been accepted by all impaired classes of claims and equity interests. A class of claims or equity interests that does not receive or retain any property under the plan on account of such claims or interests is deemed to have voted to reject the plan. The precise requirements and evidentiary showing for confirming a plan notwithstanding its rejection by one or more impaired classes of claims or equity interests depends upon a number of factors, including the status and seniority of the claims or equity interests in the rejecting class (i.e., secured claims or unsecured claims, subordinated or senior claims, preferred or common stock). Generally, with respect to common stock interests, a plan may be "crammed down" even if the shareowners receive no recovery if the proponent of the plan demonstrates that (1) no class junior to the common stock is receiving or retaining property under the plan and (2) no class of claims or interests senior to the common stock is being paid more than in full.

Notices to Creditors; Effect of Automatic Stay. Shortly after the Petition Date, the Debtors began notifying all known current or potential creditors of the Chapter 11 filing. Subject to certain exceptions under the Bankruptcy Code, the Debtors' Chapter 11 filing automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a pre-petition claim, are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Appointment of Creditors Committee. As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York appointed the Creditors Committee. The Creditors Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. The Creditors Committee has been generally supportive of the Debtors' positions on various matters, including the Debtors' Plan.

Rejection of Executory Contracts. Under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft and aircraft engines, subject to the approval of the Bankruptcy Court and certain other conditions. By order of the Bankruptcy Court, our Section 365 rights to assume, assume and assign, or reject unexpired leases of non-residential real estate expire on April 16, 2007 (subject to extension by the Bankruptcy Court). In general, rejection of an executory contract or unexpired lease is treated as a pre-petition breach of the executory contract or unexpired lease in question and, subject to certain exceptions, relieves the Debtors of performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases can file claims against the Debtors' for such damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing defaults under such executory contract or unexpired lease.

Any description of an executory contract or unexpired lease elsewhere in these Notes, including where applicable our express termination rights or a quantification of our obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights we have under the Bankruptcy Code.

We expect that liabilities subject to compromise and resolution in the Chapter 11 proceedings will arise in the future as a result of damage claims created by the Debtors' rejection of various executory contracts and unexpired leases. Such claims may be material (see "Magnitude of Potential Claims" below).

Special Protection Applicable to Leases and Secured Financing of Aircraft and Aircraft Equipment. Notwithstanding the general discussion above of the impact of the automatic stay, under Section 1110 of the Bankruptcy Code ("Section 1110"), certain secured parties, lessors and conditional sales vendors may take possession of certain qualifying aircraft, aircraft engines and other aircraft-related equipment that are leased or subject to a security interest or conditional sale contract pursuant to their agreement with the Debtors. Section 1110 provides that, unless the Debtors agree to perform under the agreement and cure all defaults within 60 calendar days after the Petition Date, such financing party can take possession of such equipment.

Section 1110 effectively shortens the automatic stay period to 60 days with respect to Section 1110 eligible aircraft, engines and related equipment, subject to the following two conditions. The Debtors may elect, with Bankruptcy Court approval, to perform all of the obligations under the applicable financing and cure any defaults thereunder as required by the Bankruptcy Code (which does not preclude later rejecting any related lease) (a "Section 1110(a) Election"). Alternatively, the Debtors may extend the 60-day period by agreement of the relevant financing party, with Bankruptcy Court approval (a "Section 1110(b) Stipulation"). In the absence of either such arrangement, the financing party may take possession of the property and enforce any of its contractual rights or remedies to sell, lease or otherwise retain or dispose of such equipment.

The 60-day period under Section 1110 expired on November 14, 2005. We have made Section 1110(a) Elections with respect to 204 aircraft. We have also entered into, or reached agreements in principle to enter into, Section 1110(b) Stipulations with respect to approximately 309 aircraft. As to the remainder of the aircraft subject to Section 1110, the automatic stay terminated on November 15, 2005 and, as of such date, the related financing parties were able to exercise their remedies and take enforcement actions at their election.

While we have reached agreement with respect to certain of our aircraft obligations and are negotiating with respect to many of our other aircraft obligations, the ultimate outcome of these negotiations cannot be predicted with certainty. To the extent we are unable to reach definitive agreements with aircraft financing parties, those parties may seek to repossess aircraft. The loss of a significant number of aircraft could result in a material adverse effect on our financial and operating performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Request for Adequate Protection. Certain aircraft financing parties have filed motions with the Bankruptcy Court seeking adequate protection against the risk that their aircraft collateral could lose value while in the possession of or while being used by the Debtors. The Bankruptcy Court could determine that such parties are not adequately protected and that the Debtors must pay certain amounts, which could be material, in order to continue using the equipment.

The Debtors have entered into stipulations with several aircraft financing parties pursuant to which the aircraft financing parties agreed to defer the filing of a motion seeking adequate protection and the Debtors agreed that such delay would not affect the right (if any) of these parties to adequate protection should they later file a motion.

Collective Bargaining Agreements. Section 1113 of the Bankruptcy Code permits a debtor to reject its collective bargaining agreements with its unions if the debtor first satisfies several statutorily prescribed substantive and procedural prerequisites and obtains the Bankruptcy Court's approval of the rejection. The debtor must make a proposal to modify its existing collective bargaining agreements based on the most complete and reliable information available at the time, must bargain in good faith and must share relevant information with its unions. The proposed modifications must be necessary to permit the reorganization of the debtor and must ensure that all affected parties are treated fairly and equitably relative to the creditors and the debtor. Rejection is appropriate if the unions refuse to agree to the debtor's necessary proposals "without good cause" and the balance of the equities favors rejection.

The Air Line Pilots Association, International ("ALPA") is the collective bargaining representative of Delta's approximately 5,810 pilots. Because we were unable to reach an agreement with ALPA during negotiations in the fall of 2005 to reduce our pilot labor costs, on November 1, 2005, we filed a motion with the Bankruptcy Court to reject the collective bargaining agreement under Section 1113 of the Bankruptcy Code. We continued to negotiate with ALPA after filing this motion and, as described below, reached a comprehensive agreement with ALPA that was ratified by Delta pilots and approved by the Bankruptcy Court.

The comprehensive agreement with ALPA became effective June 1, 2006, and becomes amendable December 31, 2009 ("Contract Period"). It provides for changes in pilot pay rates, benefits and work rules. In addition, ALPA agreed not to oppose termination of Delta's primary qualified defined benefit pension plan for pilots ("Pilot Plan"), which was terminated effective September 2, 2006 (see Note 10). We expect to receive approximately \$280 million in average annual pilot labor cost savings during the Contract Period, excluding savings we will receive from the termination of the primary Pilot Plan and the related non-qualified plans.

The comprehensive agreement provides, among other things, that:

- the 14% hourly pilot wage rate reduction, and other pilot pay and cost reductions equivalent to an approximately additional 1% hourly wage rate reduction, which became effective on December 15, 2005 under an interim agreement between Delta and ALPA, remain in effect, with annual pay rate increases beginning in January 2007.
- ALPA has a \$2.1 billion allowed general, unsecured pre-petition claim in our bankruptcy proceedings.
- we will issue for the benefit of pilots, on a date that is no later than 120 days following our emergence from bankruptcy, senior unsecured notes ("Pilot Notes") with an aggregate principal amount equal to \$650 million, a term of up to 15 years and an annual interest rate calculated to ensure that the Pilot Notes trade at par on the issuance date. The Pilot Notes are pre-payable at any time at our option, and we may replace all or a portion of the principal amount of Pilot Notes with cash prior to their issuance.
- eligible pilots will participate in a company-wide profit-sharing plan that will provide an aggregate payout of 15% of our annual pre-tax income (as defined) up to \$1.5 billion and 20% of annual pre-tax income over \$1.5 billion.
- we will not seek relief under Section 1113 during these Chapter 11 proceedings with respect to the pilot collective bargaining agreement unless we are in imminent risk of our post-petition financing (as described in Note 6) being accelerated on account of an imminent breach of the financial covenants in such financing, we have used our best efforts to seek a waiver of such breach but have not been able to secure such a waiver, and we would be unable to remedy such a breach without labor cost reductions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Throughout the Chapter 11 proceedings, Comair has been in negotiations with the unions that represent its flight attendants, maintenance employees and pilots to reduce the labor costs of each of these employee groups. On October 13, 2006, Comair reached a tentative agreement with the International Brotherhood of Teamsters (“IBT”), which represents Comair’s approximately 880 flight attendants. The tentative agreement was ratified by Comair’s flight attendants and approved by the Bankruptcy Court. It became effective December 31, 2006, and becomes amendable December 31, 2010.

Earlier in 2006, Comair reached agreements with the International Association of Machinists and Aerospace Workers (“IAM”) and ALPA, which represent Comair’s approximately 535 maintenance employees and 1,345 pilots, respectively. These agreements were, however, conditioned on Comair’s obtaining certain labor cost reductions under its collective bargaining agreement with the IBT. Because the Bankruptcy Court denied in April 2006 Comair’s initial motion to reject its collective bargaining agreement with the IBT, Comair reduced the amount of flight attendant labor cost reductions it sought and received from the IBT to a level below that required by the conditions in the agreements with the IAM and ALPA. As a result, Comair was required to renegotiate its cost reduction agreements with the IAM and ALPA.

On October 18, 2006, Comair reached an agreement with the IAM that has been approved by the Bankruptcy Court and is not conditioned on Comair’s reaching agreements with the IBT or ALPA. This agreement became effective December 31, 2006, and becomes amendable December 31, 2010. Because Comair was not able to reach an agreement with ALPA on pilot labor cost reductions, on November 2, 2006, Comair filed a motion with the Bankruptcy Court under Section 1113 to reject Comair’s collective bargaining agreement with ALPA. The Bankruptcy Court granted this motion on December 21, 2006.

On December 29, 2006, Comair and ALPA entered into an agreement whereby, among other things, Comair agreed not to implement certain changes to the ALPA collective bargaining agreement, and ALPA agreed not to call a strike of Comair pilots, before February 2, 2007. The Bankruptcy Court extended this agreement until February 9, 2007, and the parties subsequently extended it to February 12, 2007.

On February 7, 2007, the Bankruptcy Court granted Comair’s motion to enjoin a strike or other job action by ALPA and its members. ALPA has appealed the Bankruptcy Court’s (1) Section 1113 ruling to the U.S. District Court for the Southern District of New York and (2) ruling enjoining a strike to the U.S. Court of Appeals for the Second Circuit. ALPA has agreed to withdraw these appeals if the tentative agreement described in the next paragraph becomes effective.

On February 12, 2007, Comair and ALPA reached a tentative agreement to reduce Comair’s pilot labor costs. The agreement is subject to ratification by Comair pilots and Bankruptcy Court approval. If ratified and approved, the agreement would become effective March 2, 2007, and become amendable on March 2, 2011. We cannot predict the outcome of this matter.

Settlement Agreement with the PBGC. On December 4, 2006, we entered into a comprehensive settlement agreement with the Pension Benefit Guaranty Corporation (the “PBGC”) regarding the termination of the Pilot Plan. For information regarding this agreement, see Note 10.

Payment of Insurance Benefits to Retired Employees. Section 1114 of the Bankruptcy Code addresses a debtor’s ability to modify certain retiree disability, medical and death benefits (“Covered Benefits”). To modify Covered Benefits, the debtor must satisfy certain statutorily prescribed procedural and substantive prerequisites and obtain either (1) the Bankruptcy Court’s approval or (2) the consent of an authorized representative of retirees. The debtor must make a proposal to modify the Covered Benefits based on the most complete and reliable information available at the time, must bargain in good faith and must share relevant information with the retiree representative. In addition, the proposed modifications must be necessary to permit the reorganization of the debtor and must ensure that all affected parties are treated fairly and equitably relative to the creditors and the debtor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Bankruptcy Court directed the appointment of two separate retiree committees under Section 1114, one to serve as the authorized representative of non-pilot retirees, and the other to serve as the authorized representative of pilot retirees. On October 19, 2006, the Bankruptcy Court approved agreements that we reached with these committees regarding healthcare benefits for current retirees. These agreements became effective January 1, 2007. See Note 10 for additional information on these agreements.

Magnitude of Potential Claims. The Debtors filed with the Bankruptcy Court schedules and statements of financial affairs setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. All of the schedules are subject to amendment or modification.

Bankruptcy Rule 3003(c)(3) requires the Bankruptcy Court to set the time within which proofs of claim must be filed in a Chapter 11 case. The Bankruptcy Court established August 21, 2006 at 5:00 p.m. (the “Bar Date”) as the last date and time for each person or entity to file a proof of claim against the Debtors. Subject to certain exceptions, the Bar Date applies to all claims against the Debtors that arose prior to the Petition Date.

As of February 7, 2007, claims totaling about \$87.0 billion have been filed with the Bankruptcy Court against the Debtors, and we expect new and amended claims to be filed in the future, including claims amended to assign values to claims originally filed with no designated value. We have identified, and we expect to continue to identify, many claims that we believe should be disallowed by the Bankruptcy Court because they are duplicative, have been later amended or superseded, are without merit, are overstated or for other reasons. As of February 7, 2007, the Bankruptcy Court has disallowed approximately \$1.2 billion of claims and has not yet ruled on our other objections to claims, the disputed portions of which aggregate to an additional \$2.8 billion. We expect to continue to file objections in the future. Because the process of analyzing and objecting to claims will be ongoing, the amount of disallowed claims may increase significantly in the future.

Through the claims resolution process, differences in amounts scheduled by the Debtors and claims filed by creditors will be investigated and resolved, including through the filing of objections with the Bankruptcy Court where appropriate. In light of the substantial number and amount of claims filed, the claims resolution process may take considerable time to complete, and we expect that it will continue after our emergence from Chapter 11. Accordingly, the ultimate number and amount of allowed claims is not presently known, nor is the exact recovery with respect to allowed claims presently known.

Costs of Reorganization. We have incurred and will continue to incur significant costs associated with our reorganization. The amount of these costs, which are being expensed as incurred, are expected to significantly affect our results of operations. For additional information, see “Reorganization Items, net” in this Note.

Effect of Filing on Creditors and Shareowners. Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, pre-petition liabilities and post-petition liabilities must be satisfied in full before shareowners are entitled to receive any distribution or retain any property under a plan of reorganization. Under the Plan, current holders of our common stock would not retain or receive any property, and the common stock, and other equity interests, would be cancelled upon the effective date of the Plan. As discussed above (see “Filing of Plan of Reorganization with the Bankruptcy Court”), if the requirements of Section 1129(b) of the Bankruptcy Code are met, a plan of reorganization can be confirmed notwithstanding its rejection by the holders of our common stock and notwithstanding the fact that such holders do not receive or retain any property on account of their equity interests under the plan. Because of such possibilities, the value of our liabilities and securities, including our common stock, is highly speculative. We urge that appropriate caution be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors.

Notice and Hearing Procedures for Trading in Claims and Equity Securities. The Bankruptcy Court issued a final order to assist us in preserving our net operating losses (the “NOL Order”). The NOL Order provides for certain notice and hearing procedures regarding trading in our common stock. It also provides a mechanism by which certain holders of claims may be required to sell some of their holdings in connection with implementation of a plan of reorganization.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Under the NOL Order, any person or entity that (1) is a Substantial Equityholder (as defined below) and intends to purchase or sell or otherwise acquire or dispose of Tax Ownership (as defined in the NOL Order) of any shares of our common stock or (2) may become a Substantial Equityholder as a result of the purchase or other acquisition of Tax Ownership of shares of our common stock, must provide advance notice of the proposed transaction to the Bankruptcy Court, to us and to the Creditors Committee. A “Substantial Equityholder” is any person or entity that has Tax Ownership of at least nine million shares of our common stock. The proposed transaction may not be consummated unless written approval is received from us within the 15-day period following our receipt of the notice. A transaction entered into in violation of these procedures will be void as a violation of the automatic stay under Section 362 of the Bankruptcy Code and may subject the participant to other sanctions. The NOL Order also requires that each Substantial Equityholder file with the Bankruptcy Court and serve on us a notice identifying itself. Failure to comply with this requirement also may result in the imposition of sanctions.

Under the NOL Order, any person or entity that (1) is a Substantial Claimholder (as defined below) and intends to purchase or otherwise acquire Tax Ownership of certain additional claims against us or (2) may become a Substantial Claimholder as a result of the purchase or other acquisition of Tax Ownership of claims against us, must serve on the Creditors Committee a notice in which such claimholder consents to the procedures set forth in the NOL Order. A “Substantial Claimholder” is any person or entity that has Tax Ownership of claims against us equal to or exceeding \$400 million (an amount that could be increased in the future). Under the NOL Order, Substantial Claimholders may be required to sell certain claims against us if the Bankruptcy Court so orders in connection with our filing of the Plan. Other restrictions on trading in claims may also become applicable pursuant to the NOL Order in connection with our filing of the Plan.

Liabilities Subject to Compromise

The following table summarizes the components of liabilities subject to compromise included on our Consolidated Balance Sheets as of December 31, 2006 and 2005:

(in millions)	2006	2005
Pension, postretirement and other benefits	\$10,329	\$ 8,652
Debt and accrued interest	5,079	5,843
Aircraft lease related obligations	3,115	1,740
Accounts payable and other accrued liabilities	1,294	1,145
Total liabilities subject to compromise	\$19,817	\$17,380

Liabilities subject to compromise refers to pre-petition obligations that may be impacted by the Chapter 11 reorganization process. These amounts represent our current estimate of known or potential obligations to be resolved in connection with our Chapter 11 proceedings.

Differences between liabilities we have estimated and the claims filed, or to be filed, will be investigated and resolved in connection with the claims resolution process. We will continue to evaluate these liabilities throughout the Chapter 11 process and adjust amounts as necessary. Such adjustments may be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Reorganization Items, net

The following table summarizes the components included in reorganization items, net on our Consolidated Statements of Operations for the years ended December 31, 2006 and 2005:

(in millions)	2006	2005
Pilot collective bargaining agreement ⁽¹⁾	\$ 2,100	\$ —
Pilot pension termination ⁽²⁾	1,743	—
Aircraft financing renegotiations, rejections and repossessions ⁽³⁾	1,671	611
Retiree healthcare claims ⁽⁴⁾	539	—
Professional fees	110	39
Rejection of other executory contracts ⁽⁵⁾	89	—
Compensation expense ⁽⁶⁾	55	—
Debt issuance and discount costs	13	163
Facility leases	8	88
Interest income ⁽⁷⁾	(109)	(17)
Vendor waived pre-petition debt	(36)	—
Other	23	—
Total reorganization items, net	\$ 6,206	\$ 884

- (1) Allowed general, unsecured pre-petition claim in connection with our comprehensive agreement with ALPA reducing our pilot labor costs. For additional information regarding this agreement, see “Collective Bargaining Agreements” in this Note.
- (2) \$2.2 billion and \$801 million allowed general, unsecured pre-petition claims in connection with our settlement agreements with the PBGC and a group representing retired pilots, respectively. Charges for these claims were offset by \$1.3 billion in settlement gains associated with the derecognition of previously recorded Pilot Plan and pilot non-qualified plan obligations upon each plan’s termination. For additional information regarding our settlement agreements and the termination of these plans, see Note 10.
- (3) Estimated claims for the year ended December 31, 2006 relate to the restructuring of the financing arrangements of 188 aircraft and the rejection of 16 aircraft leases. Estimated claims for the year ended December 31, 2005 relate to the restructuring of the arrangements of seven aircraft, the rejection of 50 aircraft leases and the repossession of 15 aircraft.
- (4) Allowed general, unsecured pre-petition claims in connection with agreements reached with committees representing both pilot and non-pilot retired employees reducing their postretirement healthcare benefits. For additional information regarding these agreements, see Note 10.
- (5) Allowed general, unsecured pre-petition claims primarily related to the rejection of an executory contract with our main flight service food supply vendor.
- (6) Reflects a charge for rejecting substantially all of our stock options in our Chapter 11 proceedings. For additional information regarding the rejection of our stock options, see Note 2.
- (7) Reflects interest earned due to the preservation of cash from our Chapter 11 proceedings.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”). This contemplates the realization of assets and satisfaction of liabilities in the ordinary course of business. Accordingly, the Consolidated Financial Statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Due to our Chapter 11 proceedings, the realization of assets and satisfaction of liabilities, without substantial adjustments and/or changes in ownership, are subject to uncertainty. Accordingly, there is substantial doubt about the current financial reporting entity’s ability to continue as a going concern. Upon emergence from bankruptcy, we expect to adopt fresh start reporting in accordance with American Institute of Certified Public Accountants (“ AICPA ”) Statement of Position 90-7, “ Financial Reporting by Entities in Reorganization under the Bankruptcy Code ” (“ SOP 90-7 ”), which will result in our becoming a new entity for financial reporting purposes. The adoption of fresh start reporting may have a material impact on the consolidated financial statements of the new financial reporting entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The accompanying Consolidated Financial Statements do not reflect or provide for the consequences of our Chapter 11 proceedings. In particular, the financial statements do not show (1) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (2) as to pre-petition liabilities, the amounts that may be allowed for claims or contingencies, or their status and priority; (3) as to shareowners' equity accounts, the effect of any changes that may be made in our capitalization; and (4) as to operations, the effect of any changes that may be made to our business.

We have eliminated all material intercompany transactions in our Consolidated Financial Statements. We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less unless we control that company. We did not control any company in which we had an ownership interest of 50% or less for any period presented in our Consolidated Financial Statements.

In preparing our Consolidated Financial Statements, we applied SOP 90-7 which requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain revenues, expenses, realized gains and losses and provisions for losses that are realized or incurred in the bankruptcy proceedings are recorded in reorganization items, net on the accompanying Consolidated Statements of Operations. In addition, pre-petition obligations that may be impacted by the bankruptcy reorganization process have been classified as liabilities subject to compromise on our Consolidated Balance Sheets at December 31, 2006 and 2005. These liabilities are reported at the amounts expected to be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts (see Note 1).

Subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities in amounts other than those reflected in the Consolidated Financial Statements. Further, our plan of reorganization could materially change the amounts and classifications in our historical Consolidated Financial Statements.

Accounting Adjustments

During 2006, we recorded certain out-of-period adjustments ("Accounting Adjustments") in our Consolidated Financial Statements that are reflected in our results for the year ended December 31, 2006. These adjustments resulted in an aggregate net noncash charge approximating \$310 million to our Consolidated Statement of Operations consisting primarily of:

- A \$112 million charge in landing fees and other rents. This adjustment is associated primarily with our airport facility leases at John F. Kennedy International Airport in New York. It resulted from historical differences associated with recording escalating rent expense based on actual rent payments instead of on a straight-line basis over the lease term as required by Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases" ("SFAS 13").
- A \$108 million net charge related to the sale of mileage credits under our SkyMiles frequent flyer program. This includes an \$83 million decrease in passenger revenues, a \$106 million decrease in other, net operating revenues, and an \$81 million decrease in other operating expenses. This net charge primarily resulted from the reconsideration of our position with respect to the timing of recognizing revenue associated with the sale of mileage credits that we expect will never be redeemed for travel.
- A \$90 million charge in salaries and related costs to adjust our accrual for postemployment healthcare benefits. This adjustment is due to healthcare payments applied to this accrual over several years, which should have been expensed as incurred.

We believe the Accounting Adjustments, considered individually and in the aggregate, are not material to our Consolidated Financial Statements for each of the years ended December 31, 2006, 2005 and 2004. In making this assessment, we considered qualitative and quantitative factors, including our substantial net loss in each of these three years, the noncash nature of the Accounting Adjustments, our substantial shareowners' deficit at the end of each of these three years and our status as a debtor-in-possession under Chapter 11 of the Bankruptcy Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Use of Estimates

We are required to make estimates and assumptions when preparing our Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the amounts reported in our Consolidated Financial Statements and the accompanying notes. Actual results could differ materially from those estimates.

New Accounting Standards

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 158, “Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of SFAS Nos. 87, 88, 106 and 132(R)” (“SFAS 158”). This statement, among other things, requires that we recognize the funded status of our defined benefit pension and other postretirement plans in our Consolidated Balance Sheet as of December 31, 2006, with changes in the funded status recognized through comprehensive loss in the year in which such changes occur. Application of this standard resulted in (1) a \$685 million net decrease in accrued pension and other postretirement and postemployment liabilities, (2) a \$248 million decrease in the intangible pension asset in other noncurrent assets and (3) a \$437 million decrease in shareowners’ deficit. The adoption of SFAS 158 had no effect on our Consolidated Statement of Operations for any period presented. For additional information regarding the impact of SFAS 158 on our Consolidated Financial Statements, see Note 10.

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109” (“FIN 48”), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined. FIN 48 is intended to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. This interpretation is effective for fiscal years beginning after December 15, 2006. The cumulative effect of applying this interpretation must be reported as an adjustment to the opening balance of shareowners’ deficit in 2007. We are currently evaluating the impact of FIN 48 on our Consolidated Financial Statements and anticipate the adjustment to shareowners’ deficit will not be material.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”), which requires an entity to recognize compensation expense in an amount equal to the fair value of its share based payments, such as stock options granted to employees. This standard replaces SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), and supersedes APB Opinion No. 25, “Accounting for Stock Issued to Employees,” (“APB 25”). We adopted SFAS 123R on January 1, 2006. For additional information regarding SFAS 123R, see “Stock-Based Compensation” in this Note.

Cash and Cash Equivalents

We classify short-term, highly liquid investments with maturities of three months or less when purchased as cash and cash equivalents. These investments are recorded at cost, which approximates fair value. Cash and cash equivalents at December 31, 2006 and 2005 include \$156 million and \$155 million, respectively, which is set aside for the payment of certain operational taxes and fees to governmental authorities.

Under our cash management system, we utilize controlled disbursement accounts that are funded daily. Checks we issue, which have not been presented for payment, are recorded in accounts payable on our Consolidated Balance Sheets. These amounts totaled zero and \$66 million at December 31, 2006 and 2005, respectively.

Short-Term Investments

At December 31, 2006, our short-term investments were comprised of auction rate securities. In accordance with SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities” (“SFAS 115”), we record these investments as trading securities at fair value on our Consolidated Balance Sheets. At December 31, 2005, we did not have any short-term investments. For additional information about our accounting for trading securities, see “Investments in Debt and Equity Securities” in this Note.

Restricted Cash

We have restricted cash, which primarily relates to cash held as collateral by credit card processors and interline clearinghouses and to support certain projected insurance obligations. Restricted cash included in current assets on our Consolidated Balance Sheets totaled \$750 million and \$870 million at December 31, 2006 and 2005, respectively. Restricted cash recorded in other noncurrent assets on our Consolidated Balance Sheets totaled \$52 million and \$58 million at December 31, 2006 and 2005, respectively.

Derivative Financial Instruments

Fuel Hedging Program

We periodically use derivative instruments designated as cash flow hedges, which are comprised of heating oil and jet fuel swap and collar contracts, to manage our exposure to changes in aircraft fuel prices. In accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), we record the fair market value of our fuel hedge contracts on our Consolidated Balance Sheets and recognize certain changes in these fair values on our Consolidated Statements of Operations.

We believe our fuel hedge contracts will be highly effective during their term in offsetting changes in cash flow attributable to the hedged risk. We perform both a prospective and retrospective assessment to this effect at least quarterly, including assessing the possibility of counterparty default. If we determine that a derivative is no longer expected to be highly effective, we discontinue hedge accounting prospectively and recognize subsequent changes in the fair market value of the hedge to other (expense) income on our Consolidated Statements of Operations rather than being deferred in accumulated other comprehensive loss on our Consolidated Balance Sheets. As a result of our effectiveness assessment at December 31, 2006, we believe our fuel hedge contracts will continue to be highly effective in achieving offsetting changes in cash flows.

Changes in the fair value of fuel hedge contracts that qualify for hedge accounting are recorded in shareowners’ deficit as a component of accumulated other comprehensive loss. These gains or losses are generally recognized in aircraft fuel expense when the related aircraft fuel purchases being hedged are consumed. To the extent that the change in the fair value of a fuel hedge contract does not perfectly offset the change in the value of the aircraft fuel being hedged, the ineffective portion of the hedge is immediately recognized in other (expense) income on our Consolidated Statements of Operations. For our heating oil and jet fuel option contracts, ineffectiveness is measured based on the intrinsic value of the derivative. The difference between the fair value and intrinsic value represents the time value of the option contract. Time value is excluded from the calculation of ineffectiveness and immediately recognized in other (expense) income on our Consolidated Statements of Operations.

For additional information about our derivative instruments, see Note 4.

Equity Warrants and Other Similar Rights

We record our equity warrants and other similar rights in certain companies at fair value at the date of acquisition in other noncurrent assets on our Consolidated Balance Sheets. In accordance with SFAS 133, we regularly adjust the recorded amount to reflect the changes in the fair values of the equity warrants and other similar rights, and recognize the related gains or losses in other (expense) income on our Consolidated Statements of Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Revenue Recognition

Passenger Revenue

We record sales of passenger tickets as air traffic liabilities on our Consolidated Balance Sheets. Passenger revenue is recognized when we provide transportation or when the ticket expires unused, reducing the related air traffic liability. We periodically evaluate the estimated air traffic liability and record any resulting adjustments in our Consolidated Statements of Operations in the period in which the evaluations are completed. These adjustments relate primarily to refunds, exchanges, transactions with other airlines and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

We are required to charge certain taxes and fees on our passenger tickets. These taxes and fees include U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign arrival and departure taxes. These taxes and fees are legal assessments on the customer. We have an obligation to act as a collection agent. As we are not entitled to retain these taxes and fees, we do not include such amounts in passenger revenue. We record a liability when the amounts are collected and reduce the liability when payments are made to the applicable government agency or operating carrier.

We sell mileage credits in our SkyMiles frequent flyer program to participating companies such as credit card companies, hotels and car rental agencies. The portion of the revenue from the sale of mileage credits that approximates the fair value of travel to be provided is deferred and recognized as passenger revenue over the period when transportation is expected to be provided. Amounts received in excess of the transportation's fair value are recognized in income currently and classified as other revenue. A change in assumptions as to the period over which the mileage credits are expected to be used (currently 15 to 41 months), the actual redemption activity for mileage credits or our estimate of the fair value of transportation expected to be provided could have a material impact on our revenue in the year in which the change occurs and in future years.

Under our contract carrier agreements with six regional air carriers (see Note 8), we purchase all or a portion of their capacity and are responsible for selling the seat inventory we purchase. We record revenue and expenses related to our contract carrier agreements as regional affiliates passenger revenue and contract carrier agreements, respectively.

Cargo Revenue

Cargo revenue is recognized in our Consolidated Statements of Operations when we provide the transportation.

Other, net

Other, net revenue includes revenue from (1) a portion of the sale of mileage credits in our SkyMiles frequent flyer program, discussed above, (2) codeshare agreements with certain airlines and (3) other miscellaneous service revenue. Under our codeshare agreements, we sell seats on other airlines' flights and other airlines sell seats on our flights, with each airline separately marketing its respective seats. Our revenue from other airlines' sale of codeshare seats on our flights is recorded in passenger revenue on our Consolidated Statement of Operations.

Long-Lived Assets

We record property and equipment at cost and depreciate or amortize these assets on a straight-line basis to their estimated residual values over their respective estimated useful lives. Residual values for flight equipment are generally 5% of cost except when guaranteed by a third party for a different amount. We also capitalize certain internal and external costs incurred to develop internal-use software. For the years ended December 31, 2006 and 2005, we recorded \$109 million and \$101 million, respectively, for amortization for long-lived assets. The net book value of these assets totaled \$252 million and \$288 million at December 31, 2006 and 2005, respectively, and is included in ground property and equipment, net on our Consolidated Balance Sheets. The estimated useful lives for major asset classifications are as follows:

Asset Classification	Estimated Useful Life
Flight equipment	25 years
Capitalized software	5-7 years
Ground property and equipment	3-40 years
Leasehold improvements	Generally shorter of lease term or estimated useful life
Flight and ground equipment under capital lease	Shorter of lease term or estimated useful life

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” we record impairment losses on long-lived assets used in operations when events and circumstances indicate the assets may be impaired and the estimated future cash flows generated by those assets are less than their carrying amounts. For long-lived assets held for sale, we record impairment losses when the carrying amount is greater than the fair value less the cost to sell. We discontinue depreciation of long-lived assets when these assets are classified as held for sale.

To determine impairments for aircraft used in operations, we group assets at the fleet-type level (the lowest level for which there are identifiable cash flows) and then estimate future cash flows based on projections of capacity, passenger yield, fuel costs, labor costs and other relevant factors. If impairment occurs, the impairment loss recognized is the amount by which the aircraft’s carrying amount exceeds its estimated fair value. We estimate aircraft fair values using published sources, appraisals and bids received from third parties, as available. See Note 5 for additional information about asset impairments.

Goodwill and Intangible Assets

In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” we apply a fair value-based impairment test to the net book value of goodwill and indefinite-lived intangible assets on an annual basis and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. The annual impairment test date for our goodwill and indefinite-lived intangible assets is December 31. Intangible assets with determinable useful lives are amortized on a straight-line basis over their estimated useful lives. Our operating rights have definite useful lives and are amortized over their respective lease terms, which range from nine to 19 years.

We had one reporting unit with assigned goodwill at December 31, 2006 and 2005. In evaluating our goodwill for impairment, we first compare the reporting unit’s fair value to its carrying value. We estimate the fair value of our reporting unit by considering (1) market multiple and recent transaction values of peer companies and (2) projected discounted future cash flows, if reasonably estimable. In applying the projected discounted future cash flow methodology, we (1) estimate the reporting unit’s future cash flows based on capacity, passenger yield, fuel costs, labor costs and other relevant factors and (2) discount those cash flows based on the reporting unit’s weighted average cost of capital. If the reporting unit’s fair value exceeds its carrying value, no further testing is required. If, however, the reporting unit’s carrying value exceeds its fair value, we then determine the amount of the impairment charge, if any. We recognize an impairment charge if the carrying value of the reporting unit’s goodwill exceeds its implied fair value.

We perform the impairment test for our indefinite-lived intangible assets by comparing the asset’s fair value to its carrying value. Fair value is estimated based on projected discounted future cash flows using a similar methodology as described above for goodwill. We recognize an impairment charge if the asset’s carrying value exceeds its estimated fair value.

See Note 5 for additional information about goodwill and intangible assets impairment charges recorded during 2004.

Interest Expense

While operating as a debtor-in-possession, in accordance with SOP 90-7, we record interest expense only to the extent (1) interest will be paid during our Chapter 11 proceeding or (2) it is probable interest will be an allowed priority, secured, or unsecured claim. Interest expense recorded on our Consolidated Statements of Operations totaled \$870 million and \$1.0 billion for the years ended December 31, 2006 and 2005, respectively. Contractual interest expense (including interest expense that is associated with obligations classified as liabilities subject to compromise) totaled \$1.2 billion for each of the years ended December 31, 2006 and 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Equity Method Investments

We use the equity method to account for our investment in a company when we have significant influence but not control over the company's operations. Under the equity method, we initially record our investment at cost and then adjust the carrying value of the investment to recognize our proportional share of the company's net income (loss). In addition, dividends received from the company reduce the carrying value of our investment.

During 2004, we sold our remaining ownership and voting interest in Orbitz, Inc. for \$143 million. We recognized a gain of \$123 million on this transaction in gain from sale of investments, net in our Consolidated Statement of Operations for the year ended December 31, 2004.

Income Taxes

In accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"), we account for deferred income taxes under the liability method. Under this method, we recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax bases of assets and liabilities, as measured by current enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets when necessary. Deferred tax assets and liabilities are recorded net as current and noncurrent deferred income taxes on our Consolidated Balance Sheets (see Note 9).

Our income tax provisions are based on calculations and assumptions that are subject to examination by the Internal Revenue Service and other tax authorities. Although we believe that the positions taken on previously filed tax returns are reasonable, we have established tax and interest reserves in recognition that various taxing authorities may challenge the positions we have taken, which could result in additional liabilities for taxes and interest. We review the reserves as circumstances warrant and adjust the reserves as events occur that affect our potential liability, such as lapsing of applicable statutes of limitations, conclusion of tax audits, a change in exposure based on current calculations, identification of new issues, release of administrative guidance, or the rendering of a court decision affecting a particular issue. We would adjust the income tax provision in the period in which the facts that give rise to the revision become known.

Investments in Debt and Equity Securities

We record our investments classified as available-for-sale securities at fair value in other noncurrent assets on our Consolidated Balance Sheets. Any change in the fair value of these securities is recorded in accumulated other comprehensive loss. We record our investments classified as trading securities at fair value in current assets on our Consolidated Balance Sheets and recognize changes in the fair value of these securities in other (expense) income on our Consolidated Statements of Operations.

Frequent Flyer Program

For SkyMiles accounts with sufficient mileage credits to qualify for a free travel award, we record a liability for the estimated incremental cost of flight awards that are earned and expected to be redeemed for travel on Delta or other airlines. Our incremental costs include (1) our system average cost per passenger for fuel, food and other direct passenger costs for awards to be redeemed on Delta and (2) contractual costs for awards to be redeemed on other airlines. We periodically record adjustments to this liability in other operating expenses on our Consolidated Statements of Operations based on awards earned, awards redeemed, changes in our estimated incremental costs and changes to the SkyMiles program. Changes in these estimates could have a material impact on the liability in the year in which the change occurs and in future years. The liability is recorded in other accrued liabilities on our Consolidated Balance Sheets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Deferred Gains on Sale and Leaseback Transactions

We amortize deferred gains on the sale and leaseback of property and equipment under operating leases over the lives of these leases. The amortization of these gains is recorded as a reduction to rent expense. Gains on the sale and leaseback of property and equipment under capital leases reduce the carrying value of the related assets.

Manufacturers' Credits

We periodically receive credits in connection with the acquisition of aircraft and engines. These credits are deferred until the aircraft and engines are delivered, and then applied on a pro rata basis as a reduction to the cost of the related equipment.

Maintenance Costs

We record maintenance costs in operating expenses as they are incurred.

Inventories

Inventories of expendable parts related to flight equipment are carried at moving average cost and charged to operations as consumed. An allowance for obsolescence is provided for the cost of these parts over the remaining useful life of the related fleet. We also provide allowances for parts currently identified as excess or obsolete to reduce the carrying costs to the lower of cost or net realizable value. These parts are assumed to have an estimated residual value of 5% of the original cost.

Advertising Costs

We expense advertising costs as other selling expenses in the year incurred. Advertising expense was \$150 million, \$164 million, and \$148 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Commissions

We record passenger commissions in prepaid expenses and other on our Consolidated Balance Sheets when the related passenger tickets are sold. Passenger commissions are recognized in operating expenses on our Consolidated Statements of Operations when the transportation is provided and the related revenue is recognized.

Stock-Based Compensation

Effective January 1, 2006, we adopted the fair value provisions of SFAS 123R. This standard requires companies to measure the cost of employee services in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the awards (usually the vesting period of the awards). Prior to the adoption of SFAS 123R, we accounted for stock option grants in accordance with APB 25, and accordingly recognized no compensation expense for the stock option grants if the exercise price is equal to or more than the fair value of the shares at the date of grant.

SFAS 123R is effective for any stock options granted after December 31, 2005. For stock options granted prior to January 1, 2006, but for which vesting was not complete on that date, we applied the modified prospective transition method in accordance with SFAS 123R. Under this method, we account for such awards on a prospective basis, with expense being recognized in our Consolidated Statement of Operations beginning in the March 2006 quarter using the grant-date fair values previously calculated for our pro forma disclosures. Due to the application of the modified prospective transition method, comparable prior periods have not been retroactively adjusted to include share-based compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We did not grant any stock options during the year ended December 31, 2006. The estimated fair values of stock options granted during the years ended December 31, 2005 and 2004 were derived using the Black-Scholes model. The following table includes the assumptions used in estimating fair values and the resulting weighted average fair value of stock options granted in the periods presented:

Assumption	Stock Options Granted		
	2006	2005	2004
Risk-free interest rate	—	3.8%	3.1%
Average expected life of stock options (in years)	—	3.0	3.2
Expected volatility of common stock	—	73.6%	68.8%
Weighted average fair value of a stock option granted	\$ —	\$ 2	\$ 3

The following table reflects for the years ended December 31, 2005 and 2004, the pro forma impact to net loss and basic and diluted loss per share had we accounted for our stock-based compensation plans under the fair value method in accordance with SFAS 123, as amended.

	Year Ended December 31,	
	2005	2004
(in millions, except per share data)		
Net loss:		
As reported	\$(3,818)	\$ (5,198)
Stock option compensation expense determined under the fair value method	(108)	(38)
As adjusted for the fair value method under SFAS 123R	\$(3,926)	\$ (5,236)
Basic and diluted loss per share:		
As reported	\$(23.75)	\$ (41.07)
As adjusted for the fair value method under SFAS 123R	\$(24.42)	\$ (41.36)

On March 20, 2006, we filed with the Bankruptcy Court a motion to reject our then outstanding stock options to avoid the administrative and other costs associated with these awards. The Bankruptcy Court granted our motion, which resulted in substantially all of our stock options being rejected effective March 31, 2006. In the March 2006 quarter, we recorded in our Consolidated Statement of Operations (1) \$8 million of compensation expense in conjunction with the adoption of SFAS 123R, which is recorded in salaries and related costs and (2) \$55 million of compensation expense associated with the rejection of stock options, which is classified in reorganization items, net and represents the unamortized fair value of previously granted stock options when we rejected these stock options.

For additional information about our stock options, see Note 12.

Fair Value of Financial Instruments

We record our cash equivalents and short-term investments at cost, which we believe approximates fair value due to their short-term maturities. The estimated fair values of other financial instruments, including debt and derivative instruments, have been determined using available market information and valuation methodologies, primarily discounted cash flow analyses and the Black-Scholes model.

The aggregate fair value of our secured and unsecured debt, based primarily on reported market values, was \$11.5 billion and \$10.5 billion at December 31, 2006 and 2005 (which includes debt classified as liabilities subject to compromise), respectively. For additional information about our debt, see Note 6.

Reclassifications

Under our Visa/MasterCard Processing Agreement, the credit card processor (“ Processor ”) is permitted to withhold payment from our receivables of an amount (“ Cash Reserve ”) that is equal to the Processor ’ s potential liability for tickets purchased with Visa or MasterCard which have not yet been used for travel. The Cash Reserve is recorded in Restricted cash on our Consolidated Balance Sheets. See Note 6 for additional information related to our processing agreement.

For the year ended December 31, 2006, the change in Cash Reserve has been reported as a component of operating activities on our Consolidated Statement of Cash Flows to better reflect the nature of the restricted cash activities. Prior to 2006, we presented such change as an

investing activity. We have reclassified prior period amounts to be consistent with the current year presentation. These reclassifications resulted in a decrease to cash flows from operating activities and a corresponding increase to cash flows from investing activities of \$482 million for the year ended December 31, 2005 and \$15 million for the year ended December 31, 2004 from the amounts previously reported.

We reclassified certain other prior period amounts in our Consolidated Financial Statements to be consistent with our current period presentation. The effect of these reclassifications is not material.

Note 3. Marketable and Other Equity Securities

Republic Airways Holdings, Inc. (“Republic Holdings”) and Affiliates

We have contract carrier agreements with two subsidiaries of Republic Holdings — Chautauqua Airlines, Inc. (“Chautauqua”) and Shuttle America Corporation (“Shuttle America”). As part of these agreements, we received warrants to purchase 3.5 million shares of Republic Holdings common stock with exercise prices ranging from \$11.60 to \$13.00 per common share. The warrants have expiration dates between June 2012 and December 2014.

The warrants were recorded at their fair values on the date received in other noncurrent assets on our Consolidated Balance Sheets. The fair values are primarily being recognized on a straight-line basis over a five year period. Changes in fair value are recorded in other (expense) income on our Consolidated Statements of Operations. The fair values totaled \$33 million and \$29 million at December 31, 2006 and 2005, respectively.

For additional information about our contract carrier agreements with Chautauqua and Shuttle America, see Note 8.

priceline.com Incorporated (“priceline”)

We have an agreement with priceline under which we (1) provide ticket inventory that may be sold through priceline’s Internet-based e-commerce system and (2) received certain equity interests in priceline.

At December 31, 2006 and 2005, our investment in priceline consisted of (1) 13.5 million shares of Series B Preferred Stock and (2) warrants issued in 2001 to purchase 0.8 million shares of priceline common stock at \$17.81 per common share. The Series B Preferred Stock had a carrying value of \$13 million, was classified as an available-for-sale security under SFAS 115 and was recorded at face value, which approximates fair value, in other noncurrent assets on our Consolidated Balance Sheets. The warrants were recorded at fair value in other noncurrent assets on our Consolidated Balance Sheets, with any changes in fair value recorded in other (expense) income on our Consolidated Statements of Operations. The fair value of the warrants was \$20 million and \$7 million at December 31, 2006 and 2005, respectively.

Note 4. Risk Management and Financial Instruments

Fuel Price Risk

Our results of operations may be materially impacted by changes in the price of aircraft fuel. To manage this risk, we periodically enter into derivative contracts comprised of heating oil and jet fuel swap and collar contracts to hedge a portion of our projected aircraft fuel requirements. We do not enter into fuel hedge contracts for speculative purposes.

Under our Chapter 11 proceedings, we were authorized to hedge up to 50% of our estimated 2006 aggregate fuel consumption, with no single month exceeding 80% of our estimated fuel consumption. We are also authorized to hedge up to 80% of our projected fuel consumption for each month in the quarter ending March 31, 2007, up to 50% for each month in the quarter ending June 30, 2007, up to 35% for each month in the quarter ending September 30, 2007 and up to 25% for each month in the quarter ending December 31, 2007. We currently cannot enter into any fuel hedge contract that extends beyond December 31, 2007 without approval from the Bankruptcy Court or the Creditors Committee. As of January 31, 2007, we had hedged approximately 24% of our projected aircraft fuel requirements for the nine months ended September 2007 using heating oil and jet fuel zero-cost collar and swap contracts. We have not entered into any hedges for the December 2007 quarter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Losses (gains) recorded on our Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004 related to our fuel hedge contracts are as follows:

	For the Years Ended December 31,					
	2006		2005		2004	
	Aircraft fuel expense	Other expense (income)	Aircraft fuel expense	Other expense (income)	Aircraft fuel expense	Other expense (income)
(in millions)						
Open fuel hedge contracts	\$ —	\$ 5	\$ —	\$ —	\$ —	\$ —
Settled fuel hedge contracts	108	32	—	—	(105)	28
Total	\$ 108	\$ 37	\$ —	\$ —	\$ (105)	\$ 28

Our open fuel hedge contracts at December 31, 2006 had an estimated fair value loss of \$27 million, which we recorded in accounts payable on our Consolidated Balance Sheet. We did not have any fuel hedge contracts at December 31, 2005.

Interest Rate Risk

Our exposure to market risk from volatility in interest rates is associated with our long-term debt obligations, cash portfolio, workers' compensation obligations and pension, postemployment and postretirement benefits.

Market risk associated with our fixed and variable rate long-term debt relates to the potential reduction in fair value and negative impact to future earnings, respectively, from an increase in interest rates. At December 31, 2006 and 2005, \$5.6 billion and \$6.0 billion, respectively, of our debt (including debt classified as liabilities subject to compromise) had a variable interest rate.

Market risk associated with our cash portfolio relates to the potential change in interest income from a decrease in interest rates. Workers' compensation obligation risk relates to the potential changes in our future obligations and expenses from a change in interest rates used to discount these obligations. Pension, postemployment and postretirement benefits risk relates to the potential changes in our benefit obligations, funding and expenses from a change in interest rates (see Note 10).

Credit Risk

To manage credit risk associated with our aircraft fuel price hedging program, we select counterparties based on their credit ratings and limit our exposure to any one counterparty. We also monitor the market position of this program and our relative market position with each counterparty. The credit exposure related to this program was not significant at December 31, 2006 and 2005.

Our accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. The majority of these sales are processed through major credit card companies, resulting in accounts receivable, which are subject to certain holdbacks by the credit card processors. We also have receivables from the sale of mileage credits under our SkyMiles frequent flyer program to participating companies such as credit card companies, hotels and car rental agencies. We believe that the credit risk associated with these receivables is minimal and that the allowance for uncollectible accounts that we have provided is appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Self-Insurance Risk

We self-insure a portion of our losses from claims related to workers' compensation, environmental issues, property damage, medical insurance for employees and general liability. Losses are accrued based on an estimate of the ultimate aggregate liability for claims incurred, using independent actuarial reviews based on standard industry practices and our historical experience. A portion of our projected workers' compensation liability is secured with restricted cash collateral (see Note 2).

Equity Warrants and Other Similar Rights

We own equity warrants and other similar rights in certain companies, primarily Republic Holdings and priceline. The fair value of these rights were \$53 million and \$37 million at December 31, 2006 and 2005, respectively. The fair value gain (loss) adjustment of equity rights totaled \$16 million, \$1 million, and \$(3) million for the years ended December 31, 2006, 2005, and 2004 respectively. For additional information about our accounting policy for and ownership of these rights, respectively, see Notes 2 and 3.

Note 5. Goodwill and Other Intangible Assets

The following table includes the components of goodwill at December 31, 2006, 2005 and 2004, and impairment charges recorded during 2004:

	Reporting Unit			Total
	Mainline	ASA	Comair	
(in millions)				
Balance at January 1, 2004	\$ 227	\$ 498	\$ 1,367	\$ 2,092
Impairment charge	—	(498)	(1,367)	(1,865)
Balance at December 31, 2006, 2005 and 2004	\$ 227	\$ —	\$ —	\$ 227

During 2004, we re-evaluated the estimated fair values of our reporting units (Mainline, Atlantic Southeast Airlines, Inc. ("ASA") and Comair) in light of the implementation of initiatives intended to strengthen our competitive position and the completion of our new long-range cash flow plans. These actions reflected, among other things, (1) the strategic role of ASA and Comair in our business (see Note 11 for information about our sale of ASA in 2005), (2) the projected impact of changes to our fare structure on the revenues of each of our reporting units and (3) an expectation of the continuation of historically high fuel prices. These factors had a substantial negative impact on the impairment test results for ASA and Comair. Accordingly, we recorded an impairment charge for the full value of goodwill at ASA and Comair.

Our goodwill impairment test for Mainline as of December 31, 2006, 2005, and 2004 resulted in no impairment.

The following table presents information about our intangible assets, other than goodwill, at December 31:

	2006		2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(in millions)				
Definite-lived intangible assets :				
Operating rights	\$ 121	\$ (104)	\$ 125	\$ (103)
Other	3	(3)	3	(3)
Total	\$ 124	\$ (107)	\$ 128	\$ (106)
	Net Carrying Amount		Net Carrying Amount	
(in millions)				
Indefinite-lived intangible assets :				
International routes and slots		\$ 71		\$ 51
Other		1		1
Total		\$ 72		\$ 52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

At December 31, 2004, we recorded a \$9 million impairment charge for certain of our international routes due to our decision not to utilize these routes for the foreseeable future. This charge is recorded in impairment of intangible assets on our Consolidated Statements of Operations. At December 31, 2006 and 2005, our impairment test for indefinite-lived intangible assets resulted in no impairment. For additional information about our accounting policy for goodwill and other intangible assets, see Note 2.

London Route Agreement

On October 30, 2006, we purchased from United Air Lines, Inc. its authority to operate direct transatlantic service between New York and London (the “Route”). We agreed to purchase the Route for up to \$21 million, consisting of \$13 million which we paid at the closing of the transaction and four annual payments of \$2 million payable in 2007 through 2010. If, however, the current bilateral agreement between the U.S. and the United Kingdom is expanded at any time during that four-year period to permit more than two U.S. carriers to operate service on the Route, then our obligation to make any remaining payments ceases.

Note 6. Debt

The following table summarizes our debt at December 31, 2006 and 2005:

(dollars in millions)	2006	2005
Senior Secured ⁽¹⁾		
<i>Secured Super-Priority Debtor-in-Possession Credit Agreement</i>		
8.12% GE DIP Credit Facility Term Loan A due March 16, 2008 ⁽²⁾	\$ 600	\$ 600
10.12% GE DIP Credit Facility Term Loan B due March 16, 2008 ⁽²⁾	700	700
12.87% GE DIP Credit Facility Term Loan C due March 16, 2008 ⁽²⁾	600	600
	1,900	1,900
<i>Other senior secured debt</i>		
14.11% Amex Facility Note due in installments during 2007 ⁽²⁾⁽³⁾	176	300
	176	300
Secured ⁽¹⁾		
<i>Series 2000-1 Enhanced Equipment Trust Certificates</i>		
7.38% Class A-1 due in installments from 2007 to May 18, 2010	136	174
7.57% Class A-2 due November 18, 2010	738	738
7.92% Class B due November 18, 2010	182	182
	1,056	1,094
<i>Series 2001-1 Enhanced Equipment Trust Certificates</i>		
6.62% Class A-1 due in installments from 2007 to March 18, 2011	130	150
7.11% Class A-2 due September 18, 2011	571	571
7.71% Class B due September 18, 2011	207	207
7.30% Class C due September 18, 2006	—	60
	908	988
<i>Series 2001-2 Enhanced Equipment Trust Certificates</i>		
7.06% Class A due in installments from 2007 to December 18, 2011 ⁽²⁾	313	341
8.26% Class B due in installments from 2007 to December 18, 2011 ⁽²⁾	145	172
9.61% Class C due in installments from 2007 to December 18, 2011 ⁽²⁾	64	77
	522	590
<i>Series 2002-1 Enhanced Equipment Trust Certificates</i>		
6.72% Class G-1 due in installments from 2007 to January 2, 2023	454	488
6.42% Class G-2 due July 2, 2012	370	370
7.78% Class C due in installments from 2007 to January 2, 2012	111	126
	935	984
<i>Series 2003-1 Enhanced Equipment Trust Certificates</i>		
6.13% Class G due in installments from 2007 to January 25, 2008 ⁽²⁾	291	318
9.11% Class C due in installments from 2007 to January 25, 2008 ⁽²⁾	135	135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(dollars in millions)	2006	2005
General Electric Capital Corporation ⁽⁴⁾		
9.87% Notes due in installments from 2007 to July 7, 2011 ⁽²⁾⁽⁵⁾	168	198
9.87% Notes due in installments from 2007 to July 7, 2011 ⁽²⁾⁽⁶⁾	119	134
9.87% Notes due in installments from 2007 to July 7, 2011 ⁽²⁾⁽⁷⁾	271	293
	558	625
Other secured debt		
8.86% Senior Secured Notes due in installments from 2007 to September 29, 2012 ⁽⁸⁾	189	235
4.62% to 8.85% Other secured financings due in installments from 2007 to May 9, 2021 ⁽²⁾⁽⁹⁾⁽¹⁰⁾	1,354	1,715
Total senior secured and secured debt	\$ 8,024	\$ 8,884
Unsecured ⁽⁹⁾		
Massachusetts Port Authority Special Facilities Revenue Bonds		
5.0-5.5% Series 2001A due in installments from 2012 to January 1, 2027	\$ 338	\$ 338
4.25% Series 2001B due in installments from 2027 to January 1, 2031 ⁽²⁾	80	80
4.3% Series 2001C due in installments from 2027 to January 1, 2031 ⁽²⁾	80	80
7.7% Notes due December 15, 2005	122	122
7.9% Notes due December 15, 2009	499	499
9.75% Debentures due May 15, 2021	106	106
Development Authority of Clayton County, loan agreement		
3.98% Series 2000A due June 1, 2029 ⁽²⁾	65	65
4.05% Series 2000B due May 1, 2035 ⁽²⁾	110	110
4.05% Series 2000C due May 1, 2035 ⁽²⁾	120	120
8.3% Notes due December 15, 2029	925	925
8.125% Notes due July 1, 2039	538	538
10.0% Senior Notes due August 15, 2008	248	248
8.0% Convertible Senior Notes due June 3, 2023	350	350
2 ⁷ / ₈ % Convertible Senior Notes due February 18, 2024	325	325
3.01% to 10.375% Other unsecured debt due in installments from 2006 to May 1, 2033	703	703
Total unsecured debt	4,609	4,609
Total secured and unsecured debt, including liabilities subject to compromise	12,633	13,493
Less: pre-petition debt classified as liabilities subject to compromise ⁽⁹⁾⁽¹⁰⁾	(4,945)	(5,766)
Total debt	7,688	7,727
Less: current maturities	(1,466)	(1,183)
Total long-term debt	\$ 6,222	\$ 6,544

- (1) Our senior secured debt and secured debt is collateralized by first liens, and in many cases second and junior liens, on substantially all of our assets, including but not limited to accounts receivable, owned aircraft, certain spare engines, certain spare parts, certain flight simulators, ground equipment, landing slots, international routes, equity interests in certain of our domestic subsidiaries, intellectual property and real property. For more information on the Secured Super-Priority Debtor-in-Possession Credit Agreement and other senior secured debt, see “DIP Credit Facility” and “Financing Agreement with Amex”, respectively, in this Note.
- (2) Our variable interest rate long-term debt is shown using interest rates which represent LIBOR or Commercial Paper plus a specified margin, as provided for in the related agreements. The rates shown were in effect at December 31, 2006, if applicable.
- (3) For additional information about the repayment terms related to these debt maturities, see “Financing Agreement with Amex” in this Note.
- (4) For information about the letters of credit issued by, and our related reimbursement obligation to, General Electric Capital Corporation (“GECC”), see “Letter of Credit Enhanced Special Facility Bonds” and “Reimbursement Agreement and Other GECC Agreements” in this Note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- (5) For additional information about this debt, as amended (“Spare Engines Loan”), see “Reimbursement Agreement and Other GECC Agreements” in this Note.
- (6) For additional information about this debt, as amended (“Aircraft Loan”), see “Reimbursement Agreement and Other GECC Agreements” in this Note.
- (7) For additional information about this debt, as amended (“Spare Parts Loan”), see “Reimbursement Agreement and Other GECC Agreements” in this Note.
- (8) In October 2006, we refinanced our 9.5% Senior Secured Notes due 2008 (“Senior Notes”). In connection with the refinancing, we repaid \$39 million in principal of the Senior Notes. We refinanced the remaining \$196 million principal of the Senior Notes by issuing \$196 million principal amount of new notes (“New Notes”). The New Notes are due in installments through September 2012 and bear interest at a floating rate based on LIBOR plus a margin. The New Notes are secured by the same 32 aircraft as the Senior Notes.
- (9) In accordance with SOP 90-7, substantially all of our unsecured debt has been classified as liabilities subject to compromise. Additionally, certain of our undersecured debt has been classified as liabilities subject to compromise. For more information on liabilities subject to compromise, see Note 1.
- (10) Certain of our secured and under-secured debt, which was classified as liabilities subject to compromise at December 31, 2005, has been reclassified from liabilities subject to compromise or converted to operating leases during the year ended December 31, 2006 in connection with in-court restructuring initiatives undertaken as part of our Chapter 11 reorganization.

