

EXHIBIT G

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re : **Chapter 11**
:
DELTA AIR LINES, INC., et al., : **Case No. 05-17923 (ASH)**
:
Reorganized Debtors.¹ : **(Jointly Administered)**
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**MOTION BY DELTA AIR LINES, INC. AND THE
POST-EFFECTIVE DATE COMMITTEE FOR RECONSIDERATION OF
THE COURT’S MAY 16, 2007 DECISION REGARDING TIA/SLV OBJECTION 2**

In response to the Court’s request at the May 21, 2007 telephonic status conference (the “May 21 Conference”) concerning the Court’s Decision on TIA/SLV Objections 1 and 2, dated May 16, 2007 (the “May 16 Decision”), Delta Air Lines, Inc. (“Delta”) and the Post-Effective Date Committee (the “Committee”), through their undersigned counsel, hereby seek

¹ The Reorganized Debtors are: ASA Holdings, Inc.; Comair Holdings, LLC; Comair, Inc.; Comair Services, Inc.; Crown Rooms, Inc.; DAL Aircraft Trading, Inc.; DAL Global Services, LLC; DAL Moscow, Inc.; Delta AirElite Business Jets, Inc.; Delta Air Lines, Inc.; Delta Benefits Management, Inc.; Delta Connection Academy, Inc.; Delta Corporate Identity, Inc.; Delta Loyalty Management Services, LLC; Delta Technology, LLC; Delta Ventures III, LLC; Epsilon Trading, Inc.; Kappa Capital Management, Inc.; and Song, LLC.

reconsideration of Section II.C of the May 16 Decision. In support of their request, Delta and the Committee respectfully state as follows:

1. Delta and the Committee believe that the Court incorrectly overruled TIA/SLV Objection No. 2 (the “Objection”) as it pertains to the TIA² claim (“Claim No. 4065”) of Northwestern Mutual Life Insurance Company (“Northwestern”) for the aircraft (the “Aircraft”) bearing registration Tail No. N182DN. The Court correctly sustained the Objection as it pertains to Northwestern’s two other TIA claims (the “TIA Claims”), finding that Section 6(c) of each of the TIAs bars the TIA Claims. Section 6(c) provides:

The Owner Participant shall not be entitled to any payment . . . in respect of any loss . . . arising as a result of one or more of the following events:

. . .

(c) Any event whereby the Lessee pays Stipulated Loss Value or Termination Value **or an amount determined by reference thereto**, except to the extent that the calculation of the Stipulated Loss Value or Termination Value does not accurately reflect the timing of any such event for Federal income tax purposes.”

TIA at 17 (emphasis added). The Court correctly held that this provision eliminated the TIA Claims because the distribution that Delta will eventually make on those claims in accordance with its Plan will be a payment of “‘an amount determined by reference’ to SLV.” May 16 Decision at 15.

2. In Section II.C of the May 16 Decision, however, the Court held that Claim No. 4065, which is a TIA claim based on Tail No. N182DN, does not similarly fall within the

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Objection and/or the reply (the “Reply”), dated March 27, 2007, that Delta and the Committee filed to the various responses to the Objection that were filed by Northwestern, The Bank of New York (“BNY”) and Bank of America, N.A. (“BofA”).

exclusion of Section 6(c) of the TIA because: (i) Tail No. N182DN is one of the aircraft subject to a renegotiated lease agreement under the Debtors' modified restructuring term sheet dated February 15, 2006 (the "Bingham Term Sheet");³ and (ii) the claim ("Claim No. 5335") asserted by BNY (as Indenture Trustee) in accordance with the Bingham Term Sheet would not yield a distribution under the Plan that was based upon SLV or "an amount determined by reference thereto." See id. Specifically, the Court found that the Bingham Term Sheet "does not mention SLV or Termination Value, but references a formula agreed to by Delta and the counterparties to the Term Sheet which results in a claim by the indenture trustee in respect of each of the covered aircraft which is not based upon any calculation authorized under the terms of the Lease." Id.

