

FROM THE CHAIRMAN

100 HARTSFIELD CENTRE PARKWAY, SUITE 800, ATLANTA, GA 30354 404-763-4925



August 24, 2012

Dear Fellow Pilot,

Last week, your MEC met in Cincinnati for the August MEC meeting. The week was filled with the regular business of the MEC, which included MEC officer reports, numerous committee updates, and the consideration of a number of resolutions, many generated at the local council level. The text of those resolutions will soon be posted to the Delta MEC website. I'd like to provide you, however, with details of one resolution in particular.

As part of the MEC officer reports, the MEC was provided with an update on the financial status of the Delta MEC by the MEC Treasurer Bren Fries. One important component of the MEC's finances is known as the Special MEC Reserve Account or SMRA.* The SMRA is, in essence, the MEC's savings account. The value of the SMRA rises and falls depending on dues income and MEC expenses. Despite the many challenges of the past decade (e.g. bankruptcy, hostile takeover attempt, merger expenses), the Delta SMRA, has increased substantially since its post-C2K low. As of the end of 2011, our SMRA balance was just under \$9 million.

Last week, after careful consideration, your MEC voted to refund a substantial portion of the SMRA to the Delta pilots. After reviewing our current and projected finances, the MEC elected to refund SMRA excesses from 2004, 2006 and 2010. These were years when excess funds existed that were not subsequently used in deficit years

In total, \$7,081,729 will be refunded on a pro-rata basis. The SMRA refund will take place in accordance with well-established policy and practices. When SMRA funds are accessed, they are accessed on a *first-in first-out* basis, and the SMRA refund will be no exception. Each pilot on the Delta system seniority list will receive a pro-rata share of the SMRA refund based on his contributions during 2004 and 2006 (for pre-merger Delta pilots) and 2010 (all Delta pilots).[†]

Let's place this refund in perspective. Many other pilot groups are struggling to balance their budgets in continuing difficult times. Some are in the throes of bankruptcy. Others continue to work through difficult merger issues. Still others have been unable to build a substantial cash reserve despite facing no particular challenges at all. In contrast, through careful budgeting and the judicious use of your dues dollars, the Delta MEC has built a surplus that is the envy of our peers. The SMRA refund represents the

* Effective January 1, 2012, MEC SMRAs have been replaced by MEC Savings Accounts. There are some functional differences between the two, but those differences are beyond the scope of this letter.

[†] Note: As of 12/31/2008, the NWA MEC SMRA had been exhausted.

return of those dues dollars to the pilot who contributed them and demonstrates your MEC's confidence that we will continue to remain financially well-prepared to face any challenges that may lay ahead. The SMRA refund will leave a sufficient reserve of over \$1.8 million from 2011 which, combined with the current and projected income, is sufficient to cover projected expenses and serve as a healthy foundation for planned growth of the MEC Savings Account moving forward.

The mechanics of the SMRA refund are still under development, so it is premature to forecast exactly when the refund will occur. The MEC administration will work closely with ALPA's Finance Department to ensure the refund occurs in an expeditious manner.

Respectfully,

A handwritten signature in black ink that reads "Tim O'Malley". The signature is written in a cursive, flowing style with a large, prominent "T" and "M".

Tim O'Malley
Chairman
Delta Master Executive Council
Air Line Pilots Association, Int'l