Future Maturities

The following table summarizes the contractual maturities of our debt, including current maturities, at December 31, 2006:

Years Ending December 31, (in millions)	Principal Not Subject to Compromise	Principal Subject to Compromise	Total Principal Amount
2007	\$ 1,466	\$ 453	\$ 1,919
2008	2,152	640	2,792
2009	392	868	1,260
2010	1,300	177	1,477
2011	1,307	103	1,410
After 2011	1,071	2,704	3,775
Total	\$ 7,688	\$ 4,945	\$ 12,633

DIP Credit Facility

On September 16, 2005, we entered into a Secured Super-Priority Debtor-In-Possession Credit Agreement (the “DIP Credit Facility”) to borrow up to \$1.7 billion from a syndicate of lenders arranged by General Electric Capital Corporation (“GECC”) and Morgan Stanley Senior Funding, Inc., for which GECC acted as administrative agent. On October 7, 2005, we entered into an amendment to the DIP Credit Facility, resulting in borrowings of \$1.9 billion under the DIP Credit Facility, as amended.

The DIP Credit Facility consists of a \$600 million Term Loan A arranged by GECC (the “TLA”), a \$700 million Term Loan B arranged by GECC (the “TLB”) and a \$600 million Term Loan C arranged jointly by GECC and Morgan Stanley (the “TLC”) (together with the TLA and TLB, collectively, the “DIP Loans”). We applied a portion of these proceeds to (1) repay in full the \$480 million principal amount outstanding under our pre-petition credit facility for which GECC was agent (“GE Pre-Petition Facility”); (2) repay in full the \$500 million principal amount outstanding under our Amex Pre-Petition Facility (defined below); and (3) prepay \$50 million of the \$350 million principal amount outstanding under our Amex Post-Petition Facility (defined below). The remainder of the proceeds of the DIP Loans is available for our general corporate purposes.

Availability of funds under the TLA is subject to a borrowing base calculation. If the outstanding amount of the TLA at any time exceeds the borrowing base, we must immediately repay the TLA or post cash collateral in an amount equal to the excess.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The TLA, TLB and TLC each mature on the earliest of (1) March 16, 2008, (2) the effective date of a plan of reorganization in the Debtors' bankruptcy cases or (3) accelerations and termination of the obligations under such loans if an event of default occurs under the DIP Credit Facility, as more fully discussed below. Prior to March 27, 2006, the TLA bore interest, at our option, at LIBOR plus 4.50% or an index rate plus 3.75%; the TLB bore interest, at our option, at LIBOR plus 6.50% or an index rate plus 5.75%; and the TLC bore interest, at our option, at LIBOR plus 9.00% or an index rate plus 8.25%.

We may also request the issuance of up to \$200 million in letters of credit under the DIP Credit Facility, which must be fully cash collateralized at all times such letters of credit are outstanding.

Our obligations under the DIP Credit Facility are guaranteed by substantially all of our domestic subsidiaries (the "Guarantors"). We will be required to make certain mandatory repayments of the DIP Loans in the event we sell certain assets, subject to certain exceptions. Any portion of the DIP Loans that is repaid through either voluntary or mandatory prepayment may not be reborrowed.

The DIP Loans and the related guarantees are secured by first priority liens on substantially all of our and the Guarantors' present and future assets (including assets that previously secured the GE Pre-Petition Facility) and by junior liens on certain of our and our Guarantors' other assets (including certain accounts receivable and other assets subject to a first priority lien securing the Amex Post-Petition Facility described below), in each case subject to certain exceptions, including an exception for assets that are subject to financing agreements that are entitled to the benefits of Section 1110 of the Bankruptcy Code, to the extent such financing agreements prohibit such liens.

The DIP Credit Facility includes affirmative, negative and financial covenants that impose substantial restrictions on our financial and business operations, including our ability to, among other things, incur or secure other debt, make investments, sell assets and pay dividends or repurchase stock.

The financial covenants require us to:

- maintain unrestricted funds in an amount not less than \$750 million through May 31, 2006; \$1.0 billion at all times from June 1, 2006, through November 30, 2006; \$750 million at all times from December 1, 2006, through February 28, 2007; and \$1.0 billion at all times thereafter ("Liquidity Covenant");
- not exceed specified levels of capital expenditures during any fiscal quarter; and
- achieve specified levels of earnings before interest, taxes, depreciation, amortization and aircraft rent, as defined ("EBITDAR"), for successive trailing 12-month periods through March 2008. During 2005, we were required to achieve increasing levels of EBITDAR, including EBITDAR of \$644 million for the 12-month period ending December 31, 2005. Thereafter, the minimum EBITDAR level for each successive trailing 12-month period continues to increase, including \$1.4 billion for the 12-month period ended December 31, 2006; \$2.0 billion for the 12-month period ending December 31, 2007; and \$2.0 billion for each 12-month period ending thereafter. If our cash on hand exceeds the minimum cash on hand that we are required to maintain pursuant to the Liquidity Covenant, then the EBITDAR level that we are required to achieve is effectively reduced by the amount of such excess cash, up to a maximum reduction of \$250 million from the required EBITDAR level.

The DIP Credit Facility contains events of default customary for debtor-in-possession financings, including cross-defaults to the Amex Post-Petition Facility and certain change of control events. The DIP Credit Facility also includes events of default specific to our business, including if all or substantially all of our flight and other operations are suspended for longer than two days, other than in connection with a general suspension of all U.S. flights, or if certain routes and, subject to certain materiality thresholds, other routes, and slots and gates are revoked, terminated or cancelled. Upon the occurrence of an event of default, the outstanding obligations under the DIP Credit Facility may be accelerated and become due and payable immediately.

On March 27, 2006, we executed an amended and restated credit agreement (the "Amended and Restated DIP Credit Facility") with a syndicate of lenders, which replaced the DIP Credit Facility in its entirety. The aggregate amounts available to be borrowed under the DIP Credit Facility are not changed by the Amended and Restated DIP Credit Facility. However, under the Amended and Restated DIP Credit Facility, the interest rates on borrowings have been reduced: the TLA bears interest, at our option, at LIBOR plus 2.75% or an index rate plus 2.00%; the TLB bears interest, at our option, at LIBOR plus 4.75% or an index rate plus 4.00%; and the TLC bears interest, at our option, at LIBOR plus 7.50% or an index rate plus 6.75%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Amended and Restated DIP Credit Facility is otherwise substantially the same as the DIP Credit Facility, including financial covenants, collateral, guarantees, maturity date and events of default. The Amended and Restated DIP Credit Facility allowed the execution of amendments to (1) the Other GECC Agreements (defined below) and certain other credit facilities previously entered into by us with GECC and (2) a reimbursement agreement between us and GECC (the “Reimbursement Agreement”) related to letters of credit originally totaling \$403 million which were issued on our behalf by GECC, to support our obligations with respect to tax-exempt special facility bonds issued to refinance the construction cost of certain airport facilities leased to us. See below for additional information about the amendments to the credit facilities and the Reimbursement Agreement.

On August 31, 2006, we entered into an amendment to the Amended and Restated DIP Credit Facility that authorized us to consummate a fuel inventory supply agreement (see Note 8).

Financing Agreement with Amex

On September 16, 2005, we entered into an agreement (the “Modification Agreement”) with American Express Travel Related Services Company, Inc. (“Amex”) and American Express Bank, F.S.B. pursuant to which we modified certain existing agreements with Amex, including two agreements (collectively, the “Amex Pre-Petition Facility”) under which we had borrowed \$500 million from Amex. The Amex Pre-Petition Facility consisted of substantially identical supplements to the two existing agreements under which Amex purchases SkyMiles from us, the Membership Rewards Agreement and the Co-Branded Credit Card Program Agreement (collectively, the “SkyMiles Agreements”). The Bankruptcy Court approved our entering into the Modification Agreement and our assuming the SkyMiles Agreements. Amex has the right, in certain circumstances, to impose a significant holdback on our receivables, including for tickets purchased using an American Express credit card but not yet used for travel.

As required by the Modification Agreement, on September 16, 2005, we used a portion of the proceeds of our initial borrowing under the DIP Credit Facility to repay the principal amount of \$500 million, together with interest thereon, that we had previously borrowed from Amex under the Amex Pre-Petition Facility. Simultaneously, we borrowed \$350 million from Amex pursuant to the terms of the Amex Pre-Petition Facility as modified by the Modification Agreement (the “Amex Post-Petition Facility”). The amount borrowed under the Amex Post-Petition Facility is being repaid in equal monthly installments, either as direct monthly payments from us or as a credit towards Amex’s actual purchases of SkyMiles during the 17-month period commencing in July 2006. Any unused prepayment credit will carryover to the next succeeding month with a final repayment date for any then outstanding advances no later than November 30, 2007. Prior to March 27, 2006, the outstanding advances bore a fee, equivalent to interest, at a rate of LIBOR plus a margin of 10.25%. As of the date of effectiveness of the Amended and Restated DIP Credit Facility, to which Amex consented, the fee on outstanding advances decreased to a rate of LIBOR plus a margin of 8.75%.

On October 7, 2005, pursuant to Amendment No. 1 to the Modification Agreement (the “Amendment to the Modification Agreement”), Amex consented to the above-described increased principal amount of the DIP Credit Facility from \$1.7 billion to \$1.9 billion in return for a prepayment of \$50 million under the Amex Post-Petition Facility. The prepayment was credited in inverse order of monthly installments during the 17-month period commencing in July 2006.

Our obligations under the Amex Post-Petition Facility are guaranteed by the Guarantors of the DIP Credit Facility. Our obligations under certain of our agreements with Amex, including our obligations under the Amex Post-Petition Facility, the SkyMiles Agreements and the agreement pursuant to which Amex processes travel and other purchases made from us using Amex credit cards (“Card Services Agreement”), and the corresponding obligations of the Guarantors, are secured by (1) a first priority lien on our right to payment from Amex for purchased SkyMiles, our interest in the SkyMiles Agreements and related assets and our right to payment from Amex under, and our interest in, the Card Services Agreement and (2) a junior lien on the collateral securing the DIP Credit Facility on a first priority basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

With certain exceptions, the Amex Post-Petition Facility contains affirmative, negative and financial covenants substantially the same as in the DIP Credit Facility. The Amex Post-Petition Facility contains customary events of default, including cross-defaults to our obligations under the DIP Credit Facility and to defaults under certain other of our agreements with Amex. The Amex Post-Petition Facility also includes events of default specific to our business, including upon cessation of 50% or more of our business operations (measured by net revenue) and other events of default comparable to those in the DIP Credit Facility. Upon the occurrence of an event of default under the Amex Post-Petition Facility, the loan under the Amex Post-Petition Facility may be accelerated and become due and payable immediately. An event of default under the Amex Post-Petition Facility results in an immediate cross-default under the Amended and Restated DIP Credit Facility.

In connection with the Amended and Restated DIP Credit Facility, we executed a conforming amendment and restatement of the Amex Post-Petition Facility. The financial covenants, collateral, guarantees, maturity dates and events of default are not changed by the amendment and restatement. As of the date of effectiveness of the Amended and Restated DIP Credit Facility, to which Amex consented, the fee on outstanding advances under the Amex Post-Petition Facility decreased to a rate of LIBOR plus a margin of 8.75%.

On August 31, 2006, we entered into an amendment to the Amex Post-Petition Facility that authorized us to consummate a fuel inventory supply agreement (see Note 8).

The Amended and Restated DIP Credit Facility and the Amex Post-Petition Facility are subject to an intercreditor agreement that generally regulates the respective rights and priorities of the lenders under each facility with respect to collateral and certain other matters.

Letter of Credit Enhanced Special Facility Bonds

At December 31, 2006, there were outstanding \$381 million aggregate principal amount of tax exempt special facility bonds (“Bonds”) enhanced by letters of credit, including:

- \$295 million principal amount of bonds issued by the Development Authority of Clayton County (“Clayton Authority”) to refinance the construction cost of certain facilities leased to us at Hartsfield-Jackson Atlanta International Airport. We pay debt service on these bonds pursuant to loan agreements between us and the Clayton Authority.
- \$86 million principal amount of bonds issued by other municipalities to refinance the construction cost of certain facilities leased to us at Cincinnati/Northern Kentucky International Airport and Salt Lake City International Airport. We pay debt service on these bonds pursuant to long-term lease agreements.

The Bonds (1) have scheduled maturities between 2029 and 2035, (2) currently bear interest at a variable rate that is determined weekly and (3) may be tendered for purchase by their holders on seven days notice. Tendered Bonds are remarketed at prevailing interest rates.

Principal and interest on the Bonds are currently paid through drawings on irrevocable, direct-pay letters of credit currently totaling \$387 million issued by GECC pursuant to the Reimbursement Agreement. In addition, if tendered Bonds cannot be remarketed, the purchase price is paid by drawings on these letters of credit. The GECC letters of credit were originally scheduled to expire on May 20, 2008. Pursuant to the Amendments (defined below), the GECC letters of credit will now expire on July 7, 2011. The GECC letters of credit were originally issued in the amount of \$403 million, but a draw on one of the letters of credit paid off approximately \$16 million in special facility bonds related to a Tampa maintenance base when we rejected the lease for this facility in June 2006 to streamline our maintenance operations and obtain other cost savings.

If a drawing under a letter of credit is made to pay the purchase price of Bonds tendered for purchase and not remarketed, our resulting reimbursement obligation to GECC will bear interest at a base rate or three-month LIBOR plus a margin. The principal amount of any outstanding reimbursement obligation will be repaid quarterly through July 7, 2011. Our obligation to reimburse GECC for the drawing on the letter of credit that secured the Tampa maintenance base special facility bonds is on these terms as well.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Unless the GECC letters of credit are extended in a timely manner, we will be required to purchase the Bonds on July 2, 2011, five calendar days prior to the expiration of the letters of credit. In this circumstance, we could seek, but there is no assurance that we would be able (1) to sell the Bonds without credit enhancement at then-prevailing fixed interest rates or (2) to replace the expiring letters of credit with new letters of credit from an alternate credit provider and remarket the Bonds.

Reimbursement Agreement and Other GECC Agreements

Under the Reimbursement Agreement between us and GECC, we are required to reimburse GECC for drawings on the letters of credit that support the Bonds. Prior to the Amendments (as defined below), our reimbursement obligations to GECC were secured by (1) nine B-767-400 and three B-777-200 aircraft (“LOC Aircraft Collateral”), (2) 93 spare Mainline aircraft engines (“Engine Collateral”) and (3) a portion of the Mainline aircraft spare parts owned by us (“Spare Parts Collateral”), as discussed below.

We have three additional financing arrangements with GECC (other than the Amended and Restated DIP Credit Facility), as referenced in the footnotes to the table above in this Note. Prior to the Amendments, the Spare Engines Loan was secured by (1) the Engine Collateral, (2) so long as the letters of credit discussed above are outstanding, the LOC Aircraft Collateral and (3) a portion of the Spare Parts Collateral, as discussed below. The Spare Engines Loan is not repayable at our election prior to maturity.

Prior to the Amendments, the Aircraft Loan was secured by (1) five B-767-400 aircraft (“Other Aircraft Collateral”), (2) the Engine Collateral and (3) all Spare Parts Collateral. Also prior to the Amendments, the Spare Parts Loan was secured by (1) the Other Aircraft Collateral, (2) the Engine Collateral and (3) the Spare Parts Collateral.

Under our prior agreement with GECC, the Spare Parts Collateral secured up to \$75 million of our obligations to GECC under (1) the Reimbursement Agreement, (2) the Spare Engines Loan and (3) 12 CRJ-200 aircraft leases. Additionally, the Engine Collateral and the Spare Parts Collateral secured, on a subordinated basis, up to \$160 million of certain other existing debt and aircraft lease obligations to GECC and its affiliates (“Subordinated GECC Obligations”).

On March 31, 2006, we entered into amendments (the “Amendments”) to the Reimbursement Agreement, the Spare Engines Loan, the Aircraft Loan, the Spare Parts Loan (these last three credit facilities will be referred to collectively as the “Other GECC Agreements”) and certain other credit facilities with GECC (other than the Amended and Restated DIP Credit Facility).

As a result of the Amendments, the LOC Aircraft Collateral, the Spare Engines Collateral, the Spare Parts Collateral and the Other Engine Collateral (collectively, the “Collateral Pool”) secure (1) each of the Other GECC Agreements, (2) 12 leases for CRJ-200 aircraft we previously entered into with GECC, (3) leases of up to an additional 15 CRJ-200 aircraft pursuant to the put rights described below, (4) the Reimbursement Agreement and (5) all of the Subordinated GECC Obligations (with no maximum amount). In addition, the expiration dates of the letters of credit issued in connection with the Reimbursement Agreement were extended from 2008 to 2011, and the minimum collateral value test formerly in the Reimbursement Agreement was eliminated.

As a condition to the Amendments, we granted GECC the right, exercisable until March 30, 2007, to lease to us up to an additional 15 CRJ-200 aircraft (“put rights”). GECC may exercise the put rights only after providing us with prior written notice, and no more than three such aircraft may be scheduled for delivery in the same month. The leases will have terms ranging between 108 months and 172 months, as determined by GECC, and lease rates will be based on the date of manufacture of the aircraft. We believe that the lease payments for these 15 aircraft will aggregate \$215 million over the maximum 172 month term and that the lease payments approximate current market rates. As of December 31, 2006, GECC has leased nine of these aircraft to us and we have subleased all nine aircraft to Connection Carriers.

Boston Airport Terminal Project

During 2001, we entered into lease and financing agreements with the Massachusetts Port Authority (“Massport”) for the redevelopment and expansion of Terminal A at Boston’s Logan International Airport. The construction of the new terminal was funded with \$498 million in proceeds from Special Facilities Revenue Bonds issued by Massport on August 16, 2001. We agreed to pay the debt service on the bonds under an agreement with Massport and issued a guarantee to the bond trustee covering the payment of the debt service. For additional information about these bonds, see the debt table above. Because we have issued a guarantee of the debt service on the bonds, we have included the bonds, as well as the related bond proceeds, on our Consolidated Balance Sheets. The bonds are reflected as liabilities subject to compromise and the related remaining proceeds, which are held in a trust, are reflected as restricted investments in other assets on our Consolidated Balance Sheets.

As part of our restructuring efforts, we have entered into a settlement agreement with Massport, the bond trustee and the bond insurer providing, among other things, for a reduction in our leasehold premises, the ability to return some additional space in 2007 and 2011 and the reduction of our lease term to ten years. The settlement agreement also provides that our obligations with respect to the bonds shall be eliminated, including the guarantee of debt service, and that all rental payments for the leased space shall be made to Massport. On February 14, 2007, the Bankruptcy Court approved a consent motion authorizing the settlement agreement, the assumption of the amended lease and the restructuring of related agreements.

Letter of Credit Facility Related to Visa/MasterCard Credit Card Processing Agreement

On January 26, 2006, with the authorization from the Bankruptcy Court, we entered into a letter of credit facility with Merrill Lynch. Under the Letter of Credit Reimbursement Agreement, Merrill Lynch issued a \$300 million irrevocable standby letter of credit (“Merrill Lynch Letter of Credit”) for the benefit of our Processor. As contemplated in our Visa/MasterCard credit card processing agreement (“Processing Agreement”), we are providing the Merrill Lynch Letter of Credit as a substitution for a portion of the cash withholding that the Processor maintains.

Under the Processing Agreement, the Processor is permitted to withhold a Cash Reserve that is equal to the Processor’s potential liability for tickets purchased with Visa or MasterCard which have not yet been used for travel (the “unflown ticket liability”). We estimate that the Cash Reserve, which adjusts daily, will range between \$450 million and \$1.1 billion during the term of the Processing Agreement. The Processing Agreement allows us to substitute the Merrill Lynch Letter of Credit for a portion of the Cash Reserve equal to the lesser of \$300 million and 45% of the unflown ticket liability. See Note 2 for additional information about our reclassification of the change in Cash Reserve on our Consolidated Statements of Cash Flows.

The Merrill Lynch Letter of Credit may only be drawn upon following certain events as described in the Processing Agreement. In addition, the Processor must first apply both the portion of the Cash Reserve that the Processor will continue to hold and any offsets from collections by the Processor before drawing on the Merrill Lynch Letter of Credit to cover fare refunds paid to passengers by the Processor.

Our obligation to reimburse Merrill Lynch under the Merrill Lynch Letter of Credit for any draws made by the Processor is not secured and will constitute a super-priority administrative expense claim that is subject to certain other claims, including our post-petition financing. The Merrill Lynch Letter of Credit was originally due to expire on January 21, 2008. In July 2006, with the approval of the Bankruptcy Court, we amended the Merrill Lynch Letter of Credit to, among other matters, extend the expiration date to September 14, 2008 and to reduce the fees payable by us. The Merrill Lynch Letter of Credit will renew automatically for one-year periods after September 14, 2008 unless Merrill Lynch notifies the Processor 420 days prior to the applicable expiration date that it will not renew the Merrill Lynch Letter of Credit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Bombardier Agreement

During the June 2006 quarter, Comair, Bombardier, Inc. (“Bombardier”) and a subsidiary of Bombardier completed, with the approval of the Bankruptcy Court, an agreement under which, among other things, (1) Comair surrendered a letter of credit supporting certain reimbursement obligations owed by Bombardier to Comair, which were simultaneously released by Comair and (2) Bombardier transferred to Comair \$171 million aggregate principal amount of secured notes issued to Bombardier by Delta. The transfer of the secured notes constitutes an extinguishment of debt under SFAS No. 140, “Accounting for the Transfer and Services of Financial Assets and Extinguishment of Liabilities.” We recognized a \$26 million gain as a result of this extinguishment of debt, which is classified in reorganization items, net.

Covenants

As discussed above, the Amended and Restated DIP Credit Facility and the Amex Post-Petition Facility include certain affirmative, negative and financial covenants. In addition, as is customary in the airline industry, our aircraft lease and financing agreements require that we maintain certain levels of insurance coverage, including war-risk insurance. Failure to maintain these coverages may result in an interruption to our operations. See Note 8 for additional information about our war-risk insurance currently provided by the U.S. government.

We were in compliance with these covenant requirements at December 31, 2006 and 2005.

Exit Financing

On January 29, 2007, we secured commitments for a \$2.5 billion exit financing facility (the “Exit Facility”) to be used in connection with our plan to exit bankruptcy in the second quarter of 2007. The Exit Facility will be co-led by a syndicate of six lenders and will consist of a \$1.0 billion first-lien revolving credit facility, a \$500 million first-lien Term Loan A and a \$1.0 billion second-lien Term Loan B. Proceeds from the Exit Facility will be used to repay the outstanding principal amounts of \$1.9 billion and \$176 million, together with interest thereon and all other amounts outstanding thereunder, for the Amended and Restated DIP Credit Facility and the Amex Post-Petition Facility, respectively. The Exit Facility will be secured by substantially all of the first priority collateral in the existing Amended and Restated DIP Credit Facility.

The scheduled maturity date for the revolving credit facility and the Term Loan A will be the fifth anniversary of the closing date of the Exit Facility. The scheduled maturity date for the Term Loan B will be the seventh anniversary of the closing date of the closing of the Exit Facility.

The Exit Facility will contain financial covenants that will require us to maintain a minimum fixed charge coverage ratio, minimum unrestricted cash reserves and minimum collateral coverage ratios. In addition, the Exit Facility will restrict our ability to, among other things, incur additional secured indebtedness, make investments, sell assets if not in compliance with the collateral coverage ratio tests, pay dividends or repurchase stock. These covenants may have a material impact on our operations.

The closing and funding of the Exit Facility is subject to the completion of definitive documentation and certain other conditions precedent.

Note 7. Lease Obligations

We lease aircraft, airport terminals and maintenance facilities, ticket offices and other property and equipment from third parties. As allowed under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign, or reject certain executory contracts and unexpired leases, including leases of real property, aircraft and aircraft engines, subject to the approval of the Bankruptcy Court and certain other conditions, including compliance with Section 1110.

Rental expense for operating leases, which is recorded on a straight-line basis over the life of the lease term, totaled \$945 million, \$1.1 billion, and \$1.3 billion for the years ended December 31, 2006, 2005, and 2004, respectively. Amounts due under capital leases are recorded as liabilities on our Consolidated Balance Sheets. Our interest in assets acquired under capital leases is recorded as property and equipment on our Consolidated Balance Sheets. Amortization of assets recorded under capital leases is included in depreciation and amortization expense on our Consolidated Statements of Operations. Our leases do not include residual value guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables summarize, as of December 31, 2006, our minimum rental commitments under capital leases and noncancelable operating leases (including certain aircraft under contract carrier agreements) with initial terms in excess of one year:

Capital Leases

Years Ending December 31, (in millions)	Not Subject to Compromise	Subject to Compromise	Total
2007	\$ 104	\$ 6	\$ 110
2008	100	3	103
2009	99	—	99
2010	99	—	99
2011	94	—	94
After 2011	94	—	94
Total minimum lease payments	590	9	599
Less: amount of lease payments representing interest	266	1	267
Present value of future minimum capital lease payments	324	8	332
Less: current obligations under capital leases	37	5	42
Long-term capital lease obligations	\$ 287	\$ 3	\$ 290

Operating Leases

Years Ending December 31, (in millions)	Delta Lease Payments	Contract Carrier Agreements Lease Payments (1)	Total
2007	\$ 871	\$ 386	\$ 1,257
2008	798	384	1,182
2009	652	325	977
2010	590	325	915
2011	467	325	792
After 2011	2,607	2,308	4,915
Total minimum lease payments	\$ 5,985	\$ 4,053	\$ 10,038

(1) Emerging Issues Task Force 01-08, “Determining Whether an Arrangement Contains a Lease”, provides guidance on whether an arrangement contains a lease within the scope of SFAS 13 and is applicable to agreements entered into or modified after June 30, 2003. Because we entered into our contract carrier agreement with Chautauqua prior to June 30, 2003, payments totaling \$183 million related to Chautauqua aircraft are not included in the table.

At December 31, 2006, we operated 166 aircraft under operating leases and 65 aircraft under capital leases. These leases have remaining terms ranging from 10 months to nine years. For the year ended December 31, 2006, we recorded estimated claims relating to the restructuring of the financing arrangements of 188 aircraft and the rejection of 16 leases. Many of these transactions are subject to Bankruptcy Court approval.

Note 8. Purchase Commitments and Contingencies

Aircraft Order Commitments

Future commitments for aircraft on firm order as of December 31, 2006 are estimated to be \$3.0 billion. The following table shows the timing of these commitments:

Years Ending December 31, (in millions)	
2007	\$ 523
2008	823
2009	960
2010	712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Our aircraft order commitments as of December 31, 2006 consist of firm orders to purchase five B-777-200LR aircraft, 10 B-737-700 aircraft and 50 B-737-800 aircraft, including 48 B-737-800 aircraft, which we have entered into definitive agreements to sell to third parties immediately following delivery of these aircraft to us by the manufacturer starting in 2007. These sales will reduce our future commitments by approximately \$2.0 billion during the period 2007 through 2010.

On January 31, 2007, we entered into an agreement to purchase 30 CRJ-900 aircraft from Bombardier Inc., with options to acquire an additional 30 CRJ-900 aircraft. The aircraft will be delivered in two-class, 76 seat configuration between September 2007 and February 2010. We expect these aircraft will be operated by regional air carriers under contract carrier agreements, and the purchase agreement permits assignment of the aircraft and related support provisions to other carriers. We have available to us long-term, secured financing commitments to fund a substantial portion of the aircraft purchase price for the 30 firm orders.

We have signed a letter of intent with a third party to lease 10 B-757-200ER aircraft. These aircraft will be delivered from July 2007 through November 2007 and will be leased for seven years and three months each. We have also signed a letter of intent with a separate third party to lease three B-757-200ER aircraft which would be delivered to us in the first quarter of 2008, or such earlier dates as the parties may agree, and will be leased for five years.

Contract Carrier Agreements

Delta Connection Carriers

As of December 31, 2006, we had contract carrier agreements with seven regional air carriers (“Connection Carriers”), including our wholly owned subsidiary, Comair, and six unaffiliated carriers. Except for the agreement with American Eagle Airlines, Inc (“Eagle”) discussed below, the regional air carriers operate some or all of their aircraft using our flight code, and we schedule those aircraft, sell the seats on those flights and retain the related revenues. We pay those airlines an amount, as defined in the applicable agreement, which is based on a determination of their cost of operating those flights and other factors intended to approximate market rates for those services.

During the year ended December 31, 2006, the following five carriers operated as contract carriers (in addition to Comair) pursuant to agreements under which we pay amounts based on a determination of the costs of operating these flights and other factors. The following table shows the maximum number of aircraft to be operated for us under, and the expiration date of, our contract carrier agreements with each of these carriers:

Carrier ⁽¹⁾	Maximum Number of Aircraft to be Operated Under Agreement (1) (2)	Expiration Date of Agreement
ASA ⁽²⁾	161	2020
SkyWest Airlines ⁽²⁾	98	2020
Chautauqua	39	2016
Freedom	42	2017
Shuttle America	16	2019

(1) The table does not include information regarding Eagle because our agreement with Eagle is structured as a revenue proration arrangement which establishes a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

(2) In our Chapter 11 proceedings, we assumed our obligations under the contract carrier agreements with ASA and SkyWest Airlines. Accordingly, these agreements are not subject to rejection pursuant to Section 365 of the Bankruptcy Code.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table shows the available seat miles (“ASMs”) and revenue passenger miles (“RPMs”) operated for us under contract carrier agreements with unaffiliated regional air carriers:

- SkyWest Airlines, Inc. (“SkyWest Airlines”) and Chautauqua for all periods presented;
- Shuttle America for the year ended December 31, 2006 and from September 1 through December 31, 2005;
- ASA for the year ended December 31, 2006 and from September 8 through December 31, 2005. On September 7, 2005, we sold ASA to SkyWest, Inc. (“SkyWest”); and
- Freedom Airlines, Inc. (“Freedom”) for the year ended December 31, 2006 and from October 1 to December 31, 2005.

(in millions, except for number of aircraft operated) , unaudited

	2006	2005
ASMs	15,390	8,275
RPMs	11,931	5,961
Number of aircraft operated, end of period	324	265

Contingencies Related to Termination of Contract Carrier Agreements

We may terminate the Chautauqua and Shuttle America agreements without cause at any time after May 2010 and January 2013, respectively, by providing certain advance notice. If we terminate either the Chautauqua or Shuttle America agreements without cause, Chautauqua or Shuttle America, respectively, has the right to (1) assign to us leased aircraft that the airline operates for us, provided we are able to continue the leases on the same terms the airline had prior to the assignment and (2) require us to purchase or lease any of the aircraft that the airline owns and operates for us at the time of the termination. If we are required to purchase aircraft owned by Chautauqua or Shuttle America, the purchase price would be equal to the amount necessary to (1) reimburse Chautauqua or Shuttle America for the equity it provided to purchase the aircraft and (2) repay in full any debt outstanding at such time that is not being assumed in connection with such purchase. If we are required to lease aircraft owned by Chautauqua or Shuttle America, the lease would have (1) a rate equal to the debt payments of Chautauqua or Shuttle America for the debt financing of the aircraft calculated as if 90% of the aircraft was debt financed by Chautauqua or Shuttle America and (2) other specified terms and conditions.

We estimate that the total fair values, determined as of December 31, 2006, of the aircraft that Chautauqua or Shuttle America could assign to us or require that we purchase if we terminate without cause our contract carrier agreements with those airlines (the “Put Right”) are \$483 million and \$367 million, respectively. The actual amount that we may be required to pay in these circumstances may be materially different from these estimates. If the Chautauqua or Shuttle America Put Right is exercised, we must also pay to the exercising carrier 10% interest (compounded monthly) on the equity the carrier provided when it purchased the put aircraft. These equity amounts for Chautauqua and Shuttle America total \$56 million and \$34 million, respectively.

Legal Contingencies

We are involved in various legal proceedings relating to antitrust matters, employment practices, environmental issues and other matters concerning our business. We cannot reasonably estimate the potential loss for certain legal proceedings because, for example, the litigation is in its early stages or the plaintiff does not specify the damages being sought. As a result of our Chapter 11 proceedings, virtually all pre-petition pending litigation against us is stayed and related amounts accrued have been classified in liabilities subject to compromise on our Consolidated Balance Sheets at December 31, 2006 and 2005.

Comair Flight 5191

On August 27, 2006, Comair Flight 5191 crashed shortly after take-off in a field near the Blue Grass Airport in Lexington, Kentucky. All 47 passengers and two members of the flight crew died in the accident. The third crew member survived with severe injuries. Lawsuits arising out of this accident have been filed against our wholly owned subsidiary, Comair, on behalf of at least 36 of the passengers, including a number of lawsuits that also name Delta as a defendant. Additional lawsuits are anticipated. These lawsuits, which are in preliminary stages, generally assert claims for wrongful death and related personal injuries, and seek unspecified damages, including punitive damages in most cases. All but four of the lawsuits filed to date have been filed either in the U.S. District Court for the Eastern District of Kentucky, or in state court in Fayette County, Kentucky. The cases filed in state court in Kentucky have been or are expected to be removed to federal court. One lawsuit has

been filed in the U.S. District Court for the Northern District of New York, one lawsuit has been filed in state court in Broward County, Florida and two lawsuits have been filed in the U.S. District Court for the District of Kansas. The federal court in New York has ordered the case filed there to be transferred to the federal court in Kentucky. The Debtors' motion is currently pending in federal court in Florida to transfer the case filed in Florida to the federal court in Kentucky. The Debtors are also seeking to transfer the lawsuits filed in Kansas to the federal court in Kentucky. Those matters pending in the Eastern District of Kentucky have been consolidated as "In Re Air Crash at Lexington, Kentucky, August 27, 2006, Master File No. 5:06-CV-316."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In addition, Comair has filed an action in the U.S. District Court for the Eastern District of Kentucky against the United States (based on the actions of the Federal Aviation Administration (“FAA”)), the Lexington Airport Board and certain other Lexington airport defendants, seeking to apportion potential liability for damages arising from this accident among all responsible parties.

During the September 2006 quarter, we recorded a long term liability with a corresponding long term receivable from our insurance carriers in other noncurrent liabilities and assets, respectively, on our Consolidated Balance Sheet relating to the Comair Flight 5191 accident. These estimates may be revised as additional information becomes available. We carry aviation risk liability insurance and believe this insurance is sufficient to cover any liability likely to arise from this accident.

Other Contingencies

Regional Airports Improvement Corporation (“RAIC”)

We have obligations under a facilities agreement with the RAIC to pay the bond trustee amounts sufficient to pay the debt service on \$47 million in Facilities Sublease Refunding Revenue Bonds. These bonds were issued in 1996 to refinance bonds that financed the construction of certain airport and terminal facilities we use at Los Angeles International Airport. We also provide a guarantee to the bond trustee covering payment of the debt service.

General Indemnifications

We are the lessee under many commercial real estate leases. It is common in these transactions for us, as the lessee, to agree to indemnify the lessor and the lessor’s related parties for tort, environmental and other liabilities that arise out of or relate to our use or occupancy of the leased premises. This type of indemnity would typically make us responsible to indemnified parties for liabilities arising out of the conduct of, among others, contractors, licensees and invitees at or in connection with the use or occupancy of the leased premises. This indemnity often extends to related liabilities arising from the negligence of the indemnified parties, but usually excludes any liabilities caused by either their sole or gross negligence and their willful misconduct.

Our aircraft and other equipment lease and financing agreements typically contain provisions requiring us, as the lessee or obligor, to indemnify the other parties to those agreements, including certain of those parties’ related persons, against virtually any liabilities that might arise from the condition, use or operation of the aircraft or such other equipment.

We believe that our insurance would cover most of our exposure to such liabilities and related indemnities associated with the types of lease and financing agreements described above, including real estate leases. However, our insurance does not typically cover environmental liabilities, although we have certain policies in place to meet the requirements of applicable environmental laws.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Certain of our aircraft and other financing transactions include provisions which require us to make payments to preserve an expected economic return to the lenders if that economic return is diminished due to certain changes in law or regulations. In certain of these financing transactions, we also bear the risk of certain changes in tax laws that would subject payments to non-U.S. lenders to withholding taxes.

We cannot reasonably estimate our potential future payments under the indemnities and related provisions described above because we cannot predict (1) when and under what circumstances these provisions may be triggered and (2) the amount that would be payable if the provisions were triggered because the amounts would be based on facts and circumstances existing at such time. We also cannot predict the impact, if any, that our Chapter 11 proceedings might have on these obligations.

Employees Under Collective Bargaining Agreements

At December 31, 2006, we had a total of approximately 51,300 full-time equivalent employees. Approximately 17% of these employees, including all of our pilots, are represented by labor unions. For additional information related to our collective bargaining agreements, see Note 1.

War-Risk Insurance Contingency

As a result of the terrorist attacks on September 11, 2001, aviation insurers significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events. At the same time, aviation insurers significantly increased the premiums for such coverage and for aviation insurance in general. Since September 24, 2001, the U.S. government has been providing U.S. airlines with war-risk insurance to cover losses, including those resulting from terrorism, to passengers, third parties (ground damage) and the aircraft hull. The coverage currently extends to August 31, 2007. The withdrawal of government support of airline war-risk insurance would require us to obtain war-risk insurance coverage commercially, if available. Such commercial insurance could have substantially less desirable coverage than currently provided by the U.S. government, may not be adequate to protect our risk of loss from future acts of terrorism, may result in a material increase to our operating expenses or may not be obtainable at all, resulting in an interruption to our operations.

Fuel Inventory Supply Agreement

On August 31, 2006, we entered into an agreement with J. Aron & Company (“Aron”), an affiliate of Goldman Sachs & Co., pursuant to which Aron became the exclusive jet fuel supplier for our operations at the Atlanta airport, the Cincinnati airport and the three major airports in the New York City area. In accordance with this agreement, on September 6, 2006, we sold to Aron, at then current market prices, (1) all jet fuel inventory that we were then holding in storage at facilities that support our operations at the airports in Atlanta and Cincinnati and (2) all jet fuel inventory that was in transit to these airports as well as to the three major New York City area airports. We received approximately \$102 million from this sale. In addition, for the duration of the agreement, we (1) assigned to Aron certain existing supply agreements with our third party suppliers for jet fuel for these locations, (2) transferred to Aron the right to use our storage facilities in Atlanta and Cincinnati and (3) transferred to Aron allocations in pipeline systems through which jet fuel is delivered to storage facilities for the Atlanta airport, the Cincinnati airport and the three New York City area airports. The initial sale of our jet fuel inventory did not have a material impact on our Consolidated Statement of Operations. The agreement with Aron has six-month terms that automatically renew unless terminated by either party thirty days prior to the end of any six-month period, and the agreement will terminate on its third anniversary. Upon termination of the agreement, we will be required to purchase, at market prices at the time of termination, all jet fuel inventory that Aron is holding in the storage facilities that support our operations at the Atlanta and Cincinnati airports and all jet fuel inventory that is in transit to these airports as well as to the three New York City area airports. At termination of the agreement, Aron will return to us our rights to use the storage facilities in Atlanta and Cincinnati and our allocations in pipeline systems.

Other

We have certain contracts for goods and services that require us to pay a penalty, acquire inventory specific to us or purchase contract specific equipment, as defined by each respective contract, if we terminate the contract without cause prior to its expiration date. Because these obligations are contingent on our termination of the contract without cause prior to its expiration date, no obligation would exist unless such a termination occurs. We also cannot predict the impact, if any, that our Chapter 11 proceedings might have on these obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 9. Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and income tax purposes (see Note 2 for information about our accounting policy for income taxes). The following table shows significant components of our deferred tax assets and liabilities at December 31, 2006 and 2005:

(in millions)	2006	2005
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,921	\$ 3,246
Additional minimum pension liability (see Note 10)	615	1,565
Postretirement benefits	681	716
Other employee benefits	2,898	992
AMT credit carryforward	346	346
Rent expense	1,215	398
Other	598	757
Valuation allowance	(5,169)	(3,954)
Total deferred tax assets	\$ 4,105	\$ 4,066
Deferred tax liabilities:		
Depreciation and amortization	\$ 3,850	\$ 3,763
Other	259	336
Total deferred tax liabilities	\$ 4,109	\$ 4,099

The following table shows the current and noncurrent deferred tax (liabilities) assets, recorded on our Consolidated Balance Sheets at December 31, 2006 and 2005:

(in millions)	2006	2005
Current deferred tax assets, net	\$ 402	\$ 99
Noncurrent deferred tax liabilities, net	(406)	(132)
Total deferred tax liabilities, net	\$ (4)	\$ (33)

The current and noncurrent components of our deferred tax balances are generally based on the balance sheet classification of the asset or liability creating the temporary difference. If the deferred tax asset or liability is not based on a component of our balance sheet, such as our net operating loss (“NOL”) carryforwards, the classification is presented based on the expected reversal date of the temporary difference. Our valuation allowance has been classified as current or noncurrent based on the percentages of current and noncurrent deferred tax assets to total deferred tax assets.

At December 31, 2006, we had (1) \$346 million of federal alternative minimum tax (“AMT”) credit carryforwards, which do not expire and (2) approximately \$7.8 billion of federal and state pretax NOL carryforwards, substantially all of which will not begin to expire until 2022. Our ability to utilize our AMT and NOL carryforwards will be subject to significant limitation if, as a result of our Chapter 11 proceedings, we undergo an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended. For additional information about the Bankruptcy Court’s order designed to assist us in preserving our NOLs, see Note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Valuation Allowance

SFAS 109 requires us to periodically assess whether it is more likely than not that we will generate sufficient taxable income to realize our deferred income tax assets. In making this determination, we consider all available positive and negative evidence and make certain assumptions. We consider, among other things, our deferred tax liabilities, the overall business environment, our historical earnings and losses, our industry's historically cyclical periods of earnings and losses and our outlook for future years.

For the year ended December 31, 2006, we recorded an income tax benefit totaling \$765 million. This amount primarily reflects adjustments to our valuation allowance from the reversal of accrued pension liabilities associated with the derecognition of previously recorded Pilot Plan and pilot non-qualified plan obligations upon each plan's termination. For additional information regarding the termination of the Pilot Plan, see Note 10.

In the June 2004 quarter, we determined that it was unclear as to the timing of when we will generate sufficient taxable income to realize our deferred tax assets. Accordingly, during the year ended December 31, 2004, we recorded an additional valuation allowance against our deferred income tax assets, which resulted in a \$1.2 billion income tax provision on our 2004 Consolidated Statement of Operations. Until we determine it is more likely than not that we will generate sufficient taxable income to realize our deferred income tax assets, income tax benefits associated with current period losses will be fully reserved.

Our income tax benefit (provision) for the years ended December 31, 2006, 2005, and 2004 consisted of:

(in millions)	2006	2005	2004
Current tax benefit (provision)	\$ 17	\$ (9)	\$ —
Deferred tax benefit (exclusive of the other components listed below)	2,364	1,464	1,139
Increase in valuation allowance	(1,616)	(1,414)	(2,345)
Income tax benefit (provision)	\$ 765	\$ 41	\$(1,206)

The following table presents the principal reasons for the difference between the effective tax rate and the United States federal statutory income tax rate for 2006, 2005, and 2004:

	2006	2005	2004
U.S. federal statutory income tax rate	(35.0)%	(35.0)%	(35.0)%
State taxes, net of federal income tax effect	(2.5)	(3.3)	(1.5)
Goodwill impairment	—	—	7.5
Increase in valuation allowance	23.2	36.6	58.8
Other, net	3.3	0.6	0.4
Effective income tax rate	(11.0)%	(1.1)%	30.2 %

Note 10. Employee Benefit Plans

We sponsor qualified defined benefit and defined contribution pension plans, healthcare plans, and disability and survivorship plans for eligible employees and retirees, and their eligible family members. We sponsored the Pilot Plan and non-qualified defined benefit pension plans for our pilots prior to the termination of these plans as discussed below.

We also sponsor non-qualified defined benefit pension plans for eligible non-pilot employees. Almost all pension benefits under these plans accrued prior to our Chapter 11 filing and, because we did not seek authority from the Bankruptcy Court to pay those pre-petition benefits, we are precluded from doing so during the Chapter 11 proceedings. We intend to reject these plans in our Plan of Reorganization. As a result, no further benefits will be paid from these non-qualified plans.

We regularly evaluate ways to better manage our employee benefits and control costs. We reserve the right to modify or terminate our benefit plans as to all participants and beneficiaries at any time, except as restricted by the Internal Revenue Code, the Employee Retirement Income Security Act ("ERISA") and our collective bargaining agreements. Any changes to the plans or assumptions used to estimate future benefits could have a significant effect on the amount of the reported obligation and future annual expense.

Significant Events in 2006

ALPA Agreement

In June 2006, we reached a comprehensive agreement with ALPA reducing Delta's pilot labor costs. The agreement, among other things:

- amended our postretirement healthcare plan for pilots (1) to increase healthcare premiums for pilots who retire after June 1, 2006 and their survivors prior to age 65 and (2) to provide that pilots who retire after June 1, 2006 are not eligible for our subsidized post-age 65 healthcare coverage. This amendment was accounted for as a negative plan amendment under SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other than Pensions" ("SFAS 106"). It reduced the accumulated plan benefit obligation ("APBO") for this plan by \$63 million.
- amended our disability and survivorship plan for pilots ("Pilot D&S Plan") to replace survivor benefits and basic life insurance coverage with term life insurance for pilots who retire on or after January 1, 2008. This amendment reduced the APBO for the Pilot D&S Plan by \$65 million.
- provided that ALPA would not oppose the termination of the Pilot Plan and that the non-qualified defined benefit pension plans for pilots would be terminated if the Pilot Plan was terminated. The Pilot Plan and these non-qualified plans were terminated effective September 2, 2006.
- changed our contribution to the Delta Pilots Defined Contribution Plan to 9% of covered pay for all pilots, effective upon termination of the Pilot Plan. Prior to this change, pilots received a contribution between zero and 23% of covered pay, based on the pilot's age and years of service on January 1, 2005.

For additional information regarding our comprehensive agreement with ALPA, see "Collective Bargaining Agreements" in Note 1.

1114 Committee Agreements

In October 2006, we and the two separate retiree committees appointed under Section 1114 of the Bankruptcy Code reached agreements ("1114 Agreements") which modified our postretirement benefit plan obligations by, among other things, increasing the current retirees' share of healthcare costs. The 1114 Agreements also eliminate Delta's current post-age 65 coverage for non-pilot retirees, but provide a subsidy for certain non-pilot retirees that can be applied to alternative coverage to be made available through the 1114 non-pilot retiree committee. The 1114 Agreements provided retirees an allowed general, unsecured pre-petition claim of \$539 million, which was recorded in reorganization items, net with a corresponding offset in liabilities subject to compromise. The amendment of our postretirement plans reduces participant benefits and is accounted for as a negative plan amendment under SFAS 106, reducing the APBO for these plans by \$796 million. For additional information regarding these retiree committees, see "Payment of Insurance Benefits to Retired Employees" in Note 1.

Termination of Pilot Plan and PBGC Settlement Agreement

In June 2006, we sent to participants and beneficiaries a Notice of Intent to Terminate the Pilot Plan effective September 2, 2006. In September, the Bankruptcy Court found that we met the financial requirements for a distress termination of the Pilot Plan and, in December 2006, we reached a comprehensive settlement agreement (the "PBGC Settlement Agreement") with the PBGC providing for such termination. In accordance with the PBGC Settlement Agreement, the PBGC became trustee of the Pilot Plan effective December 31, 2006, and the effective date of the termination of the Pilot Plan was deemed to be September 2, 2006.

Pursuant to the PBGC Settlement Agreement, the PBGC received an allowed general, unsecured pre-petition claim against each of the Debtors in the amount of \$2.2 billion, but recoverable solely against Delta ("PBGC Claim"). The PBGC Settlement Agreement also provided for the distribution to the PBGC of senior unsecured notes (the "PBGC Notes") in aggregate principal amount of \$225 million, a term of up to 15 years and an annual interest rate calculated to ensure that the notes trade at par on the issuance date. We may replace all or a portion of the principal amount of the PBGC Notes with cash prior to the issuance, which we are required to do under certain circumstances. We also agreed to enter into a registration rights agreement in connection with the PBGC Settlement Agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Some of the other significant terms of the PBGC Settlement Agreement include:

- as of the date we emerge from Chapter 11, the PBGC has agreed to irrevocably waive its rights to restore the Pilot Plan in full or in part;
- we have agreed not to establish any new qualified defined benefit plans for pilots for a period of five years after we emerge from Chapter 11;
- the parties agree to take steps to protect our net operating loss carryforward tax benefits;
- absent extraordinary unanticipated circumstances we will (a) elect the alternative funding schedule under section 402(a)(1) of the pension reform legislation (“Pension Protection Act”) with respect to the qualified defined benefit pension plan for non-pilot employees (“Non-pilot Plan”); (b) not seek a distress termination of the Non-pilot Plan; and (c) provide in our reorganization plan that we shall continue the Non-pilot Plan; and
- we confirmed our previously stated intention reached independently of the PBGC Settlement Agreement that we would make a contribution to the Non-Pilot Plan of not less than \$50 million minus any amounts contributed to such plan subsequent to our election of Airline Relief under the Pension Protection Act and prior to our emergence from Chapter 11.

Consistent with the ALPA Agreement, we also terminated the pilot non-qualified plans as of September 2, 2006. As a result of the termination of the non-qualified plans, retired pilots who were receiving non-qualified benefits received an \$801 million allowed general, unsecured pre-petition claim and a \$9 million administrative claim. As a result of the termination of both the Pilot Plan and the non-qualified plans, we recorded a settlement gain of \$1.3 billion in reorganization items, net, derecognizing the accrued pension liability and reversed the related \$2.2 billion additional minimum liability to other comprehensive loss. Additionally, the \$2.2 billion claim for the PBGC and the \$810 million in total claims for the retired pilots were recorded in reorganization items, net with a corresponding offset in liabilities subject to compromise. The \$3.5 billion reversal of the pension liability and the recording of the \$3.0 billion in claims resulted in a net reduction of \$490 million in liabilities subject to compromise.

Claims associated with changes made in the Chapter 11 reorganization and obligations related to our defined benefit plans, other postretirement benefit plans, and certain postemployment benefits have been classified as liabilities subject to compromise, as these obligations may be impacted by our Chapter 11 proceedings. For additional information, see “Liabilities Subject to Compromise” in Note 1.

Adoption of SFAS 158

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS 158. SFAS 158 requires that we recognize the funded status of our defined benefit pension plans, other postretirement plans, and certain of our postemployment plans on our Consolidated Balance Sheet as of December 31, 2006, with a corresponding adjustment to accumulated other comprehensive loss, net of tax. The adjustment to accumulated other comprehensive loss at adoption represents the net unrecognized actuarial losses and unrecognized prior service costs and credits, which were previously netted against the plans’ funded status in our Consolidated Balance Sheets pursuant to the provisions of SFAS No. 87, “Employer’s Accounting for Pension” (“SFAS 87”) and SFAS 106. These amounts will be subsequently recognized as net periodic (benefit) cost pursuant to our accounting policy for amortizing such amounts. Actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic (benefit) cost in the same periods will be recognized as a component of other comprehensive loss. These gains and losses will be subsequently recognized as a component of net periodic (benefit) cost on the same basis as the amounts recognized in accumulated other comprehensive loss at adoption of SFAS 158.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The incremental effects of adopting SFAS 158 on our Consolidated Balance Sheet at December 31, 2006 are presented in the following table.

(in millions)	Pre-SFAS 158	Effect of adopting SFAS 158	As reported at December 31, 2006
Other noncurrent assets	\$ 1,196	\$ (248)	\$ 948
Liabilities subject to compromise	20,502	(685)	19,817
Accumulated other comprehensive loss	(955)	437	(518)

The requirement to measure the funded status of a plan as of the date of its year-end is not effective for the year ended December 31, 2006. We continue to measure our benefit plans with a September 30 measurement date.

Defined Benefit Pension and Other Postretirement and Postemployment Benefit Plans

Defined Benefit Pension Plans. Prior to the events described above, we sponsored both funded and nonfunded noncontributory defined benefit pension plans that covered substantially all of our employees. Currently, we sponsor the Non-pilot Plan and a separate frozen qualified defined benefit plan for certain pilots formerly employed by Western Air Lines (“Western Plan”). Effective December 31, 2005, future pay and service accruals under the Non-pilot Plan were frozen. The Non-pilot Plan provides a retirement benefit based on a combination of a final average earnings formula and a cash balance formula, subject to the terms of that plan. Under our settlement agreement with the PBGC, we agreed to initiate, prior to our emergence from Chapter 11, a standard termination of the Western Plan. Assuming current funding rules and current plan design, we estimate that the funding requirements under our Non-pilot Plan will be approximately \$100 million in 2007.

Postretirement Healthcare Plans. We also sponsor healthcare plans that provide benefits to substantially all Delta retirees and their eligible dependents who are under age 65. Benefits under these plans are funded from our current assets and are subject to co-payments, deductibles and other limits as described in the plans. Non-pilot employees are not eligible for company provided post-retirement healthcare coverage after age 65, except for those retirees eligible for a subsidy to be applied to alternative coverage available through the 1114 non-pilot retiree committee. Pilots who retire after June 1, 2006 are not eligible for subsidized post-age 65 healthcare coverage although they may purchase such coverage at full cost.

Postemployment Plans. We provide certain other welfare benefits to eligible former or inactive employees after employment, but before retirement, primarily as part of the disability and survivorship plans. These disability and survivorship plans provide benefits to substantially all Delta employees as a result of a participant’s death or disability. As discussed above, survivor benefits have been replaced with term life insurance coverage for pilots retiring on or after January 1, 2008. Additionally, survivor benefits will not be paid for non-pilot employees who die or retire after July 1, 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Obligations (measured at September 30):

(in millions)	Pension Benefit		Other Postretirement Benefit		Other Postemployment Benefit	
	2006	2005	2006	2005	2006	2005
Benefit obligation at beginning of year	\$12,893	\$12,140	\$ 1,793	\$ 1,835	\$ 2,271	\$ 2,297
Service cost	34	155	17	17	45	64
Interest cost	712	715	97	114	125	136
Actuarial (gain) loss	(71)	1,262	289	33	(10)	(106)
Benefits paid, including lump sums and annuities	(844)	(1,699)	(214)	(187)	(128)	(120)
Participant contributions	—	—	38	32	—	—
Settlement gain on termination of the Pilot Plan	(5,169)	—	—	—	—	—
Curtailment losses	—	320	—	—	—	—
Plan amendments	—	—	(859)	(51)	(65)	—
Benefit obligation at end of year	\$ 7,555	\$12,893	\$ 1,161	\$ 1,793	\$ 2,238	\$ 2,271
Fair value of plan assets at beginning of year	\$ 6,521	\$ 6,842			\$ 1,863	\$ 1,829
Actual gain on plan assets	642	988			133	210
Employer contributions	5	390			—	—
Benefits paid, including lump sums and annuities	(844)	(1,699)			(215)	(176)
Transfer of Pilot Plan assets to PBGC	(1,734)	—			—	—
Fair value of plan assets at end of year	\$ 4,590	\$ 6,521			\$ 1,781	\$ 1,863

In 2006, the \$5.2 billion decrease in the pension benefit obligation and \$1.7 billion decrease in the fair value of plan assets relate to the termination of the Pilot Plan and the related non-qualified pilot plans. The \$859 million decrease in other postretirement benefit obligation and the \$65 million decrease in other postemployment benefit obligation are related to plan amendments resulting from the 1114 Agreements and the ALPA agreement.

In 2005, the \$1.3 billion increase in our pension benefit obligation due to actuarial losses primarily relates to (1) changes in our discount rate and participant life expectancy assumptions used to measure the obligation and (2) the large number of early pilot retirements and related lump sum distributions from plan assets. The \$320 million increase due to curtailment losses relates to (1) the combined impact on the Non-pilot Plan of an early retirement window offered to certain non-pilot employees in late 2004 and other components of our transformation plan announced in 2004 and (2) the amendment of the Pilot Plan to freeze service accruals effective December 31, 2004. The \$51 million decrease in the other postretirement benefit obligation due to plan amendments relates to the elimination of company subsidized post-age 65 healthcare coverage for pilots hired after November 11, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Funded Status (measured at September 30):

(in millions)	Pension Benefit		Other Postretirement Benefit		Other Postemployment Benefit	
	2006	2005	2006	2005	2006	2005
Funded status	\$ (2,965)	\$ (6,372)	\$ (1,161)	\$ (1,793)	\$ (457)	\$ (408)
Unrecognized net actuarial loss	—	4,286	—	368	—	275
Unrecognized prior service cost (credit)	—	7	—	(496)	—	—
Contributions, net made between the measurement date and year-end	—	—	45	46	(36)	(12)
Settlement/curtailment charge recognized between the measurement date and year-end	—	(129)	—	—	—	—
Net amount recognized on our Consolidated Balance Sheets	\$ (2,965)	\$ (2,208)	\$ (1,116)	\$ (1,875)	\$ (493)	\$ (145)

The settlement charge of \$129 million related primarily to the Pilot Plan and is discussed in more detail below as a component of net periodic cost.

Amounts recognized on our Consolidated Balance Sheets consist of:

(in millions)	Pension Benefit		Other Postretirement Benefit		Other Postemployment Benefit	
	2006	2005	2006	2005	2006	2005
Prepaid benefit cost	\$ —	\$ 8	\$ —	\$ —	\$ —	\$ 302
Accrued benefit cost	—	(2,216)	—	(1,875)	—	(447)
Net prepaid/(accrued) benefit cost	—	(2,208)	—	(1,875)	—	(145)
Intangible assets	—	7	—	—	—	—
Current liability	(3)	—	(106)	—	—	—
Noncurrent liability	(2,962)	—	(1,010)	—	(493)	—
Additional minimum liability	—	(4,115)	—	—	—	—
Accumulated other comprehensive loss, pretax	—	4,108	—	—	—	—
Net amount recognized on our Consolidated Balance Sheets	\$ (2,965)	\$ (2,208)	\$ (1,116)	\$ (1,875)	\$ (493)	\$ (145)

Both the current and noncurrent portions of our pension and other postretirement and postemployment benefit obligations are included in liabilities subject to compromise on our Consolidated Balance Sheets.