3. As Delta and the Committee previously explained in their Reply and also pointed out at the May 21 Conference, the Bingham Term Sheet expressly provides that "stipulated loss value" is an element of the deficiency claim of the Indenture Trustee. See Reply at 11-12; see also Transcript, March 30, 2007 at 94-95.⁴ Pursuant to the section of the Bingham Term Sheet titled "Calculation of Pre-Petition Damage Claims/Unsecured Claims," an Indenture Trustee (in the case of an aircraft lease) may assert an unsecured prepetition claim for deficiency amounts in accordance with the following formula:

. . . the sum of (i) **stipulated loss value (or termination value, if termination value is used to calculate damages under the lease**

³ The Bingham Term Sheet was approved pursuant to the Court's February 15, 2006 Order Approving a Modified Term Sheet and an Extension of Section 1110 Deadlines, and Authorizing Agreements to Restructure Transactions Affecting Eighty-Eight Aircraft and Associated Engines, Equipment and Documents (the "Bingham Term Sheet Order"). The Bingham Term Sheet and the Bingham Term Sheet Order are attached hereto as Exhibit A.

⁴ The parties' arguments relating to the Bingham Term Sheet – in connection with both TIA/SLV Objections 1 and 2 – appear at pages 14-17, 30-36, 68-70, 94-98, 104-105, 108 and 110-11 of the transcript (the "March 30 Transcript") of the March 30, 2007 hearing on TIA/SLV Objections 1 and 2 (the "March 30 Hearing"), a copy of which is attached hereto as Exhibit B.

remedies), calculated as of the filing date pursuant to the existing lease as if a payment of stipulated loss value or termination value, as the case may be, were to be made on such date; *plus* (ii) any rent payment which fell due prior to the filing date and which was not paid by Debtor (but without duplication if the amount of stipulated loss value or termination value, as the case may be, determined in clause (i) includes any such payment of rent); *plus* (iii) any actual swap breakage incurred or expected to be incurred (to the extent a swap has not yet been broken at the time of calculating a claim) by the lender, to the extent that the applicable Existing Agreements provide for such swap breakage; *plus* (iv) any portion of arrears rent accrued and unpaid from the table date used for determining stipulated loss value or termination value in clause (i) accrued to the filing date (but without duplication if the amount of stipulated loss value or termination value, as the case may be, determined in clause (i) includes any such amount); *minus* the sum of (x) any portion of any advance rent paid but not accrued prior to the filing date (only to the extent provided for in the applicable Existing Agreements); *plus* (y) the aggregate rent or other payments (such as deferral payments or interest thereon) scheduled to be received hereunder after the filing date or under the restructured lease with Debtor; *plus* (z) the expected residual value based upon a half-life base value appraisal from Airclaims), in each case such amounts in (y) and (z) discounted (as appropriate) back to the filing date at a discount rate of 10% per annum.

Bingham Term Sheet at 2 (emphasis added). Indeed, the specific amount of the claim asserted by BNY in Claim No. 5335 was determined by: (i) starting with SLV; (ii) adding the amount of unpaid rent and (where applicable) the “swap breakage” payable under other agreements; and (iii) subtracting therefrom an agreed-upon value of the new restructured deal and the present value of the residual value of the Aircraft. See Claim No. 5335, a copy of which is attached hereto as Exhibit C.

4. Northwestern, in the response that it filed to the Objection (the “Northwestern Response”), argued that Claim No. 5335 is not a SLV claim because the claim itself allegedly did not refer to SLV. See Northwestern Response ¶ 4. In fact, Claim No. 5335 requested payment of the full “net” amounts determined pursuant to the Bingham Term Sheet. Those sums

were plainly determined with SLV as the starting point. Consequently, the distributions that Delta will eventually make on that claim will be ones that are “determined by reference” to SLV.

5. Northwestern also argued in the Northwestern Response that the sum payable to BNY with respect to Tail No. N182DN is calculated by a formula that allegedly is not authorized by the Lease nor “structured in compliance with the Operative Documents.” Northwestern Response ¶ 40. This argument was based on Northwestern’s assertion that the Operative Documents “prohibit” Delta from retaining possession of the aircraft and entering into a new lease upon the occurrence of a default. See id. at ¶ 41. These arguments are without merit.