At December 31, 2006 and 2005, we recorded adjustments to intangible assets and accumulated other comprehensive loss (see Note 13) to recognize our additional minimum pension liability in accordance with SFAS 87, prior to the adoption of SFAS 158.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Amounts recognized in accumulated other comprehensive loss consist of:

(in millions)	Pension Benefit		Other Postretirement Benefit		Other Postemployment Benefit	
	2006	2005	2006	2005	2006	2005
Net actuarial loss	\$ 1,583	\$ —	\$ 645	\$ —	\$ 287	\$ —
Prior service cost (credit)	6	—	(1,311)	—	(63)	—
Additional minimum liability	—	4,108	—	—	—	—
Recognized in accumulated other comprehensive loss, pretax	\$ 1,589	\$ 4,108	\$ (666)	\$ —	\$ 224	\$ —

Estimated amounts that will be amortized from accumulated other comprehensive loss, pre tax into net periodic cost (benefit) in 2007 (measured at September 30) are as follows:

(in millions)	Pension Benefit	Other Postretirement Benefit	Other Postemployment Benefit
Net actuarial loss	\$ 54	\$ 30	\$ 15
Prior service cost (credit)	1	(98)	(6)
Amount to be amortized into net periodic cost (benefit)	\$ 55	\$ (68)	\$ 9

The accumulated benefit obligation for all our defined benefit pension plans was \$7.6 billion and \$12.8 billion at December 31, 2006 and 2005, respectively. The following table contains information about our pension plans with an accumulated benefit obligation in excess of plan assets (measured at September 30):

(in millions)	2006	2005
Projected benefit obligation	\$ 7,555	\$12,893
Accumulated benefit obligation	7,555	12,844
Fair value of plan assets	4,590	6,521

Net periodic (benefit) cost for the years ended December 31, 2006, 2005 and 2004 included the following components:

(in millions)	Pension Benefit			Other Postretirement Benefit			Other Postemployment Benefit		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Service cost	\$ 34	\$ 155	\$ 233	\$ 17	\$ 17	\$ 28	\$ 45	\$ 64	\$ 86
Interest cost	712	715	757	97	114	121	125	136	128
Expected return on plan assets	(520)	(598)	(657)	—	—	—	(163)	(165)	(154)
Amortization of prior service cost (benefit)	1	3	15	(44)	(41)	(79)	(2)	—	—
Recognized net actuarial loss	226	179	194	8	13	6	9	20	29
Amortization of net transition obligation	—	6	7	—	—	—	—	—	—
Settlement (gain) charge, net	(1,282)	388	257	—	—	—	—	—	—
Curtailment loss (gain)	—	434	—	—	—	(527)	—	—	—
Special termination benefits	—	—	10	—	—	142	—	—	—
Net periodic (benefit) cost	\$ (829)	\$1,282	\$ 816	\$ 78	\$ 103	\$ (309)	\$ 14	\$ 55	\$ 89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

During 2006, we recorded a settlement gain of \$1.3 billion related to the termination of both the Pilot Plan and the non-qualified plans in reorganization items, net, as discussed above.

During 2005 and 2004, we recorded settlement charges totaling \$388 million and \$257 million, respectively, on our Consolidated Statement of Operations. These charges primarily related to the Pilot Plan and resulted from lump sum distributions to pilots who retired.

During 2005, we recorded a net curtailment loss of \$434 million on our Consolidated Statement of Operations. The \$434 million net curtailment loss consists of (1) a \$13 million curtailment gain recorded in the December 2005 quarter related to the freeze of benefit accruals effective December 31, 2005 for the Non-pilot Plan and (2) a curtailment loss of \$447 million related to the impact of the reduction of non-pilot jobs announced in November 2004 and the freeze of service accruals under the Pilot Plan effective December 31, 2004. Additionally, in the December 2004 quarter, we recorded a \$527 million curtailment gain related to the elimination of subsidized retiree medical benefits for eligible employees who retire after January 1, 2006.

Assumptions

We used the following actuarial assumptions to determine our benefit obligations at September 30, 2006 and 2005 and our net periodic (benefit) cost for the years presented, as measured at September 30:

Benefit Obligations ⁽¹⁾	2006	2005
Weighted average discount rate	5.88%	5.69%
Rate of increase in future compensation levels	0.36%	0.72%
Assumed healthcare cost trend rate ⁽²⁾	8.50%	9.50%

Net Periodic Benefit Cost ⁽³⁾	2006	2005	2004
Weighted average discount rate — pension benefit	5.67%	5.81%	6.09%
Weighted average discount rate — other postretirement benefit	5.65%	6.10%	6.05%
Weighted average discount rate — other postemployment benefit	5.72%	6.10%	6.13%
Rate of increase (decrease) in future compensation levels	0.72%	(1.28)%	1.89%
Expected long-term rate of return on plan assets	9.00%	9.00%	9.00%
Assumed healthcare cost trend rate ⁽²⁾	9.50%	9.50%	9.00%

(1) Our 2006 and 2005 benefit obligations are measured using the RP 2000 combined healthy mortality table projected to 2006.

(2) The assumed healthcare cost trend rate is assumed to decline gradually to 5.00% by 2010 for health plan costs and remain level thereafter.

(3) Our 2006, 2005, and 2004 assumptions reflect various remeasurements of certain portions of our obligations and represent the weighted average of the assumptions used for each measurement date.

The expected long-term rate of return on our plan assets was based on plan-specific investment studies performed by outside consultants who used historical market return and volatility data with forward looking estimates based on existing financial market conditions and forecasts. Modest excess return expectations versus some market indices were incorporated into the return projections based on the actively managed structure of our investment program and its record of achieving such returns historically.

Assumed healthcare cost trend rates have an effect on the amounts reported for the other postretirement benefit plans. A 1% change in the healthcare cost trend rate used in measuring the APBO for these plans at September 30, 2006, would have the following effects:

(in millions)	1% Increase	1% Decrease
Increase (decrease) in total service and interest cost	\$ 9	\$ (7)
Increase (decrease) in the APBO	28	(48)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Pension Plan Assets

The weighted-average asset allocation for our pension plans at September 30, 2006 and 2005 is as follows:

	2006	2005
U.S. equity securities	34%	36%
Non-U.S. equity securities	14%	13%
High quality bonds	18%	19%
Convertible and high yield bonds	8%	8%
Private equity	17%	15%
Real estate	9%	9%
Total	100%	100%

The investment strategy for pension plan assets is to utilize a diversified mix of global public and private equity portfolios, public and private fixed income portfolios, and private real estate and natural resource investments to earn a long-term investment return that meets or exceeds a 9% annualized return target. The overall asset mix of the portfolio is more heavily weighted in equity-like investments, including portions of the bond portfolio, which consist of convertible and high yield securities. Active management strategies are utilized throughout the program in an effort to realize investment returns in excess of market indices. Also, option and currency overlay strategies are used in an effort to generate modest amounts of additional income. A bond duration extension program utilizing fixed income derivatives is employed in an effort to better align the market value movements of a portion of the pension plan assets to the related pension plan liabilities.

Target investment allocations for the pension plan assets are as follows:

U.S. equity securities	27-41%
Non-U.S. equity securities	12-18%
High quality bonds	15-21%
Convertible and high yield bonds	5-11%
Private equity	15%
Real estate	10%

Benefit Payments

Benefit payments in the table below are based on the same assumptions used to measure the related benefit obligations and are paid from both funded benefit plan trusts and current assets. Actual benefit payments may vary significantly from these estimates. As the result of the Chapter 11 filing, benefits earned under our non-qualified defined benefit plans will not be paid, and are not included in the table below. Benefits earned under our qualified pension plans and other postemployment benefit plans are expected to be paid from funded benefit plan trusts, while our other postretirement benefits are funded from current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes, as of December 31, 2006 the benefit payments, which reflect expected service, as appropriate, that are scheduled to be paid in the following years ending December 31:

(in millions)	Pension Benefits	Other Postretirement Benefits	Other Postemployment Benefits
2007	\$ 472	\$ 106	\$ 140
2008	462	109	146
2009	451	111	153
2010	444	107	160
2011	439	102	166
2012 — 2016	2,240	408	925
Total	\$ 4,508	\$ 943	\$ 1,690

Other Plans

We also sponsor defined benefit pension plans for eligible Delta employees in certain foreign countries. These plans did not have a material impact on our Consolidated Financial Statements in any period presented.

Defined Contribution Pension Plans

Delta Family-Care Savings Plan (“Savings Plan”)

Eligible employees may contribute a portion of their covered pay to the Savings Plan. Generally, we match 50% of non-pilot employee contributions with a maximum employer contribution of 2% of a participant’s covered pay. In 2006 and 2005, we provided all eligible Delta pilots with an employer contribution of 2% of their covered pay. In 2004, the employer contribution for eligible Delta pilots was 3% of their covered pay. Prior to the Petition Date, we generally made our contributions for non-pilots and pilots by allocating Series B ESOP Convertible Preferred Stock (“ESOP Preferred Stock”), common stock or cash to the Savings Plan. Effective on the Petition Date, we began making all company contributions to the Savings Plan in cash. Our contributions, which are recorded as salaries and related costs on our Consolidated Statements of Operations, totaled \$44 million, \$56 million, and \$85 million for the years ended December 31, 2006, 2005 and 2004, respectively.

During the March 2006 quarter, all remaining unallocated shares of ESOP Preferred Stock were allocated to participants in the Savings Plan and converted to common stock. All of the common stock in the Savings Plan was then sold by the Plan’s trustee. For additional information on our ESOP Preferred Stock and Common Stock, see Note 12.

Pilot Defined Contribution Plan

We established a defined contribution plan for Delta pilots effective January 1, 2005. During the year ended December 31, 2006 and 2005, we recognized expense of \$71 million and \$83 million, respectively, for this plan. Effective with the termination of the Pilot Plan on September 2, 2006, eligible pilots received a contribution of 9% of covered pay.

Delta Pilots Money Purchase Pension Plan (“MPPP”)

Effective June 30, 2006, the MPPP was terminated and the majority of assets were distributed to the participants. Through December 31, 2004, we contributed 5% of covered pay to the MPPP for each eligible Delta pilot. During the year ended December 31, 2004, we recognized expense of \$65 million for this plan.

Note 11. Sale of ASA

On September 7, 2005, we sold ASA, our wholly owned subsidiary, to SkyWest for a purchase price of \$425 million. In conjunction with this transaction, we amended our contract carrier agreements with ASA and SkyWest Airlines, a wholly owned subsidiary of SkyWest, under which those regional airlines serve as Delta Connection carriers. The sale of ASA resulted in an immaterial gain that is being amortized over the life of our contract carrier agreement with ASA. For additional information on our contract carrier agreements with ASA and SkyWest Airlines, see Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Our sale of ASA included the following major classes of assets and liabilities:

(in millions)	September 7, 2005
Assets :	
Current assets	\$ 153
Flight equipment, net	1,555
Other property and equipment, net	61
Other assets	33
Total assets	\$ 1,802
Liabilities :	
Current maturities of long-term debt	\$ 222
Other current liabilities	116
Long-term debt	1,002
Other noncurrent liabilities	8
Total liabilities	\$ 1,348

After the sale of ASA to SkyWest, the revenues and expenses related to our contract carrier agreement with ASA are reported as regional affiliates passenger revenues and contract carrier agreements, respectively, in our Consolidated Statements of Operations. Prior to the sale, expenses related to ASA were reported in the applicable expense line item in our Consolidated Statements of Operations.

Note 12. Common and Preferred Stock

Stock Option and Other Stock-Based Award Plans

During the year ended December 31, 2005, we distributed from treasury 38 million shares of our common stock for redemptions of ESOP Preferred Stock under the Savings Plan. We distributed these shares of common stock from treasury at an average price that is lower than the average price we paid to purchase these shares. As a result, our Consolidated Balance Sheet at December 31, 2005 reflects a \$1.8 billion decrease in treasury stock at cost, and a corresponding decrease in additional paid-in-capital.

Prior to the Petition Date, we adopted certain plans which provide for the issuance of common stock in connection with the exercise of stock options and for other stock-based awards. Effective March 31, 2006 the Bankruptcy Court granted our motion to reject substantially all of our then outstanding stock options. For additional information related to stock-based compensation, see Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table summarizes all stock option activity for the years ended December 31, 2006, 2005, and 2004:

	2006		2005		2004	
	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price	Shares (000)	Weighted Average Exercise Price
Outstanding at the beginning of the year	92,401	\$ 16	105,933	\$ 15	37,893	\$ 31
Granted	—	—	1,939	5	70,763	6
Exercised	—	—	—	—	(3)	11
Forfeited	—	—	(15,471)	8	(2,720)	38
Rejected	(92,086)	16	—	—	—	—
Outstanding at the end of the year	315	\$ 16	92,401	\$ 16	105,933	\$ 15
Exercisable at the end of the year	315	\$ 16	53,944	\$ 22	33,337	\$ 33

ESOP Preferred Stock

In December 2005, we amended the Savings Plan to give eligible participants the opportunity to receive an in-service distribution of the ESOP Preferred Stock and common stock in their ESOP accounts in the Savings Plan. Under this amendment, eligible participants could make an election between December 19, 2005 and January 18, 2006 to receive such an in-service distribution. Upon its distribution, the ESOP Preferred Stock was automatically converted in accordance with its terms into shares of common stock. Subsequent to January 18, 2006, the trustee of the Savings Plan converted all the remaining shares of ESOP Preferred Stock into common stock.

During 2006, all shares of ESOP Preferred Stock, which were not allocated to the accounts of participants in the Savings Plan, were allocated to participants in that plan. All outstanding shares of ESOP Preferred Stock were then converted, in accordance with their terms, into approximately eight million shares of common stock from treasury at cost. The allocation and conversion of the ESOP Preferred Stock resulted in a \$367 million decrease from treasury stock at cost and a corresponding \$144 million decrease in additional paid-in capital. Unpaid dividends on the ESOP Preferred Stock accrue without interest, until paid, at a rate of \$4.32 per share per year. At December 31, 2006 and 2005, accumulated but unpaid dividends on the ESOP Preferred Stock totaled \$52 million and \$50 million, respectively, and are recorded in liabilities subject to compromise on our Consolidated Balance Sheets.

Note 13. Comprehensive Loss

Comprehensive loss primarily includes (1) our reported net loss, (2) changes in our additional minimum pension liability, (3) changes in our deferred tax asset valuation allowance related to our additional minimum pension liability and (4) changes in the effective portion of our open fuel hedge contracts which qualify for hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table shows the components of accumulated other comprehensive loss at December 31, 2006, 2005 and 2004, and the activity for the years then ended:

(in millions)	Additional Minimum Pension Liability	Unrecognized Pension Liability	Fuel Derivative Instruments	Marketable Equity Securities	Valuation Allowance	Total
Balance at January 1, 2004	\$ (2,372)	\$ —	\$ 34	\$ —	\$ —	\$ (2,338)
Additional minimum pension liability adjustments	71	—	—	—		71
Unrealized gain	—	—	50	—		50
Realized gain	—	—	(105)	—		(105)
Tax effect	(28)	—	21	—	(29)	(36)
Net of tax	43	—	(34)	—	(29)	(20)
Balance at December 31, 2004	(2,329)	—	—	—	(29)	(2,358)
Additional minimum pension liability adjustments	(365)	—	—	—		(365)
Unrealized gain	—	—	—	1		1
Tax effect	141	—	—	—	(141)	—
Net of tax	(224)	—	—	1	(141)	(364)
Balance at December 31, 2005	(2,553)	—	—	1	(170)	(2,722)
Termination of Pilot Plan	2,264	—	—	—		2,264
Additional minimum pension liability adjustments	257	—	—	—		257
Unrealized (loss) gain	—	—	(93)	1		(92)
Realized loss	—	—	70	—		70
Tax effect	(958)	—	—	—	239	(719)
Net of tax	1,563	—	(23)	1	239	1,780
Adoption of SFAS 158	990	(727)	—	—	161	424
Balance at December 31, 2006	\$ —	(727)	\$ (23)	\$ 2	\$ 230	\$ (518)

We did not have any fuel hedge contracts at December 31, 2005 and 2004. For additional information related to our fuel hedge contracts and our additional minimum pension liability, see Notes 4 and 10, respectively.

Note 14. Geographic Information

SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information”, requires us to disclose certain information about our operating segments. Operating segments are defined as components of an enterprise with separate financial information, which is evaluated regularly by the chief operating decision-maker and is used in resource allocation and performance assessments.

We are managed as a single business unit that provides air transportation for passengers and cargo. This allows us to benefit from an integrated revenue pricing and route network that includes Mainline, Comair and our contract carriers. The flight equipment of the carriers is combined to form one fleet, which is deployed through a single route scheduling system. When making resource allocation decisions, our chief operating decision maker evaluates flight profitability data, which considers aircraft type and route economics, but gives no weight to the financial impact of the resource allocation decision on an individual carrier basis. Our objective in making resource allocation decisions is to optimize our consolidated financial results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Operating revenues are assigned to a specific geographic region based on the origin, flight path and destination of each flight segment. Our operating revenues by geographic region for the years ended December 31, 2006, 2005 and 2004 are summarized in the following table:

(in millions)	2006	2005	2004
North America	\$12,931	\$13,030	\$12,389
Atlantic	2,997	2,255	2,088
Pacific	164	150	143
Latin America	1,079	756	615
Total	\$17,171	\$16,191	\$15,235

Our tangible assets consist primarily of flight equipment, which is mobile across geographic markets. Accordingly, assets are not allocated to specific geographic regions.

Note 15. Restructuring

Restructuring and Other Reserves

The following table shows our restructuring and other reserve balances as of December 31, 2006, 2005 and 2004, and the activity for the years then ended related to (1) facility closures and other costs and (2) severance and related costs under our 2005, 2004, 2002 and 2001 workforce reduction programs. Substantially all of our restructuring and other reserves have been classified as liabilities subject to compromise on our Consolidated Balance Sheets at December 31, 2006 and 2005.

(in millions)	Restructuring and Other Charges				
	Facilities and Other	Severance and Related Costs			
		Workforce Reduction Programs			
		2005	2004	2002	2001
Balance at January 1, 2004	\$ 47	\$ —	\$ —	\$ 5	\$ 1
Additional costs and expenses	—	—	42	—	—
Payments	(8)	—	—	(2)	(1)
Adjustments	(1)	—	—	(3)	—
Balance at December 31, 2004	38	—	42	—	—
Additional costs and expenses	6	46	5	—	—
Payments	(8)	—	(36)	—	—
Adjustments	—	—	(9)	—	—
Balance at December 31, 2005	36	46	2	—	—
Additional costs and expenses	3	29	—	—	—
Payments	(8)	(53)	(2)	—	—
Adjustments	(27)	(21)	—	—	—
Balance at December 31, 2006	\$ 4	\$ 1	\$ —	\$ —	\$ —

The facilities and other reserve balance includes costs related primarily to (1) future lease payments on closed facilities, (2) contract termination fees and (3) future lease payments associated with the early retirement of leased aircraft. During 2006, we reduced the facilities and other reserve by \$27 million primarily due to the rejection of certain facility leases and updated estimates concerning future lease payments. During 2005, we recorded charges of \$5 million for future lease payments associated with the early retirement of leased aircraft, during the period from January 1, 2005 through the Petition Date.

The severance and related costs reserve represents future payments associated with our 2005, 2004, 2002 and 2001 workforce reduction programs. During 2006, we recorded an additional accrual of \$29 million for costs associated with our 2005 program under which we planned to reduce staffing by 7,000 to 9,000 jobs by December 2007. We also reduced the severance and related reserve associated with this program by \$21 million due primarily to higher employee attrition than previously assumed. At December 31, 2004, the \$42 million balance related to the

2004 workforce reduction programs represented severance and medical benefits for employees who qualified for the programs; this amount was paid during 2005 and 2006.

Restructuring, Asset Writedowns, Pension Settlements and Related Items, Net

2006

In 2006, we recorded a \$13 million charge in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, primarily due to the following:

- *Workforce Reduction.* A \$29 million charge related to our decision to reduce staffing by approximately 7,000 to 9,000 jobs by December 2007, which has been substantially completed. This charge was partially offset by a \$21 million reduction in accruals associated with prior year workforce reduction programs.

2005

In 2005, we recorded an \$888 million charge in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, as follows:

- *Pension Curtailment Charge.* A \$447 million curtailment charge related to our Pilot Plan and Non-pilot Plan. This charge related to the impact on the Non-pilot Plan of the planned reduction of 6,000 to 7,000 jobs announced in November 2004 and the freeze of service accruals under the Pilot Plan effective December 31, 2004 (see Note 10).
- *Pension Settlements.* \$388 million in settlement charges related to the Pilot Plan due to a significant increase in pilot retirements and lump sum distributions from plan assets (see Note 10).
- *Workforce Reduction.* A \$46 million charge related to our decision to reduce staffing by approximately 7,000 to 9,000 jobs by December 2007, which has been substantially completed. This charge was partially offset by a net \$3 million reduction in accruals associated with prior year workforce reduction programs.
- *Asset Charges.* A \$10 million charge related to the removal from service of six B-737-200 aircraft prior to their lease expiration dates.

2004

In 2004, we recorded a \$41 million net gain in restructuring, asset writedowns, pension settlements and related items, net on our Consolidated Statement of Operations, as follows:

- *Elimination of Retiree Healthcare Subsidy.* A \$527 million gain related to our decision to eliminate the company provided healthcare coverage subsidy for employees who retire after January 1, 2006 (see Note 10).
- *Pension Settlements.* \$251 million in settlement charges related to the Pilot Plan due to a significant increase in pilot retirements and lump sum distribution from plan assets (see Note 10).
- *Workforce Reduction.* A \$194 million charge related to our decision to reduce staffing by approximately 6,000 to 7,000 jobs by December 2005. This charge included charges of \$152 million related to special termination benefits (see Note 10) and \$42 million related to employee severance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

- *Asset Charges.* A \$41 million aircraft impairment charge related to our agreement to sell eight owned MD-11 aircraft. In October 2004, we sold these aircraft and related inventory to a third party for \$227 million.

Note 16. Loss per Share

We calculate basic loss per share by dividing the net loss attributable to common shareowners by the weighted average number of common shares outstanding. Diluted loss per share includes the dilutive effects of stock options and convertible securities. To the extent stock options and convertible securities are anti-dilutive, they are excluded from the calculation of diluted loss per share. The following table shows our computation of basic and diluted loss per share:

(in millions, except per share data)	Years Ended December 31,		
	2006	2005	2004
Basic and diluted:			
Net loss	\$ (6,203)	\$ (3,818)	\$ (5,198)
Dividends on allocated Series B ESOP Convertible Preferred Stock	(2)	(18)	(19)
Net loss attributable to common shareowners	(6,205)	(3,836)	(5,217)
Weighted average shares outstanding	196.5	161.5	127.0
Basic and diluted loss per share	<u>\$ (31.58)</u>	<u>\$ (23.75)</u>	<u>\$ (41.07)</u>

For the years ended December 31, 2006, 2005 and 2004, we excluded from our loss per share calculations all common stock equivalents because their effect on loss per share was anti-dilutive. These common stock equivalents primarily include (1) stock options and our ESOP Preferred Stock through the dates of their cancellation and conversion, respectively, (see Notes 2 and 12 for additional information) and (2) shares of common stock issuable upon conversion of our 8.0% Convertible Senior Notes due 2023 and our 2 ⁷/₈ % Convertible Senior Notes due 2024. The common stock equivalents totaled 36.4 million, 143.2 million, and 78.8 million shares for the years ended December 31, 2006, 2005 and 2004, respectively.

Note 17. Valuation and Qualifying Accounts

The following table shows our valuation and qualifying accounts as of December 31, 2006, 2005 and 2004, and the associated activity for the years then ended:

(in millions)	Restructuring and Other Charges (1)	Allowance for:		
		Uncollectible Accounts Receivable (2)	Obsolescence of Expendable Parts & Supplies Inventory	Deferred Tax Assets
Balance at January 1, 2004	\$ 53	\$ 38	\$ 183	\$ 25
Additional costs and expenses	42	32	15	2,508
Payments and deductions	(15)	(32)	(14)	(133)
Balance at December 31, 2004	80	38	184	2,400 ⁽³⁾
Additional costs and expenses	57	18	26	1,746
Payments and deductions	(53)	(15)	(9)	(192)
Balance at December 31, 2005	84	41	201	3,954 ⁽⁴⁾
Additional costs and expenses	32	16	12	2,749
Payments and deductions	(111)	(36)	(52)	(1,534)
Balance at December 31, 2006	<u>\$ 5</u>	<u>\$ 21</u>	<u>\$ 161</u>	<u>\$ 5,169⁽⁵⁾</u>

(1) See Note 7 for additional information related to leased aircraft and restructuring and other charges.

(2) The payments and deductions related to the allowance for uncollectible accounts receivable represent the write-off of accounts considered to be uncollectible, less recoveries.

(3) \$29 million of this amount was recorded in accumulated other comprehensive loss on our 2004 Consolidated Balance Sheet (see Note 13).

(4) \$141 million of this amount was recorded in accumulated other comprehensive loss on our 2005 Consolidated Balance Sheet (see Note 13).

(5) \$400 million of this amount was recorded in accumulated other comprehensive loss on our 2006 Consolidated Balance Sheet (see Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 18. Quarterly Financial Data (Unaudited)

The following table summarizes our unaudited quarterly results of operations for 2006 and 2005:

2006	Three Months Ended			
	March 31	June 30	September 30	December 31
(in millions, except per share data)				
Operating revenue	\$ 3,719	\$ 4,655	\$ 4,659	\$ 4,138
Operating (loss) income	(485)	369	168	6
Net (loss) income	(2,069)	(2,205)	52	(1,981)
Basic (loss) earnings per share	(10.68)	(11.18)	0.26	(10.04)
Diluted (loss) earnings per share	(10.68)	(11.18)	0.22	(10.04)

2005	Three Months Ended			
	March 31	June 30	September 30	December 31
(in millions, except per share data)				
Operating revenue	\$ 3,706	\$ 4,249	\$ 4,308	\$ 3,928
Operating loss	(957)	(129)	(240)	(675)
Net loss	(1,071)	(382)	(1,130)	(1,235)
Basic and diluted loss per share	(7.64)	(2.64)	(6.73)	(6.54)

During the March 2006 quarter, we recorded certain Accounting Adjustments aggregating a net charge approximating \$310 million. For additional information about these adjustments, see Note 2.

The quarterly earnings (loss) per share amounts will not necessarily add to the earnings (loss) per share computed for the year due to the method used in calculating per share data.

\$1,900,000,000

**AMENDED AND RESTATED
SECURED SUPER-PRIORITY DEBTOR IN POSSESSION
CREDIT AGREEMENT**

Dated as of March 27, 2006

among

**DELTA AIR LINES, INC.,
a Debtor and Debtor in Possession,
as Borrower,**

**THE OTHER CREDIT PARTIES SIGNATORY HERETO,
each a Debtor and Debtor in Possession,
as Credit Parties,**

**THE LENDERS SIGNATORY HERETO FROM TIME TO TIME,
as Lenders,**

and

**GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent and Lender**

*** * ***

**GE CAPITAL MARKETS, INC.,
as Sole Lead Arranger and Sole Book Runner for
Term Loan A and Term Loan B**

*** * ***

**GE CAPITAL MARKETS, INC.
and
MORGAN STANLEY SENIOR FUNDING, INC.,
as Joint Lead Arrangers and Joint Book Runners for
Term Loan C**

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This AMENDED AND RESTATED SECURED SUPER-PRIORITY DEBTOR IN POSSESSION CREDIT AGREEMENT (this “ Agreement ”), dated as of March 27, 2006, among DELTA AIR LINES, INC., a Delaware corporation, as a debtor and debtor in possession under chapter 11 of the Bankruptcy Code (as defined below) (“ Borrower ”); the other Credit Parties signatory hereto, each as a debtor and debtor in possession under chapter 11 of the Bankruptcy Code ; GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation (in its individual capacity, “ GE Capital ”), for itself, as Lender, and as administrative agent and collateral agent for the Lenders (in such capacity, the “ Administrative Agent ”); and the other Lenders signatory hereto from time to time, amends and restates the Existing Credit Agreement (as defined below).

RECITALS

WHEREAS, on September 14, 2005, (the “ Petition Date ”), Borrower and each of the other Credit Parties filed voluntary petitions for relief (collectively, the “ Cases ”) under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of New York (the “ Bankruptcy Court ”); and

WHEREAS, Borrower and the other Credit Parties are continuing to operate their respective businesses and manage their respective properties as debtors and debtors in possession under sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS , the Borrower, the other Credit Parties signatory thereto, GE Capital, as administrative agent and collateral agent for the lenders, and the other lenders signatory thereto are parties to the Secured Super-Priority Debtor in Possession Credit Agreement, dated as of September 16, 2005 as amended on October 7, 2005 pursuant to Amendment No. 1 thereto (as amended, modified or supplemented prior to the date hereof, the “ Existing Credit Agreement ”);

WHEREAS, (a) this Agreement, on the terms and subject to the conditions set forth herein, shall amend and restate the Existing Credit Agreement in its entirety as of the Effective Date, (b) this Agreement shall not constitute a novation of the obligations and liabilities existing under the Existing Credit Agreement or evidence payment of all or any of such obligations and liabilities and (c) from and after the Effective Date, the Existing Credit Agreement shall be of no further force or effect, except to evidence the Obligations (as defined therein) incurred, the representations and warranties made and the actions or omissions performed or required to be performed thereunder prior to the Effective Date; and

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex A and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Annex A shall govern. All Annexes, Schedules, Exhibits and other attachments (collectively, “ Appendices ”) hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together with this Agreement, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Credit Facilities.

(a) Term Loan A.

(i) On the Effective Date the aggregate principal amount of Term Loan A (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement is \$600,000,000 and shall be deemed outstanding under this Agreement (collectively, the “Term Loan A”). The Borrower may from time to time deposit the proceeds of the Term Loan A in the L/C Cash Collateral Account. Unless a Default or an Event of Default shall have occurred and be continuing, the L/C Cash Collateral may be withdrawn by the Borrower from the L/C Cash Collateral Account from time to time upon 3 Business Days’ notice to the Administrative Agent, provided that the aggregate amount of L/C Cash Collateral held in the L/C Cash Collateral Account thereafter would not be less than an amount equal to 100% of the aggregate face amount of all outstanding Letters of Credit. The obligations of each Term A Lender hereunder shall be several and not joint. The Term Loan A shall, upon the request of any Lender pursuant to Section 1.10, be evidenced by promissory notes substantially in the form of Exhibit 1.1 (each a “Note” and collectively the “Notes”), and, upon such request as provided in Section 1.10, Borrower shall execute and deliver each Note to the applicable Term A Lender. Each Note shall represent the obligation of Borrower to pay the amount of the applicable Term A Lender’s Term Loan A, together with interest thereon as prescribed in Section 1.5.

(ii) The aggregate outstanding principal balance of the Term Loan A (including the portion of the Term Loan A the proceeds of which are held by the Administrative Agent in the L/C Cash Collateral Account) shall be due and payable in full in immediately available funds on the Maturity Date, if not sooner paid in full. No payment with respect to the Term Loan A may be reborrowed. The deposit of proceeds of the Term Loan A in the L/C Cash Collateral Account as provided in Section 1.1(a)(i) above, is not and shall not be deemed to be a repayment of the Term Loan A.

(iii) Each payment of principal with respect to the Term Loan A shall be paid to the Administrative Agent for the ratable benefit of each Term A Lender, ratably in proportion to each such Term A Lender’s respective Term A Commitment.

(iv) Subject to and in accordance with the terms and conditions contained herein and in Annex B, unless a Default or an Event of Default shall have occurred and be continuing, each L/C Issuer agrees to issue one or more Letters of Credit at the request of the Borrower from time to time during the period commencing on the Effective Date and ending on the earlier of the Maturity Date and 30 days prior to the Scheduled Maturity Date, up to a maximum amount of \$200,000,000 (the “L/C Subfacility”).

(b) Term Loan B.

(i) On the Effective Date the aggregate principal amount of Term Loan B (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement is \$700,000,000 and shall be deemed outstanding under this Agreement (collectively, the “Term Loan B”). The obligations of each Term B Lender hereunder shall be several and not joint. The Term Loan B shall, upon the request of any Lender pursuant to Section 1.10, be evidenced by a Note, and, upon such request as provided in Section 1.10, Borrower shall execute and deliver each Note to the applicable Term B Lender. Each Note shall represent the obligation of Borrower to pay the amount of the applicable Term B Lender’s Term Loan B, together with interest thereon as prescribed in Section 1.5.

(ii) The aggregate outstanding principal balance of the Term Loan B shall be due and payable in full in immediately available funds on the Maturity Date, if not sooner paid in full. No payment with respect to the Term Loan B may be reborrowed.

(iii) Each payment of principal with respect to the Term Loan B shall be paid to the Administrative Agent for the ratable benefit of each Term B Lender, ratably in proportion to each such Term B Lender’s respective Term B Commitment.

(c) Term Loan C.

(i) On the Effective Date the aggregate principal amount of Term Loan C (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement is \$600,000,000 and shall be deemed outstanding under this Agreement (collectively, the “Term Loan C”). The obligations of each Term C Lender hereunder shall be several and not joint. The Term Loan C shall, upon the request of any Lender pursuant to Section 1.10, be evidenced by a Note, and, upon such request as provided in Section 1.10, Borrower shall execute and deliver each Note to the applicable Term C Lender. Each Note shall represent the obligation of Borrower to pay the amount of the applicable Term C Lender’s Term Loan C, together with interest thereon as prescribed in Section 1.5.

(ii) The aggregate outstanding principal balance of the Term Loan C shall be due and payable in full in immediately available funds on the Maturity Date, if not sooner paid in full. No payment with respect to the Term Loan C may be reborrowed.

(iii) Each payment of principal with respect to the Term Loan C shall be paid to the Administrative Agent for the ratable benefit of each Term C Lender, ratably in proportion to each such Term C Lender’s respective Term C Commitment.

1.2 Prepayments.

(a) Voluntary Prepayments. Borrower may at any time on at least three (3) Business Days’ prior written notice to the Administrative Agent, voluntarily prepay all or part of the Term Loan; provided that any such prepayment shall be in a minimum amount of \$5,000,000 and integral multiples of \$250,000 in excess of such amount and shall be accompanied by payment of any LIBOR funding breakage costs in accordance with Section 1.11(b); provided, further, that any such prepayment shall be applied pursuant to Section 1.3.

(b) Mandatory Prepayments.

(i) If at any time the aggregate outstanding principal amount of the Term Loan A exceeds the Term A Borrowing Base, Borrower shall immediately repay the aggregate outstanding amount of the Term Loan A to the extent required to eliminate such excess.

(ii) Upon receipt by any Credit Party of Net Cash Proceeds arising from an Asset Sale (other than an Asset Sale of Skymiles Collateral) or Property Loss Event, Borrower shall immediately prepay the Loans in an amount equal to 100% of such Net Cash Proceeds; provided, that, immediately upon receipt by any Credit Party of such Net Cash Proceeds, Borrower may, at its option, deposit 100% of such Net Cash Proceeds in the Cash Collateral Account, in each case, to be applied in accordance with Section 1.2(c).

(c) Application of Net Cash Proceeds. Any Net Cash Proceeds received by Borrower or any other Credit Party or the Administrative Agent under any Loan Document (except as otherwise expressly provided herein or therein) shall be applied pursuant to Section 1.3; provided, however, that, in the event Borrower has elected to deposit such Net Cash Proceeds in the Cash Collateral Account in accordance with Section 1.2(b)(ii):

(i) upon any Asset Sale of Collateral included in the Term A Borrowing Base, the Administrative Agent shall (A) upon receipt of a Borrowing Base Certificate prior to the Prepayment Date that includes one or more assets (the “Replacement Borrowing Base Assets” and which, other than in the case of Aircraft or Engines, may consist of any type of asset eligible to be included in the Term A Borrowing Base and, in the case of Aircraft or Engines, shall consist of Additional Aircraft or Additional Engines, as the case may be) replacing the asset or assets (the “Original Borrowing Base Assets”) giving rise to such Net Cash Proceeds, release to Borrower an amount equal to (1) such Net Cash Proceeds minus (2) the amount, if any, by which (x) the Allocated Amount for the Original Borrowing Base Assets exceeds (y) the Allocated Amount for the Replacement Borrowing Base Assets and (B) on the earlier of (1) the election by the Administrative Agent, the Requisite Term A Lenders, the Requisite Term B Lenders or the Requisite Term C Lenders following the occurrence of any Event of Default and (2) the Prepayment Date, apply the balance of such Net Cash Proceeds pursuant to Section 1.3;

(ii) upon a Reinvestment Event, all or a portion of such Net Cash Proceeds, as specified in a Reinvestment Notice, shall be used to acquire or construct Permitted Reinvestment Collateral (the “Reinvestment Deferred Amount”) and such Reinvestment Deferred Amount shall, within five (5) Business Days of delivery of a Reinvestment Release Request, be released to Borrower to acquire or construct such Permitted Reinvestment Collateral until the Reinvestment Prepayment Date corresponding thereto, on which date the remaining Net Cash Proceeds, if any, shall be applied pursuant to Section 1.3;

(iii) upon a Property Loss Event involving any Aircraft or Engines, Borrower shall comply with the applicable notice provisions and requirements for Replacement Aircraft or Replacement Engines as set forth in the Aircraft Mortgage; and

(iv) upon a Property Loss Event involving any Real Estate subject to a Mortgage, Borrower shall comply with the applicable provisions and requirements set forth in such Mortgage.

(d) No Implied Consent. Nothing in this Section 1.2 shall be construed to constitute the Administrative Agent's or Lender's consent to any transaction that is not permitted by other provisions of this Agreement or the other Loan Documents.

1.3 Priority and Application of Payments.

So long as no Event of Default has occurred and is continuing, payments matching specific scheduled or required payments then due shall be applied to those scheduled or required payments. As to any other payment and as to all payments made when an Event of Default has occurred and is continuing or following the Maturity Date, Borrower hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of Borrower, and Borrower and each Secured Party hereby irrevocably agrees that the Administrative Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as follows: first, to Fees and reimbursable expenses of the Administrative Agent then due and payable pursuant to any of the Loan Documents; second, to Fees and reimbursable expenses of Term A Lenders and Letter of Credit Obligations of L/C Issuers then due and payable pursuant to any of the Loan Documents; third, to interest then due and payable on the Term Loan A; fourth, to prepay the remaining principal amount of the Term Loan A, until the Term Loan A shall have been paid in full; fifth, to all other Obligations then due and payable to the Term A Lenders; sixth, to Fees and reimbursable expenses of Term B Lenders then due and payable pursuant to any of the Loan Documents; seventh, to interest then due and payable on the Term Loan B; eighth, to prepay the remaining principal amount of the Term Loan B, until the Term Loan B shall have been paid in full; ninth, to all other Obligations then due and payable to the Term B Lenders; tenth, to Fees and reimbursable expenses of Term C Lenders then due and payable pursuant to any of the Loan Documents; eleventh, to interest then due and payable on the Term Loan C; twelfth, to prepay the remaining principal amount of the Term Loan C, until the Term Loan C shall have been paid in full; and last, to all other Obligations then due and payable to the Term C Lenders. All payments and prepayments applied to a particular Loan shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share. Notwithstanding anything herein to the contrary, no Credit Party shall be obligated to make any payment to any Secured Party under any Loan Document from the proceeds of Skymiles Collateral at any time after the delivery to Borrower of a Notice of Actionable Default and until the withdrawal of all pending Notices of Actionable Default except as and to the extent set forth in the Skymiles Intercreditor Agreement.

1.4 Use of Proceeds.

Borrower shall utilize the proceeds of the Loans and Letters of Credit solely for the general corporate purposes of the Credit Parties.

1.5 Interest and Applicable Margins.

(a) Borrower shall pay interest to the Administrative Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: (i) with respect to the Term Loan A, at the election of Borrower, (A) the Index Rate plus the Applicable Term A Index Margin per annum or (B) at the election of Borrower, the applicable LIBOR Rate plus the Applicable Term A LIBOR Margin per annum; (ii) with respect to the Term Loan B, at the election of Borrower, (A) the Index Rate plus the Applicable Term B Index Margin per annum or (B) the applicable LIBOR Rate plus the Applicable Term B LIBOR Margin per annum; and (iii) with respect to the Term Loan C, at the election of Borrower, (A) the Index Rate plus the Applicable Term C Index Margin per annum or (B) the applicable LIBOR Rate plus the Applicable Term C LIBOR Margin per annum.

The applicable margins are as follows:

Applicable Term A Index Margin	2.00%
Applicable Term A LIBOR Margin	2.75%
Applicable Term B Index Margin	4.00%
Applicable Term B LIBOR Margin	4.75%
Applicable Term C Index Margin	6.75%
Applicable Term C LIBOR Margin	7.50%

(b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of interest shall be made by the Administrative Agent on the basis of a 360-day year (or, in the case of interest calculated based on the Index Rate, a 365/366 day year) , in each case for the actual number of days occurring in the period for which such interest is payable. The Index Rate is a floating rate determined for each day. Each determination by the Administrative Agent of interest rates hereunder shall be presumptive evidence of the correctness of such rates.

(d) So long as an Event of Default has occurred and is continuing under Section 8.1(a), or so long as any other Event of Default has occurred and is continuing and at the election of any of (i) the Administrative Agent, (ii) the Requisite Term A Lenders, (iii) the Requisite Term B Lenders or (iv) the Requisite Term C Lenders confirmed by written notice from the Administrative Agent to Borrower, (A) the interest rates applicable to the Loans shall be increased by two percentage points (2%) per annum above the rates of interest otherwise applicable to such Loans hereunder (the “ Default Rate ”), and (B) all other outstanding Obligations shall bear interest at the Default Rate applicable to the Term Loan C. Interest at the Default Rate shall accrue from the initial date of such Event of Default until that Event of Default is cured or waived and shall be payable upon demand.

(e) So long as no Event of Default has occurred and is continuing, Borrower shall have the option to (i) convert at any time all or any part of outstanding Loans from Index Rate Loans to LIBOR Loans, (ii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.11(b) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iii) continue all or any portion of any Loan as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the first day after the last day of the LIBOR Period of the Loan to be continued. Any Loan or group of Loans having the same proposed LIBOR Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of \$5,000,000 and integral multiples of \$500,000 in excess of such amount. Any such election must be made by 11:00 a.m. (New York time) on the third Business Day prior to (1) the date of any proposed borrowing which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by 11:00 a.m. (New York time) on the third Business Day prior to the end of the LIBOR Period with respect thereto (or if an Event of Default has occurred and is continuing), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to the Administrative Agent in writing, by telecopy or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a “ Notice of Conversion/Continuation ”) in the form of Exhibit 1.5(e) .

(f) Notwithstanding anything to the contrary set forth in this Section 1.5 , if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the “ Maximum Lawful Rate ”), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however , that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by the Administrative Agent, on behalf of applicable Lenders, is equal to the total interest that would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount that such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate.

1.6 Term A Borrowing Base.

The Administrative Agent shall have the right to modify or eliminate Reserves against Eligible Accounts, Eligible Unbilled Accounts and Eligible Refundable Ticket Accounts, Eligible Real Estate, Eligible Aircraft, Eligible Engines, Eligible Spare Parts, Eligible Ground Service Equipment, Eligible Flight Simulators and Eligible Tooling from time to time in its reasonable credit judgment. In addition, the Administrative Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any of the eligibility criteria and to establish new eligibility criteria, and to adjust advance rates with respect to Eligible Accounts, Eligible Unbilled Accounts and Eligible Refundable Ticket Accounts, Eligible Real Estate, Eligible Aircraft, Eligible Engines, Eligible Spare Parts, Eligible Ground Service Equipment, Eligible Flight Simulators and Eligible Tooling, in its reasonable credit judgment, reflecting changes in the collectibility or realization values (in the case of Accounts) or changes in the Fair Market Value or Net Orderly Liquidation Value (in the case of the other components of the Term A Borrowing Base), in each case, arising or discovered by the Administrative Agent after the Closing Date, subject to the approval of each of the Supermajority Term A Lenders, the Requisite Term B Lenders and the Requisite Term C Lenders in the case of adjustments or new eligibility criteria, reductions in the amount of the Reserves in effect on the Closing Date or changes in advance rates which have the effect of making more credit available.

1.7 [Reserved .]

1.8 Fees.

Borrower shall pay to GE Capital the Fees specified in the Fee Letters.

1.9 Receipt of Payments.

Borrower shall make each payment under this Agreement not later than 2:00 p.m. (New York time) on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest as of any date, all payments shall be deemed received on the Business Day on which immediately available funds therefor are received in the Collection Account prior to 2:00 p.m. New York time. Payments received after 2:00 p.m. New York time on any Business Day or on a day that is not a Business Day shall be deemed to have been received on the following Business Day.

1.10 Loan Account and Accounting.

The Administrative Agent shall maintain a loan account (the “Loan Account”) on its books to record each of Term Loan A, Term Loan B and Term Loan C, all payments made by Borrower with respect to such Term Loan, and all other debits and credits as provided in this Agreement with respect to such Term Loan or any other Obligations with respect to such Term Loan. All entries in the Loan Account shall be made in accordance with the Administrative Agent’s customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on the Administrative Agent’s most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to the Administrative Agent and the Lenders by Borrower; provided, that any failure to so record or any error in so recording shall not limit or otherwise affect Borrower’s duty to pay the Obligations with respect to the Term Loans. The Administrative Agent shall render to Borrower a monthly accounting of transactions with respect to each Term Loan setting forth the balance of the Loan Account for the immediately preceding month. Any Lender may elect, by notice to Borrower and the Administrative Agent, to have such Lender’s Term Loan be evidenced by a Note issued to that Lender. If no such Note is requested, such Lender may rely on the Term Loan Account as evidence of the amount of Obligations with respect to the Term Loan from time to time owing to it. Unless Borrower notifies the Administrative Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, each and every such accounting shall be presumptive evidence of all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower.

1.11 Indemnity.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of the Administrative Agent, Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) that may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Loan Documents, and associated with Electronic Transmissions or E-Systems as well as failures caused by Borrower's equipment, software, services or otherwise used in connection therewith (collectively, "Indemnified Liabilities"); provided, that no such Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or occurs as a result of acceleration, by operation of law or otherwise); (ii) Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrower shall refuse to accept any borrowing of, or shall request a termination of any borrowing, conversion into or continuation of LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) Borrower shall fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, then Borrower shall indemnify and hold harmless each Lender from and against any loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; provided, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide Borrower with its written calculation of all amounts payable pursuant to this Section 1.11(b), and such calculation shall be binding on the parties hereto unless Borrower shall object in writing within thirty (30) days of receipt thereof, specifying the basis for such objection in detail.

1.12 Access.

(a) Each Credit Party shall, during normal business hours, from time to time upon five (5) Business Days' prior notice as frequently as the Administrative Agent reasonably determines to be appropriate (and subject to such other restrictions on inspections set forth in the Aircraft Mortgage with respect to Aircraft and Engines or the Spare Parts Mortgage with respect to Spare Parts): (i) provide the Administrative Agent and any of its officers, employees and agents access to its officers and employees, and with prior notice and the opportunity to be present, advisors of each Credit Party, (ii) permit the Administrative Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's Books and Records (subject to requirements under any confidentiality agreements, if applicable) , and (iii) permit the Administrative Agent, and any of its officers, employees and agents, to have access to properties, facilities and to the Collateral and to inspect, audit, review, evaluate, conduct field examinations and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party; provided, that so long as no Event of Default has occurred and is continuing, such access and inspections shall not be permitted more frequently than (A) once in any calendar quarter with respect to any Collateral of the type described in clauses (d) through (m) of the definition of " Term A Borrowing Base," (B) twice every calendar year with respect to any Collateral of the type described in clauses (a) through (c) of the definition of " Term A Borrowing Base," and (C) as set forth in the other applicable Collateral Documents. Representatives of other Lenders may accompany the Administrative Agent's representatives on regularly scheduled audits at no charge to Borrower. Each Credit Party shall make available to the Administrative Agent and its counsel reasonably promptly originals or copies of all Books and Records (subject to requirements under any confidentiality agreements, if applicable) that the Administrative Agent may reasonably request. Each Credit Party shall deliver any document or instrument necessary for the Administrative Agent, as it may from time to time request, to obtain records from any service bureau or other Person that maintains records for such Credit Party and shall maintain supporting documentation on media, including computer tapes and discs owned by such Credit Party. The Administrative Agent will give Lenders at least five (5) days' prior written notice of regularly scheduled audits.

(b) If an Event of Default has occurred and is continuing, each such Credit Party shall provide such access as set forth in clause (a) above to the Administrative Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default has occurred and is continuing, Borrower shall provide the Administrative Agent and each Lender with access, with prior notice and opportunity for Borrower to be present, to its suppliers, service providers and customers.

1.13 Taxes.

(a) Any and all payments by Borrower hereunder or under the Notes shall be made, in accordance with this Section 1.13, free and clear of and without deduction for any and all present or future Taxes. If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) unless such Taxes are imposed as the result of a determination that an applicable Certificate of Exemption (as defined in Section 1.13(c)) did not entitle a Foreign Lender to an exemption from such Taxes at the time such Foreign Lender became a Lender hereunder, the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 1.13) the Administrative Agent or Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any such payment of Taxes, Borrower shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) Borrower shall indemnify and, within ten (10) days of demand therefor, pay the Administrative Agent and each Lender for the full amount of Taxes paid by the Administrative Agent or such Lender, as appropriate, with respect to payments received from Borrower hereunder and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted unless such Taxes are imposed as the result of a determination that establishes that an applicable Certificate of Exemption did not in fact entitle a Foreign Lender to an exemption from such Taxes at the time such Foreign Lender became a Lender hereunder.

(c) Each Person organized under the laws of a jurisdiction outside the United States (a “Foreign Person”) as to which payments to be made under this Agreement or under the Notes are completely exempt from United States withholding tax under an applicable statute or tax treaty shall provide to Borrower and the Administrative Agent a properly completed and executed IRS Form W-8ECI or Form W-8BEN or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Person’s entitlement to such complete exemption (a “Certificate of Exemption”). Any Foreign Person that seeks to become a Lender under this Agreement shall provide a Certificate of Exemption to Borrower and the Administrative Agent prior to becoming a Lender hereunder. No Foreign Person may become a Lender hereunder if such Foreign Person fails to deliver a Certificate of Exemption in advance of becoming a Lender. For the avoidance of doubt, (i) any Sale described in Section 11.1(a) to a Foreign Person shall only become effective upon delivery by the party to whom such Sale is made to the Borrower and the Administrative Agent of a Certificate of Exemption, and (ii) any participant or SPV described in Section 11.1(e) shall not be entitled to any benefit under Section 1.13 unless such participant or SPV delivers to Borrower and the Administrative Agent a Certificate of Exemption. In addition, any Lender that is not a Foreign Person and that is a partnership or trust for U.S. federal income tax purposes shall not be entitled to any payment by Borrower pursuant to Section 1.13(b) with respect to any Taxes paid by such Lender with respect to any Foreign Person that is a partner or owner of an interest in such Lender unless such Lender had obtained a Certificate of Exemption from such Foreign Person at the later of the times (i) such Lender became a Lender hereunder and (ii) such Foreign Person became a partner or owner of an interest in such Lender.

(d) Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstance that would result in any additional payment by Borrower pursuant to Section 1.13(a) or (b), such Lender shall, to the extent not inconsistent with such Lender's internal policies of general application use reasonable commercial efforts to mitigate any Taxes that would result in such payments by Borrower. If Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 1.13, then such Lender, at the request of Borrower and at Borrower's expense, will change the jurisdiction of its lending office if such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) as determined by such Lender in its sole discretion, is not otherwise materially disadvantageous to such Lender, provided, that the mere existence of fees, charges, costs or expenses that such Borrower has offered and agreed to pay on behalf of a Lender shall not be deemed to be disadvantageous to such Lender.

1.14 Capital Adequacy; Increased Costs; Illegality.

(a) If any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case, adopted after the Closing Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrower shall from time to time upon demand by such Lender (with a copy of such demand to the Administrative Agent) pay to the Administrative Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower and to the Administrative Agent shall be presumptive evidence of the matters set forth therein.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) other than in respect of taxes (including income taxes) or (ii) the compliance with any guideline or request from any central bank or other non-tax Governmental Authority (whether or not having the force of law), in each case occurring after the Closing Date, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any Loan, then Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower and to the Administrative Agent by such Lender, shall be presumptive evidence of the matters set forth therein. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 1.14(b).

(c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) after the Closing Date shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's reasonable opinion, materially and adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower through the Administrative Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing to such Lender, together with interest accrued thereon, unless Borrower, within five (5) Business Days after the delivery of such notice and demand, converts all LIBOR Loans into Index Rate Loans.

(d) Failure on the part of any Lender to demand compensation for any increased costs or reduction in amounts received or receivable or reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's right to demand compensation with respect to such period or any other period, provided, that Borrower shall not be required to compensate a Lender pursuant to this Section 1.14 for any increased costs or reductions incurred more than 270 days prior to the date that such Lender notifies Borrower of the circumstance giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor.

(e) Within thirty (30) days after receipt by Borrower of written notice and demand from any Lender (an "Affected Lender") for payment of additional amounts or increased costs as provided in Sections 1.13(a), 1.13(b), 1.14(a) or 1.14(b), Borrower may, at its option, notify the Administrative Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default has occurred and is continuing, Borrower, with the consent of the Administrative Agent, may obtain, at Borrower's expense, a replacement Lender ("Replacement Lender") for the Affected Lender, which Replacement Lender must be reasonably satisfactory to the Administrative Agent. If Borrower obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender must sell and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued and unpaid interest and Fees with respect thereto through the date of such sale and such assignment shall not require the payment of an assignment fee to the Administrative Agent; provided, that Borrower shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of Borrower's notice of intention to replace such Affected Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, Borrower's rights under this Section 1.14(e) shall terminate with respect to such Affected Lender and Borrower shall promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to Sections 1.13(a), 1.13(b), 1.14(a) or 1.14(b).

1.15 Regulation D Compensation.

If and so long as a reserve requirement of the type referred to in clause (i)(B) below is prescribed by the Federal Reserve Board (or any successor), each Lender subject to such requirement may require Borrower to pay, contemporaneously with each payment of interest on each such Lender's LIBOR Loans, additional interest on such LIBOR Loan at a rate per annum determined by such Lender up to but not exceeding the excess of (i) (A) the applicable LIBOR Rate divided by (B) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day that is two (2) LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Federal Reserve Board or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Federal Reserve Board) that are required to be maintained by a member bank of the Federal Reserve System over (ii) the applicable LIBOR Rate.

2. CONDITIONS PRECEDENT

2.1 Conditions to Effectiveness of Section 6.7(e).

The amendment and restatement set forth herein of Section 6.7(e) of the Existing Credit Agreement and the corresponding amendments to Annex A to add definitions for "GECAS Facilities", "Letter of Intent" and "U.S. Bank" reflected in this Agreement shall become effective on the date on which each of the following conditions precedent is satisfied or provided for in a manner reasonably satisfactory to the Administrative Agent, or duly waived in writing in accordance with Section 13.2:

(a) Credit Agreement. The Administrative Agent shall have received counterparts of this Agreement duly executed by each of Borrower, the other Credit Parties, the Administrative Agent and the Requisite Lenders or, with respect to the Requisite Lenders, Administrative Agent shall have received a separate written consent approving the above referenced amendment and restatement of Section 6.7 (e) and the corresponding amendments to Annex A to add definitions for "GECAS Facilities", "Letter of Intent" and "U.S. Bank" reflected in this Agreement, or authorizing the Administrative Agent to enter into this Agreement on behalf of the Requisite Lenders.

(b) Amex Consent. Amex shall have amended the Post-Petition Skymiles Facility Documents to permit the incurrence of the Liens permitted by Section 6.7(e) hereof.

2.2 Conditions to Effectiveness Generally.

Other than as provided in Section 2.1 hereof and the amendment and restatement set forth herein of (i) Section 1.3 of the Existing Credit Agreement, (ii) Section 1.5 of the Existing Credit Agreement and (iii) those provisions of the Existing Credit Agreement relating to Letters of Credit (including Annex B thereto), this Agreement shall become effective on the date (the “Effective Date”) on which each of the following conditions precedent is satisfied or provided for in a manner reasonably satisfactory to the Administrative Agent, or duly waived in writing in accordance with Section 13.2:

(a) Credit Agreement. The Administrative Agent shall have received counterparts of this Agreement duly executed by each of Borrower, the other Credit Parties, the Administrative Agent and the Requisite Lenders or, with respect to the Requisite Lenders, Administrative Agent shall have received a separate written consent approving the above referenced amendment and restatement and authorizing the Administrative Agent to enter into this Agreement on behalf of the Requisite Lenders.

(b) Reaffirmation. The Administrative Agent shall have received reaffirmation of the Collateral Documents, duly executed and delivered by each Credit Party.

(c) Loan Documents. The Administrative Agent shall have received such documents, instruments and agreements listed on Annex D, and such other documents, instruments and agreements as the Administrative Agent shall request, in its discretion exercised reasonably in accordance with its customary business practices for comparable debtor in possession transactions, in connection with the transactions contemplated by this Agreement and the other Loan Documents, each in form and substance reasonably satisfactory to the Administrative Agent.

(d) Approvals. The Administrative Agent shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution and delivery of this Agreement and the other Loan Documents, (ii) satisfactory evidence that the Credit Parties have obtained all material governmental and third party approvals or waivers necessary in connection with the performance and consummation of this Agreement and the other Loan Documents and the continuing operations of Borrower and its Subsidiaries shall have been obtained and be in full force and effect, or (iii) an officer’s certificate in form and substance reasonably satisfactory to the Administrative Agent affirming that no such consents or approvals are required .

(e) Payment of Fees . Borrower shall have paid to the Administrative Agent and the Lenders, the Fees required to be paid on or prior to the Effective Date in the respective amounts specified in the Fee Letters, and shall have reimbursed the Administrative Agent and the Arrangers for all fees, costs and expenses of closing presented as of the Effective Date.

(f) No Material Adverse Effect. There has been no Material Adverse Effect since the date of Borrower's Form 10-Q for the six-month period ended June 30, 2005 as updated by subsequent public filings prior to September 10, 2005.

(g) No Default. No Default or Event of Default under this Agreement or any other Loan Document shall have occurred and be continuing.

(h) Final Order. The Final Order shall be in full force and effect and shall not have been vacated, reversed, modified, amended or stayed without the prior written consent of the Administrative Agent, the Arrangers and the Requisite Lenders.

2.3 Conditions to Effectiveness of Certain Other Provisions.

(a) The amendment and restatement set forth herein of Section 1.3 of the Existing Credit Agreement shall become effective on the date on which (x) each of the conditions in Section 2.2 shall have been satisfied and (y) the Administrative Agent shall have received counterparts of this Agreement duly executed by the Term A Lenders, the Term B Lenders and the Term C Lenders, or a separate written consent approving the above referenced amendment and restatement and authorizing the Administrative Agent to enter into this Agreement on behalf of the Term A Lenders, the Term B Lenders and Term C Lenders, respectively.

(b) The amendment and restatement set forth herein of (i) Section 1.5 of the Existing Credit Agreement to the extent that it purports to reduce the Applicable Term A Index Margin or the Applicable Term A LIBOR Margin and (ii) those provisions of the Existing Credit Agreement relating to Letters of Credit (including Annex B thereto) shall not be effective until the date on which (x) each of the conditions in Section 2.2 shall have been satisfied and (y) the Administrative Agent shall have received counterparts of this Agreement duly executed by the Term A Lenders or a separate written consent approving the above referenced amendment and restatement and authorizing the Administrative Agent to enter into this Agreement on behalf of the Term A Lenders.

(c) The amendment and restatement set forth herein of Section 1.5 of the Existing Credit Agreement to the extent that it purports to reduce the Applicable Term B Index Margin or the Applicable Term B LIBOR Margin shall not be effective until the date on which (x) each of the conditions in Section 2.2 shall have been satisfied and (y) the Administrative Agent shall have received counterparts of this Agreement duly executed by the Term B Lenders or a separate written consent approving the above referenced amendment and restatement and authorizing the Administrative Agent to enter into this Agreement on behalf of the Term B Lenders.