6. First, Northwestern’s argument was premised on the incorrect assumption that Sections 15(a) through 15(e) of the Lease constituted the sole and exclusive remedies of the Lessor. See Northwestern Response ¶ 41 (arguing that the Bingham Term Sheet remedy is not listed in Sections 15(a) through 15(e) of the Lease and, therefore, that these provisions allegedly “prohibit” a new lease). To the contrary: Section 15(g) of the Lease specifically states that after an Event of Default (as defined in the Lease), and provided that such default is continuing, the Lessor may “exercise any other right or remedy which may be available under applicable law . . .” See Lease at 62. The concluding paragraph of Section 15 of the Lease also states explicitly that:

Except as otherwise expressly provided above, no remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity. The exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any other remedies.

Id.

7. As Delta and the Committee explained at both the May 21 Conference and the March 30 Hearing, there is no validity to Northwestern's arguments that Delta is prohibited from remaining in possession of the Aircraft after a breach of the Lease, or that the Bingham Term Sheet violates the provisions in the Lease. See March 30 Transcript at 108, 110-11. Northwestern cannot cite to a single provision in the Operative Documents that prohibits transactions between the Indenture Trustee and Delta that result in Delta retaining the Aircraft after a breach of the Lease. Contrary to the assertions of Northwestern, Delta therefore does not need to sell or otherwise transfer possession of the Aircraft – it is free (under the Operative Documents) to enter into the restructuring transactions contemplated under the Term Sheet.

8. Furthermore, the calculations set forth in the Bingham Term Sheet are consistent with the manner in which the Lease specifies that SLV be adjusted to take account of the value of the aircraft retained by the Lessee. For example, Section 15(c) of the Lease provides that if a default occurs, the Lessor may seek (i) SLV, plus (ii) unpaid rent, minus (iii) the fair market value of the aircraft.⁵ Pursuant to the last paragraph of Section 15 of the Lease, the Lessor may

⁵ Pursuant to Section 15(c) of the Lease:

whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) or paragraph (b) above with respect to the Aircraft, Lessor by written notice to Lessee specifying a payment date not earlier than 10 days from the date of such notice, may terminate this Lease with respect to the Aircraft and demand that Lessee pay to Lessor, and Lessee shall pay to Lessor on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty, **any installment of Basic Rent with respect to the Aircraft due on (if payable in arrears but not if payable in advance) or before such payment date plus an amount equal to the excess, if any, of (i) the Stipulated Loss Value for the Aircraft computed as of the date specified in Exhibit C coinciding with or next preceding the payment date specified pursuant to this paragraph (c), over (ii) the Fair Market Value for the Aircraft, computed as of the payment date specified pursuant to this paragraph (c), together with interest, to the extent permitted by applicable law, at the Past Due Rate on the amount of such Stipulated Loss Value, from the date as of which such Stipulated Loss Value, from the**

also obtain recovery of any other sums owed under the Operative Documents (including such matters as “swap breakage” costs for deals in which swaps are entered into). See Lease at 62. The calculation set forth in the Bingham Term Sheet is therefore the same as the calculation set forth in Section 15(c): it takes account of (1) SLV, (2) rents and other sums due under other Operative Documents, and (3) the “fair market value” of the aircraft – represented, for this purpose, by the sum of (a) the present value of the rents that the Lessor will receive under the new lease, plus (b) the present value of the sale proceeds that the Lessor will receive at the end of the lease term.

9. As Delta pointed out at the March 30 Hearing, the remedy provisions of the Leases each require that SLV be reduced by the sales proceeds or “fair market value” of the Aircraft. Those provisions also explicitly treat the payment of this “adjusted” sum as a payment of SLV. For example, Section 15(c) of the Lease requires that the SLV specified in the attachment to the Lease be reduced by the “fair market value” of the Aircraft. Section 15(c) of the Lease then goes on to state that this “net” amount accrues interest and, for the purposes of this interest calculation, the Lease explicitly treats the payment of the “net” amount as the payment of SLV.⁶ As Delta pointed out at the March 30 hearing, the only “actual payment” that is called for in Section 15(c) is the “net” amount that is due after SLV is adjusted to take account of the “fair market value” of the Aircraft. However, the last four lines of Section 15(c) of the

date as of which such Stipulated Loss Value is computed to the date of actual payment of such amount.