(d) The amendment and restatement set forth herein of Section 1.5 of the Existing Credit Agreement to the extent that it purports to reduce the Applicable Term C Index Margin or the Applicable Term C LIBOR Margin shall not be effective until the date on which (x) each of the conditions in Section 2.1 shall have been satisfied and (y) the Administrative Agent shall have received counterparts of this Agreement duly executed by the Term C Lenders or a separate written consent approving the above referenced amendment and restatement and authorizing the Administrative Agent to enter into this Agreement on behalf of the Term C Lenders.

3. REPRESENTATIONS AND WARRANTIES

To induce the Lenders and the Administrative Agent to enter into this Agreement, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to the Administrative Agent and each Lender with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement.

3.1 Corporate Existence; Compliance with Law.

Each Credit Party (a) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of its respective jurisdiction of incorporation or organization set forth in Disclosure Schedule 3.1; (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in losses or liabilities which could reasonably be expected to have a Material Adverse Effect; (c) has the requisite power and authority to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted or proposed to be conducted; (d) subject to specific representations regarding Environmental Laws, has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except where the failure to do so would not result in losses or liabilities which could reasonably be expected to have a Material Adverse Effect; (e) is in compliance with its charter and bylaws or partnership or operating agreement, as applicable; and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law, except to the extent permitted by Bankruptcy Code or where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 Executive Offices, Collateral Locations, FEIN.

As of the Closing Date, each Credit Party's name as it appears in official filings in its state of incorporation or organization, state of incorporation or organization, organization type, organization number, if any, issued by its state of incorporation or organization, and the location as of the Closing Date of each Credit Party's chief executive office, principal place of business and location and the hangars, terminals, maintenance facilities, warehouses and premises at which any Collateral is located as of the Closing Date are set forth in Disclosure Schedule 3.2, and none of such Collateral has been kept at any location other than the locations listed on Disclosure Schedule 3.2 within four (4) months preceding the Closing Date (or since its acquisition if less than four (4) months prior to the Closing Date). In addition, Disclosure Schedule 3.2 lists the federal employer identification number of each Credit Party as of the Closing Date. Each Credit Party has only one jurisdiction of existence, incorporation or organization, as applicable.

3.3 Corporate Power, Authorization, Enforceable Obligations.

Upon the entry by the Bankruptcy Court of the Final Order, the execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's power; (b) have been duly authorized by all necessary corporate, limited liability company or limited partnership action; (c) do not contravene any provision of such Person's charter, bylaws or partnership or operating agreement as applicable; (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any material lease, material agreement or other material instrument entered into or assumed by such Person after the commencement of the Cases to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of the Administrative Agent for the benefit of the Secured Parties, pursuant to the Loan Documents and the Final Order; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except (i) those referred to in Section 2.2(d), all of which will have been duly obtained, made or complied with prior to the Closing Date and (ii) any consents, notices or approvals pursuant to the Federal Assignment of Claims Act of 1940 or any applicable state, county or municipal law restricting the assignment of any Accounts for which the Account Debtor is the United States government or a political subdivision thereof or any state, county or municipality or department, agency or instrumentality thereof. Each of the Loan Documents shall be duly executed and delivered by each Credit Party that is a party thereto and each such Loan Document shall constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms.

3.4 Financial Statements and Projections.

Except for the Projections, all Financial Statements concerning Borrower and its Subsidiaries that are referred to below have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the consolidated financial position of Borrower and its Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended.

(a) Financial Statements. The following Financial Statements attached hereto as Disclosure Schedule 3.4(a) have been delivered on the date hereof:

(i) The audited consolidated balance sheet at December 31, 2004 of Borrower and its Subsidiaries and the related consolidated statements of operations, cash flows and shareowners' (deficit) equity for the Fiscal Year then ended, reported on by Deloitte Touche LLP.

(ii) The unaudited consolidated balance sheet at June 30, 2005 of Borrower and its Subsidiaries and the related consolidated statements of operations and cash flows for the six (6) months then ended.

(b) Projections. The Projections delivered to Lenders prior to the date hereof have been prepared by Borrower and reflect projections for the period beginning on August 1, 2005 on a month-by-month basis through December 31, 2007. The Projections are based upon the same accounting principles (other than adjustments related to the impact of the Cases) as those used in the preparation of the financial statements described above and are based on assumptions believed by Borrower to be reasonable at the time such Projections were delivered in light of conditions and facts known to Borrower as of the date thereof (it being understood that projections by their nature are inherently uncertain, the Projections are not a guaranty of future performance, and actual results may differ materially from the Projections).

3.5 Material Adverse Effect; Burdensome Restrictions; Default.

Since the date of Borrower's Form 10-Q for the six-month period ended June 30, 2005 as updated by subsequent public filings prior to September 10, 2005, (a) no Credit Party has incurred any obligations, contingent or noncontingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that are not reflected in the Projections delivered to Lenders prior to the date hereof and that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted that has or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party is in default and to the best of Borrower's knowledge no third party is in default under any material contract, lease or other agreement or instrument, that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Since the date of Borrower's Form 10-Q for the six-month period ended June 30, 2005 as updated by subsequent public filings prior to September 10, 2005, no event has occurred, that alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 Ownership of Property; Real Estate; Liens.

(a) Each Credit Party warrants that it has good, marketable, legal and valid title to, or legal and valid leasehold interests in, all of its personal property constituting Collateral.

(b) As of the Closing Date, the real estate listed in Part 1 of Disclosure Schedule 3.6 ("Owned Real Estate") constitutes substantially all of the real property owned by any Credit Party. As of the Closing Date, Borrower reasonably believes the leases and other agreements listed in Part 2 of Disclosure Schedule 3.6 constitute all of the Material Real Estate Contracts. Each Credit Party owns good and marketable fee simple title to all of its Owned Real Estate. As of the Closing Date, Borrower has valid and enforceable leasehold interests in all of its material leased real estate, excluding any leased real estate that is occupied on a month to month or "at will" basis (such material leased real estate of the Credit Parties, together with the Owned Real Estate, being herein collectively referred to as "Real Estate"). As of the Closing Date, there are no purchase options, rights of first refusal or similar contractual rights that exist with respect to the Owned Real Estate, except as disclosed in Part 1 of Disclosure Schedule 3.6. As of the Closing Date, true, correct and complete copies of all Material Real Estate Contracts and leases, usufructs, use agreements or other occupancy or facility agreements affecting the Owned Real Estate have been delivered to the Administrative Agent. Part 3 of Disclosure Schedule 3.6 describes all of the leases, usufructs, use agreements or other occupancy or facility agreements by a Credit Party for any Owned Real Estate with respect to which such Credit Party is a landlord as of the Closing Date. As of the Closing Date, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances and other Liens permitted by Section 6.7. As of the Closing Date, no portion of any Credit Party's Owned Real Estate has suffered any material damage by fire or other casualty loss since September 10, 2005 that has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Closing Date, Borrower reasonably believes all material permits required to have been issued or appropriate to enable the Owned Real Estate to be lawfully occupied and used for all of the purposes for which it is currently occupied and used have been lawfully issued and are in full force and effect. Since November 30, 2004, there have been no changes or improvements to the Owned Real Estate that would require a change in any Credit Party's current certificates of occupancy.

(c) [Reserved.]

(d) As of the Closing Date, each Credit Party that is party to the Spare Parts Mortgage has established and is maintaining reasonable safeguards against theft of the Spare Parts and the Spare Parts are located at the Designated Spare Parts Location, except to the extent permitted under the Spare Parts Mortgage.

3.7 Labor Matters.

Except as set forth on Disclosure Schedule 3.7: (a) no strikes are pending against any Credit Party (i) in the United States and (ii) outside of the United States, except those that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect on the operations of such Credit Party; (b) no other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened, except those that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (c) hours worked by and payment made to employees of each Credit Party to such Credit Party's knowledge, comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matters except to the extent that non-compliance could not reasonably be expected to have a Material Adverse Effect; (d) as of the Closing Date, no Credit Party is a party to or bound by any domestic collective bargaining agreement (and true and complete copies of any agreements described on Disclosure Schedule 3.7 have been delivered to the Administrative Agent); (e) there is no organizing activity involving any Credit Party pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees, except those that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Mediation Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition, except those that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect; and (g) there are no material complaints or charges against any Credit Party pending or, to any Credit Party's knowledge, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual, except those that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and Indebtedness.

Except as set forth in Disclosure Schedule 3.8, as of the Closing Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. As of the Closing Date, all of the issued and outstanding Stock of each Credit Party is owned by each of the Stockholders and in the amounts set forth in Disclosure Schedule 3.8. Except as set forth in Disclosure Schedule 3.8, as of the Closing Date, there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness and Guaranteed Indebtedness of each Credit Party as of the Closing Date (except for the Obligations) is described in Section 6.3 (including Disclosure Schedule 6.3).

3.9 Government Regulation.

No Credit Party is required to register as an “investment company” as such term is defined in the Investment Company Act of 1940. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935 that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loans by Lenders to Borrower, the issuance of any Letter of Credit on behalf of Borrower, the application of the proceeds thereof and repayment thereof will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations.

No Credit Party is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of “purchasing” or “carrying” any “margin stock” as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as “Margin Stock”). None of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any of the Loans or other extensions of credit under this Agreement to be considered a “purpose credit” within the meaning of Regulations T, U or X of the Federal Reserve Board.

3.11 Taxes.

Except as provided on Disclosure Schedule 3.11, (and except as otherwise permitted by the Bankruptcy Court and the Bankruptcy Code) all Federal and other material tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority, all such returns, reports and statements are true and correct in all material respects and, subject to the automatic stay, all Charges shown to be due and payable on such returns, reports and statements have been or will be timely paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof, excluding Charges or other amounts being contested in accordance with Section 5.2(b) and unless the failure to so file or pay would not be reasonably expected to result in a Material Adverse Effect. Proper and accurate amounts have been withheld by each Credit Party from amounts paid to its respective employees for all periods in full and complete compliance in all material respects with all applicable federal, state, local and foreign laws and such withholdings have been or will be timely paid, subject to the automatic stay, to the respective Governmental Authorities. Except as provided on Disclosure Schedule 3.11, to each Credit Party’s knowledge, as of the Closing Date, none of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would reasonably be expected to have a Material Adverse Effect.

3.12 ERISA.

(a) Disclosure Schedule 3.12(a) lists as of the Closing Date, all Pension Plans, including Title IV Plans, Multiemployer Plans, ESOPs and all Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form IRS/DOL 5500-series for each such Plan have been delivered to the Administrative Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC and to the knowledge of any Credit Party, nothing has occurred that would cause the loss of such qualification or tax-exempt status. To the knowledge of any Credit Party and except for non-compliance to the extent permitted under the Bankruptcy Code, each Plan is in compliance in all material respects with the applicable provisions of ERISA and the IRC. Each Credit Party and all ERISA Affiliates have made all material contributions and paid all material amounts due as required by either Section 412 of the IRC or Section 302 of ERISA prior to the date of commencement of the Cases.

(b) Except as set forth in Disclosure Schedule 3.12(b) or which would reasonably be expected not to have a Material Adverse Effect, as of the Closing Date (i) no Title IV Plan has any material Unfunded Pension Liability; (ii) other than the Cases, no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened material claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any material liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan of any Credit Party or ERISA Affiliate has been terminated pursuant to a “standard termination” as that term is used in Section 4041 of ERISA, nor has any Title IV Plan of any Credit Party or ERISA Affiliate (determined at any time within the past five years) with material Unfunded Pension Liabilities been transferred outside of the “controlled group” (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate; and (vi) except in the case of any ESOP, Stock of all Credit Parties and their ERISA Affiliates makes up, in the aggregate, no more than 10% of the fair market value of the assets of any Plan measured on the basis of fair market value as of the latest valuation date of any Plan.

3.13 No Litigation.

Other than the Cases, no unstayed action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any officer of such Credit Party, threatened against any Credit Party, before any Governmental Authority or before any arbitrator or panel of arbitrators (collectively, “ Litigation ”) that, individually or in the aggregate, (a) challenges any Credit Party’s right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder or (b) could reasonably be expected to have a Material Adverse Effect.

3.14 Intellectual Property.

Each Credit Party owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now conducted by it or presently proposed to be conducted by it, and each U.S. registered Patent, U.S. registered Trademark, U.S. registered Copyright and U.S. License in effect on the Closing Date is listed, together with application or registration numbers, as applicable, in Disclosure Schedule 3.14 . To the knowledge of any Credit Party, each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect and no material claim or litigation regarding any of the foregoing is pending or threatened. Except as set forth in Disclosure Schedule 3.14 , as of the Closing Date, no Credit Party is aware of any infringement claim by any other Person with respect to any material Intellectual Property.

3.15 Full Disclosure.

No information contained in this Agreement, any of the other Loan Documents, Financial Statements or Collateral Reports or other written reports from time to time prepared by any Credit Party and delivered hereunder or any written statement prepared by any Credit Party and furnished by or on behalf of any Credit Party to the Administrative Agent or Lender pursuant to the terms of this Agreement (other than any Projections) contains or will contain, when taken as a whole, any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made and as of the date when made. Projections from time to time delivered hereunder are or will be based upon the estimates and assumptions stated therein, all of which Borrower believed at the time of delivery to be reasonable in light of the conditions and facts known to Borrower as of such delivery date (it being understood that projections by their nature are inherently uncertain, such Projections are not a guaranty of future performance and actual results may differ materially from those set forth in such Projections).

3.16 Environmental Matters.

(a) Except as set forth in Disclosure Schedule 3.16 or for any matter for which notice has been given under Section 5.7, and except for any matter that would not reasonably be expected to result in any Credit Party incurring Environmental Liabilities in excess of \$500,000 individually or \$2,500,000 in the aggregate in a Fiscal Year, as of the Closing Date: (i) the Owned Real Estate is free of contamination from any Hazardous Material; (ii) no Credit Party has caused or suffered to occur any material Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate; (iii) the Credit Parties are and have been in compliance with all Environmental Laws; (iv) the Credit Parties have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, which compliance includes obtaining, maintaining and complying with required Environmental Permits and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party knows of any existing circumstances or conditions, including any Releases of Hazardous Materials, which is likely to result in an Environmental Liability; (vi) there is no unstayed Litigation arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material that seeks damages, penalties, fines, costs or expenses or injunctive relief against, or that alleges criminal misconduct by, any Credit Party; (vii) no notice has been received by any Credit Party identifying it as a “potentially responsible party” or requesting information under CERCLA or analogous state statutes; and (viii) the Credit Parties have provided to the Administrative Agent copies of all existing environmental reports, reviews and audits in their possession, custody or control relating to the Owned Real Estate and material written information pertaining to any Environmental Liabilities of any Credit Party.

(b) Each Credit Party hereby acknowledges and agrees that the Administrative Agent (i) is not now, and has not ever been, in control of any of the Real Estate or any Credit Party’s affairs, and (ii) does not have the capacity through the provisions of the Loan Documents or otherwise to influence any Credit Party’s conduct with respect to the ownership, operation or management of any of its Real Estate or compliance with Environmental Laws or Environmental Permits.

(c) None of the items set forth on Disclosure Schedule 3.16 either individually or in the aggregate would be reasonably likely to have a Material Adverse Effect.

3.17 Insurance.

Part 1 of Disclosure Schedule 3.17 lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the scope and term of each such policy. Part 2 of Disclosure Schedule 3.17 identifies those insurance policies which relate to the Collateral.

3.18 Use of Proceeds.

The proceeds of the Loans and the Letters of Credit are being used by Borrower for general corporate purposes of the Credit Parties.

3.19 Deposit.

Disclosure Schedule 3.19 lists, as of the Closing Date, all banks and other financial institutions at which any Credit Party maintains deposit or other accounts in the United States, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held and the complete account number therefor.

3.20 Trade Relations.

As of the Closing Date and except as set forth in Disclosure Schedule 3.20 or resulting directly from the commencement of the Cases, there exists no actual or, to the knowledge of any Credit Party, threatened termination or cancellation of, or any material adverse modification or change in the business relationship (including, without limitation, any code sharing arrangements) of any Credit Party with any service provider or supplier whose services during the preceding twelve (12) months caused them to be ranked among the ten largest service providers or suppliers of the Credit Parties taken as a whole.

3.21 Compliance With Industry Standards.

Borrower maintains its Books and Records, Aircraft, Engines, Spare Parts and other assets and properties that are used in the conduct of its business in compliance in all material respects with applicable law, including but not limited to all rules, regulations and standards of the FAA or any other applicable Aviation Authority.

3.22 Post-Petition Skymiles Facility.

All of the Post-Petition Skymiles Facility Documents have been provided to the Administrative Agent on or prior to the Closing Date and contain all of the material terms related to the Advance Payment arrangements described therein as of the Closing Date, other than terms relating generally to Amex's purchase of Skymiles from Delta set forth in the American Express Co-Branded Credit Card Program Agreement and the Membership Rewards Agreement, each as amended and supplemented from time to time, that do not relate to the Advance Payments (as defined in the Post-Petition Skymiles Facility Documents).

3.23 Secured, Super-Priority Obligations.

(a) On and after the Closing Date, the provisions of the Loan Documents and the Final Order are effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, legal, valid and perfected Liens on and security interests (having the priority provided for herein and in the Final Order) in all right, title and interest in the Collateral, enforceable against each Credit Party that owns an interest in such Collateral.

(b) Pursuant to subsections 364(c)(2) and (3) of the Bankruptcy Code and the Final Order, all amounts owing by the Borrower under the Loan and by the Guarantors in respect thereof will be secured by a first priority perfected Lien on the Collateral, subject only to (i) the Liens of the Skymiles Agent in the Skymiles Collateral pursuant to an order of the Bankruptcy Court in form and substance satisfactory to the Administrative Agent, (ii) valid, perfected, nonavoidable and enforceable Liens existing as of the Petition Date, (iii) valid liens in existence at the commencement of the Cases to the extent perfected subsequent to such commencement as permitted by Section 546(b) of the Code (iv) the Carve-Out and (v) Permitted Liens permitted pursuant to Section 6.7(a), (c), (e), (f), (i), (j) (subject, in the case of Amex, to the Skymiles Intercreditor Agreement), (n), (o), (q), (r) or (s).

(c) Pursuant to section 364(c)(i) of the Bankruptcy Code and the Final Order, all obligations of the Borrower and the obligations of the Guarantors under the Guaranty in respect thereof at all times will constitute allowed Super-Priority Claim in each of the Cases having priority over all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code, subject only to the Carve-Out.

(d) The Final Order and the transactions contemplated hereby and thereby, are in full force and effect and have not been vacated, reversed, modified, amended or stayed in any manner that affects the rights or duties of the Administrative Agent, the Arrangers or the Lenders, in each case, without the prior written consent of the Administrative Agent.

3.24 Certificated Air Carrier.

Each Air Carrier is a Certificated Air Carrier and possesses all necessary certificates, franchises, licenses, permits, rights, designations, authorizations, exemptions, concessions and consents which are material to the operation of the routes flown by it and the conduct of its business and operations as currently conducted (the “ Permits ”). Neither the DOT nor FAA nor any other Aviation Authority has taken any action or proposed or, to such Air Carrier’s knowledge, threatened to take any action, to amend, modify, suspend, revoke, terminate, cancel, or otherwise affect such Permits and Op Specs, in each case, in an adverse manner.

3.25 U.S. Citizen .

Each Air Carrier is a “ citizen of the United States ” as defined in Section 40102(a)(15) of Title 49.

3.26 Spare Parts.

Set forth on Disclosure Schedule 3.26 , is a true, correct and complete list of each Designated Spare Parts Location as of the Closing Date.

3.27 Aircraft; Engines.

Set forth on Disclosure Schedule 3.27 is a true, correct and complete list of Eligible Aircraft and Eligible Engines as of the Closing Date.

3.28 Slots, Primary Gates and Routes.

(a) Set forth on Disclosure Schedule 3.28 is a complete and accurate list, as of the Closing Date, of all Primary Slots and Primary Routes of the Credit Parties, except those that are licensed for less than one (1) IATA season. Such Disclosure Schedule 3.28 shall be revised from time to time by Borrower, or as reasonably requested by the Administrative Agent, to reflect all Primary Slots and Primary Routes of such Credit Parties. Each such Credit Party, if applicable, represents and warrants that it holds each of the FAA Slots pursuant to authority granted by the FAA pursuant to Title 14 of the United States Code.

(b) As of the Closing Date, the Credit Parties are utilizing, or causing to be utilized, in all material respects, the Slots, Primary Gates and Routes as required by the applicable Governmental Authority, Airport Authority or Foreign Aviation Authority. As of the Closing Date, except as disclosed in Borrower's Form 10-K for the Fiscal Year ended December 31, 2004, none of the Credit Parties has received any notice from any Governmental Authority, Airport Authority or Foreign Aviation Authority or is aware of any other event or circumstance, that would be reasonably likely to impair its right to hold and use Primary Gates, Slots and Routes in any material respect, except that which would not reasonably be expected to result in a Material Adverse Effect.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices.

(a) Borrower hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to the Administrative Agent and Lenders, as required, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex E.

(b) Borrower hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to the Administrative Agent and Lenders, as required, the various Collateral Reports (including Borrowing Base Certificates in the form of Exhibit 4.1 (b)) at the times, to the Persons and in the manner set forth in Annex F.

4.2 Communication with Accountants.

Each Credit Party executing this Agreement authorizes (a) the Administrative Agent and (b) so long as an Event of Default has occurred and is continuing, each Lender, to communicate, with prior notice to Borrower and Borrower's opportunity to be present, directly with its independent registered public accountants and authorizes and shall instruct those accountants to communicate to the Administrative Agent and such Lender, with notice to Borrower, information relating to any Credit Party with respect to the business, results of operations and financial condition of any Credit Party as the Administrative Agent or such Lender shall reasonably request.

5. AFFIRMATIVE COVENANTS

Each Credit Party agrees that from and after the Closing Date and until the Termination Date:

5.1 Maintenance of Existence and Conduct of Business.

Except as otherwise required by the Bankruptcy Code, each Credit Party shall (a) except as otherwise permitted by Section 6.1 or Section 6.8, do or cause to be done all things necessary to preserve and keep in full force and effect its legal existence, all rights, permits, licenses, approvals and privileges (including all Permits) necessary in the conduct of its business, and its material rights and franchises entered into or assumed after the commencement of the Cases, and; (b) at all times maintain, preserve and protect all of its assets and properties (including all Collateral) used or useful and necessary in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices except as otherwise permitted in the applicable Loan Documents; and (c) except where failure to do so could not reasonably be expected to have a Material Adverse Effect, transact business only in such corporate and trade names as are set forth in Disclosure Schedule 5.1.

5.2 Payment of Charges.

(a) Unless payment thereof is precluded by the Cases and subject to Section 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all Charges arising after the Petition Date payable by it, including (i) Charges imposed upon it, its income and profits, or any of its operations, its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, (ii) lawful claims for labor, materials, supplies and services or otherwise, and (iii) all storage or rental charges payable to warehousemen and bailees, in each case, before any thereof shall become past due, except in each case, where the failure to pay or discharge such Charges would not result in aggregate liabilities in excess of \$5,000,000.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges, Taxes or claims described in Section 5.2(a); provided, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP; (ii) no Lien shall be imposed to secure payment of such Charges that is superior to any of the Liens securing payment of the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges (except where the failure to pay or discharge such Charges would not result in aggregate liabilities or Liens in excess of \$5,000,000); (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest; and (iv) such Credit Party shall promptly pay or discharge such contested Charges, Taxes or claims and all additional charges, interest, penalties and expenses and shall deliver to the Administrative Agent evidence reasonably acceptable to the Administrative Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this Section 5.2(b) are no longer met.

(c) Notwithstanding the foregoing, this Section 5.2 shall not be construed to require Borrower to pay any obligation arising under any agreement with respect to Section 1110 Assets unless Borrower is approved by the Bankruptcy Court to make such payment.

5.3 Books and Records.

Each Credit Party shall keep adequate Books and Records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule 3.4(a). Upon reasonable request of the Administrative Agent, each Credit Party shall deliver any requested Chattel Paper or Instrument to the Administrative Agent (in each case, accompanied by instruments of transfer executed in blank), and shall, if requested by the Administrative Agent, mark any Chattel Paper or Instrument that has not been delivered to the Administrative Agent with a legend that provides that the writing and the obligations evidenced or secured thereby are subject to the security interest of the Administrative Agent for the benefit of the Secured Parties.

5.4 Insurance; Damage to or Destruction of Collateral. Except as set forth in the Aircraft Mortgage and the Spare Parts Mortgage with respect to the Collateral addressed therein:

(a) The Credit Parties shall, at their sole cost and expense, maintain insurance at all times against such risks as is customary for companies of the same or similar size in the same or similar business and industry or as otherwise required in the Collateral Documents. Such policies of insurance as in effect on the Closing Date are described, collectively, in Part 1 and Part 2 of Disclosure Schedule 3.17. Except for policies of insurance relating to Collateral addressed by the Aircraft Mortgage and the Spare Parts Mortgage, the policies of insurance (or the loss payable and additional insured endorsements delivered to the Administrative Agent) described in Part 2 of Disclosure Schedule 3.17, which lists those policies relating to the Collateral, shall contain provisions pursuant to which the insurer agrees to provide thirty (30) days' prior written notice to the Administrative Agent in the event of any non-renewal, cancellation or material adverse amendment of any such insurance policy. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance listed in Part 2 of Disclosure Schedule 3.17 or to pay all premiums relating thereto, the Administrative Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto that the Administrative Agent deem advisable. The Administrative Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, the Administrative Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including reasonable attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to the Administrative Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) The Administrative Agent reserves the right at any time upon any change in any Credit Party's risk profile (including any change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require, upon prior written notice to such Credit Party, additional forms and limits of insurance, in the Administrative Agent's reasonable opinion, to adequately protect both the Administrative Agent's and the Lenders' interests in all or any portion of the Collateral needed to ensure that each Credit Party is protected by insurance in amounts and with coverage customary for its industry with respect to such Collateral; such additional forms and limits of insurance to be obtained and in effect within thirty (30) days of such written notice. If reasonably requested by the Administrative Agent, each Credit Party shall deliver to the Administrative Agent from time to time a report of a reputable insurance broker reasonably satisfactory to the Administrative Agent, with respect to its insurance policies.

(c) Borrower on behalf of each Credit Party shall deliver to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, with respect to the insurance policies listed on Part 2 of Disclosure Schedule 3.17, endorsements to (i) all “All Risk” property and business interruption insurance naming the Administrative Agent for the benefit of Secured Parties, as lender loss payee as its interests may appear; provided, that, with respect to business interruption insurance only, so long as no Event of Default has occurred or is continuing, the Administrative Agent shall promptly release to Borrower any insurance proceeds received in connection with such business interruption insurance, and (ii) all general liability and other liability policies naming the Administrative Agent for the benefit of Secured Parties, as an additional insured as its interests may appear. Borrower on behalf of each Credit Party irrevocably makes, constitutes and appoints the Administrative Agent (and all officers, employees or agents designated by the Administrative Agent), so long as the anticipated insurance proceeds exceed \$5,000,000, as Borrower’s and each Credit Party’s true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such “All Risk” property policies of insurance, endorsing the name of Borrower or such Credit Party on any check or other item of payment for the proceeds of such “All Risk” property policies of insurance and for making all determinations and decisions with respect to such “All Risk” property policies of insurance. The Administrative Agent shall have no duty to exercise any rights or powers granted to them pursuant to the foregoing power-of-attorney. Borrower shall promptly notify the Administrative Agent of any loss, damage, or destruction to the Collateral in the amount of \$1,000,000 or more, whether or not covered by insurance. All Net Cash Proceeds from insurance required under the Loan Documents shall be applied in accordance with Section 1.2.

(d) Notwithstanding the foregoing, subject to the Final Order, where casualty or condemnation proceeds are required to be applied to the repair or restoration of the affected property, which does not constitute Collateral included in the Term A Borrowing Base, or to be delivered to a third party or deposited in an escrow or similar account, by the express terms of any lease, usufruct, use agreement or other occupancy or facility agreement to which Borrower or any Credit Party is a party and that either (i) constitutes a Lien permitted hereunder having priority over the Administrative Agent’s Liens, for the benefit of Secured Parties or (ii) affects leased real estate or usufruct or pursuant to the express terms of documents entered into in connection with ARB Indebtedness, either existing as of the Closing Date or permitted under this Agreement, then the Administrative Agent’s rights under this Agreement with respect to any casualty or condemnation proceeds or insurance policies required to be maintained under any such lease, usufruct, use agreement or other occupancy or facility agreement or other document entered into in connection with such ARB Indebtedness to which Borrower or any Credit Party is a party shall be subject to the terms and conditions of such agreement, including without limitation the settlement of claims, the repair and restoration obligations of Borrower or any Credit Party and the delivery or deposit of any casualty or condemnation proceeds for repair or restoration.

5.5 Compliance with Laws.

Except as otherwise permitted by the Bankruptcy Code, each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including labor laws, and Environmental Laws and Environmental Permits, and laws and regulations of any Aviation Authority applicable to it, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect (including, without limitation, as a result of the loss of any material Permit).

5.6 Intellectual Property.

Subject to Section 6.8(i), each Credit Party shall own or have rights to use all Intellectual Property necessary to continue to conduct its business as now conducted by it or presently proposed to be conducted by it. Each Credit Party shall do or cause to be done all things necessary to preserve and keep in full force and effect at all times all material registered Patents, Trademarks, trade names, Copyrights and service marks necessary in the conduct of its business. Each Credit Party shall conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect.

5.7 Environmental Matters.

Except as otherwise required by the Bankruptcy Code, each Credit Party shall and shall cause each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance that could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions that are necessary to comply in all material respects with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate; (c) notify the Administrative Agent promptly after such Credit Party becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate that is reasonably likely to result in any Credit Party incurring Environmental Liabilities in excess of \$500,000 individually or \$2,500,000 in the aggregate in a Fiscal Year; and (d) promptly forward to the Administrative Agent a copy of any order, notice, request for information or any communication or report received by such Credit Party in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in any Credit Party incurring Environmental Liabilities in excess of \$500,000 individually or \$2,500,000 in the aggregate in a Fiscal Year. If the Administrative Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Credit Party or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, that, in each case, could reasonably be expected to have a Material Adverse Effect, then each Credit Party shall, upon the Administrative Agent's written request (i) cause the performance of such environmental audits including subsurface sampling of soil and groundwater, and preparation of such environmental reports, at Borrower's expense, as the Administrative Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to the Administrative Agent and shall be in form and substance reasonably acceptable to the Administrative Agent, and (ii) permit the Administrative Agent or their representatives to have access to all Real Estate (subject, in the case of leased Real Estate, to the terms of the applicable lease or other agreement which governs rights of access to leased Real Estate) for the purpose of conducting such environmental audits and testing as the Administrative Agent deem appropriate, including subsurface sampling of soil and groundwater; provided, that the Administrative Agent shall use commercially reasonable efforts to cause such audits or testing to be conducted in a manner that does not unreasonably interfere with the operations of the relevant Credit Party. Borrower shall reimburse the Administrative Agent for the reasonable costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

5.8 Landlords' Agreements; Bailee Letters.

If requested by the Administrative Agent in its reasonable discretion, each Credit Party shall use commercially reasonable efforts to obtain a landlord's agreement or bailee letter, as applicable, from the lessor of each leased property or bailee with respect to any warehouse, processor or converter facility, maintenance facilities or other location where Collateral with an aggregate book value in excess of \$10,000,000 is stored or located, in each case, to the extent the Liens and other unstayed rights of the applicable warehouseman, bailee or lessor are senior to or pari passu with the Liens of the Administrative Agent (each such location, a "Material Location"), which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord or bailee may assert against the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to the Administrative Agent. With respect to each Material Location leased or owned on or after the Closing Date, if the Administrative Agent has requested but, within sixty (60) days following such request, has not received a landlord agreement or bailee letter, Borrower's Eligible Spare Parts, Eligible Ground Service Equipment and Eligible Tooling at that location shall, in the Administrative Agent's discretion, be subject to such Reserves as may be established by the Administrative Agent in its reasonable credit judgment. Each Credit Party shall timely and fully pay and perform its material obligations under all leases and other agreements entered into or assumed after the commencement of the Cases in all respects with respect to Material Locations.

5.9 [Reserved.]

5.10 Notices.

Promptly after the sending or filing thereof, Borrower shall send Administrative Agent copies of all material notices, certificates or reports delivered pursuant to, or in connection with, any Post-Petition Skymiles Facility Document.

5.11 Further Assurances.

Subject to Section 5.12(b), each Credit Party executing this Agreement agrees that it shall, at such Credit Party's expense and upon the reasonable request of the Administrative Agent, duly execute and deliver, or cause to be duly executed and delivered, to the Administrative Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Administrative Agent, in accordance with its customary business practices for comparable debtor in possession transactions, to carry out more effectively the provisions and purposes of this Agreement and each Loan Document.

5.12 Additional Guaranties and Collateral Documents.

(a) Except as otherwise set forth in the Aircraft Mortgage, to the extent not delivered to the Administrative Agent on or before the Closing Date (including in respect of after-acquired property, other than real estate and interests in real estate that are not Owned Real Estate, and Persons that become Subsidiaries of any Credit Party after the Closing Date), Borrower agrees promptly to do, or cause each Subsidiary of Borrower (other than Excluded Subsidiaries) to do, each of the following, unless otherwise agreed by the Administrative Agent:

(i) deliver to the Administrative Agent such duly executed supplements and amendments to this Agreement, in each case in form and substance reasonably satisfactory to the Administrative Agent and as the Administrative Agent reasonably deems necessary in order to ensure that each Domestic Subsidiary of Borrower (other than Excluded Subsidiaries), guaranties, as primary obligor and not as surety, the full and punctual payment when due of the Obligations or any part thereof;

(ii) deliver to the Administrative Agent such duly executed supplements and amendments to any of the Collateral Documents, in each case in form and substance reasonably satisfactory to the Administrative Agent and as the Administrative Agent reasonably deems necessary in order to (A) effectively grant to the Administrative Agent for the benefit of the Secured Parties, a valid, perfected and enforceable security interest in all assets, personal property or property interests that constitute Collateral owned by any Credit Party and (B) effectively grant to the Administrative Agent for the benefit of the Secured Parties, a valid, perfected and enforceable security interest in all Stock and other debt Securities of any Credit Party and each direct Subsidiary of each Credit Party (other than the Stock of the Excluded Issuers); provided, however, that, in no event shall (x) more than 65% of the outstanding voting Stock of any Subsidiary which is not a Domestic Subsidiary be pledged to secure the Obligations or (y) the Stock of any joint venture company be pledged to the extent that such pledge is restricted by legally binding arrangements between the joint venture parties;

(iii) deliver to the Administrative Agent all certificates, instruments and other documents representing all Collateral required to be pledged and delivered under the Collateral Documents and all other Stock and other debt Securities being pledged pursuant to the joinders, amendments and supplements executed pursuant to clause (ii) above;

(iv) to the extent permitted hereunder, if any Credit Party acquires a fee simple ownership interest in real estate after the Closing Date, or discovers that it owns any fee simple interest in real estate not constituting Owned Real Estate, within ninety (90) days thereof, execute and deliver to the Administrative Agent, a Mortgage granting the Administrative Agent for the benefit of Secured Parties a valid, perfected and enforceable first priority Lien on such real estate and, if reasonably required by the Administrative Agent, environmental audits, mortgage title insurance policy, real property survey, local counsel opinion(s), supplemental casualty insurance and flood insurance, and such other documents, instruments or agreements reasonably requested by the Administrative Agent, in each case, in form and substance reasonably satisfactory to the Administrative Agent (it being understood and agreed that each such real estate so acquired shall be considered “Owned Real Estate” for purposes of this Agreement from and after the date of its acquisition);

(v) if such Subsidiary is party to a Case, to obtain an order of the Bankruptcy Court confirming in such Case extension of the terms of the Final Order to such new Subsidiary as a debtor and debtor in possession;

(vi) to take such other actions as the Administrative Agent reasonably deems necessary to ensure the validity or continuing validity of the guaranties required to be given pursuant to clause (i) above or to create, maintain or perfect the security interest required to be granted pursuant to clause (ii) above, including the filing of financing statements or other recordations in such jurisdictions as may be required by the Collateral Documents, the Code, the FAA or applicable law, or as may be reasonably requested by the Administrative Agent; and

(vii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above in connection with the addition of any Guarantor or Collateral acquired after the date hereof, which opinions shall be in form and substance consistent with those delivered on the Closing Date and from counsel reasonably satisfactory to the Administrative Agent.

(b) Notwithstanding the foregoing, (i) prior to the occurrence of any Event of Default, the Administrative Agent shall not take any security interest in or require any actions to be taken with respect to (A) those assets as to which the Administrative Agent shall determine, in their reasonable discretion, that the cost of obtaining such security interest or taking such action are excessive in relation to the benefit to Lenders afforded thereby, (B) property the acquisition or construction of which was financed through Indebtedness (existing as of the Closing Date (other than Gates) or as permitted by Section 6.3(a)), and (C) any property to the extent that the granting of such a security interest would constitute a breach or violation of a valid and effective restriction in favor of a third party (including, without limitation, mandatory consent rights), that would result in the termination of any Credit Party's interest in such Collateral or give rise to any indemnification obligations or any right to terminate or commence the exercise of remedies under such restrictions, (ii) the Administrative Agent shall not take any security interest in, or require any Credit Party to take any action referred to in Section 5.12(a)(iv) with respect to, real estate, or require the execution or delivery of any Aircraft Mortgage or Spare Parts Mortgage, or require any Credit Party to take any actions with respect to the FAA relating to any of the 737-800 aircraft described in Section 6.8(m) hereof or with respect to any asset (A) until the expiration of 90 days after the date of acquisition thereof, unless Borrower shall have given the Administrative Agent notice that it does not intend to finance such acquisition as permitted by Section 6.3(a)(i), and (B) previously securing or financed by Existing Secured Indebtedness until the expiration of 90 days after such Existing Secured Indebtedness has been repaid, unless Borrower shall have given the Administrative Agent notice that it does not intend to finance such asset as permitted by Section 6.3(a)(v), and (iii) Liens required to be granted and actions required to be taken pursuant to this Section 5.12 shall all be subject to exceptions and limitations (including Liens permitted pursuant to Section 6.7) consistent with those set forth herein and in the Collateral Documents as in effect on the Closing Date.

5.13 Pledged Spare Parts.

Each Credit Party shall segregate all of its Pledged Spare Parts from any Spare Parts which are subject to any consignment arrangement, and shall keep all Spare Parts not so subject to a consignment arrangement in Designated Spare Parts Locations, except to the extent permitted in the Spare Parts Mortgage. The Pledged Spare Parts will be maintained by or on behalf of the Air Carriers that are Credit Parties, as required by the Spare Parts Mortgage.

5.14 Aircraft Mortgage; Spare Parts Mortgage; SGR Security Agreement.

Each Air Carrier that is a Credit Party shall execute the Aircraft Mortgage, the Spare Parts Mortgage and the SGR Security Agreement.

5.15 Slot Utilization.

(a) Subject to transfers, exchanges and other dispositions permitted by this Agreement and the SGR Security Agreement, from and after the Closing Date Borrower shall cause the FAA Slots to have sufficient Slot Utilization, for purposes of 14 C.F.R. 93.227 (the “Slot Utilization Regulations”) and shall at the end of Week 4 of any respective Two-Month FAA Reporting Period for FAA Slots present to each Administrative Agent (i) if, during Week 1, Week 2, Week 3 or Week 4, the FAA or any applicable Foreign Aviation Authority has revoked, terminated or canceled any Credit Parties’ right to utilize any Primary Slot, a list of all such Primary Slots and (ii) a certification from Borrower that either:

(i) the FAA Slots have been utilized at the following rates (a week shall be deemed to be seven (7) days for purposes of this Section 5.14): (x) sixty-five percent (65%) for each hourly period for Weeks 1-4 of the respective Two-Month FAA Reporting Period for Slots in DCA and LGA; (y) sixty-five percent (65%) for each half hour period for Weeks 1-4 of the respective Two-Month FAA Reporting Period for arrival Slots in DCA and LGA; or

(ii) Borrower intends to effectuate full compliance with all of the slot utilization covenants pursuant to exchanging slots at such airports with third party air carriers and such officer has no reason to believe that Borrower will fail to comply with the Slot Utilization Regulations.

(b) Subject to transfers, exchanges and other dispositions permitted by this Agreement and the SGR Security Agreement, utilize the Foreign Slots in a manner consistent in all material respects with applicable regulations and contracts in order reasonably to preserve its right to hold and operate the Foreign Slots, taking into account any waivers or other relief granted by any applicable Aviation Authority.

5.16 ERISA/Labor Matters.

Borrower shall furnish the Administrative Agent (with sufficient copies for each of Lenders) each of the following:

- (a) promptly and in any event within thirty (30) days of filing or receipt by Borrower, with respect to any Title IV Plan, copies of the most recent annual reports or returns (IRS Form 5500), audited or unaudited financial statements and actuarial valuations with respect to such Plans;
- (b) promptly and in any event within ten (10) days after Borrower, any Subsidiary of Borrower or any ERISA Affiliate knows or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any Title IV Plan or Multiemployer Plan, a written statement of an officer of Borrower describing such waiver request and the action, if any, Borrower, its Subsidiaries and ERISA Affiliates propose to take with respect thereto and a copy of any notice filed with the PBGC or the IRS pertaining thereto;
- (c) simultaneously with the date that Borrower, any Subsidiary of Borrower or any ERISA Affiliate files a notice of intent to terminate any Title IV Plan, a copy of each notice;
- (d) promptly and in any event within three (3) days after Borrower, any Subsidiary of Borrower or any ERISA Affiliate receives any adverse communication from a Governmental Authority which could result in an increase to or accelerate the payment of any liability with respect to a Pension Plan, a copy of such notice; and
- (e) simultaneously with the date that any Credit Party (i) commences or terminates negotiations with any collective bargaining agent for the purpose of materially changing any collective bargaining agreement; (ii) reaches an agreement with any collective bargaining agent prior to ratification for the purpose of materially changing any collective bargaining agreement; (iii) ratifies any agreement reached with a collective bargaining agent for the purpose of materially changing any collective bargaining agreement; or (iv) becomes subject to a “cooling off period” under the auspices of the National Mediation Board, notification of the commencement or termination of such negotiations, a copy of such agreement or notice of such ratification or a “cooling off period,” as the case may be.

5.17 Maintenance of Liens and Collateral.

Each Credit Party, subject to Section 5.12, shall do or cause to be done all things necessary to preserve and keep in full force and effect at all times the Liens securing the Obligations as provided in the Loan Documents.

5.18 Use of Proceeds.

The proceeds of the Loans and the Letters of Credit will be used by Borrower for the general corporate purposes of the Credit Parties.

5.19 Cash Management Systems.

Borrower will establish and will maintain until the Termination Date, the Cash Management Systems as described in Annex C.

5.20 Appraisals.

Each Credit Party shall provide the Administrative Agent access to its properties and to the Collateral in accordance with Section 1.12 and permit the Administrative Agent to have an Appraiser conduct appraisals as set forth in Annex F.

6. NEGATIVE COVENANTS

Each Credit Party agrees that from and after the Closing Date until the Termination Date:

6.1 Mergers, Subsidiaries, Etc.

No Delta Company shall directly or indirectly, by operation of law or otherwise, merge or consolidate with any Person or acquire Stock of any Person; provided, that (a) any Subsidiary may merge or consolidate with (i) Borrower or a Guarantor in a transaction in which Borrower or any Guarantor is the surviving Person and (ii) if such Subsidiary is not a Guarantor, any other Delta Company, (b) Borrower may merge or consolidate with, or acquire Stock of, any Person to effectuate an Investment permitted by Section 6.2 in a transaction in which Borrower is the surviving Person, (c) any Subsidiary may merge or consolidate with, or acquire Stock of, any Person to effectuate an Investment permitted by Section 6.2 in a transaction in which a Subsidiary is the surviving Person and (d) any Subsidiary may merge or consolidate with another Person in connection with any sale or other disposition of such Subsidiary permitted pursuant to Section 6.8; provided, that such merger, consolidation or acquisition shall not result in the acquisition of Stock located outside of the United States in an amount in excess of \$25,000,000 in the aggregate.

6.2 Investments; Loans and Advances.

Except as otherwise expressly permitted by this Section 6.2, no Delta Company shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise (all of the foregoing, “Investments”), except (without duplication):

(a) each Delta Company may hold Investments comprised of notes payable, or stock or other securities issued by Account Debtors to such Delta Company pursuant to negotiated agreements with respect to settlement of such Account Debtor’s Accounts in the ordinary course of business, consistent with past practices;

(b) each Delta Company may maintain its existing investments in its Subsidiaries as of the Closing Date summarized on Disclosure Schedule 3.8 or 6.2;

- (c) each Delta Company may make investments, subject to Section 5.19, in Permitted Investments;
- (d) each Delta Company may maintain its Investments existing as of the Closing Date summarized on Disclosure Schedule 6.2;
- (e) Investments (i) may be made by any Credit Party in any other Credit Party, (ii) may be made by any Delta Company that is not a Credit Party in any other Delta Company, subject to compliance with Section 6.3(a)(vii) and (iii) constituting capital contributions or intercompany loans or advances may be made to Aero Assurance, Ltd. or New Sky, Ltd. for the purpose of cash collateralizing letters of credit issued for the account of such captive insurance Subsidiaries to the extent permitted under Section 6.3(a)(xiii);
- (f) each Delta Company may make Investments with the funds held in the Excluded Accounts;
- (g) each Delta Company may make Investments consisting of (i) currency swap agreements, currency future or option contracts and other similar agreements designed to hedge against fluctuations in foreign interest rates and currency values, (ii) interest rate swap, cap or collar agreements and interest rate future or option contracts, and (iii) fuel hedges and other derivatives contracts, in each case, to the extent that such agreement or contract is permitted by Section 6.3 and Section 6.17 and entered into in the ordinary course of business;
- (h) the Delta Companies, in the aggregate, may make Investments in an amount not to exceed \$10,000,000 outstanding at any time in travel or airline related businesses made in connection with marketing and promotion agreements, alliance agreements, distribution agreements, agreements with respect to fuel consortiums, agreements relating to flight training, agreements relating to insurance arrangements, agreements relating to parts management systems and other similar agreements;
- (i) the Delta Companies may make advances to their respective officers, directors and employees in an amount not to exceed (i) \$10,000 outstanding at any time to any individual officer, director or employee and (ii) \$7,000,000 in the aggregate outstanding at any time for all such advances;
- (j) the Delta Companies may make advances in respect of (i) signing bonuses for newly hired officers, directors or employees of any Delta Company in an amount not to exceed \$250,000 individually outstanding at any time and (ii) relocation expenses for newly hired officers, directors or employees of any Delta Company in an amount not to exceed \$5,000,000 in the aggregate outstanding at any time;
- (k) the Delta Companies may make Investments in the form of foreign cash equivalents in the ordinary course of business and consistent with past practices;
- (l) [Reserved];
- (m) the Delta Companies may make additional Investments in Subsidiaries that are not Credit Parties in an aggregate amount at any one time not to exceed \$5,000,000;

(n) the Delta Companies may make any Investment consisting of the acquisition of Stock of any Person; provided, that (i) such Person becomes a Credit Party or is merged with or into Borrower or a Credit Party immediately upon consummation of such acquisition and (ii) such acquisition is permitted by Section 6.10;

(o) the Delta Companies may make any Investment consisting of the acquisition of equity interests permitted pursuant to Section 6.13(d) and (e); and

(p) the Delta Companies may make other Investments in an aggregate amount outstanding at any one time not to exceed \$25,000,000 for all Investments made pursuant to this clause (p).

The term “Investments” shall not include deposits to secure the performance of leases.

6.3 Indebtedness.

(a) No Delta Company shall create, incur, assume or permit to exist any Indebtedness, except (without duplication):

(i) Indebtedness secured by purchase money security interests and Capital Leases (including in the form of sale-leaseback, synthetic lease or similar transactions or created solely in connection with the restructuring of any operating lease of Non-1110 Aviation Assets or Section 1110 Assets which existed on the Petition Date) to the extent such Indebtedness was incurred in connection with the restructuring of existing operating leases as provided in the parenthetical above or finance the acquisition or construction of aircraft, equipment and real estate to the extent permitted by Section 6.10 or ARB Indebtedness; provided, that the amount of such Indebtedness does not exceed 100% of the purchase price or construction cost (including any capitalized interest and issuance fees) of the subject asset;

(ii) the Loans and the other Obligations;

(iii) [Reserved];

(iv) Indebtedness existing as of the Closing Date described in Disclosure Schedule 3.12(b) or 6.3;

(v) Indebtedness incurred after the Closing Date; provided, that (A) such indebtedness is (x) secured by (or finances) assets which, as of the Closing Date, secured (or were financed by) other Indebtedness outstanding on the Closing Date described in Disclosure Schedule 6.3 (the “Existing Secured Indebtedness”), (y) incurred within one hundred eighty (180) days after the repayment in full of such Existing Secured Indebtedness and (z) is in an aggregate principal amount not exceeding the maximum principal amount of such Existing Secured Indebtedness outstanding at any time on or prior to the Closing Date and (B) such Existing Secured Indebtedness shall have been repaid in full on the scheduled maturity date thereof (a “Permitted Secured Financing”);

(vi) Indebtedness under the Post-Petition Skymiles Facility in an aggregate principal amount not to exceed \$350,000,000;

(vii) Indebtedness consisting of intercompany loans and advances made (A) among Credit Parties, (B) among Delta Companies that are not Credit Parties and (C) by a Credit Party to Aero Assurance, Ltd. or New Sky Ltd. permitted pursuant to Section 6.2(e)(iii), provided, that (A) to the extent any such loan or advance is evidenced by a promissory note (the “Intercompany Notes”) held by any Credit Party, the applicable Credit Party shall have pledged and delivered such note to the Administrative Agent pursuant to this Agreement as additional collateral security for the Obligations, (B) each applicable Credit Party shall record all intercompany transactions on its Books and Records in the ordinary course of business and (C) the obligations of any Credit Party under any such intercompany loans to any other Delta Company shall be subordinated to the Obligations of such Credit Party under the Loan Documents in a manner reasonably satisfactory to the Administrative Agent;

(viii) Indebtedness owed to any Lender (or any of its affiliates) or any other Person in connection with Investments permitted under Section 6.2(g);

(ix) Indebtedness in respect of any overdrafts and related liabilities arising from treasury, depository and cash management services or in connection with any automated clearing house transfers of funds (but subject to compliance with Section 5.19);

(x) Indebtedness consisting of take-or-pay obligations contained in supply agreements entered into in the ordinary course of business and consistent with past practices;

(xi) Indebtedness to credit card processors in connection with credit card processing services incurred in the ordinary course of business and consistent with past practices;

(xii) Indebtedness owing by the Credit Parties to Citibank, N.A. and its banking Affiliates, arising in the ordinary course of business, providing netting services with respect to intercompany Indebtedness permitted to be incurred and outstanding pursuant to this Agreement so long as such Indebtedness does not remain outstanding for more than three (3) Business Days from the date of its incurrence and does not exceed an aggregate outstanding amount of \$50,000,000;

(xiii) Indebtedness in respect of letters of credit in an aggregate outstanding amount not to exceed \$150,000,000;

(xiv) surety and appeal bonds in an aggregate outstanding amount not to exceed \$80,000,000;

(xv) other unsecured Indebtedness incurred subsequent to the Closing Date; provided, that no principal payments shall be required thereunder (except upon acceleration) on or prior to the Scheduled Maturity Date;

(xvi) Permitted Subordinated Indebtedness;

(xvii) Indebtedness constituting a Permitted Refinancing of Indebtedness referred to in clauses (i), (iv), (v), (vi) or (xvi) above;

(xviii) unsecured Indebtedness (including letters of credit) incurred subsequent to the Closing Date to provide credit support for (x) obligations arising in the ordinary course of business and consistent with past practices in connection with credit card processing services and (y) the Indebtedness described in clause (ix) above;

(xix) other unsecured Indebtedness incurred subsequent to the Closing Date in an aggregate amount not to exceed \$25,000,000 outstanding at any time; and

(xx) refinancings, replacements and restructurings of Indebtedness (outstanding on the Petition Date and permitted by Section 6.3(a)(iv)) secured directly or indirectly by “equipment” described in Section 1110(a)(3) of the Bankruptcy Code or by any equipment that would have qualified as such equipment had it been placed in service after October 22, 1994 (collectively, “Section 1110-Type Indebtedness”); provided, that (A) the principal amount of such existing Indebtedness shall not be increased above the principal amount thereof outstanding immediately prior to such refinancing, replacement or restructuring unless (1) the interest expense, if any, on any scheduled payments deferred as a result of such refinancing is not paid currently but is recapitalized as principal or (2) such refinancing increases the principal amount of such refinanced Section 1110-Type Indebtedness but the overall effect on the aggregate amount of existing Indebtedness secured directly or indirectly by “equipment” described in Section 1110(a)(3) of the Bankruptcy Code or by equipment that would have qualified as such equipment had it been placed in service after October 22, 1994 is reduced or remains the same, or the financing expenses in connection with all such Indebtedness is reduced (it being understood that any such increase in Indebtedness may not be granted Super-Priority Claim status pursuant to Section 364(c)(1) of the Bankruptcy Code), (B) after giving effect thereto, the average maturity of all the then-outstanding Section 1110-Type Indebtedness shall not be shortened as a result of such refinancing, replacement or restructuring, (C) the weighted average life to maturity of all such existing Section 1110-Type Indebtedness shall not be reduced as a result of such refinancing, replacement or restructuring, and (D) the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such refinancing, replacement or restructuring.

(b) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount in respect of any post-petition Indebtedness prior to its scheduled maturity, other than (i) the Obligations; (ii) Indebtedness secured by a Lien permitted under Section 6.7 if the asset securing such Indebtedness on a first-priority basis has been sold or otherwise disposed of in accordance with Section 6.8; (iii) Indebtedness upon any Permitted Refinancing; (iv) other Indebtedness (excluding Permitted Subordinated Indebtedness) not in excess of \$10,000,000; (v) Indebtedness incurred subsequent to the Closing Date permitted under Section 6.3(a) other than Indebtedness permitted under Section 6.3(a)(iv), (vi), (xv), (xvi) or any Permitted Refinancing of Indebtedness permitted by any of the foregoing; (vi) as otherwise permitted in Section 6.13; and (vii) ARB Indebtedness in order to minimize, in Borrower’s reasonable judgment upon opinion of counsel, such Credit Party’s potential liability arising from a loss of the tax exempt status of such Indebtedness.

6.4 Affiliate Transactions .

None of the Credit Parties will sell or transfer any property or assets to, or otherwise engage in any other material transactions with, any of its Affiliates (other than the other Credit Parties), except transactions (a) at prices and on terms and conditions no less favorable to such Credit Party than could be obtained on an arm's length basis from unrelated third parties, (b) reasonable and customary fees and compensation paid to, and indemnity provided on behalf of, officers, directors or employees of such Credit Party and other transactions permitted by Section 6.2(i) and (j), (c) any dividends, other distributions or payments permitted by Section 6.13, (d) any Investment in a Delta Company permitted by Section 6.2 or intercompany transactions with a Delta Company permitted by Section 6.3, and (e) provision of legal, accounting or administrative services to any Delta Company in the ordinary course of business in accordance with past practices.

6.5 Capital Structure and Business.

No Credit Party shall amend its charter or bylaws in a manner that would adversely affect the Administrative Agent or Lenders, or such Credit Party's duty or ability to repay the Obligations, in any material respect. No Credit Party shall engage in any business other than the businesses currently engaged in by it and businesses that are reasonably related thereto.

6.6 Guaranteed Indebtedness.

No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness, except (without duplication) (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party in the ordinary course of business, (b) Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement, (c) Guaranteed Indebtedness to the extent constituting Indebtedness permitted by Section 6.3 and (d) to the extent existing on the Closing Date as set forth in Disclosure Schedule 6.3.

6.7 Liens.

No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to the Collateral or any of its other properties or assets (whether now owned or hereafter acquired), except for:

- (a) Permitted Encumbrances;
- (b) Liens in existence as of the Closing Date and summarized on Disclosure Schedule 6.7;

- (c) Liens created after the Closing Date by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness, in each case, permitted in Section 6.3(a)(i); provided, that such Liens attach only to the assets (including related leases and subleases thereof and other assets integral to the use thereof including security deposits from any sublessee collaterally assigned for the benefit of lessors) subject to such purchase money debt and such Indebtedness is incurred within one hundred eighty (180) days following such purchase and does not exceed 100% of the purchase price of the subject assets;
- (d) Liens (having the priority set forth in the Skymiles Intercreditor Agreement) securing the “Obligations” as defined in the Post-Petition Skymiles Facility Documents, so long as the Skymiles Intercreditor Agreement is in full force and effect;
- (e) Liens on assets that are the subject of the GECAS Facilities (including any arising as a result of any cross-collateralization thereof authorized at any time by the Bankruptcy Court);
- (f) Liens on assets that are the subject of a Permitted Secured Financing; provided, that such Liens attach only to the assets subject to the Existing Secured Indebtedness related thereto;
- (g) other Liens securing Indebtedness permitted by Section 6.3(a)(ix) and (xii);
- (h) Liens on the Excluded Accounts and amounts on deposit therein in favor of the beneficiaries of the amounts on deposit therein to the extent such Liens secure obligations owed to such beneficiaries;
- (i) any interest or title of a licensor, lessor or sublessor granted to others, but only to the extent permitted by any of the Collateral Documents;
- (j) Liens in favor of credit card processors securing obligations in connection with credit card processing services incurred in the ordinary course of business and consistent with past practices;
- (k) Liens on cash deposits that do not constitute Collateral in an aggregate amount not in excess of \$150,000,000;
- (l) Liens on cash deposits pledged as collateral for Indebtedness permitted under Section 6.3(a)(viii) in connection with Investments permitted under Section 6.2(g)(iii), to the extent that the aggregate amount of such cash deposits at any time does not exceed the greater of (i) \$300,000,000 and (ii) 15% of the then outstanding unrestricted cash balance of the Delta Companies;
- (m) Liens on Margin Stock, if and to the extent the value of all Margin Stock of Borrower and its Subsidiaries exceeds 25% of the total assets subject to this Section 6.7;

(n) Liens on real and personal property acquired in connection with acquisitions permitted by this Article 6 to the extent such Liens exist on such acquired property at the time of acquisition; provided, that such Liens attach only to the assets (including related leases thereof and, in the case of personal property, other assets integral to the use thereof including security deposits from any sublessee collaterally assigned for the benefit of lessors) subject to such acquisition;

(o) Liens securing a Permitted Refinancing of Indebtedness, to the extent such Indebtedness being refinanced was originally secured in accordance with this Section 6.7; provided that such Lien does not attach to any additional property or assets of Borrower or any Subsidiary;

(p) Liens securing the Loans and the other Obligations;

(q) any Lien on any Non-1110 Aviation Assets or Section 1110 Assets securing Indebtedness permitted under Section 6.3(a)(xx) or created as a result of the restructuring of any operating lease of Non-1110 Aviation Assets or Section 1110 Assets permitted under Section 6.3(a)(i); provided, that such Liens attach only to the assets securing the applicable Indebtedness permitted under Section 6.3(a)(i) or (a)(iv);

(r) Liens created after the Closing Date in connection with operating Leases; provided, that, except in the case of Liens arising under Section 6.7(e), such Liens attach only to the assets subject to such Lease (including any sublease thereof, other assets integral to the use thereof and security deposits from any sublessee collaterally assigned for the benefit of lessors); and

(s) other Liens so long as the value of the property subject to such Liens, and the Indebtedness and other obligations secured thereby, do not exceed, in the aggregate, \$2,000,000.