Lease at 60-61 (emphasis added).

⁶ The SLV listed in the tables attached to the Leases is a guaranteed minimum recovery; SLV is reduced by the Lessor's actual recovery (in the form of the “fair market value” or sales proceeds of the Aircraft), but those values are treated in the Lease as recoveries of SLV, and the payment of the “net” amount due is treated as a payment of full SLV.

Lease plainly treat the actual payment of this “net” amount as a payment of SLV. See March 30 Transcript at 35.

10. Second, and more importantly, there is no language in the TIAs – including any in Section 6(c) – that limits their application to specific circumstances or events or to the exercise of specific remedies under particular subparagraphs of Section 15 of the Lease. Instead, Section 6(c) of the TIA makes clear that no TIA claim exists if there is “any event” whereby Delta “pays” SLV or “an amount determined by reference thereto.” The SLV Claim asserted by BNY is a claim for rejection damages that will be paid by a distribution made and “determined by reference” to SLV pursuant to Section 6(c) of the TIA, and as part of a legitimate exercise of remedies available to the Indenture Trustee pursuant to Section 15 of the Lease and the terms of the Indenture. As such, the exclusion of Section 6(c) of the TIA **does** apply, and Northwestern’s Claim No. 4065 should be barred.⁷

11. Delta and the Committee therefore respectfully request that the Court reconsider its decision as to Tail No. 182DN. However, should this Court determine that its initial ruling was correct (*i.e.*, that Tail No. N182DN does not fall within the exclusion of Section 6(c) of the TIA and that the Objection is overruled as it pertains to Claim No. 4065), Delta and the Committee submit that BNY’s Claim No. 5335 must be adjusted, in accordance with Section 6(d) of the Participation Agreement, to account for any TIA obligations allowed on Claim No.

⁷ Delta and the Committee would like to remind the Court that most of the arguments raised by Northwestern at the May 21 Conference (*e.g.*, that the exclusion of Section 6(c) of the TIA is only triggered when SLV is paid “in cash in full”) are issues that were clearly raised in the Northwestern Response, carefully considered by the Court prior to the entrance of the May 16 Decision, and not the subject of a request from the Court for a motion for reconsideration (in contrast to the issue that is the subject of this Motion for Reconsideration).

4065.⁸ Delta and the Committee believe that such a “recomputed” SLV amount will affect the “starting point” for the determination of the allowed amount of Claim No. 5335 in accordance with the Bingham Term Sheet.

ADDITIONAL RESERVATION OF RIGHTS

12. Nothing herein should be construed as a waiver or limitation of Delta’s and the Committee’s rights to appeal from those aspects of the May 16 Decision that were adverse to them.

NOTICE

13. In accordance with the Court’s Order Approving Notice, Case Management and Administrative Procedures entered October 6, 2005, as modified by the Plan, notice of this Reply is being served upon (i) counsel for Northwestern, (ii) counsel for BNY; (iii) counsel for BofA; and (iv) as applicable, all parties prescribed in Section 17.16 of the Plan.

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⁸ Pursuant to Section 6(d) of the Participation Agreement (Adjustment of Stipulated Loss Value and Termination Value):

If any amount is paid by the Lessee to the Owner Participant pursuant to the Indemnity Agreement, the amounts of Stipulated Loss Value and Termination Value set forth in Exhibit C to the Lease and Schedule 1 to the Indemnity Agreement shall be **recomputed** in the manner set forth in Section 3(e) of the Lease.

Participation Agreement at 44 (emphasis added).

WHEREFORE, Delta and the Committee respectfully request that the Court (i) reconsider the May 16 Decision to the extent that it (a) holds Tail No. N182DN to be outside of the exclusion of Section 6(c) of the TIA and (b) overrules the Objection as it pertains to Claim No. 4065, and (ii) grant such other relief as may be just and proper.

Dated: New York, New York
June 1, 2007

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