No Credit Party shall grant, or permit any of its Subsidiaries to grant, except as expressly permitted by this Agreement, any Lien on any of its respective assets securing the Senior Claims or the Junior Claims (as each such term is defined in the Skymiles Intercreditor Agreement), as the case may be, to any Person other than each of the Administrative Agent and the Skymiles Agent on behalf of the applicable Secured Parties (as defined in the Skymiles Intercreditor Agreement), subject to the relative priorities set forth in the Skymiles Intercreditor Agreement.

6.8 Sale of Stock and Assets.

No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including the Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of its Accounts (any such disposition being an “Asset Sale”), other than (without duplication):

(a) sales and other dispositions of assets (excluding those assets subject to clause (c) or (i) below), and swaps, exchanges, interchange or pooling of assets (subject to the limitations set forth in the Collateral Documents), in the ordinary course of business;

- (b) sales or dispositions of surplus, obsolete, negligible or uneconomical assets no longer used in the business of Borrower and the Guarantors;
- (c) the sale or other disposition of any Collateral consisting of (i) up to fifteen (15) 767-200 aircraft or (ii) other Collateral included in the Term A Borrowing Base having a book value not exceeding \$50,000,000 in the aggregate in any Fiscal Year; provided, that, in each case, any disposition of any such Collateral included in the Term A Borrowing Base (other than DFW Assets) may only be sold for value in excess of the Allocated Amount for such Collateral;
- (d) Excluded Sales;
- (e) all sales of assets of DLMS securing its obligations under the Skymiles Facility;
- (f) dispositions of Section 1110 Assets or Non-1110 Aviation Assets, consisting of the return thereof to the party that had provided financing therefor; provided, that such dispositions, in the aggregate, shall not materially and adversely affect the operations of the Delta Companies, taken as a whole;
- (g) sales or dispositions of assets among (i) Borrower and the Guarantors or (ii) Subsidiaries that are not Guarantors;
- (h) sales or dispositions of other assets in arm's length transactions at fair market value in an aggregate amount not to exceed \$50,000,000 in the aggregate in any Fiscal Year;
- (i) (i) abandonment of Intellectual Property; provided, that such abandonment is (A) in the ordinary course of business consistent with past practices and (B) with respect to Intellectual Property that is not material to the business of Borrower and the Guarantors and (ii) licensing or sublicensing of Intellectual Property in the ordinary course of business consistent with past practices;
- (j) dispositions of assets located outside of the United States in an aggregate amount not to exceed \$5,000,000;
- (k) the sale or discount of Accounts to a collection agency in connection with collections of delinquent receivables;
- (l) (i) abandonment of Slots, Gates, Routes or Supporting Route Facilities; provided, that such abandonment is (A) in connection with the downsizing of any hub or other facility located in Cincinnati as reflected in the Projections, (B) in connection with the downsizing of any other hub or facility as reflected in the Projections, which does not materially and adversely affect the business of Borrower and the Guarantors, taken as a whole, or (C) in the ordinary course of business consistent with past practices and does not materially and adversely affect the business of Borrower and the Guarantors, taken as a whole, (ii) transfer or other disposition of Slots to the extent permitted by Section 7(b) of the SGR Security Agreement in an aggregate amount not to exceed \$25,000,000, (iii) exchange of Slots to the extent permitted by Section 7(c) of the SGR Security Agreement and (iv) assignments of leases or granting of leases of (x) Aircraft or Engines to the extent permitted pursuant to the Aircraft Mortgage and (y) other aircraft or engines (that do not constitute Collateral) in the ordinary course of business;

(m) the sale or other disposition of any 737-800 aircraft substantially concurrently with the consummation of the purchase of such aircraft to the extent such purchase occurs pursuant to a purchase agreement to which a Delta Company was a party as of the Closing Date;

(n) sale-leaseback, synthetic lease or similar transactions to the extent not prohibited by Section 6.12;

(o) to the extent not prohibited by Section 6.18 or any of the Collateral Documents, the disposition of leasehold or similar interests in Real Estate that is not Owned Real Estate, including through assignment, sublease or lease termination or rejection, in whole or in part, or the return, surrender, exchange or abandonment of any property subject thereto;

(p) any sale of Margin Stock for fair value as determined in good faith by Borrower; and

(q) any Property Loss Event (without giving effect to the thresholds set forth in the definition thereof);

(r) rejection of executory contracts in accordance with an order of the Bankruptcy Court to the extent such rejections do not, individually or in the aggregate, materially and adversely affect the business of Borrower and the Guarantors, taken as a whole; and

(s) sale of Excluded Properties; provided, that, if such Excluded Properties are included in the Term A Borrowing Base, the sale price shall be in excess of the Allocated Amount for such Excluded Properties.

6.9 [Reserved.]

6.10 Financial Covenants.

Borrower shall not breach or fail to comply with any of the Financial Covenants.

6.11 Hazardous Materials.

No Credit Party shall cause or knowingly permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than in the case of each of clauses (a) and (b), such violations, Releases or Environmental Liabilities that could not reasonably be expected to have a Material Adverse Effect.

6.12 Sale-Leasebacks.

No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its Primary Gates, Primary Routes, Primary Slots or owned assets (including without limitation, any aircraft), except (i) any sale-leaseback, synthetic lease or similar transaction permitted by Section 6.3(a)(i), (ii) in connection with Section 1110 Assets or Non-1110 Aviation Assets and (iii) any sale-leaseback or similar transaction of any owned asset that constitutes a fixture on, or that is used primarily in the operation of, leased Real Estate, to the extent that such sale-leaseback occurs in connection with an assignment or rejection of the lease of such Real Estate followed by a lease-back of all or a portion of such Real Estate.

6.13 Restricted Payments.

No Credit Party shall make any Restricted Payment, except (a) payments of principal of and interest on intercompany loans and advances between Borrower and Guarantors to the extent permitted by Section 6.3, (b) dividends and distributions by Subsidiaries of Borrower, (c) dividends and distributions by Borrower with respect to its Stock payable solely in additional shares of its common Stock, (d) pursuant to stock option plans or other benefit plans for management or employees of Borrower and its Subsidiaries in a maximum aggregate amount not to exceed \$2,000,000, (e) the redemption of the Class B shares of Delta Benefits Management Inc. held by Aon Group, Inc., pursuant to put and call rights existing on the date hereof (f) scheduled payments of interest with respect to Permitted Subordinated Indebtedness and any Permitted Refinancing thereof (or, subject to any applicable subordination terms, upon acceleration), and (g) scheduled payments of principal and interest with respect to, and payment of fees and other charges required by the terms of, the Post-Petition Skymiles Facility (or, subject to the Skymiles Intercreditor Agreement, upon acceleration), provided that no such payments shall be made from proceeds of Collateral other than Skymiles Collateral (A) from and after the issuance of any Notice of Actionable Default and until the withdrawal of all pending Notices of Actionable Default or (B) during the period in which the Excess Aggregate Cash on Hand is lower than the lesser of (x) \$200 million and (y) the aggregate amount of “Obligations” (as defined in the Post-Petition Skymiles Facility Documents) arising in connection with the Bankruptcy Loans (as defined in the Post-Petition Skymiles Facility Documents) outstanding at such time ; provided that such Restricted Payments in clause (a) shall be permitted so long as no Event of Default has occurred and is continuing or would result after giving effect to such Restricted Payments and the Administrative Agent shall not have notified Borrower to stop such payments.

6.14 Change of Corporate Name or Location; Change of Fiscal Year.

No Credit Party shall (a) change its name as it appears in official filings in the state of its incorporation or other organization, (b) change its chief executive office, principal place of business, corporate offices or warehouses, hangars, terminals, maintenance facilities or other locations at which Collateral with book value in excess of \$5,000,000, individually or in the aggregate, is held or stored, or the location of its records concerning such Collateral, (c) change the type of entity that it is, (d) change its organization identification number, if any, issued by its state of incorporation or other organization, or (e) change its state of incorporation or organization, in each case, without at least thirty (30) days’ prior written notice to the Administrative Agent; provided, that (i) in the case of clauses (b) or (e), any such new location shall be in the continental United States and (ii) the Credit Parties shall be in compliance with the Spare Parts Mortgage at all times. No Credit Party shall change its Fiscal Year.

6.15 No Impairment of Intercompany Transfers.

No Credit Party shall directly or indirectly enter into or become contractually bound by any agreement, instrument, indenture or other obligation (other than this Agreement, the other Loan Documents and the Post-Petition Skymiles Facility Documents) that could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions by a Credit Party or the making or repayment of intercompany loans by a Subsidiary of Borrower to Borrower; other than (a) prohibitions or restrictions existing on the Closing Date and listed on Disclosure Schedule 6.15 , and any extension or renewal thereof on terms no less favorable to such Credit Party and (b) prohibitions or restrictions set forth in the Loan Documents or the Post-Petition Skymiles Facility Documents (to the extent consistent with such provisions in the Loan Documents).

6.16 Limitation on Negative Pledge Clauses.

No Credit Party will enter into any agreement (other than the Loan Documents) with any Person which prohibits or limits the ability of such Credit Party to create, incur, assume or suffer to exist any Lien securing the Obligations upon any of its properties, assets or revenues, whether now owned or hereafter acquired, other than agreements that contain (a) prohibitions or limitations existing on the Closing Date and listed on Disclosure Schedule 6.16 , and any extension or renewal thereof on terms no less favorable to the Credit Parties, (b) prohibitions set forth in the Loan Documents and the Post-Petition Skymiles Facility Documents, (c) customary prohibitions, restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale; provided , that such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (d) prohibitions or restrictions imposed by any agreement relating to secured Indebtedness or other obligations permitted by this Agreement if such restriction or condition applies only to property secured or financed by such Indebtedness or other obligations and (e) restrictions prohibiting Liens contained in agreements relating to the use and occupancy of airport premises and facilities, operating leases, Capital Leases or Licenses with respect to properties subject thereto and interests created therein.

6.17 No Speculative Transactions.

No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge in the ordinary course of business.

6.18 Real Estate Purchases and Leases .

No Credit Party shall purchase a fee simple ownership interest in real estate with an aggregate purchase price in excess of \$30,000,000. No Credit Party shall modify, amend, extend, cancel, terminate or otherwise change in any materially adverse manner any term, covenant or condition of any lease, sublease, usufruct, use agreement or other occupancy or facility agreement affecting its Real Estate as of the Closing Date, and no Credit Party shall hereafter enter into any new lease, sublease, usufruct, use agreement or other occupancy or facility agreement granting such Credit Party possessory, use or similar rights in or to any real estate, unless such modification, amendment, extension, cancellation, termination or other change, or such new lease, sublease, usufruct, use agreement or other occupancy or facility agreement, (a) is not prohibited by the Collateral Documents, (b) would not have a Material Adverse Effect, and (c) would not materially and adversely affect the Administrative Agent's Liens, for the benefit of Secured Parties, in the Collateral stored or located at the location to which such modification or other change, or such new lease or other agreement relates. Further, no Credit Party shall assign, sublet or otherwise dispose of any such lease, sublease, usufruct, use agreement or other occupancy or facility agreement to which such Credit Party is now or hereafter a counterparty, except for an assignment, subletting or disposition that (x) is not prohibited by Section 6.8 or the Collateral Documents, (y) would not have a Material Adverse Effect and (z) would not materially and adversely affect the Administrative Agent's Liens, for the benefit of Secured Parties, in the Collateral stored or located at such location .

6.19 Changes Relating to Permitted Subordinated Indebtedness and Post-Petition Skymiles Facility Documents .

(a) No Credit Party shall change or amend the terms of any Permitted Subordinated Indebtedness (or any indenture or agreement in connection therewith) if the effect of such amendment is to: (i) increase the interest rate on such Permitted Subordinated Indebtedness; (ii) change the dates upon which payments of principal or interest are due on such Permitted Subordinated Indebtedness other than to extend such dates; (iii) change any default or event of default other than to delete or make less restrictive any default provision therein with respect to such Permitted Subordinated Indebtedness; (iv) change the redemption or prepayment provisions of such Permitted Subordinated Indebtedness other than to extend the dates therefor or to reduce the premiums payable in connection therewith; (v) grant any security or collateral to secure payment of such Permitted Subordinated Indebtedness; or (vi) change or amend any other term, in each case, if such change or amendment would materially increase the obligations of the Credit Party thereunder or confer additional material rights on the holder of such Permitted Subordinated Indebtedness, in each case, in a manner adverse to any Credit Party, the Administrative Agent or any Lender.

(b) No Credit Party shall change or amend the terms of the Post-Petition Skymiles Facility Documents, if the effect of such amendment is to: (i) increase the interest rate on the Post-Petition Skymiles Facility; (ii) change the dates upon which payments of principal or interest are due on the Post-Petition Skymiles Facility other than to extend such dates; (iii) change any default or event of default other than to delete or make less restrictive any default provision therein with respect to the Post-Petition Skymiles Facility; (iv) change the redemption or prepayment provisions of the Post-Petition Skymiles Facility other than to extend the dates therefor or to reduce the premiums payable in connection therewith; (v) grant any security or collateral to secure payment of the Post-Petition Skymiles Facility; or (vi) change or amend any other term if such change or amendment would materially increase the obligations of the Credit Party thereunder or confer additional material rights on the holder of the Post-Petition Skymiles Facility, in each case, in a manner adverse to any Credit Party, the Administrative Agent or any Lender.

6.20 Cancellation of Indebtedness.

No Credit Party shall, nor shall they permit any of its Subsidiaries to, cancel any claim or Indebtedness owed to any of them except (i) in the ordinary course of business consistent with past practice, (ii) in respect of intercompany Indebtedness among the Credit Parties or (iii) negotiated on an arm's-length basis and for consideration reasonably deemed by the Borrower to be reasonable.

7. TERM

7.1 Termination.

The financing arrangements contemplated hereby shall be in effect until the Maturity Date, and the Loans and all other Obligations shall be automatically due and payable in full on such date.

7.2 Survival of Obligations Upon Termination of Financing Arrangements.

Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of the Administrative Agent and the Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Maturity Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Credit Parties, and all rights of the Administrative Agent and each Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the provisions of Article 13, the payment obligations under Sections 1.13 and 1.14, and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default.

The occurrence of any one or more of the following events (regardless of the reason therefor) shall constitute an “ Event of Default ” hereunder:

(a) Borrower (i) fails to make any payment of principal of the Loans or any Letter of Credit Obligation when due and payable, (ii) fails to make any payment of interest on, or Fees owing in respect of, the Loans or any of the other Obligations within three (3) Business Days of the date when due and payable, or (iii) fails to pay or reimburse the Administrative Agent or any L/C Issuer or Lender for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following the demand for such reimbursement or payment of expenses.

(b) Any Credit Party fails or neglects to perform, keep or observe any of the provisions of Sections 1.2, 1.3, 1.4, 5.4, 5.14, 5.16 or Article 6, the reporting requirements of Section 5.15, the insurance provisions in the Collateral Documents or any of the provisions set forth in Annexes C or G, respectively.

(c) Borrower fails or neglects to perform, keep or observe any of the provisions of Section 4.1 or any provisions set forth in Annexes E or F, respectively, and the same shall remain unremedied for three (3) Business Days or more.

(d) (x) Borrower fails to perform or observe any covenant, condition or agreement to be performed or observed by it under the Aircraft Mortgage, and such failure continues unremedied for a period of sixty (60) days after receipt by Borrower of a notice thereof from the Administrative Agent (such failure, a “Maintenance Default”); provided that, if Borrower shall have undertaken to cure any such failure which arises under Sections 7.02 or 7.04 of the Aircraft Mortgage as those sections relate to maintenance, service, repair or overhauls and such failure is capable of being remedied, no such failure shall constitute an Event of Default for a period of ninety (90) days after such notice is received by Borrower (“Maintenance Cure Period”) so long as Borrower is diligently proceeding to remedy such failure; provided further that, if not cured, such failure shall constitute an Event of Default if not remedied within 180 days after receipt by Borrower of such notice of a Maintenance Default or (y) any Credit Party fails or neglects to perform, keep or observe any other provision of this Agreement, any of the other Loan Documents or the Collateral Documents (other than any provision embodied in or covered by any other clause of this Section 8.1) and the same shall remain unremedied for thirty (30) days or more.

(e) Except for defaults resulting directly from the commencement of the Cases and defaults resulting from obligations (other than the Obligations) with respect to which the Bankruptcy Code prohibits any Credit Party from complying or permits an Credit Party not to comply, a default or breach occurs under any other agreement, document or instrument to which any Credit Party is a party that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any post-petition Indebtedness or Guaranteed Indebtedness (other than the Obligations) of any Credit Party in excess of \$25,000,000 in the aggregate (including (x) undrawn committed or available amounts and (y) amounts owing to all creditors under any combined or syndicated credit arrangements), or (ii) causes, or permits any holder of such Indebtedness or Guaranteed Indebtedness or a trustee to cause, post-petition Indebtedness or Guaranteed Indebtedness or a portion thereof in excess of \$25,000,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, or cash collateral to be demanded in respect thereof, in each case, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Any information contained in any Borrowing Base Certificate is untrue or incorrect in any material respect, or any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate (other than a Borrowing Base Certificate) made or delivered to the Administrative Agent or any Lender by any Credit Party is untrue or incorrect in any material respect, in each case, as of the date when made or deemed made.

(g) [Reserved].

(h) The Loan Documents and the Final Order shall, for any reason, cease to create a valid Lien on any of the Collateral purported to be covered thereby or such Lien shall cease to be a perfected Lien having the priority provided for herein and in the Final Order, or any Credit Party shall so allege in any pleading filed in any court or any material provision of any Loan Document shall, for any reason, cease to be valid and binding on each Credit Party party thereto (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms).

(i) A final unstayed judgment or judgments for the payment of money in excess of \$10,000,000 in the aggregate at any time are outstanding against one or more of the Credit Parties (which judgments are not covered by insurance policies as to which liability has been accepted by the insurance carrier), and the same are not, within thirty (30) days after the entry thereof, discharged or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay.

(j) Suspension of all or substantially all of the Credit Parties' flight and other operations for longer than two days (excluding, however, any such suspension as a result of an order by an Aviation Authority due to a force majeure or any other extraordinary event similarly affecting all major U.S. commercial carriers) or entry of an order by the Bankruptcy Court authorizing the same.

(k) Any Change of Control occurs.

(l) Any Air Carrier shall cease to be a Certificated Air Carrier or a “ citizen of the United States ” as defined in Section 40102(a)(15) of Title 49.

(m) (i) In the case of any Primary Route, any applicable Aviation Authority revokes, terminates or cancels any Credit Party's Permits to use, occupy or maintain such Primary Route, whether as a result of any revocation, termination or cancellation of any Primary Gate, Primary Slot or otherwise; (ii) in the case of any Primary Slot, any applicable Aviation Authority revokes, terminates or cancels any Credit Party's Permits to use, occupy or maintain such Primary Slot or any Credit Party surrenders such Primary Slot to the applicable Aviation Authority; provided, that an Event of Default shall not occur under this clause (m)(ii) if the aggregate value of all such Primary Slots that have been revoked, terminated, surrendered or canceled does not exceed an amount equal to the sum of (i) \$25,000,000 plus (ii) the lesser of (x) the amount of cash and Cash Equivalents held in the SGR Cash Collateral Account and (y) \$25,000,000; provided, further, that, in the event the Administrative Agent, in its reasonable discretion, determines that the aggregate value of all such Primary Slots that have been revoked, terminated, surrendered or canceled exceeds \$25,000,000, the Administrative Agent shall promptly request an appraisal from an Appraiser, and each Credit Party shall permit such appraisals to be conducted, for purposes of determining such value.

(n) In the case of any other Slots, Gates or Routes, any applicable Aviation Authority modifies, suspends, revokes, terminates, cancels or otherwise takes any action that adversely affects any Credit Party's Permits or any Credit Party's use or occupation or maintenance of such Slots, Gates and Routes due to any Credit Party's failure to abide by applicable law or any contract governing the use of such Slots, Gates and Routes, or any Credit Party otherwise ceases to use, occupy or maintain such Slots, Gates and Routes, and any event referred to in this clause (n) could reasonably be expected to have a Material Adverse Effect .

(o) Any Lien shall arise on the assets of any Credit Party in favor of the PBGC or an ERISA Plan and such lien has not been stayed pursuant to the Bankruptcy Code, but only to the extent that such Lien could reasonably be expected to result in liability to any Credit Party in an amount which would exceed \$1,000,000.

(p) Any of the Cases shall be dismissed (or the Bankruptcy Court shall make a ruling requiring the dismissal of the Cases) or converted to a case under chapter 7 of the Bankruptcy Code (except to the extent the disposition of assets upon such liquidation would be permitted under Section 6.8), or any Credit Party shall file any pleading requesting any such relief; a trustee under chapter 7 or chapter 11 of the Bankruptcy Code, a responsible officer or an examiner with enlarged powers relating to the operation of the business (powers beyond those set forth in section 1106(a)(3) and (4) of the Bankruptcy Code) under section 1106(b) of the Bankruptcy Code shall be appointed in any of the Cases; or an application shall be filed by any Credit Party for the approval of, or the Court shall enter an order granting, (i) other than any Claim of Amex under the Post-Petition Skymiles Facility Documents with respect to the Skymiles Collateral, any other Claim having priority senior to or *pari passu* with the claims of the Administrative Agent and the Lenders under the Loan Documents or, without the prior written consent of the Administrative Agent, any other claim having priority over any or all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code (other than the Carve-Out) or (ii) any Lien on the Collateral having a priority senior to or *pari passu* with the Liens and security interests granted herein, except the Liens on Skymiles Collateral securing the obligations under the Post-Petition Skymiles Facility and except as otherwise expressly provided herein.

(q) Any Credit Party shall file a motion seeking, or the Bankruptcy Court shall enter, an order (i) approving any payment (as adequate protection or otherwise) on account of any Claim against any Credit Party arising or deemed to have arisen prior to the Petition Date, other than a Permitted Prepetition Payment, (ii) approving any other First Day Order not reasonably acceptable to the Administrative Agent, (iii) granting relief from the automatic stay applicable under section 362 of the Bankruptcy Code to any holder of any security interest to permit foreclosure or obtain liens on any assets which have a value in excess of \$10,000,000 (it being understood that neither the relinquishment by the Borrower or Guarantors of Section 1110 Assets, nor the foreclosure of security interests in Section 1110 Assets (or in property in the possession of the applicable secured party) as to which defaults have not been cured pursuant to Section 1110 of the Bankruptcy Code, shall be considered to be included in this paragraph) provided that, if any Credit Party would otherwise be permitted under this Agreement to make a payment to the holder of a security interest in cash or Cash Equivalents ("Cash Collateral"), and the obligation to make such payment is secured by such Cash Collateral, then in lieu of making such payment, such Credit Party may direct or authorize such secured party to, and such secured party may, apply such Cash Collateral to satisfy such payment obligation (including by way of setoff against or foreclosure on such Cash Collateral), (iv) authorizing the sale of all or substantially all of Borrower's assets (unless such order contemplates payment in full in cash of the Obligations upon consummation of such sale, whether pursuant to a Plan of Reorganization or otherwise) or (v) except to the extent the disposition of assets upon such liquidation would be permitted under Section 6.8, approving the implementation of liquidation under chapter 11 of the Bankruptcy Code in any Case; or

(r) (i) The Final Order shall cease to be in full force and effect, or (ii) any Credit Party shall fail to comply with the terms of the Final Order in any material respect, or (iii) the Final Order shall be amended, supplemented, stayed, reversed, vacated or otherwise modified (or any of the Credit Parties shall apply for authority to do so) in any manner that affects the rights or duties of the Administrative Agent, the Arrangers or the Lenders, in each case, without the prior written consent of the Administrative Agent .

8.2 Remedies.

(a) If any Event of Default has occurred and is continuing, without further order of, application to, or action by, the Bankruptcy Court, the Administrative Agent may (and at the written request of any of the Requisite Term A Lenders, the Requisite Term B Lenders or the Requisite Term C Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans to the Default Rate.

(b) If any Event of Default has occurred and is continuing, without further order of, application to, or action by, the Bankruptcy Court, (i) the Administrative Agent may (and at the written request of (A) the Requisite Lenders or (B) after 120 days following the occurrence of such Event of Default, any of the Requisite Term A Lenders, the Requisite Term B Lenders or the Requisite Term C Lenders, shall), without notice, declare all or any portion of the Obligations, including all or any portion of any Loan to be forthwith due and payable, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower and each other Credit Party; or (ii) the Administrative Agent may (and at the written request of the Requisite Lenders, shall), without notice except as required by the Final Order, exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity, including all remedies provided under the Code.

(c) In addition, subject solely to any requirement of the giving of notice by the terms of the Final Order, the automatic stay provided in section 362 of the Bankruptcy Code shall be deemed automatically vacated without further action or order of the Bankruptcy Court and the Administrative Agent and the Lenders shall be entitled to exercise all of their respective rights and remedies under the Loan Documents, including, without limitation, all rights and remedies with respect to the Collateral and the Guarantors.

8.3 Waivers by Credit Parties.

Except as otherwise provided for in this Agreement, by applicable law or the Final Order, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by the Administrative Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever the Administrative Agent may do in this regard, (b) all rights to notice and a hearing prior to the Administrative Agent's taking possession or control of, or to the Administrative Agent's replevy, attachment or levy upon, the Collateral or any bond or security that might be required by any court prior to allowing the Administrative Agent to exercise any of their remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

9. GUARANTY

9.1 Guaranty of Obligations of Borrower. Each Guarantor hereby jointly and severally unconditionally guarantees to Secured Parties, and their respective successors, endorsees, transferees and assigns, the prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of the Obligations of Borrower. Guarantors agree that this Agreement is a guaranty of payment and performance and not of collection, and that their obligations under this Agreement shall be primary, absolute and unconditional, irrespective of, and unaffected by:

- (a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in any other Loan Document or any other agreement, document or instrument to which any Credit Party and/or Guarantors are or may become a party;
- (b) the absence of any action to enforce any other Loan Document or the waiver or consent by any Secured Party with respect to any of the provisions thereof;
- (c) the existence, value or condition of, or failure to perfect its Lien against, any Collateral for the Obligations or any action, or the absence of any action, by Secured Parties in respect thereof (including, without limitation, the release of any such security);
- (d) the insolvency of any Credit Party; or
- (e) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor,

it being agreed by each Guarantor that its obligations under this Agreement shall not be discharged until the Termination Date. Each Guarantor shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations. Each Guarantor agrees that any notice or directive given at any time to Secured Parties which is inconsistent with the waiver in the immediately preceding sentence shall be null and void and may be ignored by Secured Parties, and, in addition, may not be pleaded or introduced as evidence in any litigation relating to this Agreement for the reason that such pleading or introduction would be at variance with the written terms of this Agreement, unless Secured Parties have specifically agreed otherwise in writing. It is agreed among each Guarantor and Secured Parties that the foregoing waivers are of the essence of the transaction contemplated by the Loan Documents and that, but for this Agreement and such waivers, Secured Parties would decline to enter into this Agreement.

9.2 Demand by Secured Parties . In addition to the terms of the Guaranty set forth in Section 9.1 hereof, and in no manner imposing any limitation on such terms, it is expressly understood and agreed that, if, at any time, the outstanding principal amount of the Obligations under this Agreement (including all accrued interest thereon) is declared to be immediately due and payable, then Guarantors shall, without demand (except as required by the Final Order), pay to the holders of the Obligations the entire amount of the outstanding Obligations due and owing to such holders. Payment by Guarantors shall be made to Administrative Agent in immediately available federal funds to the Cash Collateral Account and applied to the Obligations in accordance with Section 1.3 .

9.3 Enforcement of Guaranty . In no event shall any Secured Party have any obligation (although it is entitled, at its option) to proceed against Borrower or any other Credit Party or any Collateral pledged to secure Obligations before seeking satisfaction from any or all of the Guarantors, and Secured Parties may proceed, prior or subsequent to, or simultaneously with, the enforcement of Secured Parties' rights hereunder, to exercise any right or remedy which it may have against any Collateral, as a result of any Lien it may have as security for all or any portion of the Obligations.

9.4 Waiver . In addition to the waivers contained in Section 9.1 hereof, Guarantors waive, and agree that they shall not at any time insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshaling of assets or redemption laws, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by Guarantors of their Obligations under, or the enforcement by Secured Parties of, this Agreement. Guarantors hereby waive diligence, presentment and demand (whether for non-payment or protest or of acceptance, maturity, extension of time, change in nature or form of the Obligations, acceptance of further security, release of further security, composition or agreement arrived at as to the amount of, or the terms of, the Obligations, notice of adverse change in Borrower's financial condition or any other fact which might increase the risk to Guarantors) with respect to any of the Obligations or all other demands whatsoever and waive the benefit of all provisions of law which are or might be in conflict with the terms of this Agreement. Guarantors represent, warrant and jointly and severally agree that, as of the date of this Agreement, their obligations under this Agreement are not subject to any offsets or defenses against Secured Parties or any Credit Party of any kind. Guarantors further jointly and severally agree that their obligations under this Agreement shall not be subject to any counterclaims or offsets or defenses against Secured Parties or against any Credit Party of any kind which may arise in the future.

9.5 Benefit of Guaranty . The provisions of this Agreement are for the benefit of Secured Parties and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any Credit Party and Secured Parties, the obligations of any Credit Party under the Loan Documents. In the event all or any part of the Obligations are transferred, indorsed or assigned by any Secured Party to any Person or Persons, any reference to "Secured Party" herein shall be deemed to refer equally to such Person or Persons.

9.6 Modification of Obligations, Etc. Each Guarantor hereby acknowledges and agrees that Secured Parties may at any time or from time to time, with or without the consent of, or notice to, Guarantors or any of them:

- (a) change or extend the manner, place or terms of payment of, or renew or alter all or any portion of, the Obligations;
- (b) take any action under or in respect of the Loan Documents in the exercise of any remedy, power or privilege contained therein or available to it at law, equity or otherwise, or waive or refrain from exercising any such remedies, powers or privileges;
- (c) amend or modify, in any manner whatsoever, the Loan Documents, other than this Article 9;
- (d) extend or waive the time for any Credit Party's performance of, or compliance with, any term, covenant or agreement on its part to be performed or observed under the Loan Documents, or waive such performance or compliance or consent to a failure of, or departure from, such performance or compliance;
- (e) take and hold Collateral for the payment of the Obligations guaranteed hereby or sell, exchange, release, dispose of, or otherwise deal with, any property pledged, mortgaged or conveyed, or in which Secured Parties have been granted a Lien, to secure any Obligations;
- (f) release anyone who may be liable in any manner for the payment of any amounts owed by other Guarantors or any other Credit Party to any Secured Party;
- (g) modify or terminate the terms of any intercreditor or subordination agreement pursuant to which claims of other creditors of any Guarantor or any Credit Party are subordinated to the claims of Secured Parties; and/or
- (h) apply any sums by whomever paid or however realized to any amounts owing by any other Guarantor or any other Credit Party to any Secured Party in such manner as any Secured Party shall determine in its discretion;

and Secured Parties shall not incur any liability to Guarantors as a result thereof, and no such action shall impair or release the Obligations of Guarantors or any of them under this Agreement.

9.7 Waiver of Subrogation, Etc. . Notwithstanding anything to the contrary in this Agreement, or in any other Loan Document, each Guarantor hereby:

- (a) expressly and irrevocably waives, on behalf of itself and its successors and assigns (including any surety), any and all rights at law or in equity to subrogation, to reimbursement, to exoneration, to contribution, to indemnification, to set off or to any other rights that could accrue to a surety against a principal, to a guarantor against a principal, to a guarantor against a maker or obligor, to an accommodation party against the party accommodated, to a holder or transferee against a maker, or to the holder of any claim against any Person, and which such Guarantor may have or hereafter acquire against any Credit Party in connection with or as a result of such Guarantor's execution, delivery and/or performance of this Agreement, or any other documents to which such Guarantor is a party or otherwise; and

(b) acknowledges and agrees that this waiver is intended to benefit Secured Parties and shall not limit or otherwise effect any Guarantor's liability hereunder or the enforceability of this Agreement and their rights under this Section 9.7 shall survive payment in full of the Obligations.

9.8 Election of Remedies. If Administrative Agent may, under applicable law, proceed to realize benefits under any of the Loan Documents giving Secured Parties a Lien upon any Collateral owned by any Credit Party, either by judicial foreclosure or by non-judicial sale or enforcement, Administrative Agent may, at its sole option, determine which of such remedies or rights it may pursue without affecting any of such rights and remedies under this Agreement. If, in the exercise of any of its rights and remedies, Administrative Agent shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Credit Party, whether because of any applicable laws pertaining to “ election of remedies ” or the like, Guarantors hereby consent to such action by Administrative Agent and waive any claim based upon such action, even if such action by Administrative Agent shall result in a full or partial loss of any rights of subrogation which Guarantors might otherwise have had but for such action by Administrative Agent. Any election of remedies which results in the denial or impairment of the right of Administrative Agent to seek a deficiency judgment against any Credit Party shall not impair each Guarantor's obligation to pay the full amount of the Obligations. In the event Administrative Agent shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, Administrative Agent may bid all or less than the amount of the Obligations and the amount of such bid need not be paid by Administrative Agent but shall be credited against the Obligations in accordance with Section 1.3. The amount of the successful bid at any such sale shall be conclusively deemed to be the fair market value of the Collateral and the difference between such bid amount and the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this Agreement, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Secured Parties might otherwise be entitled but for such bidding at any such sale.

10 . SECURITY

10.1 Security.

(a) To secure the prompt and complete payment, performance and observance of all of the Obligations, in addition to other “ Collateral ” upon which a Lien is granted under the other Collateral Documents, each Credit Party hereby grants, assigns, conveys, mortgages, pledges, hypothecates and transfers to Administrative Agent, for itself and for the benefit of the Secured Parties, a first priority Lien (subject only to (i) the Liens of the Skymiles Agent in the Skymiles Collateral pursuant to an order of the Bankruptcy Court in form and substance satisfactory to the Administrative Agent, (ii) valid, perfected, nonavoidable and enforceable Liens existing as of the Petition Date, (iii) valid liens in existence at the commencement of the Cases to the extent perfected subsequent to such commencement as permitted by Section 546(b) of the Code, (iv) the Carve-Out and (v) Permitted Liens permitted pursuant to Section 6.7(a), (c), (e), (f), (i), (j) (subject, in the case of Amex, to the Skymiles Intercreditor Agreement), (n), (o), (q), (r) or (s)) in accordance with sections 364(c)(2) and 364(c)(3) of the Bankruptcy Code upon all of the following property now owned or at any time hereafter acquired by a Credit Party or in which such Credit Party now has or at any time in the future may acquire any right, title or interest (capitalized terms contained in this section, unless the context indicates otherwise, or unless defined elsewhere herein, have the meanings provided for in the Code to the extent the same is used or defined therein):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Documents;
- (iv) all General Intangibles (including payment intangibles and Software);
- (v) all Goods, Inventory and Equipment, including spare parts, Flight Simulators and Tooling, and other personal property, whether tangible or intangible or wherever located;
- (vi) all Instruments;
- (vii) all Investment Property;
- (viii) all Vehicles;
- (ix) all real property (subject to Section 5.12(b));
- (x) the commercial tort claims described on Disclosure Schedule 10.1 ;
- (xi) all Deposit Accounts of any Credit Party, including all Blocked Accounts, Concentration Accounts and all other bank accounts and all deposits therein;
- (xii) all money, cash or cash equivalents of any Credit Party;
- (xiii) all Supporting Obligations and Letter of Credit Rights of any Credit Party;
- (xiv) to the extent not otherwise included, all monies and other property of any kind which is, after the Petition Date, received by such Credit Party in connection with refunds with respect to taxes, assessments and governmental charges imposed on such Credit Party or any of its property or income;
- (xv) to the extent not otherwise included, all causes of action (other than claims of the Credit Parties under Sections 502(d), 544, 545, 547, 548 and 550 of the Bankruptcy Code) and all monies and other property of any kind received therefrom, and all monies and other property of any kind recovered by any Credit Party; and

(xvi) all property of any Credit Party held by the Administrative Agent or any other Secured Party, including all property of every description, in the possession or custody of or in transit to the Administrative Agent or such Secured Party for any purpose, including safekeeping, collection or pledge, for the account of such Credit Party or as to which such Credit Party may have any right or power;

(xvii) to the extent not otherwise included, all Proceeds of each of the foregoing, tort claims, insurance claims and other rights to payment not otherwise included in the foregoing and products of the foregoing and all accessions to, substitutions and replacements for, and rents and profits of, each of the foregoing;

provided, that “ Collateral ” shall not include (i) the Excluded Collateral provided that if and when any property shall cease to be Excluded Collateral, such property shall be deemed at all times from and after the date such property ceased to be Excluded Collateral to constitute Collateral and (ii) any General Intangibles or other rights arising under any contract, instrument, license or other document if the grant of a security interest therein would constitute a breach or violation of a valid and effective restriction in favor of a third party, but only to the extent, and for so long as, in the case of clause (ii) such restriction is not terminated or rendered unenforceable or otherwise deemed ineffective by any applicable law.

(b) [Reserved].

(c) To the extent a security interest hereunder would be created in any asset in which a security interest is created under any Collateral Document, the rights, remedies and obligations of the relevant Credit Party and the Secured Parties with respect to such asset shall be governed by such Collateral Document and not this Agreement.

10.2 Perfection of Security Interests .

(a) At any time and from time to time, upon the reasonable request of the Administrative Agent and at the sole expense of the Credit Parties, each Credit Party shall promptly and duly execute and deliver any and all such further instruments and documents and take such further actions as the Administrative Agent may deem desirable to obtain the full benefits of any security interest granted or purported to be granted by such Credit Party hereunder and of the rights and powers herein granted, including (i) upon the reasonable request of the Administrative Agent, using its commercially reasonable efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of Administrative Agent of any License or Contract held by such Credit Party and to enforce the security interests granted hereunder, (ii) unless Administrative Agent shall otherwise consent in writing (which consent may be revoked), delivering to Administrative Agent all Collateral consisting of negotiable Documents and certificated securities (in each case, accompanied by stock powers, allonges or other instruments of transfer executed in blank) promptly after such Credit Party receives the same, (iii) delivering any requested Chattel Paper or Instrument to Administrative Agent (in each case accompanied by instruments of transfer executed in blank), (iv) obtaining or using commercially reasonable efforts to obtain, (A) waivers or subordinations of Liens from landlords at locations required by Section 5.8 of this Agreement and (B) signed acknowledgements of Administrative Agent's Liens from bailees at locations required by Section 5.8 of this Agreement having possession of any Credit Party's Goods that they hold for the benefit of Secured Parties, (v) to the extent required by this Agreement and not waived by Administrative Agent in writing (which waiver may be revoked) obtaining authenticated Control Letters from each issuer of uncertificated securities, securities intermediary, or commodities intermediary issuing or holding any financial assets or commodities, in each case constituting Collateral, to or for any Credit Party; provided, that the Administrative Agent shall not deliver a notice that it is exercising exclusive control over any financial assets or commodities to any such issuer, securities intermediary or commodities intermediary unless an Event of Default has occurred and is continuing, (vi) in accordance with and to the extent required by Annex C to this Agreement, obtaining a blocked account or similar agreement with each bank or financial institution holding a Deposit Account for such Credit Party; provided, that the Administrative Agent shall not deliver a notice that it is exercising exclusive control over any Deposit Account to any such bank or financial institution unless an Event of Default has occurred and is continuing, (vii) for each Credit Party that is or becomes the beneficiary of a letter of credit with a face amount in excess of \$1,000,000, promptly, and in any event within two (2) Business Days after becoming a beneficiary, notifying Administrative Agent thereof and thereafter, unless the related Letter-of-Credit Rights constitute a Supporting Obligation for which Administrative Agent's security interest is perfected, using its commercially reasonable efforts to cause the issuer and/or confirmation bank with respect to such Letter-of-Credit Rights to enter into a tri-party agreement with Administrative Agent assigning such Letter-of-Credit Rights to Administrative Agent and directing all payments thereunder to a Blocked Account, all in form and substance reasonably satisfactory to Administrative Agent, (viii) taking all steps necessary to grant the Administrative Agent control of all electronic chattel paper in accordance with the Code and all "transferable records" as defined in each of the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act, (ix) promptly, and in any event within five (5) Business Days after the same is acquired by it, notifying the Administrative Agent of any commercial tort claim (as defined in the Code) involving a claim of more than \$1,000,000 acquired by it and if requested by the Administrative Agent, entering into a supplement to this Agreement, granting to Administrative Agent a Lien in such commercial tort claim, (x) maintaining complete and accurate stock records, (xi) except as otherwise provided in clause (vii) hereof, delivering to the Administrative Agent all documents, certificates and Instruments necessary or desirable to perfect the Administrative Agent's Lien on letters of credit on which such Credit Party is named as beneficiary and all acceptances issued in connection therewith and (xii) taking such other steps as are deemed necessary or desirable to maintain the Administrative Agent's security interest in the Collateral.

(b) Each Credit Party hereby irrevocably authorizes the Administrative Agent at any time and from time to time to file in any filing office in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as all assets of such Credit Party or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Code in such jurisdiction, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Code for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether such Credit Party is an organization, the type of organization and any organization identification number issued to such Credit Party, and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Collateral relates. Each Credit Party agrees to furnish any such information to the Administrative Agent promptly upon request. Each Credit Party also ratifies its authorization for the Administrative Agent to have filed in any Uniform Commercial Code jurisdiction any initial financing statements or amendments thereto if filed prior to the date hereof.

(c) Notwithstanding subsections (a) and (b) of this Section 10.2, or any failure on the part of any Credit Party or the Administrative Agent to take any of the actions set forth in such subsections, the Liens and security interests granted herein shall be deemed valid, enforceable and perfected by entry of the Final Order. No financing statement, notice of lien, mortgage, deed of trust or similar instrument in any jurisdiction or filing office need be filed or any other action taken in order to validate and perfect the Liens and security interests granted by or pursuant to this Agreement or the Final Order.

10.3 Rights of Lender; Limitations on Lenders' Obligations .

(a) Subject to each Credit Party's rights and duties under the Bankruptcy Code (including section 365 of the Bankruptcy Code), it is expressly agreed by each Credit Party that, anything herein to the contrary notwithstanding, each such Credit Party shall remain liable under each of its Contracts and each of its Licenses to observe and perform all the conditions and obligations to be observed and performed by it thereunder, unless such Credit Party determines in its reasonable good faith judgment that such Contract or License is no longer valuable to such Credit Party's business, economically or otherwise. Neither the Administrative Agent nor any Secured Party shall have any obligation or liability under any Contract or License by reason of or arising out of this Agreement or the granting herein of a Lien thereon or the receipt by Administrative Agent or any Secured Party of any payment relating to any Contract or License pursuant hereto. Neither Administrative Agent nor any Secured Party shall be required or obligated in any manner to perform or fulfill any of the obligations of any Credit Party under or pursuant to any Contract or License, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any Contract or License, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

(b) Subject to Section 10.5 hereof, the Administrative Agent authorizes each Credit Party to collect its Accounts, provided that such collection is performed in accordance with such Credit Party's customary procedures, and the Administrative Agent may, upon the occurrence and during the continuation of any Event of Default and without notice, other than any requirement of notice provided in the Final Order, limit or terminate said authority at any time.

(c) Subject to any requirement of notice provided in the Final Order, the Administrative Agent may at any time after an Event of Default has occurred and is continuing without prior notice to any Credit Party, notify Account Debtors and other Persons obligated on the Collateral that Administrative Agent has a security interest therein, and that payments shall be made directly to Administrative Agent. Subject to any requirement of notice provided in the Final Order, upon the reasonable request of Administrative Agent, each Credit Party shall so notify Account Debtors and other Persons obligated on Collateral. Once any such notice has been given to any Account Debtor or other Person obligated on the Collateral, the affected Credit Party shall not give any contrary instructions to such Account Debtor or other Person without Administrative Agent's prior written consent. Subject to any requirement of notice provided in the Final Order, upon the occurrence and during the continuation of an Event of Default, the Administrative Agent may in its own name, or in the name of others, communicate with such parties to such Accounts, Contracts, Instruments, Investment Property and Chattel Paper to verify with such Persons to the Administrative Agent's reasonable satisfaction the existence, amount and terms of any such Accounts, Contracts, Instruments, Investment Property or Chattel Paper.

(d) Subject to any requirement of notice provided in the Final Order, Administrative Agent may at any time in Administrative Agent's own name, in the name of a nominee of Administrative Agent or in the name of any Credit Party communicate (by mail, telephone, facsimile or otherwise) with Account Debtors to verify with such Persons, to Administrative Agent's satisfaction, the existence, amount, terms of, and any other matter relating to, Accounts and/or payment intangibles comprising Collateral; provided that unless an Event of Default shall have occurred and be continuing, the Administrative Agent shall not do any of the foregoing except during normal business hours and after giving such Credit Party reasonable prior notice and opportunity to be present. If an Event of Default shall have occurred and be continuing, each Credit Party, at its own expense, shall cause the independent certified public accountants then engaged by such Credit Party to prepare and deliver to Administrative Agent and each Secured Party at any time and from time to time promptly upon Administrative Agent's written request the following reports with respect to each Credit Party: (i) a reconciliation of all Accounts; (ii) an aging of all Accounts; (iii) trial balances; and (iv) a test verification of such Accounts as Administrative Agent may request. Administrative Agent may at any time in Administrative Agent's own name, in the name of a nominee of Administrative Agent or in the name of any Credit Party communicate (by mail, telephone, facsimile or otherwise) with parties to Contracts and obligors in respect of Instruments to verify with such Persons, to Administrative Agent's satisfaction, the existence, amount, terms of, and any other matter relating to, Instruments, Chattel Paper and/or payment intangibles comprising Collateral; provided that unless an Event of Default shall have occurred and be continuing, the Administrative Agent shall not do any of the foregoing except during normal business hours and after giving such Credit Party reasonable prior notice and opportunity to be present. Each Credit Party, at its own expense, shall deliver to Administrative Agent the results of each physical verification, if any, which such Credit Party may in its discretion have made, or caused any other Person to have made on its behalf, of all or any portion of its Inventory.

10.4 Covenants of the Credit Parties with Respect to Collateral. Each Credit Party covenants and agrees with Administrative Agent, for the benefit of Secured Parties, that from and after the date of this Agreement and until the Termination Date:

(a) Maintenance of Records. Credit Parties shall keep and maintain, at their own cost and expense, satisfactory and complete records of the Collateral, including a record of any and all payments received and any and all credits granted with respect to the Collateral and all other dealings with the Collateral, in each case in a manner consistent with past practice. Upon request by the Administrative Agent, Credit Parties shall mark their books and records pertaining to the Collateral to evidence this Agreement and the Liens granted hereby. If any Credit Party retains possession of any Chattel Paper or Instruments with Administrative Agent's consent, such Chattel Paper and Instruments shall, if requested by Administrative Agent, be marked with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of General Electric Capital Corporation, as Administrative Agent, for the benefit of Secured Parties."

(b) Covenants Regarding Patent, Trademark and Copyright Collateral.

(i) Credit Parties shall notify Administrative Agent promptly if they know or have reason to know that any application or registration relating to any material Patent, Trademark or Copyright (now or hereafter existing) may become abandoned or dedicated, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court) regarding any Credit Party's ownership of any material Patent, Trademark or Copyright, its right to register the same, or to keep and maintain the same.

(ii) Promptly after any Credit Party, either itself or through the Administrative Agent, employee, licensee or designee, files an application for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office or the United States Copyright Office, Credit Party shall give Administrative Agent written notice of such filing and, upon request of Administrative Agent, Credit Party shall execute and deliver any and all Patent Security Agreements, Copyright Security Agreements or Trademark Security Agreements as Administrative Agent may request to evidence Administrative Agent's Lien on such Patent, Trademark or Copyright, and the General Intangibles of such Credit Party relating thereto or represented thereby.

(iii) Credit Parties shall take all actions necessary or requested by Administrative Agent to maintain and pursue each application, to obtain the relevant registration and to maintain the registration of each of the Patents, Trademarks and Copyrights (now or hereafter existing), including the filing of applications for renewal, affidavits of use, affidavits of noncontestability and opposition and interference and cancellation proceedings unless such Credit Party reasonably determines that such Patent, Trademark or Copyright Collateral is in no way material to the conduct of its business or operations,

(iv) In the event that any of the Patent, Trademark or Copyright Collateral is infringed upon, or misappropriated or diluted by a third party, such Credit Party shall comply with Section 10.2(a)(ix) of this Agreement. Such Credit Party shall, unless such Credit Party reasonably determines that such Patent, Trademark or Copyright Collateral is in no way material to the conduct of its business or operations, promptly sue for infringement, misappropriation or dilution and to recover any and all damages for such infringement, misappropriation or dilution, and shall take such other actions as Administrative Agent shall deem appropriate under the circumstances to protect such Patent, Trademark or Copyright Collateral.

(c) [Reserved].

(d) Further Identification of Collateral. In addition to any other requirements herein, Credit Parties will, if so requested by Administrative Agent, furnish to Administrative Agent, as often as Administrative Agent reasonably requests, statements and schedules further identifying and describing the Collateral as Administrative Agent may reasonably request, all in such detail as Administrative Agent may specify.

(e) Notices. Credit Parties will advise Administrative Agent promptly, in reasonable detail of any Lien or claim made or asserted against any of the Collateral other than in respect of Permitted Liens.

(f) Terminations; Amendments Not Authorized. Except to the extent permitted by clause (g), each Credit Party acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to any financing statement relating to the Collateral and filed pursuant to the terms hereof without the prior written consent of Administrative Agent and agrees that it will not do so without the prior written consent of Administrative Agent, subject to such Credit Party's rights under Section 9-509(d)(2) of the Code.

(g) Authorized Terminations and Subordinations. Administrative Agent will promptly deliver to each Credit Party for filing or authorize each Credit Party to prepare and file termination statements and releases in respect of any sales, transfers, conveyances, assignments or other dispositions of Collateral made in accordance with Section 6.8 of this Agreement. Administrative Agent will, upon request of any Credit Party, expressly subordinate, in form and substance reasonably satisfactory to the Administrative Agent the Liens granted hereunder to any prior Lien permitted under Section 6.7 of this Agreement.

(h) Motor Vehicles. Upon request, each Credit Party shall deliver to Administrative Agent a motor vehicle certificate of title, if any, for all motor vehicles from time to time owned by it and shall cause those title certificates to be filed (with Administrative Agent's Lien noted thereon) in the appropriate state motor vehicle filing office.

(i) Pledged Collateral.

(i) All certificates and all promissory notes and instruments evidencing the Pledged Collateral shall be delivered to and held by or on behalf of Administrative Agent, for itself and the benefit of Secured Parties, pursuant hereto. All Pledged Shares shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Administrative Agent and all promissory notes or other instruments evidencing the Pledged Indebtedness shall be endorsed by the applicable Credit Party.

(ii) Without the prior written consent of Administrative Agent, no Credit Party will sell, assign, transfer, pledge, or otherwise encumber any of its rights in or to the Pledged Collateral, or any unpaid dividends, interest or other distributions or payments with respect to the Pledged Collateral or grant a Lien in the Pledged Collateral, unless otherwise expressly permitted by this Agreement;

(iii) Each Credit Party will, at its expense, promptly execute, acknowledge and deliver all such instruments and take all such actions as Administrative Agent from time to time may reasonably request in order to ensure to Administrative Agent and Secured Parties obtain the benefits of the Liens in and to the Pledged Collateral intended to be created by this Agreement, including the filing of any necessary Code financing statements, which may be filed by Administrative Agent with or (to the extent permitted by law) without the signature of Credit Party, and will cooperate with Administrative Agent, at such Credit Party's expense, in obtaining all necessary approvals and making all necessary filings under federal, state, local or foreign law in connection with such Liens or any sale or transfer of the Pledged Collateral; provided that Administrative Agent shall not, prior to the occurrence of any Event of Default, require any actions to be taken with respect to (i) those assets as to which Administrative Agent shall determine, in its reasonable discretion, that the cost of obtaining such security interest or taking such action are excessive in relation to the benefit to Lenders afforded thereby, (ii) property the acquisition or construction of which was financed through Indebtedness (existing as of the Closing Date or as permitted by Section 6.3(a) of this Agreement), and (iii) all property to the extent that the granting of such a security interest or taking such action would constitute a breach or violation of a valid and effective restriction in favor of a third party (including, without limitation, mandatory consent rights), or give rise to any indemnification obligations or any right to terminate or commence the exercise of remedies under such restrictions;

(iv) Each Credit Party has and will defend the title to the Pledged Collateral and the Liens of Administrative Agent in the Pledged Collateral against the claim of any Person (other than the holder of a Permitted Lien) and will maintain and preserve such Liens (it being understood that nothing in this clause (iv) will prevent such Credit Party from disposing of Pledged Collateral as otherwise permitted by Section 6.8); and

(v) Each Credit Party will, upon obtaining ownership of any additional Stock of a Pledged Entity or promissory notes or instruments representing Pledged Indebtedness or Stock or promissory notes or instruments otherwise required to be pledged to Administrative Agent pursuant to any of the Loan Documents, which Stock, notes or instruments are not already Pledged Collateral, promptly (and in any event within five (5) Business Days) deliver to Administrative Agent a Pledge Amendment, duly executed by such Credit Party, in substantially the form of Exhibit H hereto (a "Pledge Amendment") in respect of any such additional Stock, notes or instruments, pursuant to which such Credit Party shall pledge to Administrative Agent all of such additional Stock, notes and instruments; provided that such Credit Party shall be required to do the foregoing with respect to any such promissory note or instrument only if requested to do so by the Administrative Agent pursuant to Section 10.2(a)(ii) of this Agreement. Credit Party hereby authorizes Administrative Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Shares and Pledged Indebtedness listed on any Pledge Amendment delivered to Administrative Agent shall for all purposes hereunder be considered Pledged Collateral. This clause (v) shall not apply to any Excluded Equity.

10.5 Performance by Administrative Agent of the Credit Parties' Obligations . If any Credit Party fails to perform or comply with any of its agreements contained herein and the Administrative Agent, as provided for by the terms of this Agreement, shall itself perform or comply, or otherwise cause performance or compliance, with such agreement, the expenses of the Administrative Agent incurred in connection with such performance or compliance, together with interest thereon at the rate then in effect in respect of Term Loan C, shall be payable by such Credit Party to the Administrative Agent on demand and shall constitute Obligations secured by the Collateral. Performance of such Credit Party's obligations as permitted under this Section 10.5 shall in no way constitute a violation of the automatic stay provided by section 362 of the Bankruptcy Code and each Credit Party hereby waives applicability thereof. Moreover, the Administrative Agent shall in no way be responsible for the payment of any costs incurred in connection with preserving or disposing of Collateral pursuant to section 506(c) of the Bankruptcy Code and the Collateral may not be charged for the incurrence of any such cost.

10.6 Limitation on Administrative Agent's duty in Respect of Collateral . The Administrative Agent and each Secured Party shall use reasonable care with respect to the Collateral in its possession or under its control. Neither the Administrative Agent nor any Secured Party shall have any other duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of the Administrative Agent or such Secured Party, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

(a) In addition to all other rights and remedies granted to it under the other Loan Documents and under any other instrument or agreement securing, evidencing or relating to any of the Secured Obligations, if any Event of Default shall have occurred and be continuing, the Administrative Agent may exercise all rights and remedies of a secured party under the Code. Without limiting the generality of the foregoing, each Credit Party expressly agrees that in any such event the Administrative Agent, without demand of performance or other demand, advertisement or notice of any kind (except the notice required by the Final Order or the notice specified below of time and place of public or private sale) to or upon such Credit Party or any other Person (all and each of which demands, advertisements and notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), may, to the maximum extent permitted by law, forthwith enter upon the premises of such Credit Party where any Collateral is located through self-help, without judicial process, without first obtaining a final judgment or giving such Credit Party or any other Person notice and opportunity for a hearing on the Administrative Agent's claim or action and may collect, receive, assemble, process, appropriate and realize upon the Collateral, or any part thereof, and may forthwith sell, lease, license, assign, give an option or options to purchase, or sell or otherwise dispose of and deliver said Collateral (or contract to do so), or any part thereof, in one or more parcels at a public or private sale or sales, at any exchange at such prices as it may deem acceptable, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Secured Party shall have the right upon any such public sale or sales and, to the extent permitted by law, upon any such private sale or sales, to purchase for the benefit of Secured Parties, the whole or any part of said Collateral so sold, free of any right or equity of redemption, which equity of redemption each Credit Party hereby releases. Such sales may be adjourned and continued from time to time with or without notice. The Administrative Agent shall have the right to conduct such sales on any Credit Party's premises or elsewhere and shall have the right to use any Credit Party's premises without charge for such time or times as the Administrative Agent may deem necessary or advisable. EACH CREDIT PARTY HEREBY IRREVOCABLY CONSTITUTES AND APPOINTS ADMINISTRATIVE AGENT AS THE PROXY AND ATTORNEY-IN-FACT OF SUCH CREDIT PARTY WITH RESPECT TO THE PLEDGED COLLATERAL, INCLUDING THE RIGHT TO VOTE THE PLEDGED SHARES, WITH FULL POWER OF SUBSTITUTION TO DO SO. THE APPOINTMENT OF ADMINISTRATIVE AGENT AS PROXY AND ATTORNEY-IN-FACT IS COUPLED WITH AN INTEREST AND SHALL BE IRREVOCABLE UNTIL THE TERMINATION DATE. IN ADDITION TO THE RIGHT TO VOTE THE PLEDGED SHARES, THE APPOINTMENT OF ADMINISTRATIVE AGENT AS PROXY AND ATTORNEY-IN-FACT SHALL INCLUDE THE RIGHT TO EXERCISE ALL OTHER RIGHTS, POWERS, PRIVILEGES AND REMEDIES TO WHICH A HOLDER OF THE PLEDGED SHARES WOULD BE ENTITLED (INCLUDING GIVING OR WITHHOLDING WRITTEN CONSENTS OF SHAREHOLDERS, CALLING SPECIAL MEETINGS OF SHAREHOLDERS AND VOTING AT SUCH MEETINGS). SUCH PROXY SHALL BE EFFECTIVE, AUTOMATICALLY AND WITHOUT THE NECESSITY OF ANY ACTION (INCLUDING ANY TRANSFER OF ANY PLEDGED SHARES ON THE RECORD BOOKS OF THE ISSUER THEREOF) BY ANY PERSON (INCLUDING THE ISSUER OF THE PLEDGED SHARES OR ANY OFFICER OR AGENT THEREOF), UPON THE OCCURRENCE OF AN EVENT OF DEFAULT. NOTWITHSTANDING THE FOREGOING, (X) ADMINISTRATIVE AGENT SHALL NOT HAVE ANY DUTY TO EXERCISE ANY SUCH RIGHT OR TO PRESERVE THE SAME AND SHALL NOT BE LIABLE FOR ANY FAILURE TO DO SO OR FOR ANY DELAY IN DOING SO AND (Y) ADMINISTRATIVE AGENT SHALL NOT EXERCISE ANY SUCH RIGHT WITH RESPECT TO ANY REGULATED SUBSIDIARY UNLESS ANY AND ALL REGULATORY APPROVALS REQUIRED UNDER APPLICABLE LAW SHALL HAVE BEEN OBTAINED.

(b) If any Event of Default shall have occurred and be continuing, each Credit Party further agrees, at Administrative Agent's request, to assemble the Collateral and make it available to Administrative Agent at a place or places designated by Administrative Agent which are reasonably convenient to Administrative Agent and such Credit Party, whether at such Credit Party's premises or elsewhere. Until Administrative Agent is able to effect a sale, lease, or other disposition of Collateral, the Administrative Agent shall have the right to hold or use Collateral, or any part thereof, to the extent that it deems appropriate for the purpose of preserving Collateral or its value or for any other purpose deemed appropriate by Administrative Agent. The Administrative Agent shall have no obligation to any Credit Party to maintain or preserve the rights of Credit Party as against third parties with respect to Collateral while Collateral is in the possession of the Administrative Agent. The Administrative Agent may, if it so elects, seek the appointment of a receiver or keeper to take possession of Collateral and to enforce any of the Administrative Agent's remedies (for the benefit of Secured Parties), with respect to such appointment without prior notice or hearing as to such appointment. The Administrative Agent shall deposit the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale to the Cash Collateral Account and such net proceeds shall be applied in accordance with Section 1.3. To the maximum extent permitted by applicable law, each Credit Party waives all claims, damages, and demands against the Administrative Agent or any Secured Party arising out of the repossession, retention or sale of the Collateral except such as arise solely out of the gross negligence or willful misconduct of the Administrative Agent or such Secured Party as finally determined by a court of competent jurisdiction. Each Credit Party agrees that ten (10) days prior notice by Administrative Agent of the time and place of any public sale or of the time after which a private sale may take place is reasonable notification of such matters. Credit Parties shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all Secured Obligations, including any attorneys' fees and other expenses incurred by Administrative Agent or any Secured Party to collect such deficiency.

(c) Except as otherwise specifically provided herein, each Credit Party hereby waives presentment, demand, protest or any notice (to the maximum extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral.

(d) To the extent that applicable law imposes duties on the Administrative Agent to exercise remedies in a commercially reasonable manner, each Credit Party acknowledges and agrees that it is not commercially unreasonable for the Administrative Agent (i) to fail to incur expenses reasonably deemed significant by the Administrative Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Account Debtors or other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Account Debtors and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as the Credit Parties, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure the Administrative Agent against risks of loss, collection or disposition of Collateral or to provide to the Administrative Agent a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by the Administrative Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Administrative Agent in the collection or disposition of any of the Collateral. Each Credit Party acknowledges that the purpose of this Section 10.7(d) is to provide non-exhaustive indications of what actions or omissions by the Administrative Agent would not be commercially unreasonable in the Administrative Agent's exercise of remedies against the Collateral and that other actions or omissions by the Administrative Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 10.7(d). Without limitation upon the foregoing, nothing contained in this Section 10.7(d) shall be construed to grant any rights to any Credit Party or to impose any duties on the Administrative Agent that would not have been granted or imposed by this Agreement or by applicable law in the absence of this Section 10.7(d).

(e) Neither the Administrative Agent nor any Secured Party shall be required to make any demand upon, or pursue or exhaust any of their rights or remedies against, any Credit Party, any other obligor, guarantor, pledgor or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any of their rights or remedies with respect to any Collateral therefore or any direct or indirect guarantee thereof. Neither the Administrative Agent nor the Secured Parties shall be required to marshal the Collateral or any guarantee of the Secured Obligations or to resort to the Collateral or any such guarantee in any particular order, and all of its and their rights hereunder or under any other Loan Document shall be cumulative. To the extent it may lawfully do so, each Credit Party absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Administrative Agent or any Secured Party, any valuation, stay, appraisal, extension, redemption or similar laws and any and all rights or defenses it may have as a surety now or hereafter existing which, but for this provision, might be applicable to the sale of any Collateral made under the judgment, order or decree of any court, or privately under the power of sale conferred by this Agreement, or otherwise.

(f) Upon the occurrence of an Event of Default and during the continuation of such Event of Default, and concurrently with written notice to Credit Parties, Administrative Agent is hereby authorized and empowered to transfer and register in its name or in the name of its nominee the whole or any part of the Pledged Collateral, to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations, to exercise the voting and all other rights as a holder with respect thereto, to collect and receive all cash dividends, interest, principal and other distributions made thereon, to sell in one or more sales after ten (10) days' notice of the time and place of any public sale or of the time at which a private sale is to take place (which notice Credit Parties agree is commercially reasonable) the whole or any part of the Pledged Collateral and to otherwise act with respect to the Pledged Collateral as though Administrative Agent was the outright owner thereof in each case provided that no such action shall be taken with respect to the Stock of any Regulated Subsidiary unless any and all regulatory approvals required under applicable law shall have been obtained. Any sale shall be made at a public or private sale at Administrative Agent's place of business, or at any place to be named in the notice of sale, either for cash or upon credit or for future delivery at such price as Administrative Agent may deem fair, and Administrative Agent may be the purchaser of the whole or any part of the Pledged Collateral so sold and hold the same thereafter in its own right free from any claim of such Credit Party or any right of redemption. Each sale shall be made to the highest bidder, but Administrative Agent reserves the right to reject any and all bids at such sale which, in its discretion, it shall deem inadequate. Demands of performance, except as otherwise herein specifically provided for, notices of sale, advertisements and the presence of property at sale are hereby waived and any sale hereunder may be conducted by an auctioneer or any officer or agent of Administrative Agent.

(g) If, at the original time or times appointed for the sale of the whole or any part of the Pledged Collateral, the highest bid, if there be but one sale, shall be inadequate to discharge in full all the Secured Obligations, or if the Pledged Collateral has been offered for sale in lots, and if at any of such sales, the highest bid for the lot offered for sale would indicate to Administrative Agent, in its discretion, that the proceeds of the sales of the whole of the Pledged Collateral would be unlikely to be sufficient to discharge all the Secured Obligations, the Administrative Agent may, on one or more occasions and in its sole discretion, postpone effectuating any of said sales by public announcement at the time of sale or the time of previous postponement of sale, and no other notice of such postponement or postponements of sale need be given, any other notice being hereby waived; provided, however, that any sale or sales made after such postponement shall be after ten (10) days' notice to such Credit Party.

(h) If, at any time when Administrative Agent in its sole discretion determines, following the occurrence and during the continuance of an Event of Default, that, in connection with any actual or contemplated exercise of its rights (when permitted under this Section 10.7(h) to sell the whole or any part of the Pledged Shares hereunder, it is necessary or advisable to effect a public registration of all or part of the Pledged Collateral pursuant to the Securities Act of 1933, as amended (or any similar statute then in effect) (the "Act"), such Credit Party shall, in an expeditious manner, cause the Pledged Entities to:

(i) Prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement with respect to the Pledged Shares and in good faith use commercially reasonable efforts to cause such registration statement to become and remain effective;

(ii) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Act with respect to the sale or other disposition of the Pledged Shares covered by such registration statement whenever Administrative Agent shall desire to sell or otherwise dispose of the Pledged Shares;

(iii) Furnish to Administrative Agent such numbers of copies of a prospectus and a preliminary prospectus, in conformity with the requirements of the Act, and such other documents as Administrative Agent may request in order to facilitate the public sale or other disposition of the Pledged Shares by Administrative Agent;

(iv) Use commercially reasonable efforts to register or qualify the Pledged Shares covered by such registration statement under such other securities or blue sky laws of such jurisdictions within the United States and Puerto Rico as Administrative Agent shall request, and do such other reasonable acts and things as may be required of it to enable Administrative Agent to consummate the public sale or other disposition in such jurisdictions of the Pledged Shares by Administrative Agent;

(v) Furnish, at the request of Administrative Agent, on the date that shares of the Pledged Collateral are delivered to the underwriters for sale pursuant to such registration or, if the security is not being sold through underwriters, on the date that the registration statement with respect to such Pledged Shares becomes effective, (A) an opinion, dated such date, of the independent counsel representing such registrant for the purposes of such registration, addressed to the underwriters, if any, and in the event the Pledged Shares are not being sold through underwriters, then to Administrative Agent, in customary form and covering matters of the type customarily covered in such legal opinions; and (B) a comfort letter, dated such date, from the independent certified public accountants of such registrant, addressed to the underwriters, if any, and in the event the Pledged Shares are not being sold through underwriters, then to Administrative Agent, in a customary form and covering matters of the type customarily covered by such comfort letters and as the underwriters or Administrative Agent shall reasonably request. The opinion of counsel referred to above shall additionally cover such other legal matters with respect to the registration in respect of which such opinion is being given as Administrative Agent may reasonably request. The letter referred to above from the independent certified public accountants shall additionally cover such other financial matters (including information as to the period ending not more than five (5) Business Days prior to the date of such letter) with respect to the registration in respect of which such letter is being given as Administrative Agent may reasonably request; and

(vi) Otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable but not later than 18 months after the effective date of the registration statement, an earnings statement covering the period of at least 12 months beginning with the first full month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Act.

(i) All expenses incurred in complying with Section 10.7(h) hereof, including, without limitation, all registration and filing fees (including all expenses incident to filing with the National Association of Securities Dealers, Inc.), printing expenses, fees and disbursements of counsel for the registrant, the fees and expenses of counsel for Administrative Agent, expenses of the independent certified public accountants (including any special audits incident to or required by any such registration) and expenses of complying with the securities or blue sky laws or any jurisdictions, shall be paid by Credit Parties.

(j) If, at any time when Administrative Agent shall determine to exercise its right to sell the whole or any part of the Pledged Collateral hereunder, such Pledged Collateral or the part thereof to be sold shall not, for any reason whatsoever, be effectively registered under the Act, Administrative Agent may, in its discretion (subject only to applicable requirements of law), sell such Pledged Collateral or part thereof by private sale in such manner and under such circumstances as Administrative Agent may deem necessary or advisable, but subject to the other requirements of this Section 10.7, and shall not be required to effect such registration or to cause the same to be effected. Without limiting the generality of the foregoing, in any such event, Administrative Agent in its discretion (x) may, in accordance with applicable securities laws, proceed to make such private sale notwithstanding that a registration statement for the purpose of registering such Pledged Collateral or part thereof could be or shall have been filed under said Act (or similar statute), (y) may approach and negotiate with a single possible purchaser to effect such sale, and (z) may restrict such sale to a purchaser who is an accredited investor under the Act and who will represent and agree that such purchaser is purchasing for its own account, for investment and not with a view to the distribution or sale of such Pledged Collateral or any part thereof. In addition to a private sale as provided above in this Section 10.7, if any of the Pledged Collateral shall not be freely distributable to the public without registration under the Act (or similar statute) at the time of any proposed sale pursuant to this Section 10.7, then Administrative Agent shall not be required to effect such registration or cause the same to be effected but, in its discretion (subject only to applicable requirements of law), may require that any sale hereunder (including a sale at auction) be conducted subject to restrictions:

- (i) as to the financial sophistication and ability of any Person permitted to bid or purchase at any such sale;
- (ii) as to the content of legends to be placed upon any certificates representing the Pledged Collateral sold in such sale, including restrictions on future transfer thereof;
- (iii) as to the representations required to be made by each Person bidding or purchasing at such sale relating to that Person's access to financial information about such Credit Party and such Person's intentions as to the holding of the Pledged Collateral so sold for investment for its own account and not with a view to the distribution thereof; and
- (iv) as to such other matters as Administrative Agent may, in its discretion, deem necessary or appropriate in order that such sale (notwithstanding any failure so to register) may be effected in compliance with the Bankruptcy Code and other laws affecting the enforcement of creditors' rights and the Act and all applicable state securities laws.

(k) Each Credit Party recognizes that Administrative Agent may be unable to effect a public sale of any or all the Pledged Collateral and may be compelled to resort to one or more private sales thereof in accordance with clause (j) above. Each Credit Party also acknowledges that any such private sale may result in prices and other terms less favorable to the seller than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall not be deemed to have been made in a commercially unreasonable manner solely by virtue of such sale being private. Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Collateral for the period of time necessary to permit the Pledged Entity to register such securities for public sale under the Act, or under applicable state securities laws, even if such Credit Party and the Pledged Entity would agree to do so.

(l) Each Credit Party agrees to the maximum extent permitted by applicable law that following the occurrence and during the continuance of an Event of Default it will not at any time plead, claim or take the benefit of any appraisal, valuation, stay, extension, moratorium or redemption law now or hereafter in force in order to prevent or delay the enforcement of this Agreement, or the absolute sale of the whole or any part of the Pledged Collateral or the possession thereof by any purchaser at any sale hereunder, and each Credit Party waives the benefit of all such laws to the extent it lawfully may do so. Each Credit Party agrees that it will not interfere with any right, power and remedy of Administrative Agent provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, or the exercise or beginning of the exercise by Administrative Agent of any one or more of such rights, powers or remedies. No failure or delay on the part of Administrative Agent to exercise any such right, power or remedy and no notice or demand which may be given to or made upon Credit Parties by Administrative Agent with respect to any such remedies shall operate as a waiver thereof, or limit or impair Administrative Agent's right to take any action or to exercise any power or remedy hereunder, without notice or demand, or prejudice its rights as against any Credit Party in any respect.

(m) Each Credit Party further agrees that a breach of any of the covenants contained in this Section 10.7 will cause irreparable injury to Administrative Agent, that Administrative Agent shall have no adequate remedy at law in respect of such breach and, as a consequence, agrees that each and every covenant contained in this Section 10.7 shall be specifically enforceable against the Credit Parties, and each Credit Party hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that the Secured Obligations are not then due and payable in accordance with the agreements and instruments governing and evidencing such Obligations.

(n) To the extent that any rights and remedies under this Section 10.7 would otherwise be in violation of the automatic stay of section 362 of the Bankruptcy Code, such stay shall be deemed modified, as set forth in the Final Order, as applicable, to the extent necessary to permit the Administrative Agent to exercise such rights and remedies.

10.8 The Administrative Agent's Appointment as Attorney-in-Fact.

(a) On the Closing Date each Credit Party executed and delivered to Administrative Agent a power of attorney (the "Power of Attorney") substantially in the form attached hereto as Exhibit A. The power of attorney granted pursuant to the Power of Attorney is a power coupled with an interest and shall be irrevocable until the Termination Date. The powers conferred on Administrative Agent, for the benefit of Secured Parties, under the Power of Attorney are solely to protect Administrative Agent's interests (for the benefit of Secured Parties) in the Collateral and shall not impose any duty upon the Administrative Agent or any Secured Party to exercise any such powers. Administrative Agent agrees that (a) except for the powers granted in clause (h) of the Power of Attorney, it shall not exercise any power or authority granted under the Power of Attorney unless an Event of Default has occurred and is continuing, and (b) Administrative Agent shall account for any moneys received by the Administrative Agent in respect of any foreclosure on or disposition of Collateral pursuant to the Power of Attorney provided that neither the Administrative Agent nor any Secured Party shall have any duty as to any Collateral, and Administrative Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers. NEITHER THE ADMINISTRATIVE AGENT, THE SECURED PARTIES NOR THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR REPRESENTATIVES SHALL BE RESPONSIBLE TO ANY CREDIT PARTY FOR ANY ACT OR FAILURE TO ACT UNDER ANY POWER OF ATTORNEY OR OTHERWISE, EXCEPT IN RESPECT OF DAMAGES ATTRIBUTABLE SOLELY TO THEIR OWN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT AS FINALLY DETERMINED BY A COURT OF COMPETENT JURISDICTION, NOR FOR ANY PUNITIVE, EXEMPLARY, INDIRECT OR CONSEQUENTIAL DAMAGES.

(b) The Administrative Agent agrees that it will forbear from exercising the power of attorney or any rights granted to the Administrative Agent pursuant to this Section 10.8, except upon the occurrence or during the continuation of an Event of Default. The Credit Parties hereby ratify, to the extent permitted by law, all that said attorneys shall lawfully do or cause to be done by virtue hereof. Exercise by the Administrative Agent of the powers granted hereunder is not a violation of the automatic stay provided by section 362 of the Bankruptcy Code and each Credit Party waives applicability thereof. The power of attorney granted pursuant to this Section 10.8 is a power coupled with an interest and shall be irrevocable until the Obligations are indefeasibly paid in full.

(c) The powers conferred on the Administrative Agent hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Administrative Agent shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to any Credit Party for any act or failure to act, except for its own gross negligence or willful misconduct.

(d) Each Credit Party also authorizes the Administrative Agent, at any time and from time to time upon the occurrence and during the continuation of any Event of Default or as otherwise expressly permitted by this Agreement, (i) to communicate in its own name or the name of its Subsidiaries with any party to any Contract with regard to the assignment of the right, title and interest of such Credit Party in and under the Contracts hereunder and other matters relating thereto and (ii) to execute any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(e) All Obligations shall constitute, in accordance with section 364(c)(1) of the Bankruptcy Code, claims against the Borrower and each Credit Party in their respective Cases which are administrative expense claims having priority over any all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code.

10.9 [Reserved].

10.10 Intercreditor Issues.

Notwithstanding anything herein to the contrary, for so long as the Post-Petition SkyMiles Facility Documents are in effect, if any Credit Party is in compliance with any requirements relating to SkyMiles Collateral imposed by the Post-Petition SkyMiles Collateral Documents which are equivalent to requirements set forth in this Agreement (other than creation and, with respect to Collateral which is not Control Collateral (as defined below), perfection, of any Lien hereunder), such Credit Party need not comply with (and shall be deemed to have satisfied) such requirements of this Agreement. Without limiting the foregoing:

(a) any covenant hereunder requiring (or any representation or warranty hereunder to the extent that it would have the effect of requiring) the delivery of possession or control to the Administrative Agent of Control Collateral that is SkyMiles Collateral shall be deemed to have been satisfied (or such representation and warranty shall be deemed to be true) if such possession or control shall have been delivered to SkyMiles Agent as provided in the Post-Petition SkyMiles Facility Documents (as used herein, "Control Collateral" shall mean any Collateral (including, without limitation, any Collateral consisting of any Deposit Account, Investment Property, Letter-of-Credit Rights, electronic chattel paper or money) as to which a Lien therein may be perfected through possession or other control by any secured party or any agent therefor);

(b) if any provision hereof shall require any Credit Party to take any action with respect to any SkyMiles Collateral if requested to do so by the Administrative Agent, such Credit Party shall be required to take such action only if and to the extent that the SkyMiles Agent shall have requested the Credit Party to take such action pursuant to the corresponding provision of the Post-Petition Skymiles Facility Documents;

(c) if any provision hereof shall require any Credit Party to take any action with respect to any SkyMiles Collateral unless the Administrative Agent shall have otherwise provided its consent or a waiver, such Credit Party shall not be required to take such action if and to the extent that the SkyMiles Agent shall have provided its consent or a waiver to the Credit Party not taking such action pursuant to the corresponding provision of the Post-Petition Skymiles Facility Documents; and

(d) if any provision hereof permits any Credit Party to take any action with respect to any SkyMiles Collateral only upon receiving the Administrative Agent's consent to do so, the Administrative Agent shall be deemed to have provided such consent if and to the extent that the SkyMiles Agent shall have provided its consent to such Credit Party taking such action pursuant to the corresponding provision of the Post-Petition Skymiles Facility Documents.

10.11 Release of Collateral.

(a) The Liens granted pursuant to this Agreement shall automatically terminate, and all the Collateral shall be automatically released, without further action by the Administrative Agent and without any further notice or consent to or of any Secured Party, on the Termination Date.

(b) Immediately upon (i) any sale, transfer, conveyance, assignment or other disposition by any Credit Party of any Collateral permitted by this Agreement (or pursuant to a valid waiver or consent to any transaction otherwise prohibited by this Agreement), (ii) any part of the Collateral becoming subject to a Lien permitted by Section 6.7(f) or (iii) any Pledged Collateral being cancelled, replaced or repaid in accordance with the terms of this Agreement, such Collateral shall be automatically released from the security interest granted pursuant to this Agreement and the Lien on such Collateral in favor of the Administrative Agent, for itself and for the benefit of the Secured Parties, shall automatically terminate (and, if such Collateral consists of all of the equity interest in a Subsidiary Guarantor, such Subsidiary Guarantor shall be released from its Guaranty), in each case without further action by the Administrative Agent and without any further notice or consent to or of any Secured Party.

(c) At the request of the Borrower, the Administrative Agent shall, and each of the Secured Parties hereby authorizes and directs the Administrative Agent (without any further notice or consent to or of any Secured Party) to, promptly release or subordinate, as requested by the holders of any Lien permitted by Section 6.7(a), (c), (e), (f), (i), (j) (subject, in the case of Amex, to the Skymiles Intercreditor Agreement), (n), (o), (q), (r) or (s), any part of the Collateral that is subject to a Lien permitted by such section.

(d) At the request of the Borrower, the Administrative Agent shall, and each of the Secured Parties hereby authorizes and directs the Administrative Agent (without further notice or consent to or of any Secured Party) to, execute and deliver or file such termination or partial release statements and take such other actions (including return of Collateral) as are necessary to terminate, release or subordinate Liens pursuant to this Section 10.11 promptly upon the effectiveness of any such termination, release or subordination. The Administrative Agent and the Secured Parties hereby acknowledges and agree that the Credit Parties may use the Collateral to the extent permitted under the Credit Agreement.

11. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF ADMINISTRATIVE AGENT

11.1 Assignment and Participations.

(a) Right to Assign. Each Lender may sell, transfer, negotiate or assign all or a portion of its rights and obligations hereunder (including all or a portion of its Commitments and its rights and obligations with respect to Loans) to (i) any existing Lender, (ii) any Affiliate or Approved Fund of any existing Lender or (iii) any other Person acceptable (which acceptance shall not be unreasonably withheld or delayed) to the Administrative Agent and, as long as no Event of Default is continuing, the Borrower; provided, that (x) such Sales do not have to be ratable between the Term Loans but must be ratable among the obligations owing to and owed by such Lender with respect to a Term Loan and (y) for each Term Loan, the aggregate outstanding principal amount (determined as of the effective date of the applicable Assignment) of the Loans and Commitments subject to any such Sale shall be an integral multiple of \$1,000,000, unless such Sale is made to an existing Lender or an Affiliate or Approved Fund of any existing Lender, is of the assignor's (together with its Affiliates and Approved Funds) entire interest in such Term Loan or is made with the prior consent of the Borrower and the Administrative Agent. In the case of any assignment of Term Loan A, the proceeds of any L/C Cash Collateral held by the Administrative Agent shall not be released in connection with any such assignment, but shall instead continue to be held by the Administrative Agent for application as provided by Annex B.

(b) Procedure. The parties to each Sale made in reliance on clause (a) above (other than those described in clause (e) below) shall execute and deliver to the Administrative Agent (which shall keep a copy thereof) an Assignment, together with any existing Note subject to such Sale (or any affidavit of loss therefor acceptable to the Administrative Agent), any Certificates of Exemption required to be delivered pursuant to Section 1.13 (which shall also be delivered to Borrower) and, except with respect to any assignment by any Arranger (or any Affiliate or Related Person of such Arranger) of the Commitments or Loans held on the Closing Date by such Person to the extent such assignment is made as part of the primary syndication of the applicable Term Loan, payment by the assignee of an assignment fee in the amount of \$3,500. Upon receipt of all the foregoing, and conditioned upon such receipt and upon the Administrative Agent consenting to such Assignment, from and after the effective date specified in such Assignment, the Administrative Agent shall record or cause to be recorded in the Loan Account the information contained in such Assignment.

(c) Effectiveness . Effective upon the entry of such record in the Loan Account, (i) such assignee shall become a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to such assignee pursuant to such Assignment, shall have the rights and obligations of a Lender, (ii) any applicable Note shall be transferred to such assignee through such entry and (iii) the assignor thereunder shall, to the extent that rights and obligations under this Agreement have been assigned by it pursuant to such Assignment, relinquish its rights (except for those surviving the termination of the Commitments and the payment in full of the Obligations) and be released from its obligations under the Loan Documents, other than those relating to events or circumstances occurring prior to such assignment, and, in the case of an Assignment covering all or the remaining portion of an assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto.

(d) Grant of Security Interests . In addition to the other rights provided in this Section 11.1 , each Lender may grant a security interest in, or otherwise assign as collateral, any of its rights under this Agreement, whether now owned or hereafter acquired (including rights to payments of principal or interest on the Loans), to (A) any federal reserve bank (pursuant to Regulation A of the Federal Reserve Board), without notice to the Administrative Agent or (B) any holder of, or trustee for the benefit of the holders of, such Lender's Securities by notice to the Administrative Agent; provided , that no such holder or trustee, whether because of such grant or assignment or any foreclosure thereon (unless such foreclosure is made through an assignment in accordance with clause (b) above), shall be entitled to any rights of such Lender hereunder and no such Lender shall be relieved of any of its obligations hereunder.

(e) Participants and SPVs . In addition to the other rights provided in this Section 11.1 , each Lender may, (x) with notice to the Administrative Agent, grant to an SPV the option to make all or any part of any Loan that such Lender would otherwise be required to make hereunder (and the exercise of such option by such SPV and the making of Loans pursuant thereto shall satisfy the obligation of such Lender to make such Loans hereunder) and such SPV may assign to such Lender the right to receive payment with respect to any Obligation and (y) without notice to or consent from the Administrative Agent or the Borrower, sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Loan Documents; provided , that, whether as a result of any term of any Loan Document or of such grant or participation, (i) no such SPV or participant shall have a commitment, or be deemed to have made an offer to commit, to make Loans hereunder, and, except as provided in the applicable option agreement, none shall be liable for any obligation of such Lender hereunder, (ii) such Lender's rights and obligations, and the rights and obligations of the Credit Parties and the Secured Parties towards such Lender, under any Loan Document shall remain unchanged and each other party hereto shall continue to deal solely with such Lender, which shall remain the holder of the Obligations in the Register, except that (A) each such participant and SPV shall be entitled to the benefit of Section 1.11 , Section 1.13 and Section 1.14 , but, in the case of Section 1.13 , only to the extent Borrower and the Administrative Agent receive a Certificate of Exemption with respect to any such participant or SPV that is a Foreign Person and in each such case only to the extent of any amount to which such Lender would be entitled in the absence of any such grant or participation and (B) each such SPV may receive other payments that would otherwise be made to such Lender with respect to Loans funded by such SPV to the extent provided in the applicable option agreement and set forth in a notice provided to the Administrative Agent by such SPV and such Lender; provided , that in no case (including pursuant to clause (A) or (B) above) shall an SPV or participant have the right to enforce any of the terms of any Loan Document, and (iii) the consent of such SPV or participant shall not be required (either directly, as a restraint on such Lender's ability to consent hereunder or otherwise) for any amendments, waivers or consents with respect to any Loan Document or to exercise or refrain from exercising any powers or rights such Lender may have under or in respect of the Loan Documents (including the right to enforce or direct enforcement of the Obligations), except for those described in clauses (viii)(B) and (viii)(C) of Section 13.2(a) with respect to amounts, or dates fixed for payment of amounts, to which such participant or SPV would otherwise be entitled and, in the case of participants, except for those described in Section 13.2(a)(xii) (or amendments, consents and waivers with respect to Section 10.10 to release all or substantially all of the Collateral). No party hereto shall institute (and Borrower shall cause each other Credit Party not to institute) against any SPV grantee of an option pursuant to this clause (e) any bankruptcy, reorganization, insolvency, liquidation or similar proceeding, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper of such SPV; provided, however, that each Lender having designated an SPV as such agrees to indemnify each Indemnified Person against any Liability that may be incurred by, or asserted against, such Indemnified Person as a result of failing to institute such proceeding (including a failure to get reimbursed by such SPV for any such Liability). The agreement in the preceding sentence shall survive the termination of the Commitments and the payment in full of the Obligations.

11.2 Appointment of Administrative Agent.

GE Capital is hereby appointed to act as the Administrative Agent on behalf of the Lenders and the Secured Parties under this Agreement and the other Loan Documents. The provisions of this Section 11.2 are solely for the benefit of the Administrative Agent and Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, the Administrative Agent shall act solely as an agent of the Lenders, and the Administrative Agent does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. The Administrative Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of the Administrative Agent shall be mechanical and administrative in nature, and the Administrative Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Except as expressly set forth in this Agreement and the other Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to any Credit Party or any of their respective Subsidiaries or any Account Debtor that is communicated to or obtained by GE Capital or any of its Affiliates in any capacity. Neither the Administrative Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

If the Administrative Agent shall request instructions from Requisite Lenders, Requisite Term A Lenders, Requisite Term B Lenders, Requisite Term C Lenders, Supermajority Term A Lenders, all Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until the Administrative Agent shall have received instructions from Requisite Lenders, Requisite Term A Lenders, Requisite Term B Lenders, Requisite Term C Lenders, Supermajority Term A Lenders, all Lenders or all affected Lenders, as the case may be, and the Administrative Agent shall not incur liability to any Person by reason of so refraining. The Administrative Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of the Administrative Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of the Administrative Agent, expose the Administrative Agent to Environmental Liabilities or (c) if the Administrative Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Requisite Term A Lenders, Requisite Term B Lenders, Requisite Term C Lenders, Supermajority Term A Lenders, all Lenders or all affected Lenders, as applicable.

11.3 Administrative Agent's Reliance, Etc. None of the Administrative Agent or any of its Affiliates or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages caused by its or their own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Administrative Agent: (a) may treat the payee of any Note as the holder thereof until the Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form reasonably satisfactory to the Administrative Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to inspect the Collateral (including the Books and Records to the extent not prohibited by a confidentiality agreement in favor of a third party) of any Credit Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

11.4 GE Capital and Affiliates.

With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term “ Lender ” or “ Lenders ” shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not the Administrative Agent and without any duty to account therefor to Lenders. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders. Each Lender acknowledges the potential conflict of interest between GE Capital as a Lender holding disproportionate interests in the Loans (including the L/C Cash Collateral) and GE Capital as the Administrative Agent.

11.5 Lender Credit Decision.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans (including the L/C Cash Collateral), and expressly consents to, and waives any claim based upon, such conflict of interest.

11.6 Indemnification.

Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed by Credit Parties and without limiting the Obligations of Credit Parties hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted to be taken by the Administrative Agent in connection therewith; provided, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent’s gross negligence or willful misconduct. Without limiting the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that the Administrative Agent is not reimbursed for such expenses by Credit Parties.

11.7 Successor Agents.

The Administrative Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor the Administrative Agent. If a successor Administrative Agent shall not have been so appointed by the Requisite Lenders and shall not have accepted such appointment within thirty (30) days after the resigning Administrative Agent's giving notice of resignation, then such resigning Administrative Agent on behalf of the Lenders may appoint a successor Administrative Agent, which shall be a Lender, if such Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$300,000,000. If a successor Administrative Agent has not been appointed pursuant to the foregoing, within thirty (30) days after the date such notice of resignation was given by such resigning Administrative Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of the Administrative Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Administrative Agent as provided above. Any successor Administrative Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided, that such approval shall not be required if a Default or an Event of Default has occurred and is continuing. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Administrative Agent. Upon the earlier of (i) the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent or (ii) the effective date of the resigning Administrative Agent's resignation, such resigning Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Administrative Agent shall continue. After any Administrative Agent's resignation hereunder, the provisions of this Article 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting as the Administrative Agent under this Agreement and the other Loan Documents.

11.8 Setoff and Sharing of Payments.

In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, each Lender is hereby authorized upon the occurrence and during the continuance of any Event of Default and subject to Section 11.9(d), at any time or from time to time, without prior notice to any Credit Party or to any Person other than the Administrative Agent (except as otherwise required by the Final Order), any such notice being hereby expressly waived, to offset and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower or any Guarantor (regardless of whether such balances are then due to Borrower or any Guarantor) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of Borrower or any Guarantor against and on account of any of the Obligations that are not paid when due; provided, that the Lender exercising such offset rights shall give notice thereof to the affected Credit Party, except as otherwise required by the Final Order, promptly after exercising such rights. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares, (other than offset rights exercised by any Lender with respect to Sections 1.11, 1.13 or 1.14). Each Term A Lender's obligation under this Section 11.8 shall be in addition to and not in limitation of its obligations to purchase a participation in an amount equal to its Pro Rata Share of the Letter of Credit Obligations as provided in Annex B. Borrower and each Guarantor agrees, to the fullest extent permitted by law, that (a) any Lender may exercise its right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amounts so offset to other Lenders and holders and (b) any Lender so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

11.9 Payments; Non-Funding Lenders; Information; Actions in Concert.

(a) Payments. Not less than once during each calendar month or more frequently at the Administrative Agent's election (each, a "Settlement Date"), the Administrative Agent shall advise each Lender by telephone, or telecopy of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments and Loans required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, the Administrative Agent shall pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrower since the previous Settlement Date for the benefit of such Lender on the Loans held by it. To the extent that any Lender (a "Non-Funding Lender") has failed to fund all such payments and Loans or failed to fund the purchase of all such participations, the Administrative Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex H or the applicable Assignment Agreement) not later than 2:00 p.m. (New York time) on the next Business Day following each Settlement Date.

(b) Return of Payments.

(i) If the Administrative Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by the Administrative Agent from Borrower and such related payment is not received by the Administrative Agent, then the Administrative Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If the Administrative Agent determines at any time that any amount received by the Administrative Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, the Administrative Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to the Administrative Agent on demand any portion of such amount that the Administrative Agent has distributed to such Lender, together with interest at such rate, if any, as the Administrative Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind.

(c) Dissemination of Information. The Administrative Agent shall use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by the Administrative Agent from, or delivered by the Administrative Agent to, any Credit Party, with notice of any Event of Default of which the Administrative Agent has actually become aware and with notice of any action taken by the Administrative Agent following any Event of Default; provided, that the Administrative Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to the Administrative Agent's gross negligence or willful misconduct. Lenders acknowledge that Borrower is required to provide Financial Statements and Collateral Reports to Lenders in accordance with Annexes E and F hereto and agree that the Administrative Agent shall not have the duty to provide the same to Lenders.

(d) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of setoff) without first obtaining the prior written consent of the Administrative Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of the Administrative Agent or Requisite Lenders.

12. SUCCESSORS AND ASSIGNS

12.1 Successors and Assigns.

This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, the Administrative Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of the Administrative Agent and Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of the Administrative Agent and Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, the Administrative Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

13. MISCELLANEOUS

13.1 Complete Agreement; Modification of Agreement.

The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 13.2. Any letter of interest, commitment letter, fee letter or confidentiality agreement, if any, between any Credit Party and the Administrative Agent or any Lender or any of their respective Affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement. Notwithstanding the foregoing, the Fee Letters and all obligations of Borrower with respect to syndication contained in the GE Capital Commitment Letter shall survive the execution and delivery of this Agreement and shall continue to be binding obligations of the parties.

13.2 Amendments and Waivers.

(a) Except as otherwise expressly provided in this Agreement, the Requisite Lenders (or the Administrative Agent with the prior written consent of the Requisite Lenders), on the one hand, and Borrower, on the other hand, may from time to time enter into written amendments, supplements or modifications for the purpose of adding, deleting or modifying any provision of any Loan Document or changing in any manner the rights, remedies, obligations and duties of the parties thereto, and with the written consent of the Requisite Lenders, the Administrative Agent, on behalf of Lenders, may execute and deliver a written instrument waiving, on such terms and conditions as may be specified in such instrument, any of the requirements applicable to the Credit Parties, as the case may be, party to any Loan Document, or any Default or Event of Default and its consequences; provided, that:

(i) the Requisite Term A Lenders (or the Administrative Agent with the prior written consent of the Requisite Term A Lenders), on the one hand, and Borrower, on the other hand, may amend, supplement or otherwise modify or waive any of the terms and provisions (and related definitions) (A) related solely to the borrowings (including any conditions to such borrowings) and payment procedures with respect to the Term Loan A and (B) solely affecting the relative rights, remedies, obligations and priorities among Term A Lenders, which does not adversely affect any Term B Lender or Term C Lender (in each case, except to the extent any such amendment, supplement, modification or waiver would result in an increase of the aggregate Term A Commitment or the aggregate outstanding principal amount of the Term Loan A);

(ii) the Requisite Term B Lenders (or the Administrative Agent with the prior written consent of the Requisite Term B Lenders), on the one hand, and Borrower, on the other hand, may amend, supplement or otherwise modify or waive any of the terms and provisions (and related definitions) (A) related solely to the borrowings (including any conditions to such borrowings) and payment procedures with respect to the Term Loan B and (B) solely affecting the relative rights, remedies, obligations and priorities among Term B Lenders, which does not adversely affect any Term A Lender or Term C Lender (in each case, except to the extent any such amendment, supplement, modification or waiver would result in an increase of the aggregate Term B Commitment or the aggregate outstanding principal amount of the Term Loan B);

(iii) the Requisite Term C Lenders (or the Administrative Agent with the prior written consent of the Requisite Term C Lenders), on the one hand, and Borrower, on the other hand, may amend, supplement or otherwise modify or waive any of the terms and provisions (and related definitions) (A) related solely to the borrowings (including any conditions to such borrowings) and payment procedures with respect to the Term Loan C and (B) solely affecting the relative rights, remedies, obligations and priorities among Term C Lenders, which does not adversely affect any Term A Lender or Term B Lender (in each case, except to the extent any such amendment, supplement, modification or waiver would result in an increase of the aggregate Term C Commitment or the aggregate outstanding principal amount of the Term Loan C);

(iv) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to Lenders required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or the other Loan Documents; and

(v) the Administrative Agent may, with the consent of Borrower, amend, modify or supplement any Loan Document to cure any ambiguity, typographical error, defect or inconsistency;

provided, further, that no amendment, supplement, modification or waiver shall be effective to:

(vi) without the prior written consent of each of the Requisite Term A Lenders, the Requisite Term B Lenders and the Requisite Term C Lenders, (A) amend, supplement, modify or waive any provision of paragraph (c) (Aggregate Cash on Hand) of Annex G, (B) unless expressly permitted by this Agreement, release or permit any Credit Party to sell or otherwise dispose of assets in an aggregate amount in excess of \$75,000,000 or (C) increase the Commitment of any Lender or extend any scheduled final maturity of any Loan; or

(vii) without the prior written consent of each of the Supermajority Term A Lenders, the Requisite Term B Lenders and the Requisite Term C Lenders, amend, supplement, modify or waive any of the terms and provisions (and related definitions) related to the Term A Borrowing Base (including advance rates and eligibility criteria) if more credit would be available to Borrower thereafter; provided, that Borrower's consent will not be required with respect to any modifications made in accordance with Section 1.6;

provided, further, that no such amendment, supplement, modification or waiver shall be effective to, without the prior written consent, in addition to Lenders required above to take such action, of each Lender directly affected thereby:

(viii) (A) modify the Commitment of such Lender or subject such Lender to any additional obligation, (B) extend any scheduled final maturity of any Loan owing to such Lender, (C) waive or reduce, or postpone or cancel any scheduled date fixed for the payment of (it being understood that any mandatory prepayment required under Section 1.2(b) does not constitute any scheduled date fixed for payments), principal of or interest on any such Loan or any fees owing to such Lender, (D) reduce, or release Borrower from its obligations to repay, any other Obligation owed to such Lender or (E) consent to the assignment or transfer by Borrower of any of its rights and obligations under this Agreement;

(ix) amend, modify or waive any provision of Section 1.2, 1.3 or 11.8;

(x) subordinate any of the Obligations or Liens securing the Obligations, except as permitted by this Agreement and the Skymiles Intercreditor Agreement; or

(xi) (A) amend, modify or waive this Section 13.2 or any other provision specifying the Administrative Agent, Lenders or group of Lenders required for any amendment, modification or waiver thereof or (B) change the respective percentages specified in the definition of “ Requisite Lenders, ” “ Requisite Term A Lenders, ” “ Requisite Term B Lenders, ” “ Requisite Term C Lenders, ” or “ Supermajority Term A Lenders ”; or

provided, further, that no such amendment, supplement, modification or waiver shall be effective to, without the prior written consent of all Lenders:

(xii) (A) release any Guarantor from the obligations provided for in the Collateral Documents, except as otherwise permitted herein or in the other Loan Documents, or (B) release or permit any Credit Party to sell or otherwise dispose of all or substantially all of the Collateral provided for in the Collateral Documents; provided, however, that no waiver, amendment, supplement or modification shall be required for the Administrative Agent to take additional Collateral pursuant to any Loan Document.

(b) Any waiver, amendment, supplement or modification pursuant to this Section 13.2 shall apply equally to each of Lenders and shall be binding upon Lenders and all future holders of any of the Loans, the Notes, the Letter of Credit Obligations and all other Obligations.

(c) To the extent (a) the consent or vote of any Lender in its capacity as a Term A Lender, a Term B Lender or a Term C Lender, as applicable, is required, but not obtained (any such Lender whose consent is not obtained as described in this Section 13.2(c) being referred to as a “ Non-Consenting Lender ”) in connection with any proposed amendment, modification, supplement, waiver or exercise of remedies (a “ Proposed Change ”) and (b) the Administrative Agent shall have consented to such Proposed Change, at the request of Borrower and with the consent of the Administrative Agent (not to be unreasonably withheld), any Person reasonably acceptable to such Administrative Agent (which Person may be the Lender acting as such Administrative Agent and shall have consented to such Proposed Change) shall have the right (but not the obligation) to purchase from such Non-Consenting Lender, and such Non-Consenting Lender shall, upon the request of such Administrative Agent, sell and assign to such Person all of the applicable Commitments and Loans of such Non-Consenting Lender for an amount equal to the principal balance of all applicable Loans held by such Non-Consenting Lender and all accrued and unpaid interest and fees with respect thereto through the date of such sale and purchase (the “ Purchase Amount ”); provided, however, that such sale and purchase (and the corresponding assignment) shall not be effective until (A) such Administrative Agent shall have received from such Person an agreement in form and substance satisfactory to such Administrative Agent whereby such Person shall agree to be bound by the terms hereof and (B) such Non-Consenting Lender shall have received the Purchase Amount from such Person. Each Lender agrees that, if it becomes a Non-Consenting Lender, it shall execute and deliver to the Administrative Agent the Note or Notes evidencing such Commitments or Loans and an Assignment Agreement to evidence such sale and assignment; provided, however, that the failure of any Non-Consenting Lender to deliver such Note or Notes or execute an Assignment Agreement shall not render such sale and purchase (and the corresponding assignment) invalid.

(d) Upon the Termination Date, the Administrative Agent shall deliver to Borrower termination statements, mortgage releases, reconveyances and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

13.3 Fees and Expenses.

Borrower shall reimburse (i) the Administrative Agent for all fees, costs and expenses (including the reasonable fees and expenses of all of its counsel, advisors, consultants and auditors) and (ii) the Administrative Agent (and, with respect to clauses (b), (c) and (d) below, all Lenders) for all fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) incurred in connection with the negotiation, preparation and filing and/or recordation of the Loan Documents and incurred in connection with:

(a) any amendment, modification or waiver of, or consent with respect to, or termination of, any of the Loan Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(b) any litigation, contest, dispute, suit, proceeding or action (whether instituted by the Administrative Agent, any Lender, any Credit Party or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against any or all of the Credit Parties or any other Person that may be obligated to the Administrative Agent by virtue of the Loan Documents, including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided, that in the case of reimbursement of counsel for Lenders other than the Administrative Agent, such reimbursement shall be limited to one counsel for all such Lenders; provided, further, that no Person shall be entitled to reimbursement under this clause (b) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct;

(c) any attempt to enforce any remedies of the Administrative Agent or any Lender against any or all of the Credit Parties or any other Person that may be obligated to the Administrative Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided, that in the case of reimbursement of counsel for Lenders other than the Administrative Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(d) any workout or restructuring of the Loans during the pendency of one or more Events of Default; and

(e) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral, in each case pursuant to and in accordance with the terms of the Loan Documents;

including, as to each of clauses (a) through (e) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 13.3, all of which shall be payable, on demand, by Borrower to the Administrative Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; charges for any E-System; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

13.4 No Waiver.

The Administrative Agent's or any Lender's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement or any other Loan Document shall not waive, affect or diminish any right of the Administrative Agent or such Lender thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of Section 13.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by the Administrative Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of the Administrative Agent and the applicable required Lenders and directed to Borrower specifying such suspension or waiver.

13.5 Remedies.

The Administrative Agent's and Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that the Administrative Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

13.6 Severability.

Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement or any other Loan Document shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement or such other Loan Document.

13.7 Conflict of Terms.

Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement conflicts with any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

13.8 Confidentiality.

The Administrative Agent and Lender agree to use commercially reasonable efforts (equivalent to the efforts the Administrative Agent or Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by the Credit Parties and designated as confidential for a period of two (2) years following receipt thereof, except that the Administrative Agent and Lender may disclose such information (a) to Persons employed or engaged by the Administrative Agent or Lender; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 13.8 (and any such bona fide assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a) above); (c) as required or requested by any Governmental Authority or reasonably believed by the Administrative Agent or Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advice of the Administrative Agent's or Lender's counsel, is required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which the Administrative Agent or Lender is a party related to the Loan Documents or the Loans or other Obligations thereunder; (f) that ceases to be confidential through no fault of the Administrative Agent or Lender; (g) to its affiliates and its and their directors, officers, employees, advisors, representatives or agents, and (h) to ratings agencies.

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE NON- EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES, THE ADMINISTRATIVE AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED, THAT THE ADMINISTRATIVE AGENT, LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY AND; PROVIDED, FURTHER THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE ADMINISTRATIVE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE ADMINISTRATIVE AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, ANY OBJECTION THAT SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS, TO THE EXTENT PERMITTED BY LAW, TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES, TO THE EXTENT PERMITTED BY LAW, PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX I OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL, TO THE EXTENT PERMITTED BY LAW, BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE UNITED STATES MAELS, PROPER POSTAGE PREPAID.

13.10 Notices.

(a) Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 13.10); (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated in Annex I or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower or the Administrative Agent) designated in Annex I to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication.

(b) Subject to the provisions of Section 13.10(a), each of the Administrative Agent, Borrower, the Lenders, the L/C Issuers and each of their Related Persons is authorized (but not required) to transmit, post or otherwise make or communicate, in its sole discretion, Electronic Transmissions in connection with any Loan Document and the transactions contemplated therein; provided, that notices to any Credit Party shall not be made by any posting to an Internet or extranet based site or other equivalent service but may be made by e-mail or E-fax, if available, so long as such notices are also sent in accordance with Section 13.10(a). Each Credit Party and each Secured Party hereby acknowledges and agrees that the use of Electronic Transmissions is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse and each indicates it assumes and accepts such risks by hereby authorizing the transmission of Electronic Transmissions.

(c) Subject to the provisions of Section 13.10(a), (i)(A) no posting to any E-System shall be denied legal effect merely because it is made electronically, (B) each E Signature on any such posting shall be deemed sufficient to satisfy any requirement for a “signature” and (C) each such posting shall be deemed sufficient to satisfy any requirement for a “writing”, in each case including pursuant to any Loan Document, any applicable provision of any Uniform Commercial Code, the federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any substantive or procedural Requirement of Law governing such subject matter, (ii) each such posting that is not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to, or logically associating with such posting, an E-Signature, upon which each Secured Party and Credit Party may rely and assume the authenticity thereof, (iii) each such posting containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original and (iv) each party hereto or beneficiary hereto agrees not to contest the validity or enforceability of any posting on any E-System or E-Signature on any such posting under the provisions of any applicable Requirement of Law requiring certain documents to be in writing or signed; provided, however, that nothing herein shall limit such party’s or beneficiary’s right to contest whether any posting to any E-System or E-Signature has been altered after transmission.

(d) All uses of an E-System shall be governed by and subject to, in addition to this Section 13.10, separate terms and conditions posted or referenced in such E-System and related contractual obligations executed by Secured Parties and Delta Companies in connection with the use of such E-System.

(e) ALL E-SYSTEMS AND ELECTRONIC TRANSMISSIONS SHALL BE PROVIDED “ AS IS ” AND “ AS AVAILABLE ”. NONE OF THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PERSONS WARRANTS THE ACCURACY, ADEQUACY OR COMPLETENESS OF ANY E-SYSTEMS OR ELECTRONIC TRANSMISSION AND DISCLAIMS ALL LIABILITY FOR ERRORS OR OMISSIONS THEREIN. NO WARRANTY OF ANY KIND IS MADE BY THE ADMINISTRATIVE AGENT OR ANY OF ITS RELATED PERSONS IN CONNECTION WITH ANY E SYSTEMS OR ELECTRONIC COMMUNICATION, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD-PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS. The Credit Parties agree (and Borrower shall cause each other Credit Party to agree) that the Administrative Agent has no responsibility for maintaining or providing any equipment, software, services or any testing required in connection with any Electronic Transmission or otherwise required for any E-System.

13.11 Section Titles .

The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

13.12 Counterparts.

This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

13.13 WAIVER OF JURY TRIAL .

BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG THE ADMINISTRATIVE AGENT, LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

13.14 Press Releases and Related Matters.

Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of the Administrative Agent or any Arranger or its affiliates or referring to this Agreement, the other Loan Documents without at least two (2) Business Days' prior notice to the Administrative Agent or such Arranger, as the case may be, and without the prior written consent of the Administrative Agent or such Arranger, as the case may be, unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult, to the extent permitted by law, with the Administrative Agent or such Arranger, as the case may be, before issuing such press release or other public disclosure. Each Credit Party consents to the publication by the Administrative Agent, any Arranger or Lender of advertising material relating to the financing transactions contemplated by this Agreement using Borrower's name, product photographs, logo or trademark. The Administrative Agent, any Arranger or any Lender shall provide a draft of any advertising material to each Credit Party for review and comment at least two (2) Business Days prior to the publication thereof. Each of the Administrative Agent and the Arrangers reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements.

13.15 [Reserved].

13.16 Advice of Counsel.

Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of Sections 13.9 and 13.13, with its counsel.

13.17 No Strict Construction.

The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

DELTA AIR LINES, INC. , as Borrower

By: /s/ Paul A. Jacobson

Name: Paul A. Jacobson
Title: Vice President and Treasurer

**GENERAL ELECTRIC CAPITAL
CORPORATION**, as Administrative Agent and Lender

By: /s/ Douglas A. Kelly

Name: Douglas A. Kelly
Title: Duly Authorized Signatory

Signature Page to Credit Agreement

The following Persons are signatories to this Agreement in their capacity as Credit Parties and not as Borrower.

ASA HOLDINGS, INC.

By: /s/ Paul A. Jacobson

Name: Paul A. Jacobson
Title: President

COMAIR HOLDINGS, LLC

By: /s/ Donald T. Bornhorst

Name: Donald T. Bornhorst
Title: Treasurer

COMAIR, INC.

By: /s/ Donald T. Bornhorst

Name: Donald T. Bornhorst
Title: Chief Financial Officer

COMAIR SERVICES, INC.

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Treasurer

CROWN ROOMS, INC.

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Assistant Treasurer

Signature Page to Credit Agreement

DAL AIRCRAFT TRADING, INC.

By: /s/ Kenneth W. Morge

Name: Kenneth W. Morge
Title: Treasurer

DAL GLOBAL SERVICES, LLC

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Assistant Treasurer

DAL MOSCOW, INC.

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Treasurer

DELTA AIRELITE BUSINESS JETS, INC.

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Assistant Treasurer

DELTA BENEFITS MANAGEMENT, INC.

By: /s/ Michael O. Randolfi

Name: Michael O. Randolfi
Title: Treasurer

DELTA CONNECTION ACADEMY, INC.

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Treasurer

Signature Page to Credit Agreement

DELTA CORPORATE IDENTITY, INC.

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Assistant Treasurer

DELTA LOYALTY MANAGEMENT SERVICES, LLC

By: /s/ J. Scott McClain

Name: J. Scott McClain
Title: Vice President

DELTA TECHNOLOGY, LLC

By: /s/ David S. Cartee

Name: David S. Cartee
Title: Assistant Secretary

DELTA VENTURES III, LLC

By: /s/ Mona Warwar

Name: Mona Warwar
Title: Vice President – Tax

EPSILON TRADING, INC.

By: /s/ Edward M. Smith

Name: Edward M. Smith
Title: Treasurer and Controller

Signature Page to Credit Agreement

KAPPA CAPITAL MANAGEMENT, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Vice President and Treasurer

SONG, LLC

By: /s/ Kenneth W. Morge

Name: Kenneth W. Morge

Title: Assistant Treasurer

Signature Page to Credit Agreement

ANNEX A (Recitals)
to
CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all references to Sections, Exhibits, Schedules or Annexes in the following definitions shall refer to Sections, Exhibits, Schedules or Annexes of or to the Agreement:

“ Account Debtor ” means any Person who may become obligated to any Credit Party under, with respect to, or on account of, an Account, Chattel Paper or General Intangibles (including a payment intangible).

“ Accounting Changes ” has the meaning ascribed thereto in Annex G.

“ Accounts ” means all “ accounts, ” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by Chattel Paper or Instruments), (including any such obligations that may be characterized as an account or contract right under the Code), (b) all of each Credit Party’s rights in, to and under all purchase orders or receipts for goods or services, (c) all of each Credit Party’s rights to any goods represented by any of the foregoing (including unpaid sellers’ rights of rescission, replevin, reclamation and stoppage in transit and rights to returned, reclaimed or repossessed goods), (d) all healthcare insurance receivables, and (e) all collateral security of any kind, now or hereafter in existence, given by any Account Debtor or other Person with respect to any of the foregoing.

“ Additional Aircraft ” shall have the meaning ascribed to it in the Aircraft Mortgage.

“ Additional Engine ” shall have the meaning ascribed to it in the Aircraft Mortgage.

“ Administrative Agent ” has the meaning ascribed to it in the Preamble.

“ Affected Lender ” has the meaning ascribed to it in Section 1.14(e).

“ Affiliate ” means, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, 20% or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, and (c) each of such Person’s joint venturers and partners who are Affiliates under clause (a) hereof. For the purposes of this definition, “ control ” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; provided, that the term “ Affiliate, ” when used with reference to a Credit Party, shall specifically exclude the Administrative Agent and each Lender.

“ Aggregate Cash On Hand ” means the amount of cash and Cash Equivalents of the Delta Companies that may be classified, in accordance with GAAP, as “ unrestricted ” on the consolidated balance sheets of Borrower.

“ Agreement ” means this Agreement, as the same may be amended, supplemented, restated or otherwise modified from time to time.

“ Air Carrier ” means each of Borrower and Comair, Inc.

“ Aircraft ” shall have the meaning ascribed to it in the Aircraft Mortgage.

“ Aircraft Mortgage ” means the Aircraft Mortgage and Security Agreement in the form of Exhibit B hereto entered into by and among the Administrative Agent for the benefit of the Secured Parties and each Credit Party that is a signatory thereto, as amended, modified or supplemented from time to time.

“ Airport Authority ” shall have the meaning ascribed to it in the SGR Security Agreement.

“ Allocated Amount ” means, with respect to any asset, the amount allocated to such asset in the most recent Borrowing Base Certificate delivered by Borrower to the Administrative Agent in accordance with Annex F .

“ Amended and Restated Arrangement Fee Letter ” means the Amended and Restated Fee Letter, dated March 15, 2006, between GE Capital and Borrower.

“ Amex ” means American Express Travel Related Services Company, Inc. and each of its affiliates party to the Post-Petition Skymiles Facility Documents.

“ Appendices ” has the meaning ascribed to it in the recitals to the Agreement.

“ Applicable Term A Index Margin ” means the per annum interest rate from time to time in effect and payable in addition to the Index Rate applicable to the Term Loan A, as determined by reference to Section 1.5(a) .

“ Applicable Term A LIBOR Margin ” means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Term Loan A, as determined by reference to Section 1.5(a) .

“ Applicable Term B Index Margin ” means the per annum interest rate from time to time in effect and payable in addition to the Index Rate applicable to the Term Loan B, as determined by reference to Section 1.5(a) .

“ Applicable Term B LIBOR Margin ” means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Term Loan B, as determined by reference to Section 1.5(a).

“ Applicable Term C Index Margin ” means the per annum interest rate from time to time in effect and payable in addition to the Index Rate applicable to the Term Loan C, as determined by reference to Section 1.5(a).

“ Applicable Term C LIBOR Margin ” means the per annum interest rate from time to time in effect and payable in addition to the LIBOR Rate applicable to the Term Loan C, as determined by reference to Section 1.5(a).

“ Appraisers ” shall mean Simat, Helliesen & Eichner, Inc., Sage Popovich and Cushman & Wakefield (with respect to the Owned Real Estate appraised on or before the Closing Date), or such other appraisers acceptable to the Administrative Agent.

“ Approved Fund ” means, with respect to any Lender, any Person (other than a natural Person) that (a) is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (b) is advised or managed by (i) such Lender, (ii) any Affiliate of such Lender or (iii) any Person (other than an individual) or any Affiliate of any Person (other than an individual) that administers or manages such Lender.

“ ARB Indebtedness ” means, with respect to any Delta Company, without duplication, all Indebtedness or obligations of such Delta Company created or arising with respect to any limited recourse revenue bonds issued for the purpose of financing or refinancing improvements to, or the construction or acquisition of, airport and other related facilities and equipment, the use or construction of which qualifies and renders such bonds exempt from certain federal or state taxes.

“ Arrangers ” shall mean, collectively, (a) with respect to Term Loan A and Term Loan B, GE Capital Markets, Inc. and (b) with respect to Term Loan C, GE Capital Markets, Inc. and Morgan Stanley Senior Funding, Inc.

“ Asset Sale ” has the meaning ascribed to it in Section 6.8.

“ Assignment Agreement ” has the meaning ascribed to it in Section 11.1(a).

“ Aviation Authority ” means any nation or government or national or governmental authority of any nation, state, province or other political subdivision thereof, and any agency, department, regulator, airport authority, air navigation authority or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in respect of the regulation of commercial aviation or the registration, airworthiness or operation of civil aircraft and having jurisdiction over the Credit Parties including, without limitation, the FAA or DOT.

“ Avoidance Actions ” shall mean the Credit Parties’ claims and causes of action arising under Section 502(d), 544, 545, 547, 548 or 550 of the Bankruptcy Code or any other avoidance action under the Bankruptcy Code; provided, that “ Avoidance Actions ” shall not include any Proceeds of such property.

“ Bankruptcy Code ” means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.

“ Bankruptcy Court ” has the meaning ascribed to it in the Preamble or shall mean any other court having competent jurisdiction over the Cases.

“ Blocked Account ” means any account of any Credit Party that is subject to a Blocked Account Agreement or a Control Letter pursuant to Annex C.

“ Blocked Account Agreement ” means a control agreement, in form and substance satisfactory to the Administrative Agent, among any Credit Party, the Administrative Agent for the benefit of Secured Parties and the applicable bank or financial institution. Any Blocked Account Agreement substantially in the form of any Blocked Account Agreement in effect on the Closing Date shall be deemed to be satisfactory to the Administrative Agent.

“ Books and Records ” means books and records of the Credit Parties, including financial, corporate, operations and sales books, records, books of account, sales and purchase records, lists of suppliers and customers, formulae, business reports, plans and projections and all other documents, logs, surveys, plans, files, records, assessments, correspondence, and other data and information, financial or otherwise, and all aircraft manuals, log books and other documents and records, including all data and information stored on computer-related or other electronic media.

“ Borrower ” has the meaning ascribed thereto in the preamble to the Agreement.

“ Borrowing Base Certificate ” means a certificate to be executed and delivered from time to time by Borrower in the form attached to the Agreement as Exhibit 4.1(b).

“ Business Day ” means any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

“ Capital Expenditures ” means, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period, net of cash amounts received by Borrower and its Subsidiaries from other Persons during such period in reimbursement of Capital Expenditures made by Borrower and its Subsidiaries and excluding interest capitalized during construction, for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP (including equipment which in the ordinary course of business is purchased simultaneously with the trade-in or exchange of existing equipment owned by Borrower or any of its Subsidiaries to the extent of the gross amount of such purchase price less the book value of the equipment being traded in or exchanged at such time), but excluding expenditures made in connection with the replacement or restoration of assets to the extent reimbursed or financed from (x) insurance proceeds paid on account of the loss of or the damage to the assets being replaced or restored, or (y) awards of compensation arising from the taking by condemnation or eminent domain of such assets being replaced.

“ Capital Lease ” means, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

“ Capital Lease Obligation ” means, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

“ Carve-Out ” means claims of the following parties for the following amounts: (i) the unpaid fees of the U.S. Trustee or the Clerk of the Bankruptcy Court pursuant to 28 U.S.C. § 1930(a) and (ii) after the occurrence and during the continuance of an Event of Default, the aggregate allowed unpaid fees and expenses payable under sections 330 and 331 of the Bankruptcy Code to professional persons retained pursuant to an order of the Bankruptcy Court by any Credit Party or any Committee not to exceed \$ 3 5,000,000 (plus all unpaid professional fees and disbursements accrued or incurred prior to the occurrence of an Event of Default and reflected on the most recent Borrowing Base Certificate and reserved against the Term A Borrowing Base, or otherwise reported in writing to the Administrative Agent, to the extent allowed by the Bankruptcy Court at any time) in the aggregate; provided, that the Carve-Out shall not include, apply to or be available for any fees or expenses incurred by any party, including any Credit Party or any Committee, in connection with the initiation or prosecution of any claims, causes of action, adversary proceedings or other litigation against the Administrative Agent, the Lenders or the L/C Issuers, including challenging the amount, validity, perfection, priority or enforceability of or asserting any defense, counterclaim or offset to, the Obligations or the security interests and Liens of the Secured Parties in respect thereof; provided, further, that (a) as long as no Event of Default shall have occurred and be continuing, the Credit Parties shall be permitted to pay compensation and reimbursement of expenses allowed and payable under sections 330 and 331 of the Bankruptcy Code, as the same may be due and payable, and the same shall not reduce the Carve-Out and (b) in the event the Carve-Out is reduced by any amount during an Event of Default, upon the effectiveness of any cure or waiver of such Event of Default pursuant to the terms of this Agreement, the Carve-Out shall be increased by such amount.

“ Cases ” has the meaning ascribed to it in the Preamble.

“ Cash Collateral Account ” means a cash collateral account in the name of Borrower and subject to a Blocked Account Agreement, into which the Net Cash Proceeds of the Collateral, including Collateral included in the Term A Borrowing Base and, at the election of Borrower, cash or Cash Equivalents are deposited pursuant to the Agreement, the Collateral Documents and any other Loan Document.

“ Cash Equivalents ” means Permitted Investments and such other cash and cash equivalents acceptable to the Administrative Agent.

“ Cash Management Systems ” has the meaning ascribed to it in Section 1.7.

“ CERCLA ” means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601 et seq.).

“ Certificated Air Carrier ” shall mean an “ air carrier ” within the meaning of Section 40102 of Title 49, holding a certificate of public convenience and necessity under Section 41102 of Title 49 and an air carrier certificate under Section 44705 of Title 49 and Subpart C of 14 C.F.R. Part 119 of the Federal Aviation Regulations authorizing its operations to/from/within the United States under 14 C.F.R. Part 121 of the Federal Aviation Regulations.

“ Change of Control ” means any of the following: (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 40% or more of the issued and outstanding shares of capital Stock of Borrower having the right to vote for the election of directors of Borrower under ordinary circumstances other than any employee benefit plan of Borrower or any of its Subsidiaries or any Person organized, appointed or established by borrower or any of its Subsidiaries for, or pursuant to, the terms of any such employee benefit plan; or (b) during any period of twelve consecutive calendar months, individuals who at the beginning of such period constituted the board of directors of Borrower (together with any new directors whose election by the board of directors of Borrower or whose nomination for election by the Stockholders of Borrower was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the directors then in office.

“ Charges ” means all federal, state, county, city, municipal, local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances (including interest and penalties relating thereto) upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party’s ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party’s business.

“ Chattel Paper ” means any “ chattel paper, ” as such term is defined in the Code, including electronic chattel paper, now owned or hereafter acquired by any Credit Party, wherever located.

“ Citibank Cash Collateral Account ” means the Cash Collateral Account as defined in the Security Agreement dated as of September 1, 2004 between Borrower and Citibank, N.A. and the cash, cash equivalents and other investment property and financial assets credited thereto, and all proceeds thereof, in an amount not to exceed \$20,000,000.

“ Claim ” has the meaning ascribed to such term in Section 101(5) of the Bankruptcy Code.

“ Closing Date ” means September 16, 2005.

“ Closing Checklist ” means the schedule, including all appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex D.

“ Code ” means the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; provided, that to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided, further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of, or remedies with respect to, Administrative Agent’s or Lender’s Lien on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term “ Code ” shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority or remedies and for purposes of definitions related to such provisions.

“ Collateral ” means all property and interests in property and proceeds thereof now owned or hereafter acquired by any Credit Party in or upon which a Lien is granted under this Agreement or any Collateral Documents.

“ Collateral Documents ” means this Agreement, the Mortgage, the Aircraft Mortgage, the SGR Security Agreement, the Spare Parts Mortgage and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

“ Collateral Reports ” means the reports with respect to the Collateral referred to in Annex F.

“ Collection Account ” means that certain account of the Administrative Agent, account number 502-328-54 in the name of the Administrative Agent at DeutscheBank Trust Company Americas in New York, New York ABA No. 021 001 033, Account Name: GECC/CAF Depository, Reference: CFN5803/Term Loan, or such other account as may be specified in writing by the Administrative Agent as the “ Collection Account.”

“ Commitments ” means (a) as to any Lender, the aggregate of such Lender’s Term A Commitment, Term B Commitment and Term C Commitment as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders’ Term A Commitments, Term B Commitments and Term C Commitments, as to each of clauses (a) and (b), as such Commitments may be reduced, amortized or adjusted from time to time in accordance with the Agreement.

“ Committee ” means the official statutory committee of unsecured creditors approved in the Cases pursuant to section 1102 of the Bankruptcy Code.

“ Compliance Certificate ” has the meaning ascribed to it in Section (b) of Annex E.

“ Concentration Account ” has the meaning ascribed to it in Section (c) of Annex C .

“ Contracts ” means all “ contracts, ” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Account.

“ Control Letter ” means a letter agreement, in form and substance satisfactory to the Administrative Agent, between Administrative Agent and (i) the issuer of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, (iii) a futures commission merchant or clearinghouse, as applicable, with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant limits any security interest in the applicable financial assets in a manner reasonably satisfactory to the Administrative Agent, acknowledges the Lien of Administrative Agent for the benefit of Secured Parties on such financial assets, and agrees to follow the instructions or entitlement orders of the Administrative Agent without further consent by the affected Credit Party. Any Control Letter substantially in the form of any Control Letter in effect on the Closing Date shall be deemed to be satisfactory to the Administrative Agent.

“ Copyright License ” means any and all rights now owned or hereafter acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

“ Copyright Security Agreements ” means the Copyright Security Agreements made in favor of Administrative Agent for the benefit of the Secured Parties, by each applicable Credit Party substantially in the form of Exhibit C hereto.

“ Copyrights ” means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all copyrights and General Intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

“ Credit Card ” means any agreement or plan relating to a credit card, debit card, charge card or other similar system, including but not limited to the American Express Card, Diners Club, MasterCard, Visa Card, Carte Blanche and Discover Card.

“ Credit Card Receivables ” means any right to payment in Dollars (including, but not limited to, rights to payment for goods, services, insurance, fees, taxes, prepayment penalties and finance charges) from (i) any issuer of a Credit Card arising from goods or services provided or to be provided by a Credit Party or (ii) to the extent that the right to such payment described in clause (i) has been transferred in whole or part to U.S. Bank, National Association (“ USB ”) or any other settlement and/or processing system, or, alternatively, to the extent USB or any other settlement and/or processing system has received any collections with respect to such right of payment, any right to payment from USB or any other settlement and/or processing system arising from the transfer to or by USB or any other settlement and/or processing system of such claims against an issuer of a Credit Card.

“ Credit Parties ” means Borrower and each of the Guarantors.

“ Default ” means any event that, with the passage of time or notice or both, would, unless cured or waived, become an Event of Default.

“ Default Rate ” has the meaning ascribed to it in Section 1.5(d).

“ Delta Company ” means Borrower and each of its Subsidiaries.

“ Deposit Accounts ” means all “ deposit accounts ” as such term is defined in the Code, now or hereafter held in the name of any Credit Party.

“ Designated Spare Parts Locations ” means the locations set out in Disclosure Schedule 3.26 and such other locations as are permitted by the Spare Parts Mortgage.

“ Desk-top Aircraft Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Aircraft or Eligible Engines, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Aircraft or Engines; and (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Aircraft or Engines.

“ Desk-top Ground Service Equipment Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Ground Service Equipment, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Ground Service Equipment; and (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Ground Service Equipment.

“ Desk-top Spare Parts Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Spare Parts, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to Spare Parts; (iii) developing a representative sampling of a reasonable number of the different Spare Parts for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for orderly liquidation prices of the sample parts referred to in clause (iii); (v) conducting a limited review of the inventory reporting system applicable to the Spare Parts, including checking information reported in such system against information determined through physical inspection; and (vi) reviewing a sampling of the Spare Parts’ serviceability tags, books and records (including tear-down reports).

“ Desk-top Tooling Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Tooling, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Tooling; and (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Tooling.

“ DFW Assets ” means assets located at the Dallas/Fort Worth hub facilities which are disposed of in connection with the closing of such hub facilities as disclosed in Borrower’s public disclosures on or prior to the Closing Date.

“ DIP Fee Letter ” means the Fee Letter, dated September 14, 2005, among GE Capital, Morgan Stanley Senior Funding, Inc. and Borrower.

“ DLMS ” means Delta Loyalty Management Services, Inc.

“ Documents ” means any “ documents, ” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located.

“ Dollars ” or “ \$ ” means lawful currency of the United States of America.

“ Domestic Subsidiary ” means a Subsidiary of Borrower organized under the laws of any jurisdiction within the United States of America.

“ DOT ” shall mean the United States Department of Transportation or any analogous successor agency.

“ E-Fax ” means any system used to receive or transmit faxes electronically.

“ E-Signature ” means the process of attaching to or logically associating with an Electronic Transmission an electronic symbol, encryption, digital signature or process (including the name or an abbreviation of the name of the party transmitting the Electronic Transmission) with the intent to sign, authenticate or accept such Electronic Transmission.

“ E-System ” means any electronic system, including Intralinks® and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent, any of its Related Persons or any other Person, providing for access to data protected by passcodes or other security system.

“ EBITDAR ” means, with respect to any Person for any fiscal period, without duplication, an amount equal to (a) consolidated net income of such Person for such period, determined in accordance with GAAP, minus (b) the sum of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities) (a “ Capital Asset Sale ”), and (v) any other non-cash gains that have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, but without duplication, plus (c) the sum of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) depreciation and amortization for such period, (v) amortized debt discount for such period, (vi) the amount of any deduction to consolidated net income as the result of any grant to any employee of such Person of any Stock, (vii) depreciation, amortization and aircraft rent expense for such period, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, (viii) any aggregate net loss during such period arising from a Capital Asset Sale, (ix) all other non-cash charges for such period, (x) costs and expenses, including fees, incurred directly in connection with the consummation of the transactions contemplated under the Loan Documents to the extent included in the calculation of consolidated net income and (xi) expenses incurred with respect to the Chapter 11 reorganization as set forth on the Parent’s consolidated statement of income for such period, including (A) professional and other fees, (B) key employee retention program payments, (C) financing fees, (D) severance costs and (E) any litigation expenses incurred during or in connection with the Cases. For purposes of this definition, the following items shall be excluded in determining consolidated net income of a Person: (1) the income (or deficit) of any other Person accrued prior to the date it became a Subsidiary of, or was merged or consolidated into, such Person or any of such Person’s Subsidiaries; (2) the income (or deficit) of any other Person (other than a Subsidiary) in which such Person has an ownership interest, except to the extent any such income has actually been received by such Person in the form of cash dividends or distributions; (3) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made out of income accrued during such period; (4) any write-up of any asset; (5) any net gain from the collection of the proceeds of life insurance policies; (6) any net gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person; (7) in the case of a successor to such Person by consolidation or merger or as a transferee of its assets, any earnings of such successor prior to such consolidation, merger or transfer of assets; and (8) any deferred credit representing the excess of equity in any Subsidiary of such Person at the date of acquisition of such Subsidiary over the cost to such Person of the investment in such Subsidiary.

“ Effective Date ” has the meaning ascribed to it in Section 2.2 .

“ Electronic Transmission ” means each notice, request, instruction, demand, report, authorization, agreement, document, file, information and any other communication transmitted, posted or otherwise made or communicated by e-mail, E-Fax, Internet or extranet-based site or any other equivalent electronic service, whether owned, operated or hosted by the Administrative Agent, any Affiliate of the Administrative Agent or any other Person.

“ Eligible Accounts ” means all of the Accounts owned by the Credit Parties and reflected in the most recent Borrowing Base Certificate delivered by Borrower to the Administrative Agent shall be “ Eligible Accounts ” for purposes of this Agreement, except, without duplication, any Account of the Credit Parties:

- (a) that does not arise from the air transportation of passengers, freight and cargo or the sale of goods or performance of services by the Credit Parties in the ordinary course of its business;
- (b) (i) upon which any Credit Party’s right to receive payment is not absolute or is contingent upon the fulfillment of any condition whatsoever or (ii) as to which any Credit Party is not able to bring suit or otherwise enforce its remedies against the Account Debtor through judicial process, or (iii) if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the Account Debtor’s obligation to pay that invoice is subject to any Credit Party’s completion of further performance under such contract or is subject to the equitable lien of a surety bond issuer; provided, that clauses (i) and (iii) above shall not apply to receivables in respect of the transportation of passengers in the ordinary course of business;
- (c) to the extent that any defense, counterclaim, setoff or dispute is asserted as to such Account;
- (d) that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for goods and services sold to or services rendered, or to be rendered with respect to receivables in respect of the transportation of passengers, and goods accepted by the applicable Account Debtor;
- (e) Eligible Unbilled Accounts;
- (f) that is owed by any director, officer, other employee or Affiliate of any Credit Party;
- (g) that is the obligation of an Account Debtor that is the United States government or a political subdivision thereof, or any state, county or municipality or department, agency or instrumentality thereof unless the Credit Party, if necessary or desirable, has complied with respect to such obligation with the Federal Assignment of Claims Act of 1940, or any applicable state, county or municipal law restricting the assignment thereof with respect to such obligation and such assignment has been accepted and acknowledged by the appropriate governmental officers;
- (h) that is the obligation of an Account Debtor located in (x) with respect to Credit Card Receivables, Korea or Brazil and (y) with respect to all other receivables, a foreign country other than Canada unless payment thereof is assured by a letter of credit assigned and delivered to the Administrative Agent, satisfactory to the Administrative Agent as to form, amount and issuer;
- (i) with respect to receivables in respect of the transportation of passengers, to the extent any Credit Party owed the applicable Account Debtor for services sold or rendered by such Account Debtor to such Credit Party but only to the extent of the potential offset, including, without limitation under code share arrangements, interline agreements or other agreements between airlines in which tickets may be purchased on one airline and honored by another airline;

(j) that is in default and such default is reasonably likely to result in such Account Debtor's failure to make payment with respect to such Account; provided, that, without limiting the generality of the foregoing, an Account shall be deemed in default upon the occurrence of any of the following:

- (i) the Account is not paid within ninety (90) days following its original invoice date;
- (ii) the Account Debtor obligated upon such Account suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due; or
- (iii) a petition is filed by or against any Account Debtor obligated upon such Account under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;

(k) that is the obligation of an Account Debtor if fifty percent (50%) or more of the Dollar amount of all Accounts owing by that Account Debtor are ineligible under the other criteria set forth in clause (j) above;

(l) as to which the Lien of the Administrative Agent for the benefit of the Secured Parties is not a first priority perfected Lien;

(m) as to which any of the representations or warranties in the Loan Documents with respect to such specific Account are untrue;

(n) to the extent such Account is evidenced by a judgment, Instrument or Chattel Paper;

(o) to the extent such Account exceeds any credit limit established by the Administrative Agent, in its reasonable credit judgment;

(p) except with respect to Credit Card Receivables, to the extent that such Account, together with all other Accounts owing by such Account Debtor and its Affiliates as of any date of determination exceed 10% of all Eligible Accounts;

(q) that is payable in any currency other than Dollars;

(r) that arises from interline activity including services and billings performed between airlines (but excluding the transportation of passengers) and the payment of which is handled through third party domestic or foreign clearing houses;

- (s) that arises from the sale of Delta Skymiles through DLMS to Amex;
 - (t) that are Ineligible Refundable Ticket Accounts or Eligible Refundable Ticket Accounts;
- or
- (u) of any Credit Party which Credit Party has not been subject to a field examination.

“ Eligible Aircraft ” means all of the Aircraft, except any Ineligible Term A Borrowing Base Collateral, owned by the Credit Parties; provided, that (i) a valid and enforceable first priority Lien on such Aircraft (subject only to Permitted Encumbrances and other Liens approved by the Administrative Agent) shall have been granted by the applicable Credit Party in favor of Administrative Agent for the benefit of the Secured Parties pursuant to the Aircraft Mortgage and (ii) the Liens described in clause (i) above shall be in full force and effect in favor of Administrative Agent for the benefit of the Secured Parties at such time.

“ Eligible Engines ” means all of the Engines, except any Ineligible Term A Borrowing Base Collateral, owned by the Credit Parties; provided, that (i) a valid and enforceable first priority Lien on such Engine (subject only to Permitted Encumbrances and other Liens approved by the Administrative Agent) shall have been granted by the applicable Credit Party in favor of Administrative Agent for the benefit of the Secured Parties pursuant to the Aircraft Mortgage and (ii) the Liens described in clause (i) above shall be in full force and effect in favor of Administrative Agent for the benefit of the Secured Parties at such time.

“ Eligible Flight Simulators ” means all of the Flight Simulators, except any Ineligible Term A Borrowing Base Collateral, owned by the Credit Parties; provided that (i) a valid and enforceable first priority Lien on such Flight Simulators (subject only to Permitted Encumbrances and other Liens approved by the Administrative Agent) shall have been granted by the applicable Credit Parties in favor of Administrative Agent for the benefit of the Secured Parties pursuant to the Loan Documents and (ii) the Liens described in clause (i) above shall be in full force and effect in favor of Administrative Agent for the benefit of the Secured Parties at such time.

“ Eligible Ground Service Equipment ” means all Ground Service Equipment owned by Credit Parties and reflected in the most recent Term A Borrowing Base Certificate delivered by Borrower to the Administrative Agent, except any Ineligible Term A Borrowing Base Collateral.

“ Eligible Real Estate ” means any parcel of Owned Real Estate, except any Ineligible Term A Borrowing Base Collateral, in the United States owned in fee simple by the Credit Parties as to which each of the following conditions has been satisfied at such time:

- (a) a valid and enforceable first priority Lien on such parcel of Real Estate (subject only to Permitted Encumbrances and other Liens approved by the Administrative Agent) shall have been granted by Borrower in favor of Administrative Agent for the benefit of the Secured Parties pursuant to a Mortgage;

(b) except as otherwise permitted by the Administrative Agent and, where applicable, the relevant title insurance company shall have received in form and substance satisfactory to the Administrative Agent, all Mortgage Supporting Documents in respect of such parcel;

(c) the Administrative Agent shall have received a FIRREA appraisal with respect to such parcel of Real Estate in form and substance satisfactory to the Administrative Agent and performed by an appraiser that is satisfactory to the Administrative Agent;

(d) no casualty shall have occurred affecting the use, operation or value of such parcel of Real Estate if such casualty has not been restored or repaired by the mortgagor under the Mortgage encumbering such parcel of Real Estate;

(e) no condemnation or taking by eminent domain shall have occurred nor shall any notice of any pending or threatened condemnation or other proceeding against such parcel of Real Estate have been delivered to the owner or lessee of such parcel of Real Estate that would materially affect the use, operation or value of such parcel of Real Estate;

(f) the mortgagor under the relevant Mortgage encumbering such parcel of Real Estate shall comply in all material respects with the terms of such Mortgage;

(g) each written lease, license or other use or occupancy agreement, other than the lease between Borrower and Worldspan L.P. and the lease between Borrower and Verizon Airfone Inc. f/k/a GTE Airfone Incorporated (both of which leases are disclosed on Part 3 of Disclosure Schedule 3.6), now or hereafter affecting all or any portion of such parcel of Real Estate shall, by its express terms, be subject and subordinate to the relevant Mortgage; and

(h) each lease, license, or other use or occupancy agreement between a Credit Party, as landlord, and its Affiliate, as tenant, now or hereafter affecting all or any portion of such parcel of Real Estate shall be subject and subordinate to the relevant Mortgage or shall be terminable (without fee) on 60 days' prior written notice by the owner of such Real Estate.

“ Eligible Refundable Ticket Accounts ” means Eligible Accounts arising from the sale of refundable tickets that are to be used within 30 days from the date of issuance of such ticket.

“ Eligible Spare Parts ” means all of the Pledged Spare Parts owned by Credit Parties and reflected in the most recent Term A Borrowing Base Certificate delivered by Borrower to the Administrative Agent, except for any Ineligible Term A Borrowing Base Collateral.

“ Eligible Tooling ” means all of the Tooling owned by Credit Parties and reflected in the most recent Term A Borrowing Base Certificate delivered by Borrower to the Administrative Agent, except any Ineligible Term A Borrowing Base Collateral.

“ Eligible Unbilled Accounts ” means Eligible Accounts with respect to which an invoice, reasonably acceptable to the Administrative Agent in form and substance, (it being understood that the form of invoice customarily used by the applicable Credit Party on the Closing Date shall be deemed to be satisfactory to the Administrative Agent) has not been sent to the applicable Account Debtor.

“ Engines ” shall have the meaning ascribed to it in the Aircraft Mortgage.

“ Environmental Laws ” means all applicable federal, state, local and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include CERCLA; the Hazardous Materials Transportation Authorization Act of 1994 (49 U.S.C. §§ 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. §§ 136 et seq.); the Solid Waste Disposal Act (42 U.S.C. §§ 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. §§ 2601 et seq.); the Clean Air Act (42 U.S.C. §§ 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.); and the Safe Drinking Water Act (42 U.S.C. §§ 300(f) et seq.), and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

“ Environmental Liabilities ” means, with respect to any Person, all liabilities, obligations, responsibilities, response, remedial and removal costs, investigation and feasibility study costs, capital costs, operation and maintenance costs, losses, damages, punitive damages, property damages, natural resource damages, consequential damages, treble damages, costs and expenses (including all reasonable fees, disbursements and expenses of counsel, experts and consultants), fines, penalties, sanctions and interest incurred as a result of or related to any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law, arising under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

“ Environmental Permits ” means all permits, licenses, authorizations, certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

“ ERISA ” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any regulations promulgated thereunder.

“ ERISA Affiliate ” means, with respect to any Credit Party, any trade or business (whether or not incorporated) that, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

“ ERISA Event ” means, with respect to any Credit Party or any ERISA Affiliate, (a) any “ reportable event ” described in Section 4043 of ERISA with respect to a Title IV Plan (other than a “ reportable event ” to which the 30-day notice is waived under PBGC Regulation Section 4043); (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within thirty (30) days; (g) any other event or condition that would reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 or 4245 of ERISA; or (i) the loss of a Qualified Plan’s qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

“ Escrow Accounts ” shall mean (1) accounts of Borrower or any Subsidiary, solely to the extent any such accounts hold funds set aside by Borrower or any Subsidiary to manage the collection and payment of amounts collected, withheld or incurred by Borrower or such Subsidiary for the benefit of third parties relating to: (a) federal income tax withholding and backup withholding tax, employment taxes, transportation excise taxes and security related charges; (b) any and all state and local income tax withholding, employment taxes and related charges and fees and similar taxes, charges and fees, including, but not limited to, state and local payroll withholding taxes, unemployment and supplemental unemployment taxes, disability taxes, workman’s or workers’ compensation charges and related charges and fees; (c) state and local taxes imposed on overall gross receipts, sales and use taxes, fuel excise taxes and hotel occupancy taxes; (d) passenger facility fees and charges collected on behalf of and owed to various administrators, institutions, authorities, agencies and entities; and (e) other similar federal, state or local taxes, charges and fees (including without limitation any amount required to be withheld or collected under applicable law); in each case, held in escrow accounts, trust funds or other segregated accounts in an aggregate amount for all of such escrow accounts, trust funds and other segregated accounts not in excess of \$300,000,000, plus accrued interest; provided, that such amount may be increased upon an increase in any of the foregoing taxes, fees and charges for which Borrower’s or any Subsidiary’s officers and directors may have personal liability if not paid; or (2) accounts, capitalized interest accounts, debt service reserve accounts and other similar accounts or funds established in connection with the ARB Indebtedness .

“ ESOP ” means a Pension Plan that is intended to satisfy the requirements of Section 4975(e)(7) of the IRC.

“ Event of Default ” has the meaning ascribed to it in Section 8.1.

“ Excess Aggregate Cash On Hand ” means, as of any date, the amount by which the actual Aggregate Cash On Hand as of such date exceeds the minimum Aggregate Cash On Hand required to be maintained on such date by Section (c) of Annex G.

“ Excluded Accounts ” shall mean (i) the Escrow Accounts, (ii) Restricted Accounts; and (iii) accounts located outside the United States; provided, that the aggregate amount held in all such accounts under this clause (iii) at any time does not exceed \$100,000,000.

“ Excluded Collateral ” means, collectively, (i) Excluded Accounts (other than the Credit Parties’ rights to receive any excess funds remaining in the Escrow Accounts following the payment in full of the taxes, fees and charges payable from such Escrow Accounts and other than the Credit Parties’ rights to receive any excess funds remaining in the Restricted Accounts), (ii) Excluded Equity, (iii) JV Interests, (iv) Excluded Equipment, (v) Section 1110 Assets, (vi) Avoidance Actions, (vii) any asset subject to the restrictions on Liens set forth in Section 5.12(b), (viii) any asset excluded as Collateral in the SGR Security Agreement (other than any Proceeds thereof that any Credit Party is entitled to receive) and, to the extent the Administrative Agent has otherwise consented in writing, in any other Collateral Documents.

“ Excluded Equipment ” means Equipment financed, in whole or in part, by ARB Indebtedness or otherwise to the extent the granting of a security interest in such Equipment would constitute a breach or violation of a valid and effective restriction in favor of a third party or give rise to any indemnification obligations or any right to terminate or commence the exercise of remedies under such restrictions, in each case, to the extent not subject to the automatic stay; provided, that “ Excluded Equipment ” shall not include Proceeds, substitutions or replacements of Excluded Equipment (unless such Proceeds, substitutions or replacements would constitute Excluded Equipment), but only to the extent, and for so long as, such restriction is not terminated or rendered unenforceable or otherwise deemed ineffective by the Code or any other applicable law.

“ Excluded Equity ” means, collectively, (i) equity interests in the Excluded Issuers and in any public company and (ii) any Voting Stock in excess of 65% of the total outstanding Voting Stock of any Foreign Subsidiary of any Credit Party. For purposes of this definition, “ Voting Stock ” means, as to any issuer, the issued and outstanding shares of each class of capital stock or other membership interests of such issuer entitled to vote (within the meaning of Treasury Regulations § 1.956-2(c)(2)).

“ Excluded Issuer ” means (i) Delta Air Lines, Inc. and Pan American World Airways, Inc., GMBH, (ii) Guardant, Inc., (iii) Delta Air Technology, Ltd., (iv) Aero Assurance Ltd. and (v) New Sky, Ltd.

“ Excluded Obligations ” means contingent indemnification and expense reimbursement obligations.

“ Excluded Properties ” means the three real properties set forth on Part 1 of Disclosure Schedule 3.6 , the sale of which is permitted in accordance with the Agreement.

“ Excluded Sales ” means (i) the sales of spare engines and related inventory with respect to the MD-11 aircraft sold prior to the Closing Date, (ii) the sale of the business of DAL Global Services LLC, Delta Technology, LLC, Delta AirElite Business Jets, Inc., Delta Connection Academy, Inc. and the technical operations (aircraft maintenance) division of Borrower, (iii) the disposition of any Skymiles Collateral, (iv) the sale of the reservation operations of Borrower, (v) the sale or other disposition of Permitted Investments for cash or in exchange for Permitted Investments and (vi) the sale of Inventory in the ordinary course of business.

“ Excluded Subsidiaries ” means (i) Aero Assurance, Ltd. and its subsidiaries and (ii) Guardant, Inc.

“ Existing Credit Agreement ” has the meaning ascribed to it in the recitals hereto.

“ Existing Letters of Credit ” has the meaning ascribed to it in paragraph (b)(iii) of Annex B .

“ Existing Secured Indebtedness ” has the meaning ascribed to it in Section 6.3(a)(v) hereof.

“ FAA ” means the Federal Aviation Administration of the United States of America, and any successor Governmental Authority.

“ FAA Slots ” has the meaning ascribed to it in the SGR Security Agreement.

“ Fair Labor Standards Act ” means the Fair Labor Standards Act, 29 U.S.C. §201 et seq.

“ Fair Market Value ” means (a) with respect to any asset or group of assets (other than a marketable Security) at any date, the value of the consideration obtainable in a sale of such asset at such date assuming a sale by a willing seller to a willing purchaser dealing at arm’s length and arranged in an orderly manner over a reasonable period of time having regard to the nature and characteristics of such asset, as reasonably determined by the Chief Financial Officer or Treasurer or, if such asset shall have been the subject of an appraisal within the last twelve months by an independent third party appraiser, the basic assumptions underlying which have not materially changed since its date, the value set forth in such appraisal and (b) with respect to any marketable Security at any date, the closing sale price of such Security on the Business Day next preceding such date, as appearing in any published list of any national securities exchange or the NASDAQ Stock Market or, if there is no such closing sale price of such Security, the final price for the purchase of such Security at face value quoted on such Business Day by a financial institution of recognized standing regularly dealing in Securities of such type and selected by the Administrative Agent.

“ Federal Funds Rate ” means, for any day, a floating rate equal to the weighted average of the rates on overnight federal funds transactions among members of the Federal Reserve System, as determined by the Administrative Agent in its sole discretion, which determination shall be final, binding and conclusive (absent manifest error).

“ Federal Reserve Board ” means the Board of Governors of the Federal Reserve System.

“ Fee Letters ” means, collectively, the Amended and Restated Arrangement Fee Letter and the DIP Fee Letter.

“ Fees ” means any and all fees payable to the Administrative Agent or any Lender pursuant to the Agreement or any of the other Loan Documents.

“ Final Order ” means an order, approving or authorizing this Agreement and the other Loan Documents and the incurrence by the Credit Parties hereunder of post-petition secured and super-priority Indebtedness in an aggregate principal amount of not less than \$1,900,000,000 in accordance with this Agreement, issued by the Bankruptcy Court in form and substance satisfactory to the Administrative Agent, the Arrangers and the Requisite Lenders.

“ Financial Covenants ” means the financial covenants set forth in Annex G.

“ Financial Statements ” means the consolidated and consolidating income statements, statements of cash flows and balance sheets of Borrower delivered in accordance with Section 3.4 and Annex E.

“ First Day Orders ” means all orders entered by the Bankruptcy Court in respect of motions filed on the Petition Date or within five Business Days thereafter.

“ Fiscal Month ” means any of the monthly accounting periods of Borrower.

“ Fiscal Quarter ” means any of the quarterly accounting periods of Borrower, ending on March 31, June 30, September 30 and December 31 of each year.

“ Fiscal Year ” means any of the annual accounting periods of Borrower ending on December 31 of each year.

“ Fixtures ” means all “ fixtures ” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party.

“ Flight Simulators ” means the flight simulators and flight training devices of Borrower or any Subsidiary.

“ Foreign Aviation Authority ” shall have the meaning ascribed to it in the SGR Security Agreement.

“ Foreign Subsidiary ” means any Subsidiary which is a “ controlled foreign corporation ” within the meaning of the Internal Revenue Code of 1986, as amended from time to time.

“ Foreign Slots ” has the meaning ascribed to it in the SGR Security Agreement.

“ GAAP ” means generally accepted accounting principles in the United States of America, consistently applied, as such term is further defined in Annex G to the Agreement.

“ Gates ” shall have the meaning ascribed to it in the SGR Security Agreement.

“ GECAS Facilities ” means, collectively, (i) the Reimbursement Agreement, dated as of May 1, 2003, among Borrower, GE Capital (or its subsidiary, affiliate, associated company, owner, trustee or permitted assignee) and the lenders signatory thereto, as the same may be amended, restated, supplemented or otherwise modified from time to time, and each of the Operative Documents referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time ; (ii) the Amended and Restated Credit Agreement (Spare Parts), dated as of July 7, 2004, among Borrower, GE Capital (or its subsidiary, affiliate, associated company, owner, trustee or permitted assignee) and U.S. Bank, as the same may be amended, restated, supplemented or otherwise modified from time to time , and each of the Operative Documents referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time; (iii) the Amended and Restated Loan Agreement (Engines), dated as of July 7, 2004, among GE Capital (or its subsidiary, affiliate, associated company, owner, trustee or permitted assignee), Borrower and U.S. Bank, as the same may be amended, restated, supplemented or otherwise modified from time to time, and each of the Operative Documents referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time; (iv) the Amended and Restated Loan Agreement (Aircraft), dated as of July 7, 2004, among Borrower, GE Capital (or its subsidiary, affiliate, associated company, owner, trustee or permitted assignee) and U.S. Bank, as the same may be amended, restated, supplemented or otherwise modified from time to time, and each of the Operative Documents referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time; (v) the Amended and Restated Payment and Indemnity Agreement, dated as of November 30, 2004, between Borrower and the Beneficiaries identified therein, as the same may be amended, restated, supplemented or otherwise modified from time to time, and each of the Operative Documents referred to therein, as the same may be amended, restated, supplemented or otherwise modified from time to time; (vi) the CRJ Put Agreement, dated as of November 30, 2004, between GE Capital (or its subsidiary, affiliate, associated company, owner, trustee or permitted assignee) and Borrower and the twelve leases and related agreements to which Borrower is a party, as each may be amended, restated, supplemented or otherwise modified from time to time; (vii) the CRJ Put Agreement II, to be entered into by Aviation Financial Services Inc. and Borrower pursuant to the Letter of Intent, and the leases and related agreements to be entered into by Borrower pursuant to the CRJ Put Agreement II, as each may be amended, restated, supplemented or otherwise modified from time to time; and (viii) the Second Restructuring Agreement to be entered into by GE Capital (or its subsidiary, affiliate, associated company, owner, trustee or permitted assignee), Borrower and U.S. Bank in connection with the Letter of Intent, as the same may be amended or otherwise modified from time to time.

“ GE Capital ” means General Electric Capital Corporation, a Delaware corporation.

“ GE Capital Commitment Letter ” means the Commitment Letter, dated September 10, 2005, between GE Capital and Borrower.

“ General Intangibles ” means “ general intangibles, ” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including all right, title and interest that such Credit Party may now or hereafter have in or under any Contract, all payment intangibles, customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, Software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, rights to receive tax refunds and other payments, rights to receive dividends, distributions, cash, Instruments and other property in respect of or in exchange for pledged Stock and Investment Property, rights of indemnification, all Books and Records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

“ Governmental Authority ” means any nation or government, any state or other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including but not limited to, any Aviation Authority.

“ Granting Lender ” has the meaning ascribed to it in Section 11.1(e).

“ Ground Service Equipment ” means ground service equipment, de-icers, ground support equipment, aircraft cleaning devices, materials handling equipment and other similar equipment used to service equipment.

“ Guaranteed Indebtedness ” means, as to any Person, any obligation of such Person guaranteeing, providing comfort or otherwise supporting any Indebtedness (“ primary obligation ”) of any other Person (the “ primary obligor ”) in any manner, including any obligation or arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, (d) protect the beneficiary of such arrangement from loss (other than product warranties given in the ordinary course of business) or (e) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness, or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

“Guarantors” means each Domestic Subsidiary of Borrower, other than the Excluded Subsidiaries, and each other Person, if any, that executes a guaranty or other similar agreement in favor of Administrative Agent for the benefit of the Secured Parties in connection with the transactions contemplated by the Agreement and the other Loan Documents.

“Hazardous Material” means any substance, material or waste that is regulated by, or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance that is (a) defined as a “solid waste,” “hazardous waste,” “hazardous material,” “hazardous substance,” “extremely hazardous waste,” “restricted hazardous waste,” “pollutant,” “contaminant,” “hazardous constituent,” “special waste,” “toxic substance” or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB’s), or any radioactive substance.

“IATA” means International Air Transport Association.

“Indebtedness” means, with respect to any Person, without duplication (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than six (6) months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers’ acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Closing Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, and (i) the Obligations, but excluding any claims arising upon the rejection of unexpired leases and other executory contracts.

“Indemnified Liabilities” has the meaning ascribed to it in Section 1.11(a).

“ Indemnified Person ” has the meaning ascribed to it in Section 1.11(a).

“ Index Rate ” means, for any day, a floating rate equal to the higher of (i) the rate publicly quoted from time to time by The Wall Street Journal as the “ prime rate ” (or, if The Wall Street Journal ceases quoting a prime rate, the highest per annum rate of interest published by the Federal Reserve Board in Federal Reserve statistical release H.15 (519) entitled “ Selected Interest Rates ” as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus 50 basis points per annum. Each change in any interest rate provided for in the Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

“ Index Rate Loan ” means a Loan or portion thereof bearing interest by reference to the Index Rate.

“ Ineligible Refundable Ticket Accounts ” means Accounts arising from the sale of refundable tickets that are to be used later than 30 days from the date of issuance of such ticket.

“ Ineligible Term A Borrowing Base Collateral ” means any Aircraft, Engines, Tooling, Flight Simulators, Ground Service Equipment and Spare Parts that:

- (a) is not subject to a valid and enforceable first priority Lien on such Collateral (subject only to Permitted Encumbrances and other Liens approved by the Administrative Agent) granted by the applicable Credit Party in favor of Administrative Agent for the benefit of the Secured Parties pursuant to a Collateral Document;
- (b) is not located on premises (i) leased by Credit Party or (ii) owned by Credit Party and subject to a valid and enforceable first priority Mortgage in favor of Administrative Agent for the benefit of the Secured Parties pursuant to a Collateral Document;
- (c) is placed on consignment, is in transit or out for repair, except for Collateral (other than Spare Parts) in transit between domestic locations of Credit Parties as to which Liens of Administrative Agent for the benefit of the Secured Parties have been perfected at origin and destination;
- (d) is covered by a negotiable document of title, unless such document has been delivered to the Administrative Agent with all necessary endorsements,
- (e) is not of a type used in the ordinary course of Credit Parties’ business;
- (f) as to which any of the representations or warranties pertaining to Collateral set forth in the Loan Documents are untrue;
- (g) consists of Hazardous Materials or goods that can be transported or sold only with licenses that are not readily available;
- (h) is not covered by casualty insurance required to be maintained under the Collateral Documents;

- (i) is subject to any patent or trademark license requiring the payment of royalties or fees or requiring the consent of the licensor for a sale thereof by the Administrative Agent;
- (j) constitutes Technology Equipment;
- (k) has not been appraised in accordance with Section 5.20 of the Agreement; or
- (l) with respect to any Aircraft or Engine, as to which Borrower fails to cure a Maintenance Default during the Maintenance Cure Period.

“Instruments” means all “instruments,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all promissory notes and other evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

“Intellectual Property” means any and all Licenses, Patents, Copyrights, Trademarks, and the goodwill associated with such Trademarks, and Technology.

“Intercompany Notes” has the meaning ascribed to it in Section 6.3(a)(vii).

“Interest Expense” means, with respect to any Person for any fiscal period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date.

“Interest Payment Date” means (a) as to any Index Rate Loan, the first Business Day of each month to occur while such Loan is outstanding, and (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period; provided, that in the case of any LIBOR Period greater than three months in duration, interest shall be payable at three month intervals and on the last day of such LIBOR Period; and provided, further that, in addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Maturity Date shall be deemed to be an “Interest Payment Date” with respect to any interest that has then accrued under the Agreement.

“Inventory” means any “inventory,” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property that are held by or on behalf of any Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or that constitute raw materials, work in process, finished goods, returned goods, supplies or materials of any kind, nature or description used or consumed or to be used or consumed in such Credit Party’s business or in the processing, production, packaging, promotion, delivery or shipping of the same, including all supplies and embedded Software.

“Investment Property” means all “investment property” as such term is defined in the Code now owned or hereafter acquired by any Credit Party, wherever located, including (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Credit Party, including the rights of such Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts of any Credit Party; (iv) all commodity contracts of any Credit Party; and (v) all commodity accounts held by any Credit Party.

“ Investments ” has the meaning ascribed to it in Section 6.2 .

“ IRC ” means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

“ IRS ” means the Internal Revenue Service.

“ JV Interests ” means any joint venture interest held by any Credit Party to the extent such Credit Party is restricted from assigning or pledging such interest pursuant to legally binding arrangements between the joint venture parties; provided , that “ JV Interests ” shall not include any Proceeds of such property.

“ L/C Cash Collateral ” means the cash and Cash Equivalents deposited from time to time by the Borrower in the L/C Cash Collateral Account.

“ L/C Cash Collateral Account ” means a cash collateral account maintained at a bank or financial institution acceptable to the Administrative Agent, subject to a Blocked Account Agreement, into which cash or Cash Equivalents are deposited pursuant to Section 1.1(a)(i) .

“ L/C Issuer ” has the meaning ascribed to it in Annex B .

“ L/C Reimbursement Amount ” has the meaning ascribed to it in Annex B .

“ L/C Subfacility ” has the meaning ascribed to it in Section 1.1(a)(iv) .

“ Letter of Credit ” means each documentary or standby letters of credit issued under the Loan Documents for the account of Borrower or any of the Credit Parties by any L/C Issuer.

“ Letter of Credit Obligations ” means the sum, without duplication, of (i) the amount available for drawing under all outstanding Letters of Credit and (ii) the aggregate unpaid amount of all outstanding reimbursement obligations in respect of previous drawings under Letters of Credit.

“ Letter of Credit Rights ” means “ letter-of-credit rights ” as such term is defined in the Code, now owned or hereafter acquired by any Credit Party, including rights to payment or performance under a letter of credit, whether or not such Credit Party, as beneficiary, has demanded or is entitled to demand payment or performance.

“ Letter of Intent ” means the Letter of Intent, dated as of December 14, 2005, between GE Capital and Borrower, as amended or otherwise modified from time to time.

“ Lenders ” means GE Capital, the other Lenders named on the signature pages of the Agreement and, if any such Lender shall decide to assign all or any portion of the Obligations in accordance with Section 11.1(a), such term shall include any assignee of such Lender.

“ Liabilities ” means all claims, actions, suits, judgments, damages, losses, liability, obligations, responsibilities, fines, penalties, sanctions, costs, fees, taxes, commissions, charges, disbursements and expenses, in each case of any kind or nature (including interest accrued thereon or as a result thereto and fees, charges and disbursements of financial, legal and other advisors and consultants), whether joint or several, whether or not indirect, contingent, consequential, actual, punitive, treble or otherwise.

“ LIBOR Business Day ” means a Business Day on which banks in the City of London are generally open for interbank or foreign exchange transactions.

“ LIBOR Loan ” means a Loan or any portion thereof bearing interest by reference to the LIBOR Rate.

“ LIBOR Period ” means, with respect to any LIBOR Loan, each period commencing on a LIBOR Business Day selected by Borrower pursuant to the Agreement and ending one, two, three or six months thereafter, as selected by Borrower’s irrevocable notice to the Administrative Agent as set forth in Section 1.5(e); provided, that the foregoing provision relating to LIBOR Periods is subject to the following:

- (a) if any LIBOR Period would otherwise end on a day that is not a LIBOR Business Day, such LIBOR Period shall be extended to the next succeeding LIBOR Business Day unless the result of such extension would be to carry such LIBOR Period into another calendar month in which event such LIBOR Period shall end on the immediately preceding LIBOR Business Day;
- (b) any LIBOR Period that would otherwise extend beyond the Maturity Date shall end on or prior to such date;
- (c) any LIBOR Period that begins on the last LIBOR Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such LIBOR Period) shall end on the last LIBOR Business Day of a calendar month; and
- (e) Borrower shall select LIBOR Periods so that there shall be no more than 5 separate LIBOR Loans in existence at any one time.

“ LIBOR Rate ” means for each LIBOR Period, a rate of interest determined by the Administrative Agent equal to the offered rate for deposits in United States Dollars for the applicable LIBOR Period that appears on Telerate Page 3750 as of 11:00 a.m. (London time), on the second full LIBOR Business Day next preceding the first day of such LIBOR Period (unless such date is not a Business Day, in which event the next succeeding Business Day will be used). If such interest rates shall cease to be available from Telerate News Service, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to the Administrative Agent and Borrower.

“ License ” means any Copyright License, Patent License, Trademark License or other similar license of rights or interests now held or hereafter acquired by any Credit Party.

“ Lien ” means any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any capital lease or conditional sale agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

“ Litigation ” has the meaning ascribed to it in Section 3.13.

“ Loan ” means any loan made by any Lender pursuant to this Agreement.

“ Loan Account ” has the meaning ascribed to it in Section 1.10.

“ Loan Documents ” means the Agreement, the Notes, the Collateral Documents, the Fee Letters, Borrowing Base Certificates and all other agreements, instruments, documents and certificates executed and delivered to, or in favor of, the Administrative Agent or any Lender in connection with the Agreement and the transactions contemplated thereby and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written agreements whether heretofore, now or hereafter executed by or on behalf of any Credit Party and delivered to the Administrative Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“ Maintenance Cure Period ” has the meaning ascribed to it in Section 8.1(d).

“ Maintenance Default ” has the meaning ascribed to it in Section 8.1(d).

“ Margin Stock ” has the meaning ascribed to it in Section 3.10.

“ Master Documentary Agreement ” means the Master Agreement for Documentary Letters of Credit between Borrower, as Applicant, and GE Capital, as L/C Issuer, to be executed prior to issuance of any Letter of Credit, in form and substance reasonably satisfactory to the Administrative Agent.

“ Master Standby Agreement ” means the Master Agreement for Standby Letters of Credit between Borrower, as Applicant, and GE Capital, as L/C Issuer, to be executed prior to issuance of any Letter of Credit, in form and substance reasonably satisfactory to the Administrative Agent.

“ Material Adverse Effect ” means a material adverse effect on (i) the business, assets, operations or financial or other condition or prospects of (x) Borrower or (y) the Credit Parties taken as a whole (other than the commencement of the Cases and events customarily leading up to and following the commencement of the Cases or otherwise reflected in the operating budget dated September 9, 2005 provided to the Administrative Agent), (ii) the ability of Borrower or Guarantors to pay any of the Loans or any of the other Obligations in accordance with the terms of the Agreement, (iii) the Collateral, the Liens of Administrative Agent for the benefit of the Secured Parties on the Collateral, or the priority of such Liens, or (iv) the Administrative Agent’s or Lender’s rights and remedies under the Agreement and the other Loan Documents.

“ Material Location ” has the meaning ascribed to it in Section 5.8 .

“ Material Real Estate Contracts ” means (for purposes of the Agreement only) any lease, usufruct, use agreement, license, permit or other occupancy or facility use agreement under which a Credit Party is a tenant or counterparty, that has a remaining term of three (3) years or more as of the Closing Date and (i) subject to receipt of any necessary consents, could be assigned to another user for a cash payment in excess \$10,000,000 with a novation of such Credit Party, or (ii) relates to major facilities required for a Credit Party’s operations, the loss of the lease, usufruct, use agreement, license, permit or other occupancy or facility use agreement with respect thereto would materially and adversely affect a Credit Party’s ability to conduct its business as now being conducted.

“ Maturity Date ” the earliest of (a) Scheduled Maturity Date, (b) the effective date of a Plan of Reorganization and (c) the date of termination of Lenders’ obligations to permit existing Loans to remain outstanding pursuant to Section 8.2(b) .

“ Moody’s ” means Moody’s Investors Service, Inc.

“ Mortgage ” means each of the mortgages, deeds to secured debt, deeds of trust or other real estate security documents delivered by any Credit Party to the Administrative Agent on behalf of itself and Lenders with respect to the Owned Real Estate, substantially in the form attached as Exhibit D hereto.

“ Mortgage Supporting Documents ” means, with respect to a Mortgage for a parcel of Real Estate, each of the following:

- (a) (i) evidence in form and substance reasonably satisfactory to the Administrative Agent that the recording of counterparts of such Mortgage in the recording offices specified in such Mortgage will create a valid, perfected and enforceable first priority lien on property described therein in favor of Administrative Agent for the benefit of the Secured Parties (or in favor of such other trustee as may be required or desired under local law) subject only to (A) Permitted Encumbrances and (B) such other Liens as the Administrative Agent may reasonably approve and (ii) an opinion of counsel in each state in which any such Mortgage is to be recorded in form and substance and from counsel reasonably satisfactory to the Administrative Agent;

- (b) if requested by the Administrative Agent in its reasonable discretion, (i) a mortgagee's title policy (or policies) or marked-up unconditional binder (or binders) for such insurance (or other evidence reasonably acceptable to the Administrative Agent proving ownership thereof) (" Mortgagee's Title Insurance Policy "), dated a date satisfactory to the Administrative Agent, and shall (A) be in an amount equal to 110% of the appraised value (determined by reference to the initial FIRREA appraisals) of such parcel of Real Estate, (B) be issued at ordinary rates, (C) insure that the Lien granted pursuant to the Mortgage insured thereby creates a valid first priority Lien on such parcel of Real Estate free and clear of all defects and encumbrances, except for Permitted Encumbrances and for such defects and encumbrances as may be approved by the Administrative Agent, (D) name Administrative Agent for the benefit of the Secured Parties as the insured thereunder, (E) be in the form of ALTA Loan Policy - 1992 (or such local equivalent thereof as is reasonably satisfactory to the Administrative Agent), (F) contain such endorsements and affirmative coverage as the Administrative Agent may request to the extent available in the applicable jurisdictions (including but not limited to a comprehensive lender's endorsement, a zoning endorsement and a floating rate endorsement), (G) be issued by Lawyers Title Insurance Corporation, Chicago Title Insurance Company or any other title company reasonably satisfactory to the Administrative Agent (including any such title companies acting as co-insurers or reinsurers), (H) delete the general survey exception, and (I) be otherwise in form and substance reasonably satisfactory to the Administrative Agent and (ii) a copy of all documents referred to, or listed as exceptions to title, in such title policy (or policies) in each case in form and substance reasonably satisfactory to the Administrative Agent;
- (c) as-built surveys of such parcel of Real Estate certified to and received by (in a manner reasonably satisfactory to each of them) Administrative Agent for the benefit of the Secured Parties and, if the Administrative Agent requires a Mortgage Title Insurance Policy pursuant to clause (a) above, the title insurance company issuing the Mortgagee's Title Insurance Policy for such Mortgage, dated a date reasonably satisfactory to the Administrative Agent and such title insurance company, by an independent professional licensed land surveyor reasonably satisfactory to the Administrative Agent and such title insurance company, which maps or plats and the surveys on which they are based shall be made in form and substance reasonably satisfactory to the Administrative Agent;
- (d) evidence in form and substance reasonably satisfactory to the Administrative Agent that all premiums in respect of each Mortgagee's Title Insurance Policy, all recording fees and stamp, documentary, intangible or mortgage taxes, if any, in connection with the Mortgage have been paid;
- (e) a Phase I environmental report with respect to such parcel of Real Estate, dated a date not more than one year prior to November 30, 2004, showing no material condition of environmental concern and otherwise in form and substance reasonably satisfactory to the Administrative Agent; and

(f) such other agreements, documents and instruments in form and substance reasonably satisfactory to the Administrative Agent as the Administrative Agent deems necessary or appropriate to create, register or otherwise perfect, maintain, evidence the existence, substance, form or validity of, or enforce a valid and enforceable first priority lien on such parcel of Real Estate in favor of Administrative Agent for the benefit of the Secured Parties (or in favor of such other trustee as may be required or desired under local law) subject only to Permitted Encumbrances.

“ Mortgagee’s Title Insurance Policy ” has the meaning ascribed to it in the definition of “ Mortgage Supporting Documents ”.

“ Multiemployer Plan ” means a “ multiemployer plan ” as defined in Section 4001(a)(3) of ERISA, and to which any Credit Party or ERISA Affiliate is making, is obligated to make or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

“ Net Capital Expenditures ” means, for any period, Capital Expenditures for such period plus (without duplication) (i) any increases in the aggregate amount of advances or deposits made in connection with Capital Expenditures during such period, and (ii) the amount by which the aggregate principal amount of any Indebtedness incurred pursuant to Section 6.3(a)(i) (“ Purchase Money Debt ”) was reduced in connection with any refinancing of interim Purchase Money Debt during such period, minus (without duplication) (x) the aggregate principal amount of any Purchase Money Debt incurred during such period, including without limitation in connection with any increase in Purchase Money Debt incurred in connection with any refinancing of interim Purchase Money Debt, and (y) any decreases in advances or deposits made in connection with Capital Expenditures during such period.

“ Net Cash Proceeds ” means proceeds received by any Credit Party after the Closing Date in cash or Cash Equivalents from:

(a) (i) Asset Sales permitted under Section 6.8(a) in excess of \$5,000,000, individually or in the aggregate, for any Fiscal Year (other than (x) Asset Sales of Aircraft and (y) any single Asset Sale resulting in gross proceeds not exceeding \$5,000), (ii) Asset Sales of any Collateral included in the Term A Borrowing Base permitted under Section 6.8(c)(ii), (iii) any Excluded Sales permitted under Section 6.8(d) and of the type described in clause (ii) or (iv) of the definition thereof, to the extent resulting in gross proceeds in excess of \$50,000,000, individually or in the aggregate, and (iv) any other Asset Sale (other than (A) any Asset Sale permitted under Sections 6.8(c)(i), (d) (except, for the avoidance of doubt, to the extent required by clause (iii) above), (e), (f), (g), (i), (j), (k), (l), (n) (other than sales of Section 1110 Assets or Non-1110 Aviation Assets) or (o) or (B) any single Asset Sale resulting in gross proceeds not exceeding \$5,000), in excess of \$5,000,000, individually or in the aggregate, for any Fiscal Year for all such Asset Sales, in each case, net of (1) the reasonable cash costs of sale, assignment or other disposition, (2) taxes paid or reasonably estimated to be payable as a result thereof, (3) reserves provided, to the extent required by GAAP, against any liabilities that are directly attributed to such Asset Sale (clauses (1), (2) and (3) collectively referred to herein as the “ Sale Costs ”) and (4) any amount required to be paid or prepaid on Indebtedness or other obligations (other than the Obligations) secured by the assets subject to such Asset Sale, or otherwise required to be repaid as a result of such Asset Sale; provided, that, in the case of any Asset Sale of fuel that has been pre-ordered in the ordinary course of business occurring substantially concurrently with the purchase of such fuel subject to such Asset Sale, “ Net Cash Proceeds ” shall be deemed net of the purchase price of such fuel; and

(b) Property Loss Event, net of (1) the costs of collection (the “ Collection Costs ” and, together with the Sale Costs, “ Costs ”), (2) the amounts required to be applied pursuant to the terms of any ARB Indebtedness in respect of any asset subject thereto, (3) any amounts required to be applied as described in Section 5.4(d) and (4) any amount required to be paid or prepaid on Indebtedness or other obligations (other than the Obligations) secured by the assets subject to such Property Loss Event, or otherwise required to be repaid as a result of such Property Loss Event;

provided, that, if the aggregate Costs related to any Asset Sale or any Property Loss Event exceeds \$500,000, evidence of each such Costs shall be provided to the Administrative Agent, in form and substance reasonably satisfactory to them.

“ Net Orderly Liquidation Value ” shall mean with regard to any Eligible Aircraft, Eligible Engines, Eligible Spare Parts, Eligible Ground Service Equipment, Eligible Flight Simulators or Eligible Tooling, the net orderly liquidation value of such Eligible Aircraft, Eligible Spare Parts, Eligible Ground Service Equipment, Eligible Flight Simulators or Eligible Tooling, as the case may be, as determined by reference to the most recent appraisal of the applicable Credit Party.

“ Non-Funding Lender ” has the meaning ascribed to it in Section 11.9(a).

“ Non-1110 Agreement ” shall mean any agreement related to property that would have qualified as “ equipment,” as such term is used in Section 1110(a)(3) of the Bankruptcy Code if it had been placed in service on or prior to October 22, 1994, including, without limitation, security agreements, mortgages, trusts, leases, conditional sale agreements or other instruments applicable to such property.

“ Non-1110 Aviation Assets ” shall mean (a) property that would have qualified as “ equipment,” as such term is used in Section 1110(a)(3) of the Bankruptcy Code if it had been placed in service on or prior to October 22, 1994 and all Non-1110 Agreements, to the extent that the Credit Parties are prohibited from granting liens thereon or assignments thereof under the terms of any such agreements in effect at the commencement of the Cases (and to the extent permitted by this Agreement, as such Non-1110 Agreement may be amended, modified, refinanced or restructured), (b) any other asset with respect to which the granting of any lien would cause a default, directly or indirectly, of any such Non-1110 Agreements, (c) any deposits and reserves held or maintained pursuant to such agreement or (d) property referred to in the previous clauses that the Borrower or any of the Guarantors elects to return to the party providing financing therefor in exchange for a discharge of the related indebtedness; provided, that Non-1110 Aviation Assets shall not include any Proceeds of such property (but only to the extent that the Credit Parties are entitled to such Proceeds).

“ Non-Stayed Order ” means an order of the Bankruptcy Court which is in full force and effect, as to which no stay has been entered and which has not been reversed, modified, vacated or overturned.

“ Note ” has the meaning assigned to it in Section 1.1(a).

“ Notice of Actionable Default ” has the meaning ascribed to it in the Skymiles Intercreditor Agreement.

“ Notice of Conversion/Continuation ” has the meaning ascribed to it in Section 1.5(e).

“ Obligations ” means all loans, advances, debts, liabilities and obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to the Administrative Agent or any Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement, letter of credit agreement or other instrument, arising under the Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against any Credit Party in bankruptcy, whether or not allowed in such case or proceeding), Fees, expenses, attorneys’ fees and any other sum chargeable to any Credit Party under the Agreement or any of the other Loan Documents.

“ Op Specs ” means Operating Specifications issued by the FAA under Part 121 of the Federal Aviation Regulations authorizing an air carrier’s operations to/from/within the United States.

“ Original Borrowing Base Assets ” has the meaning ascribed to it in Section 1.2(c)(i).

“ Owned Real Estate ” has the meaning ascribed to it in Section 3.6(b) and Section 5.12(a)(iv).

“ Patent License ” means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

“ Patent Security Agreements ” means the Patent Security Agreements made in favor of Administrative Agent for the benefit of the Secured Parties by each applicable Credit Party.

“ Patents ” means all of the following in which any Credit Party now holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or of any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or any other country, and (b) all reissues, continuations, continuations-in-part or extensions thereof.

“ PBGC ” means the Pension Benefit Guaranty Corporation.

“ Pension Plan ” means a Plan which is an “ employee pension benefit plan ” described in Section 3(2) of ERISA.

“ Permits ” has the meaning ascribed to it in Section 3.24.

“ Permitted Encumbrances ” means the following encumbrances: (a) Liens for taxes or assessments or other governmental Charges not yet due and payable or which are being contested in accordance with Section 5.2(b); (b) pledges or deposits of money securing statutory obligations under workmen’s compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases (other than leases of aircraft) to which any Credit Party is a party as lessee made in the ordinary course of business; (d) workers’, mechanics’ or similar liens arising in the ordinary course of business, so long as such Liens are inchoate and unperfected and attach only to Tooling, Fixtures and/or real estate or being contested in accordance with Section 5.2(b); (e) carriers’, warehousemen’s, suppliers’ or other similar possessory liens arising in the ordinary course of business so long as such Liens are inchoate and unperfected and attach only to Inventory or being contested in accordance with Section 5.2(b); (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(i); (h) zoning restrictions, easements, licenses, or other restrictions on the use of any real estate or interests of any Credit Party in real estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use or the value of any parcel of Owned Real Estate; (i) presently existing or hereafter created Liens in favor of Administrative Agent for the benefit of the Secured Parties; (j) statutory and common law landlords’ liens under leases to which any Credit Party is a party (subject to the requirements of Section 5.8); (k) (i) leases, subleases, licenses, permits and similar use rights, entered into in the ordinary course of business with respect to the Owned Real Estate, that are by their express terms subject and subordinate to Administrative Agent’s Liens, for the benefit of Secured Parties, in the Owned Real Estate, and do not, in the aggregate, materially detract from the value of the any parcel of Owned Real Estate and (ii) leases, subleases, licenses, permits and similar use rights, entered into in the ordinary course of business with respect to any leased real estate, to the extent they are not prohibited by the Collateral Documents and would not have a Material Adverse Effect and would not materially and adversely affect the Administrative Agent’s Liens, for the benefit of Secured Parties, in Collateral stored or located at such location; (l) with respect to Real Estate, other defects and encumbrances as may be approved by the Administrative Agent, including, with respect to the Eligible Real Estate, any matters shown as title exceptions in the Mortgagee’s Title Insurance Policy, (m) liens imposed by applicable law on the assets of any Credit Party located at an airport for the benefit of an Aviation Authority; (n) Liens (including leases) permitted pursuant to the Aircraft Mortgage and (o) subject, with respect to Blocked Accounts, to the Blocked Account Agreements, Liens in favor of depositary banks (including set-off rights) arising as a matter of law.

“ Permitted Investments ” means Investments made in accordance with the Investment Guidelines set forth on Annex K.

“ Permitted Liens ” means (i) Liens granted by the Credit Parties under the Collateral Documents and (ii) any other Liens permitted to be created or assumed or to exist pursuant to Section 6.7 of this Agreement.

“ Permitted Prepetition Payment ” means a payment (as adequate protection or otherwise) on account of any Claim against any Credit Party arising or deemed to have arisen prior to the Petition Date, which payments are (i) authorized by the Bankruptcy Court pursuant to First Day Orders or other Non-Stayed Orders reasonably satisfactory to the Administrative Agent in amounts approved by the Bankruptcy Court and the Administrative Agent, (ii) made pursuant to Section 1110 Agreements or Non-1110 Agreements, (iii) made in connection with the assumption of executory contracts and unexpired leases or (iv) made in respect of accrued payroll and related expenses and employee benefits as of the Petition Date.

“ Permitted Refinancing ” means, with respect to any Person, any modification, refinancing, refunding, renewal, extension or replacement (collectively, a “ refinancing ”) of any Indebtedness of such Person; provided, that (a) the principal amount (or accreted value, if applicable) thereof does not exceed 100% (or, to the extent no payment of principal thereof (except upon acceleration) is required on or prior to the Scheduled Maturity Date, 105%) of the principal amount (or accreted value, if applicable) of the Indebtedness so refinanced, except by an amount equal to the unpaid accrued interest and premium thereon; (b) such refinancing has a final maturity date equal to or later than the final maturity of the Indebtedness being refinanced, (c) such refinancing does not reduce the weighted average life to maturity of the Indebtedness being refinanced, (d) if the Indebtedness being refinanced is subordinated in right of payment to the Obligations, such refinancing is subordinated in right of payment to the Obligations on terms at least as favorable to Lenders as those contained in the documentation governing the Indebtedness being refinanced. Permitted Refinancings shall include any refinancing financed with proceeds from or exchanges into Stock issued by Borrower.

“ Permitted Reinvestment Collateral ” means, with respect to any Collateral, (i) replacement assets useful in Borrower’s (or, in the case of any asset owned by any Subsidiary, such Subsidiary’s) business or, in the case of any Property Loss Event, repairs to the applicable Collateral, (ii) in the case of any Property Loss Event with respect to any Collateral included in the Term A Borrowing Base (other than Aircraft or Engines), replacement assets consisting of like-kind assets and the Allocated Amount for which exceeds the Allocated Amount for the Original Borrowing Base Assets after replacement or repair, as the case may be, and (iii) in the case of Aircraft or Engines, Replacement Aircraft or Replacement Engines, as the case may be; provided, that, in each case, any replacement asset shall be subject to a first priority Lien of Administrative Agent for the benefit of Secured Parties to the extent that the original asset was subject to a first priority Lien of Administrative Agent for the benefit of Secured Parties.

“ Permitted Secured Financing ” has the meaning ascribed to it in Section 6.3(a)(v) hereof.

“ Permitted Subordinated Indebtedness ” means any unsecured Indebtedness of any Delta Company that (a) is expressly subordinated to the prior payment in full in cash of the Obligations on terms reasonably acceptable to the Administrative Agent, (b) will not mature prior to the date that is ninety-one (91) days after the Scheduled Maturity Date, and (c) does not require payments of principal prior to the date which is ninety-one (91) days after the Scheduled Maturity Date, except pursuant to acceleration.

“ Person ” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

“ Petition Date ” has the meaning ascribed to it in the Preamble.

“ Physical Aircraft Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Aircraft or Eligible Engines, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Aircraft or Engines; and (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Aircraft or Engines.

“ Physical Ground Service Equipment Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Ground Service Equipment, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Ground Service Equipment; (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Ground Service Equipment and (iv) physical inspection of such Ground Service Equipment.

“ Physical Flight Simulator Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Flight Simulators, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Flight Simulators; (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Flight Simulators and (iv) physical inspection of such Flight Simulators.

“ Physical Spare Parts Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Spare Parts, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to Spare Parts; (iii) developing a representative sampling of a reasonable number of the different Spare Parts for which a market check will be conducted; (iv) checking other sources, such as manufacturers, other airlines, U.S. government procurement data and airline parts pooling price lists, for orderly liquidation prices of the sample parts referred to in clause (iii); (v) visiting the Designated Spare Parts Locations selected by the Appraiser where the Spare Parts are kept by any Credit Party; (vi) conducting a limited review of the inventory reporting system applicable to the Spare Parts, including checking information reported in such system against information determined through physical inspection pursuant to the preceding clause (v); and (vii) reviewing a sampling of the Spare Parts serviceability tags, books and records (including tear-down reports). The physical sampling will be completed at the necessary Designated Spare Parts Locations where in the aggregate up to 80% (by measure of appraised NOLV) of the Pledged Spare Parts are kept by the Credit Parties.

“ Physical Tooling Appraisal Methodology ” means, in determining an opinion as to the Net Orderly Liquidation Value of Eligible Tooling, including but not limited to, taking at least the following actions: (i) reviewing the most recent Collateral Report; (ii) reviewing the Appraiser’s internal value database for values applicable to such Tooling; (iii) checking other sources, such as manufacturers, other airlines and U.S. government procurement data, for orderly liquidation prices of such Tooling and (iv) physical inspection of such Tooling.

“ Plan ” means, at any time, a Pension Plan, ESOP, Multiemployer Plan, Qualified Plan, Title IV Plan or Retiree Welfare Plan that any Credit Party or ERISA Affiliate maintains or to which such Credit Party contributes or has an obligation to contribute.

“ Plan of Reorganization ” means a plan of reorganization in the Cases under chapter 11 of the Bankruptcy Code.

“ Pledged Collateral ” means all of the following property now owned or at anytime acquired by a Credit Party or in which such Credit Party now has or at any time in the future may acquire any right, title or interest:

(a) the Pledged Shares and the certificates representing the Pledged Shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares; and

(b) such portion, as determined by Administrative Agent as provided in Section 10.4(i)(v) of this Agreement, of any additional shares of stock of a Pledged Entity from time to time acquired by Credit Party in any manner (which shares shall be deemed to be part of the Pledged Shares), and the certificates representing such additional shares, and all dividends, distributions, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such stock; and

(c) the Pledged Indebtedness and the promissory notes or instruments evidencing the Pledged Indebtedness, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of the Pledged Indebtedness; and

(d) all additional Indebtedness arising after the Closing Date and owing to Credit Party and evidenced by promissory notes or other instruments , together with such promissory notes and instruments, and all interest, cash, instruments and other property and assets from time to time received, receivable or otherwise distributed in respect of that Indebtedness.

“ Pledged Entity ” means an issuer of Pledged Shares or Pledged Indebtedness.

“ Pledged Indebtedness ” means the Indebtedness evidenced by promissory notes and instruments listed on Part 2 of Disclosure Schedule 10.4 hereto.

“ Pledged Shares ” means those shares listed on Part 1 of Disclosure Schedule 10.4 hereto.

“ Pledged Spare Parts ” shall have the meaning ascribed to it in the Spare Parts Mortgage.

“ Post-Petition Skymiles Facility ” means the provisions related to the Advance Payments (as defined in the Post-Petition Skymiles Facility Documents) in the Post-Petition Skymiles Facility Documents.

“ Post-Petition Skymiles Facility Documents ” means the “ SkyMiles Documents ” as defined in the Skymiles Intercreditor Agreement and includes the Skymiles Collateral Documents.

“ Power of Attorney ” shall have the meaning ascribed to it in Section 10.8.

“ Prepayment Date ” means, with respect to any Net Cash Proceeds from any Collateral, the earlier of (i) the date occurring 180 days after the date on which such Net Cash Proceeds were deposited into the Cash Collateral Account (unless, prior to such date, the applicable Credit Party has (A) acquired any Replacement Borrowing Base Asset, (B) entered into an agreement for such acquisition or (C) commenced the construction of the Replacement Borrowing Base Assets or the repair of the Original Borrowing Base Assets) and (ii) the date that is five (5) Business Days after the date on which Borrower shall have notified the Administrative Agent of Borrower’s determination not to acquire replacement assets useful in any Credit Party’s business (or, in the case of a Property Loss Event, not to effect repairs) .

“ Primary Gates ” shall have the meaning ascribed to it in the SGR Security Agreement.

“ Primary Routes ” shall have the meaning ascribed to it in the SGR Security Agreement.

“ Primary Slots ” shall have the meaning ascribed to it in the SGR Security Agreement.

“ Proceeds ” means “ proceeds,” as such term is defined in the Code, including (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any asset, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of such property by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning such property including claims arising out of the loss or nonconformity of, interference with the use of, defects in, or infringement of rights in, or damage to, such property, (e) all amounts collected on, or distributed on account of, other property, including dividends, interest, distributions and Instruments with respect to Investment Property and pledged Stock, and (f) any and all other amounts, rights to payment or other property acquired upon the sale, lease, license, exchange or other disposition of such property and all rights arising out of such property.

“ Projections ” means Borrower’s forecasted consolidated (a) balance sheets, (b) profit and loss statements and (c) cash flow statements consistent with the historical Financial Statements of Borrower (other than adjustments related to the impact of the Cases), together with appropriate supporting details and a statement of underlying assumptions.

“ Property Loss Event ” means (a) any loss of or damage to property of any Credit Party that results in the receipt by such Person of proceeds of insurance in excess of \$5,000,000, individually or in the aggregate, (b) any taking of property of any Credit Party that results in the receipt by such Person of a compensation payment in respect thereof that exceeds \$5,000,000, individually or in the aggregate, or (c) an “ Event of Loss ” (as such term is defined in the Aircraft Mortgage or the Spare Parts Mortgage).

“ Proposed Change ” has the meaning ascribed to it in Section 13.2(c).

“ Pro Rata Share ” means with respect to all matters relating to any Lender (a) with respect to the Term Loan A, the percentage obtained by dividing (i) the Term A Commitment of that Lender by (ii) the aggregate Term A Commitments of all Lenders, as such percentage may be adjusted by assignments permitted pursuant to Section 11.1, (b) with respect to the Term Loan B, the percentage obtained by dividing (i) the Term B Commitment of that Lender by (ii) the aggregate Term B Commitments of all Lenders as such percentage may be adjusted by assignments permitted pursuant to Section 11.1, (c) with respect to the Term Loan C, the percentage obtained by dividing (i) the Term C Commitment of that Lender by (ii) the aggregate Term C Commitments of all Lenders as such percentage may be adjusted by assignments permitted pursuant to Section 11.1, (d) with respect to all Loans, the percentage obtained by dividing (i) the aggregate Commitments of that Lender by (ii) the aggregate Commitments of all Lenders and, on and after the Maturity Date, the percentage obtained by dividing (i) the aggregate outstanding principal balance of all Loans held by that Lender by (ii) the outstanding principal balance of all Loans held by all Lenders, in each case, as any such percentages may be adjusted by assignments permitted pursuant to Section 11.1.

“ Purchase Amount ” has the meaning ascribed to it in Section 13.2(c).

“ Qualified Plan ” means a Pension Plan that is intended to be tax-qualified under Section 401(a) of the IRC.

“ Real Estate ” has the meaning ascribed to it in Section 3.6(b).

“ Regulated Subsidiary ” means each of Comair Holdings, LLC and Crown Rooms, Inc.

“ Reinvestment Deferred Amount ” has the meaning ascribed to it in Section 1.2(c)(ii) .

“ Reinvestment Event ” means the date on which the Net Cash Proceeds of (x) any Asset Sale of assets not included in the Term A Borrowing Base or (y) any Property Loss Event, which in each case are deposited in the Cash Collateral Account.

“ Reinvestment Notice ” means a written notice executed by the Chief Financial Officer of Borrower stating that no Event of Default has occurred and is continuing and that Borrower (directly or indirectly through one of the Guarantors or the applicable Subsidiary) intends and expects to use the Reinvestment Deferred Amount for Permitted Reinvestment Collateral as specified therein.

“ Reinvestment Prepayment Date ” means, with respect to any Net Cash Proceeds of any Reinvestment Event, (i) involving any Collateral (other than in respect of Collateral subject to the Aircraft Mortgage), the earliest of (a) the date occurring 180 days after such Reinvestment Event, unless, prior to any such date, Borrower or the applicable Subsidiary has (x) entered into an agreement for the acquisition of Permitted Reinvestment Collateral or (y) commenced the construction of Permitted Reinvestment Collateral or the repair of the original assets constituting Permitted Reinvestment Collateral, (b) the date that is five (5) Business Days after the date on which Borrower shall have notified the Administrative Agent of Borrower’s determination not to acquire Permitted Reinvestment Collateral with all or any portion of the relevant Reinvestment Deferred Amount for such Net Cash Proceeds and (c) the occurrence of any Event of Default, (ii) arising from a Property Loss Event involving any Aircraft or Engine, the Loss Payment Date (as defined in the Aircraft Mortgage), or (iii) arising from a Property Loss Event involving any Engine (not involving the related Airframe (as defined in the Aircraft Mortgage)), the date upon which such Engine is required to be replaced in accordance with Section 7.05(b) of the Aircraft Mortgage.

“ Reinvestment Release Request ” means a written notice executed by the Chief Financial Officer of Borrower stating that no Event of Default has occurred and is continuing and that Borrower (directly or indirectly through one of the Guarantors or the applicable Subsidiary) requests the release of the Reinvestment Deferred Amount from the Cash Collateral Account for Permitted Reinvestment Collateral as specified therein.

“ Related Person ” means, with respect to any Person, any Affiliates, officers, employees, agents, directors or other Persons acting for or in concert with such Person.

“ Relationship Bank ” has the meaning ascribed to it in Section (b) of Annex C .

“ Release ” means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

“ Replacement Aircraft ” shall have the meaning ascribed to it in the Aircraft Mortgage.

“ Replacement Borrowing Base Assets ” has the meaning ascribed to it in Section 1.2(c)(i) .

“ Replacement Engine ” shall have the meaning ascribed to it in the Aircraft Mortgage.

“ Replacement Lender ” has the meaning ascribed to it in Section 1.14(e) .

“ Requirement of Law ” means, with respect to any Person, the common law and all federal, state, local and foreign laws, treaties, rules and regulations, orders, judgments, decrees and other legal requirements or determinations of any Governmental Authority or arbitrator, applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“ Requisite Lenders ” means Lenders having 51% or more of the aggregate outstanding amount of all Loans.

“ Requisite Term A Lenders ” means Lenders having 51% or more of the aggregate outstanding amount of the Term Loan A.

“ Requisite Term B Lenders ” means Lenders having 51% or more of the aggregate outstanding amount of the Term Loan B.

“ Requisite Term C Lenders ” means Lenders having 51% or more of the aggregate outstanding amount of the Term Loan C.

“ Reserves ” means (a) reserves established by the Administrative Agent from time to time in its reasonable credit judgment, against Eligible Tooling, Eligible Aircraft, Eligible Engines, Eligible Real Estate, Eligible Spare Parts, Eligible Flight Simulators and Eligible Ground Service Equipment, including, but not limited to, pursuant to Section 5.8, and (b) reserves established by the Administrative Agent from time to time in its reasonable credit judgment against Eligible Accounts, Eligible Unbilled Accounts and Eligible Refundable Ticket Accounts including, but not limited to, a reserve in the amount of Fifty Million Dollars (\$50,000,000) for maintenance of Collateral and liquidation expenses and for the Carve-Out. Without limiting the generality of the foregoing, Reserves established to ensure the payment of accrued Interest Expenses or Indebtedness shall be deemed to be a reasonable exercise of the Administrative Agent’s credit judgment.

“ Restricted Accounts ” means (i) the Citibank Cash Collateral Account; (ii) the accounts identified as Restricted Accounts on Disclosure Schedule 3.19 ; and (iii) any deposit account holding cash and cash equivalents subject to Liens permitted under Section 6.7(j) (except to the extent securing any obligations under the Post-Petition Skymiles Facility), Section 6.7(k) or Section 6.7(l) or securing surety or appeal bonds permitted under Section 6.3(a)(xiv) .

“ Restricted Payment ” means, with respect to any Credit Party (a) the declaration or payment of any dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of Stock; (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of such Credit Party’s Stock or any other payment or distribution made in respect thereof, either directly or indirectly; (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any Permitted Subordinated Indebtedness or the Post-Petition Skymiles Facility; and (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Credit Party now or hereafter outstanding.

“ Retiree Welfare Plan ” means, at any time, a Plan which is an “ employee welfare benefit plan ” as described in Section 3(1) of ERISA that provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant’s termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

“ Routes ” has the meaning ascribed to it in the SGR Security Agreement.

“ S&P ” means Standard & Poor’s Ratings Group.

“ Scheduled Maturity Date ” means March 16, 2008.

“ Sell ” means, with respect to any property, to sell, convey, transfer, assign, license, lease or otherwise dispose of, any interest therein or to permit any Person to acquire any such interest, including, in each case, through a Sale and Leaseback Transaction or through a sale, factoring at maturity, collection of or other disposal, with or without recourse, of any notes or accounts receivable. Conjugated forms thereof and the noun “ Sale ” have correlative meanings.

“ Section 1110 Agreement ” means any agreement related to property that qualifies as “ equipment,” as such term is used in Section 1110(a)(3) of the Bankruptcy Code, including, without limitation, security agreements, mortgages, trusts, leases, conditional sale agreements or other instruments applicable to such property.

“ Section 1110 Assets ” shall mean (a) property that qualifies as “ equipment,” as such term is used in Section 1110(a)(3) of the Bankruptcy Code and all Section 1110 Agreements, to the extent that the Credit Parties are prohibited from granting liens thereon or assignments thereof under the terms of any Section 1110 Agreement in effect at the commencement of the Cases (and, to the extent permitted by this Agreement), as such Section 1110 Agreement may be amended, modified, refinanced or restructured) under which the applicable secured party, lessor or seller is entitled to the protections afforded under Section 1110 of the Bankruptcy Code with respect to such property or agreements, (b) any other asset with respect to which the granting of any lien would cause a default, directly or indirectly, of any Section 1110 Agreement, (c) any deposits and reserves held or maintained pursuant to such agreement or (d) property referred to in the previous clauses that the Borrower or any of the Guarantors elects to return to the party providing financing therefor in exchange for a discharge of the related indebtedness; provided, that Section 1110 Assets shall not include any Proceeds of such property (but only to the extent that the Credit Parties are entitled to such Proceeds).

“ Secured Obligations ” means, in the case of Borrower, the Obligations and, in the case of any other Credit Party, the obligations of such Credit Party under the Guaranties and the other Loan Documents to which it is a party.

“ Secured Parties ” means the Lenders, the Administrative Agent, any L/C Issuer and any other holder of any Secured Obligation.

“ Security ” means any Stock, voting trust certificate, bond, debenture, note or other evidence of Indebtedness, whether secured, unsecured, convertible or subordinated, or any certificate of interest, share or participation in, any temporary or interim certificate for the purchase or acquisition of, or any right to subscribe to, purchase or acquire, any of the foregoing, but shall not include any evidence of the Obligations.

“ Settlement Date ” has the meaning ascribed to it in Section 11.9(a).

“ SGR Cash Collateral Account ” means a cash collateral account maintained at a bank or financial institution acceptable to the Administrative Agent, subject to a Blocked Account Agreement, into which cash or Cash Equivalents are deposited pursuant to Section 8.1(m).

“ SGR Security Agreement ” means the Slot, Gate and Route Security and Pledge Agreement from Borrower in favor of the Administrative Agent for the benefit of the Secured Parties substantially in the form of Exhibit E hereto, as amended, modified or supplemented from time to time.

“ Skymiles Agent ” has the meaning ascribed to it in the Skymiles Intercreditor Agreement.

“ Skymiles Collateral ” has the meaning ascribed to it in the Skymiles Intercreditor Agreement.

“ Skymiles Collateral Documents ” has the meaning ascribed to it in the Skymiles Intercreditor Agreement.

“ Skymiles Intercreditor Agreement ” means the Intercreditor Agreement of even date herewith entered into by and among Amex and the Administrative Agent in form and substance satisfactory to the Arrangers.

“ Slots ” has the meaning ascribed to it in the SGR Security Agreement.

“ Slot Utilization ” means, with respect to any Slot, (a) a Slot which is used for a take-off or landing operation; (b) if, by regulation or other regulatory notice, the FAA considers such Slot as “ used ” for purposes of the Slot Utilization Regulations, regardless whether or not such Slot was, in fact, used (e.g., holidays, labor actions); (c) if, by waiver, the FAA considers such Slot as “ used ” for purposes of the Slot Utilization Regulations; or (d) if the FAA otherwise waives the utilization requirement of the Slot Utilization Regulations.

“ Slot Utilization Regulations ” has the meaning ascribed to it in Section 5.14(a).

“ Software ” shall mean computer programs whether in source code or object code form, together with all related documentation.

“ Spare Parts ” means all of the Spare Parts as defined in the Spare Parts Mortgage.

“ Spare Parts Mortgage ” means the Spare Parts Security Agreement substantially in the form of Exhibit F entered into by and among the Administrative Agent for the benefit of the Secured Parties and each Credit Party that is a signatory thereto, in each case, as amended, modified or supplemented from time to time.

“ SPC ” has the meaning ascribed to it in Section 11.1(e).

“ SPV ” means any special purpose funding vehicle identified as such in a writing by any Lender to the Administrative Agent.

“ Stock ” means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other “ equity security ” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934).

“ Stockholder ” means, with respect to any Person, each holder of Stock of such Person.

“ Subsidiary ” means, with respect to any Person, (a) any domestic corporation of which an aggregate of more than 50% of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of more than 50% of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any domestic partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than 50% or of which any such Person is a general partner or may exercise the powers of a general partner. Unless the context otherwise requires, each reference to a Subsidiary shall be a reference to a Subsidiary of Borrower.

“ Supermajority Term A Lenders ” means Lenders having (a) 66-2/3% or more of the Term A Commitments of all Lenders, or (b) if the Term A Commitments have been terminated, 66-2/3% or more of the aggregate outstanding amount of the Term Loan A.

“ Super-Priority Claim ” shall mean a claim against any Credit Party in any of the Cases which is an administrative expense claim having priority over any or all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code.

“ Supporting Route Facilities ” has the meaning ascribed to it in the SGR Security Agreement.

“ Taxes ” means taxes, levies, imposts, deductions, Charges or withholdings, and all liabilities with respect thereto, excluding taxes imposed on or measured by the net income of the Administrative Agent or a Lender by the jurisdictions under the laws of which the Administrative Agent and Lenders are organized or conduct business or any political subdivision thereof.

“ Technology ” means, collectively, all designs, formulas, algorithms, procedures, methods, techniques, ideas, know-how, programs, subroutines, tools, inventions, creations, improvements, works of authorship, Software, other similar materials, and all recordings, graphs, drawings, reports, analyses, other writings, and any other embodiment of the above, in any form whether or not specifically listed herein, and all related technology, that are used in, incorporated in, embodied in or displayed by any of the foregoing, or used or useful in the design, development, reproduction, maintenance or modification of any of the foregoing.

“ Technology Equipment ” means technology assets including mainframe computers, servers, general computer equipment, printers, monitors, hard drives, memory, storage devices and call centers/ACD systems but excluding Flight Simulators, as more fully described in the appraisal with respect thereto prepared as of July 14, 2004 by American Appraisal Associates.

“ Term A Borrowing Base ” means, as of any date of determination by the Administrative Agent, from time to time, an amount equal to the sum at such time of:

- (a) up to 80% of the book value of the Credit Parties’ Eligible Accounts as of the date set forth in the most recently delivered Borrowing Base Certificate; plus
- (b) up to 50% of the book value of the Credit Parties’ Eligible Unbilled Accounts as of the date set forth in the most recently delivered Borrowing Base Certificate; plus
- (c) the lesser of 50% of the book value of the Credit Parties’ Eligible Refundable Ticket Accounts as of the date set forth in the most recently delivered Borrowing Base Certificate and \$30,000,000; plus
- (d) the lesser of 50% of the Fair Market Value of Eligible Real Estate and \$100,000,000, plus
- (e) the lesser of 50% of the Net Orderly Liquidation Value of Eligible Aircraft (other than the Aircraft described in clause (f) below) and \$250,000,000, plus
- (f) the lesser of 30% of the Net Orderly Liquidation Value of Eligible Aircraft consisting of Comair CRJ-100ERs aircraft and \$13,500,000; plus

- (g) the lesser of 40% of the half life Net Orderly Liquidation Value of Eligible Engines consisting of the Comair CF34-3A1 engines and CF34-3B1 engines and \$13,500,000; plus
- (h) the lesser of 65% of the half life Net Orderly Liquidation Value of Eligible Engines consisting of the Comair CF34-8C1 engines and \$5,100,000; plus
- (i) the lesser of 50% of the Net Orderly Liquidation Value of Eligible Flight Simulators and \$25,000,000, plus
- (j) the lesser of 25% of the Net Orderly Liquidation Value of Eligible Spare Parts and \$7,000,000, plus
- (k) the lesser of 25% of the Net Orderly Liquidation Value of Eligible Ground Service Equipment and \$25,000,000, plus
- (l) the lesser of 25% of the Net Orderly Liquidation Value of Eligible Tooling (excluding Technology Equipment) and \$25,000,000, plus
- (m) the aggregate amount held in the Cash Collateral Account and the LC Cash Collateral Account minus 100% of the aggregate face amount of all outstanding Letters of Credit,

in each case, less any Reserves established by the Administrative Agent at such time and provided, that the availability from the sum of clauses (a), (b) and (c) above shall not exceed \$400,000,000 at any time.

“ Term A Commitment ” means (a) as to any Lender with a Term A Commitment, the commitment of such Lender to make its Pro Rata Share of the Term Loan A as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender, and (b) as to all Lenders with a Term A Commitment, the aggregate commitment of all Lenders to make the Term Loan A, which aggregate commitment shall be Six Hundred Million Dollars (\$600,000,000) on the Effective Date. After advancing the Term Loan A, each reference to a Lender’s Term A Commitment shall refer to that Lender’s Pro Rata Share of the outstanding Term Loan A.

“ Term A Lenders ” means, as of the date of determination, those Lenders having Term A Commitments.

“ Term A Termination Date ” means the date on which (a) the Term Loan A has been repaid in full, (b) all other monetary Obligations (other than Excluded Obligations) arising under the Term Loan A pursuant to the Agreement and the other Loan Documents have been completely discharged, and (c) the Term A Commitment shall have expired or irrevocably been terminated under the Agreement.

“ Term B Commitment ” means (a) as to any Lender with a Term B Commitment, the commitment of such Lender to make its Pro Rata Share of the Term Loan B as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender, and (b) as to all Lenders with a Term B Commitment, the aggregate commitment of all Lenders to make the Term Loan B, which aggregate commitment shall be Seven Hundred Million Dollars (\$700,000,000) on the Effective Date. After advancing the aggregate amount of the Term B Commitment, each reference to a Lender’s Term B Commitment shall refer to that Lender’s Pro Rata Share of the outstanding Term Loan B.

“ Term B Lenders ” means, as of the date of determination, those Lenders having Term B Commitments.

“ Term B Termination Date ” means the date on which (a) the Term Loan B has been repaid in full, (b) all other monetary Obligations (other than Excluded Obligations) arising under the Term Loan B pursuant to the Agreement and the other Loan Documents have been completely discharged, and (c) the Term B Commitment shall have expired or irrevocably been terminated under the Agreement.

“ Term C Commitment ” means (a) as to any Lender with a Term C Commitment, the commitment of such Lender to make its Pro Rata Share of the Term Loan C as set forth on Annex J to the Agreement or in the most recent Assignment Agreement executed by such Lender, and (b) as to all Lenders with a Term C Commitment, the aggregate commitment of all Lenders to make the Term Loan C, which aggregate commitment shall be Six Hundred Million Dollars (\$600,000,000) on the Effective Date. After advancing the aggregate amount of the Term C Commitment, each reference to a Lender’s Term C Commitment shall refer to that Lender’s Pro Rata Share of the outstanding Term Loan C.

“ Term C Lenders ” means, as of the date of determination, those Lenders having Term C Commitments.

“ Term C Termination Date ” means the date on which (a) the Term Loan C has been repaid in full, (b) all other monetary Obligations (other than Excluded Obligations) arising under the Term Loan C pursuant to the Agreement and the other Loan Documents have been completely discharged, and (c) the Term C Commitment shall have expired or irrevocably been terminated under the Agreement.

“ Term Loan ” means the collective reference to the Term Loan A, the Term Loan B and the Term Loan C.

“ Term Loan A ” has the meaning assigned to it in Section 1.1(a).

“ Term Loan B ” has the meaning assigned to it in Section 1.1(b).

“ Term Loan C ” has the meaning assigned to it in Section 1.1(c).

“ Term Loan Commitment ” means each of the Term A Commitments, the Term B Commitments and the Term C Commitments.

“ Termination Date ” means the date on which (a) the Loans have been repaid in full, (b) all other monetary Obligations (other than Letter of Credit Obligations and Excluded Obligations) pursuant to the Agreement and the other Loan Documents have been completely discharged, (c) all Letter of Credit Obligations have been cash collateralized (after repayment in full of any amounts of the Term Loan A that may theretofore have been used as L/C Cash Collateral), cancelled or backed by standby letters of credit in accordance with this Agreement (including Annex B), and (d) Borrower shall not have any further right to borrow any monies under the Agreement.

“ Title 49 ” means Title 49 of the United States Code, which, among other things, recodified and replaced the Aviation Act of 1958, as amended, and the regulations promulgated pursuant thereto or any subsequent legislation that amends, supplements, or supersedes such provisions.

“ Title IV Plan ” means a Pension Plan (other than a Multiemployer Plan), that is covered by Title IV of ERISA, and that any Credit Party or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

“ Tooling ” means tooling inventory, including but not limited to dies, molds, tooling, casting patterns, gauges, jigs, racks and stands for engines, cowls, radome and wheels, aircraft jacks, test benches, test equipment, lathes, welders, grinders, presses, punches and hoists and other similar items (whether or not completed or fixed or handheld).

“ Trademark Security Agreements ” means the Trademark Security Agreements made in favor of Administrative Agent for the benefit of the Secured Parties by each applicable Credit Party substantially in the form of Exhibit G.

“ Trademark License ” means rights under any written agreement now owned or hereafter acquired by any Credit Party granting any right to use any Trademark.

“ Trademarks ” means all of the following now owned or hereafter adopted or acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

“ Two-Month FAA Reporting Period ” means the period for which air carriers provide slot utilization reports to the FAA pursuant to 14 C.F.R. § 93.227(i).

“ Unfunded Pension Liability ” means, at any time, the aggregate amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five (5) years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

“ Uniform Commercial Code jurisdiction ” means any jurisdiction that has adopted all or substantially all of Article 9 as contained in the 2000 Official Text of the Uniform Commercial Code, as recommended by the National Conference of Commissioners on Uniform State Laws and the American Law Institute, together with any subsequent amendments or modifications to the Official Text.

“ U.S. Bank ” means U.S. Bank Trust National Association as trustee under certain of the GECAS Facilities.

“ Vehicles ” means all vehicles covered by a certificate of title law of any state.

Rules of construction with respect to accounting terms used in the Agreement or the other Loan Documents shall be as set forth in Annex G . All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code to the extent the same are used or defined therein; in the event that any term is defined differently in different Articles or Divisions of the Code, the definition contained in Article or Division 9 shall control. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words “ herein ,” “ hereof ” and “ hereunder ” and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words “ including ,” “ includes ” and “ include ” shall be deemed to be followed by the words “ without limitation ”; the word “ or ” is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance or that such Credit Party, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

ANNEX B (Section 1.1(a)(iv))
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX C (Section 5.19)
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX D (Section 2.2(c))
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX E (Section 4.1(a))
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX F (Section 4.1(b))
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX G (Section 6.10)

to

CREDIT AGREEMENT

FINANCIAL COVENANTS

Borrower shall not breach or fail to comply with any of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Maximum Net Capital Expenditures . Borrower and its Subsidiaries on a consolidated basis shall not make Net Capital Expenditures during the any Fiscal Quarter that exceed in the aggregate the amounts set forth opposite each such Fiscal Quarter below:

<u>Fiscal Quarter</u>		<u>Net Capital Expenditures</u>
		(in millions)
October - December	2005	145
January - March	2006	131
April - June	2006	138
July - September	2006	108
October - December	2006	121
January - March	2007	152
April - June	2007	132
July - September	2007	108
October - December	2007	106
January - March	2008	106

; provided, however, that the amount of Net Capital Expenditures referenced above will be increased in any period by the positive amount (if any), equal to the difference obtained by taking the Net Capital Expenditures limits specified above for all prior periods minus the actual amount of any Net Capital Expenditures expended during all such prior periods (the “ Carry Over Amount ”).

(b) Minimum EBITDAR . At the end of each Fiscal Month set forth below, the amount equal to the sum of (i) EBITDAR for the 12-month period then ended of Borrower and its Subsidiaries on a consolidated basis plus (ii) the lesser of (A) 100% of the Excess Aggregate Cash On Hand as of such date and (B) \$250,000,000 shall not be less than the amount set forth below opposite such Fiscal Month (the “ Required EBITDAR ”).

Fiscal Month		EBITDAR
		(in millions)
October	2005	571
November	2005	628
December	2005	644
January	2006	672
February	2006	681
March	2006	704
April	2006	745
May	2006	779
June	2006	830
July	2006	907
August	2006	1,015
September	2006	1,104
October	2006	1,210
November	2006	1,290
December	2006	1,372
January	2007	1,560
February	2007	1,625
March	2007	1,691
April	2007	1,731
May	2007	1,769
June	2007	1,806
July	2007	1,843
August	2007	1,875
September	2007	1,903
October	2007	1,935
November	2007	1,963
December	2007	1,988
January	2008	2,000
February	2008	2,000
March	2008	2,000

- (c) Aggregate Cash On Hand. The Delta Companies shall maintain Aggregate Cash On Hand of at least:
- (i) at all times from the Closing Date through May 31, 2006, \$750,000,000;
 - (ii) at all times from June 1, 2006 through November 30, 2006, \$1,000,000,000;
 - (iii) at all times from December 1, 2006 through February 28, 2007, \$750,000,000; and
 - (iv) at all times thereafter until the Termination Date, \$1,000,000,000.

If on any date of determination of Aggregate Cash On Hand, any Delta Company has contractually agreed (i) to post cash collateral for the benefit of any third party or (ii) that payments otherwise owing to it by a third party shall be subject to a holdback, in each case in an amount exceeding \$125,000,000, such amount shall not be included in any calculation of Aggregate Cash On Hand on such date of determination to the extent such obligation to post cash collateral or such holdback will become effective within ninety (90) days of such date of determination; provided, that in no event shall any determination of Aggregate Cash On Hand exclude the amount of cash collateral or any holdback to be provided (x) in connection with any aircraft or equipment financing or lease or (y) pursuant to any other agreement with GE Capital or any of its affiliates until, in each case, actually so provided.

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase “ in accordance with GAAP ” shall in no way be construed to limit the foregoing. If any “ Accounting Changes ” (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Loan Document, then Borrower, Administrative Agent and Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating Borrower’s and its Subsidiaries’ financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made; provided, however, that the agreement of Requisite Lenders to any required amendments of such provisions shall be sufficient to bind all Lenders. “ Accounting Changes ” means (i) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (ii) changes in accounting principles concurred in by Borrower’s certified public accountants; (iii) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (iv) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDAR in such period. If Administrative Agent, Borrower and Requisite Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. If Administrative Agent, Borrower and Requisite Lenders cannot agree upon the required amendments within thirty (30) days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be prepared, delivered and made without regard to the underlying Accounting Change. For purposes of Section 8.1, a breach of a Financial Covenant contained in this Annex G shall be deemed to have occurred as of any date of determination by Administrative Agent or as of the last day of any specified measurement period, regardless of when the Financial Statements reflecting such breach are delivered to Administrative Agent.

**ANNEX H (Section 1.1(d))
to
CREDIT AGREEMENT**

[Intentionally Omitted]

ANNEX I (Section 13.10)
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX J (from Annex A - Commitments definition)
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX K (from Annex A - Permitted Investments definition)
to
CREDIT AGREEMENT

[Intentionally Omitted]

ANNEX L (from Annex B - Paragraph (b)(iii))

[Intentionally Omitted]

AMENDMENT NO. 1
TO AMENDED AND RESTATED SECURED SUPER-PRIORITY DEBTOR IN POSSESSION CREDIT AGREEMENT

Amendment No. 1 (this “ Amendment ”), dated as of August 31, 2006, to the Amended and Restated Secured Super-Priority Debtor In Possession Credit Agreement , dated as of March 27, 2006 (as amended, supplemented, restated or otherwise modified from time to time, the “ Credit Agreement ”), among Delta Air Lines, Inc., as a debtor and debtor in possession (“ Borrower ”), the other Credit Parties signatory thereto, each as a debtor and debtor in possession, the Lenders party thereto from time to time and General Electric Capital Corporation , as agent for the Lenders and the Secured Parties (in such capacity, together with its successors in such capacity, the “ Administrative Agent ”). Unless otherwise specified herein, all capitalized terms used in this Amendment shall have the meanings ascribed to such terms in the Credit Agreement.

W I T N E S S E T H:

Whereas , Borrower has requested certain amendments to the Credit Agreement as herein set forth; and

Whereas , Borrower, the Administrative Agent and the Lenders signatory to an Acknowledgement and Consent (as defined below) have agreed to amend the Credit Agreement on the terms and subject to the conditions herein provided; and

Now, Therefore , in consideration of the premises and the covenants and obligations contained herein the parties hereto agree as follows:

Section 1. *Amendments to the Credit Agreement*

As of the Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

(a) by inserting the following proviso at the end of clause (c)(i) of Section 1.2 (Prepayments) :

“ provided, however, that solely for the purpose of this clause (i) and solely to the extent that an appraisal of the Replacement Borrowing Base Assets has not been performed prior to the Prepayment Date, the value of such Replacement Borrowing Base Assets set forth in the Borrowing Base Certificate may be the Borrower’s good faith estimate of the value of such Replacement Borrowing Base Assets, which shall be evidenced in a manner reasonably satisfactory to the Administrative Agent.”

(b) by inserting “ , as of the Closing Date,” between “identifies” and “those” in the second sentence of Section 3.17 (Insurance) .

(c) by deleting paragraph (l) of Section 6.2 (Investments, Loans and Advances) in its entirety and inserting in lieu thereof the following:

“(l) Borrower may make Investments in the form of advances under a revolving loan facility in an aggregate principal amount not to exceed \$25,000,000 outstanding at any time, to the Borrower’s Plans or any similar benefit plans of the Borrower (together, the “ Benefits Plan ”) for the payment of ordinary operating expenses of the Benefits Plans (including the payment of benefits in accordance with the terms of the Benefits Plans and periodic premiums under insurance or annuity contracts) or for purposes incidental to the ordinary operation of the Benefits Plans;”

(d) by deleting paragraph (a)(iii) of Section 6.3 (Indebtedness) in its entirety and inserting in lieu thereof the following:

“(iii) Indebtedness consisting of indemnification obligations owed by Comair, Inc. to Bombardier Inc., a Canadian national corporation, relating to certain CRJ leases in an amount not to exceed \$9,000,000 in the aggregate;”

(e) by deleting the word “and” at the end of paragraph (a)(xix) of Section 6.3 (Indebtedness), replacing the period at the end of clause (a)(xx) of Section 6.3 with “; and” and inserting after paragraph (a)(xx) of Section 6.3 the following new paragraph (a)(xxi):

“(xxi) in the event that the transactions underlying the Jet Fuel Inventory Supply Agreement are recharacterized as Indebtedness owed by the Borrower, such Indebtedness.”

(f) by deleting the word “and” at the end of paragraph (r) of Section 6.7 (Liens), replacing the period at the end of paragraph (s) of Section 6.7 with “; and”, and inserting after paragraph (s) of Section 6.7 the following new paragraph (t):

“(t) the Lien of J. Aron on the Jet Fuel Assets, in the event that the transactions underlying the Jet Fuel Inventory Supply Agreement are recharacterized as Indebtedness owed by Borrower.”

(g) by deleting the word “and” at the end of paragraph (r) of Section 6.8 (Sale of Stock and Assets), replacing the period at the end of paragraph (s) of Section 6.8 with “; and”, and inserting after paragraph (s) of Section 6.8 the following new paragraph (t):

“(t) the sale, assignment and/or other transfer of the Jet Fuel Assets to J. Aron, in each case pursuant to the Jet Fuel Inventory Supply Agreement.”

(h) by inserting the following at the end of Section 6.17 (No Speculative Transactions) :

“and except for the transactions underlying the Jet Fuel Inventory Supply Agreement.”

(i) by inserting the following proviso at the end of clause (q)(iii) of Section 8.1 (Events of Default) :

“and, provided , further , that, if the transactions underlying the Jet Fuel Inventory Supply Agreement are recharacterized as Indebtedness owed by Borrower, any action by J. Aron, as secured party, to foreclose or obtain a lien on the Jet Fuel Assets, or the filing of a motion seeking, or entry by the Bankruptcy Court of, an Order authorizing such foreclosure or lien shall not constitute an Event of Default under this clause (iii);”

(j) by inserting the following definitions in *Annex A to Credit Agreement (Definitions)* in the appropriate place to preserve the alphabetical order of the definitions in such annex:

“ Amendment No. 1 Effective Date ” has the meaning ascribed to the term “Effective Date” in Amendment No. 1 to Amended and Restated Secured Super-Priority Debtor In Possession Credit Agreement dated as of August 31, 2006.

“ Benefits Plans ” has the meaning ascribed to such term in Section 6.2(l).

“ Comair ” means Comair Holdings, LLC, a Delaware limited liability company, and its Subsidiaries .

“ Connection Carrier ” means any regional carrier that operates flights using the “DL” designation code pursuant to contractual arrangements with Borrower.

“ J. Aron ” means J. Aron & Company, a New York general partnership.

“ Jet Fuel Assets ” means (i) the existing jet fuel inventory of Borrower’s or its Subsidiaries’, or any Connection Carrier’s or SkyTeam Partner’s, operations in or pipelines in transit to Atlanta, Cincinnati and New York that is to be sold to J. Aron pursuant to the Jet Fuel Inventory Supply Agreement, or other jet fuel subject to the Jet Fuel Inventory Supply Agreement, (ii) Borrower’s or its Subsidiaries’ rights in certain existing supply and third-party sale agreements to be assigned or assumed by J. Aron pursuant to the Jet Fuel Inventory Supply Agreement, and (iii) Borrower’s or its Subsidiaries’ rights in certain existing infrastructure agreements to be transferred to J. Aron pursuant to the Jet Fuel Inventory Supply Agreement.

“ Jet Fuel Inventory Supply Agreement ” means the Jet Fuel Inventory Supply Agreement among Borrower, J. Aron and Epsilon Trading, Inc., substantially in the form provided to the Administrative Agent prior to the Amendment No. 1 Effective Date with such modifications or amendments as the Administrative Agent may approve from time to time in its discretion, such approval not to be unreasonably withheld or delayed, pursuant to which J. Aron will purchase, assume and/or otherwise transfer the Jet Fuel Assets and supply jet fuel for Borrower's operations in Atlanta, Cincinnati and New York.

“ SkyTeam Partner ” means any airline that is a member of the SkyTeam international airline alliance.

(k) by deleting the phrase “if it had been placed in service on or prior to October 22, 1994” in each of the definitions of “Non-1110 Aviation Assets” and “Non-1110 Agreements” in *Annex A to Credit Agreement (Definitions)* and replacing it with “, were it to have been first placed in service after October 22, 1994 rather than prior thereto” in each such definition;

(l) by adding the following clause (ix) at the end of the definition of “Excluded Collateral” in *Annex A to Credit Agreement (Definitions)* :

“ and (ix) Jet Fuel Assets to the extent subject to the Lien referred to in Section 6.7(t) ”.

(m) by deleting “or (o)” in clause (iv) of paragraph (a) of the definition of “Net Cash Proceeds” in *Annex A to Credit Agreement (Definitions)* and inserting in lieu thereof the following:

“, (o) or (t)”

(n) by deleting Disclosure Schedule 3.7 (Labor Matters) in its entirety and inserting in lieu thereof Exhibit A hereto.

(o) by deleting Disclosure Schedule 3.12 (ERISA Plans) in its entirety and inserting in lieu thereof Exhibit B hereto.

Section 2. Consent to Amendments of Post-Petition Skymiles Facility Documents.

The Administrative Agent and the Lenders executing the Acknowledgement and Consent (as defined in Section 3 (a)(ii) below), consent to and approve the terms of (i) Amendment No. 1 to the Second Amended and Restated Advanced Payment Supplement to the Co-Branded Credit Card Program Agreement dated as of the date hereof among American Express Travel Related Services Company, Inc. (“TRS”), American Express Bank, F.S.B., Borrower and DLMS and (ii) Amendment No. 1 to the Second Amended and Restated Advanced Payment Supplement to the Membership Rewards Agreement dated as of the date hereof among Borrower, DLMS and TRS.

Section 3. Conditions Precedent to the Effectiveness of this Amendment.

This Amendment shall become effective as of the date (the “Effective Date”) on which each of the following conditions shall have been satisfied or duly waived:

(a) Certain Documents. The Administrative Agent shall have received each of the following, each in form and substance satisfactory to the Administrative Agent:

(i) this Amendment, duly executed by each of the Credit Parties and the Administrative Agent;

(ii) written consents to this Amendment (each an “Acknowledgement and Consent”), duly executed by Lenders (including General Electric Capital Corporation) constituting the percentage of applicable Lenders required under Section 13.2 (Amendments and Waivers) of the Credit Agreement; and

(iii) such additional documentation as the Administrative Agent may reasonably require.

(b) Payment of Fees and Expenses. The Administrative Agent shall have received all fees and expenses of the Administrative Agent and the Lenders due and payable as of the date hereof by Borrower pursuant to Section 4 below or the Loan Documents, including, without limitation, all costs, fees and expenses of the Administrative Agent and Lenders in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent with respect thereto.

(c) Representations and Warranties. Each of the representations and warranties contained in Section 5 below shall be true and correct in all respects.

Section 4. Fees and Expenses.

As provided in Section 13.3 (Fees and Expenses) of the Credit Agreement, Borrower agrees to reimburse the Administrative Agent for all reasonable fees, costs and expenses in connection with the preparation, execution and delivery of this Amendment.

Section 5. Representations and Warranties. Each Credit Party hereby jointly and severally represents and warrants to the Administrative Agent and each Lender, with respect to all Credit Parties, as follows:

(a) After giving effect to this Amendment, each of the representations and warranties in the Credit Agreement and in the other Loan Documents are true and correct in all material respects on and as of the date hereof as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by the Credit Agreement.

(b) The execution, delivery and performance by each Credit Party of this Amendment have been duly authorized by all requisite corporate, limited liability company or limited partnership action on the part of such Credit Party and will not violate any of the articles of incorporation or bylaws (or other constituent documents) of such Credit Party.

(c) This Amendment has been duly executed and delivered by each Credit Party, and each of this Amendment and the Credit Agreement as amended hereby constitutes the legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with their terms.

(d) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing as of the date hereof.

Section 6. Reference to and Effect on Loan Documents.

(a) As of the Effective Date, each reference in the Credit Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import shall mean and be a reference to the Credit Agreement as amended hereby and references in any other Loan Document to the “Credit Agreement,” “thereunder,” “thereof,” “therein,” or words of like import shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except to the extent amended hereby, the Credit Agreement and all of the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any Default or Event of Default or any right, power, privilege or remedy of the Administrative Agent, any Lender or any L/C Issuer under the Credit Agreement or any Loan Document, or constitute a waiver of any provision of the Credit Agreement or any Loan Document, except as and to the extent expressly set forth herein.

(d) The Credit Parties hereby confirm that the security interests and liens granted pursuant to the Loan Documents continue to secure the Obligations as set forth in the Loan Documents and that such security interests and liens remain in full force and effect.

Section 7. Governing Law. This Amendment and the rights and obligations of the parties hereto shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

Section 8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purposes.

Section 9. Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Receipt by the Administrative Agents of a facsimile copy of an executed signature page hereof shall constitute receipt by the Administrative Agents of an executed counterpart of this Amendment.

[SIGNATURE PAGES FOLLOW]

In Witness Whereof , the parties hereto have caused this Amendment to be executed by their respective officers, general partners or managing members thereunto duly authorized, as of the date first written above.

DELTA AIR LINES, INC. , as Borrower

By: /s/ Paul A. Jacobson

Name: Paul A. Jacobson

Title: Vice President and Treasurer

**GENERAL ELECTRIC CAPITAL
CORPORATION**, as Administrative Agent

By: /s/ William R. Doolittle

Name: William R. Doolittle

Title: Duly Authorized Signatory

Other Credit Parties:

ASA HOLDINGS, INC.

By: /s/ Paul A. Jacobson

Name: Paul A. Jacobson

Title: President

COMAIR HOLDINGS, LLC

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Assistant Treasurer

COMAIR, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Treasurer

Amendment No. 1 to A&R Delta DIP Credit Agreement

COMAIR SERVICES, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Treasurer

CROWN ROOMS, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Assistant Treasurer

DAL AIRCRAFT TRADING, INC.

By: /s/ Kenneth W. Morge

Name: Kenneth W. Morge

Title: Treasurer

DAL GLOBAL SERVICES, LLC

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Assistant Treasurer

DAL MOSCOW, INC.

By: /s/ Mona Warwar

Name: Mona Warwa

Title: Treasurer

DELTA AIRELITE BUSINESS JETS, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Assistant Treasurer

Amendment No. 1 to A&R Delta DIP Credit Agreement

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DELTA BENEFITS MANAGEMENT, INC.

By: /s/ Michael O. Randolfi

Name: Michael O. Randolfi

Title: Treasurer

DELTA CONNECTION ACADEMY, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Treasurer

DELTA CORPORATE IDENTITY, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Assistant Treasurer

DELTA LOYALTY MANAGEMENT SERVICES, LLC

By: /s/ J. Scott McClain

Name: J. Scott McClain

Title: Vice President

DELTA TECHNOLOGY, LLC

By: /s/ David S. Cartee

Name: David S. Cartee

Title: Assistant Secretary

DELTA VENTURES III, LLC

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Vice President - Tax

EPSILON TRADING, INC.

By: /s/ Edward M. Smith

Name: Edward M. Smith

Title: Treasurer and Controller

KAPPA CAPITAL MANAGEMENT, INC.

By: /s/ Mona Warwar

Name: Mona Warwar

Title: Vice President and Treasurer

SONG, LLC

By: /s/ Kenneth W. Morge

Name: Kenneth W. Morge

Title: Assistant Treasurer

Amendment No. 1 to A&R Delta DIP Credit Agreement

[EXHIBITS INTENTIONALLY OMITTED]

SUBSIDIARIES OF DELTA AIR LINES, INC.
AS OF DECEMBER 31, 2006

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION OR ORGANIZATION
Aero Assurance Ltd.	Vermont
ASA Holdings, Inc.	Georgia
Comair Holdings, LLC	Delaware
Comair, Inc.	Ohio
Comair Services, Inc.	Kentucky
Crown Rooms, Inc.	New York
DAL Aircraft Trading, Inc.	Delaware
DAL Global Services, LLC	Delaware
DAL Moscow, Inc.	Delaware
Delta AirElite Business Jets, Inc.	Kentucky
Delta Air Lines, Inc. and Pan American World Airways, Inc. - Unterstützungskasse GMBH	Germany
Delta Air Lines Dublin Limited	Ireland
Delta Air Lines Private Limited	India
Delta Benefits Management, Inc.	Delaware
Delta Connection Academy, Inc.	Florida
Delta Corporate Identity, Inc.	Delaware
Delta Loyalty Management Services, LLC	Delaware
Delta Technology, LLC	Georgia
Delta Ventures III, LLC	Delaware
Epsilon Trading, LLC	Delaware
Kappa Capital Management, Inc.	Delaware
New Sky, Ltd.	Bermuda
Song, LLC	New York

None of Delta's subsidiaries do business under any names other than their corporate names, with the following exceptions:

Delta Technology, LLC conducts business as Delta Air Lines Technology, Inc. in the following states: Alaska, Arizona, Arkansas, California, Indiana, New Jersey, New Mexico, Oklahoma, and Virginia.

Consent to Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-121482) pertaining to the Delta 2004 Employee Stock Option Plan and Delta 2004 Pilots Stock Option Plan of Delta Air Lines, Inc. (Debtor-In-Possession) of our reports dated March 1, 2007 with respect to the consolidated financial statements of Delta Air Lines, Inc. (Debtor-In-Possession), Delta Air Lines, Inc.'s (Debtor-In-Possession) management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Delta Air Lines, Inc. (Debtor-In-Possession) included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 1, 2007

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-121482 on Form S-8 of our report dated March 27, 2006, relating to the consolidated financial statements of Delta Air Lines, Inc. and subsidiaries as of December 31, 2005 and for the years ended December 31, 2005 and 2004 (which report expresses an unqualified opinion on the Company's consolidated financial statements and includes explanatory paragraphs relating to the Company's reorganization under Chapter 11 of the United States Bankruptcy Code and the Company's ability to continue as a going concern) appearing in this Annual Report on Form 10-K of Delta Air Lines, Inc. for the year ended December 31, 2006.

/S/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
March 1, 2007

I, Gerald Grinstein, certify that:

1. I have reviewed this annual report on Form 10-K of Delta Air Lines, Inc. ("Delta") for the fiscal year ended December 31, 2006;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Delta as of, and for, the periods presented in this report;
4. Delta's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Delta and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Delta, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of Delta's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in Delta's internal control over financial reporting that occurred during Delta's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Delta's internal control over financial reporting; and
5. Delta's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Delta's auditors and the Audit Committee of Delta's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Delta's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Delta's internal control over financial reporting.

March 2, 2007

/s / Gerald Grinstein
Gerald Grinstein
Chief Executive Officer

I, Edward H. Bastian, certify that:

1. I have reviewed this annual report on Form 10-K of Delta Air Lines, Inc. ("Delta") for the fiscal year ended December 31, 2006;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Delta as of, and for, the periods presented in this report;
4. Delta's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Delta and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Delta, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of Delta's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in Delta's internal control over financial reporting that occurred during Delta's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Delta's internal control over financial reporting; and
5. Delta's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Delta's auditors and the Audit Committee of Delta's Board of Directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Delta's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in Delta's internal control over financial reporting.

March 2, 2007

/s / Edward H. Bastian
Edward H. Bastian
Executive Vice President and
Chief Financial Officer

March 2, 2007

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Ladies and Gentlemen:

The certifications set forth below are hereby submitted to the Securities and Exchange Commission pursuant to, and solely for the purpose of complying with, Section 1350 of Chapter 63 of Title 18 of the United States Code in connection with the filing on the date hereof with the Securities and Exchange Commission of the Annual Report on Form 10-K of Delta Air Lines, Inc. ("Delta") for the fiscal year ended December 31, 2006 (the "Report").

Each of the undersigned, the Chief Executive Officer and the Executive Vice President and Chief Financial Officer, respectively, of Delta, hereby certifies that, as of the end of the period covered by the Report:

1. such Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Delta.

/s/ Gerald Grinstein
Gerald Grinstein
Chief Executive Officer

/s/ Edward H. Bastian
Edward H. Bastian
Executive Vice President and
Chief Financial Officer