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As filed with the U.S. Securities and Exchange Commission on March 6, 2015

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from to

Commission file number 1-12043

OPPENHEIMER HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	98-0080034
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
85 Broad Street, New York, NY	10004
(Address of principal executive offices)	(Zip Code)

Registrant’s Telephone number, including area code: (212) 668-8000

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

Title of each class	Name of each exchange on which registered
Class A non-voting common stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
Not Applicable
(Title of class)

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

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

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 the 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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the voting stock of the Company held by non-affiliates of the Company cannot be calculated in a meaningful way because there is only limited trading in the class of voting stock of the Company. The aggregate market value of the Class A non-voting common stock held by non-affiliates of the Company at June 30, 2014 was $324.3 million based on the per share closing price of the Class A non-voting common stock on the New York Stock Exchange on June 30, 2014 of $23.99.

The number of shares of the Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on February 27, 2015 was 13,634,196 and 99,680 shares, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders to be filed by the Company pursuant to Regulation 14A is incorporated into Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

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Throughout this annual report, we refer to Oppenheimer Holdings Inc., collectively with its subsidiaries, as the “Company.” We refer to the directly and indirectly owned subsidiaries of Oppenheimer Holdings Inc. collectively as the “Operating Subsidiaries.”

PART I

Item 1. BUSINESS
OVERVIEW
Oppenheimer Holdings Inc., through its Operating Subsidiaries, is a leading middle-market investment bank and full service broker-dealer. With roots tracing back to 1881, the Company is engaged in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust services and investment advisory and asset management services. The Company owns, directly or through subsidiaries, Oppenheimer & Co. Inc. ("Oppenheimer"), a New York-based securities broker-dealer, Oppenheimer Asset Management Inc. ("OAM"), a New York-based investment advisor, Freedom Investments, Inc. ("Freedom"), a discount securities broker-dealer based in New Jersey with a representative office located in Beijing, China, Oppenheimer Trust Company ("Oppenheimer Trust"), a Delaware limited purpose bank, OPY Credit Corp., a New York corporation, organized to trade and clear syndicated corporate loans, and Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF"), a Federal Housing Administration ("FHA")-approved mortgage company based in Pennsylvania. The Company’s international businesses are carried on through Oppenheimer Europe Ltd. (United Kingdom), Oppenheimer Investments Asia Limited (Hong Kong), and Oppenheimer Israel (OPCO) Ltd. (Israel).
Oppenheimer Holdings Inc. was originally incorporated under the laws of British Columbia. Pursuant to its Certificate and Articles of Incorporation, effective on May 11, 2005, the Company’s legal existence was continued under the Canada Business Corporations Act. Effective May 11, 2009, the Company changed its jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware in the United States with the approval of its shareholders.
PRIVATE CLIENT
Through its Private Client Division, Oppenheimer provides a comprehensive array of financial services through a network of approximately 1,324 financial advisers in 92 offices located throughout the United States. Clients include high-net-worth individuals and families, corporate executives, and small and mid-sized businesses. Clients may choose a variety of ways to establish a relationship and conduct business including brokerage accounts with transaction-based pricing and/or investment advisory accounts with asset-based fee pricing. As of December 31, 2014, the Company held client assets under administration of approximately $87.3 billion. Oppenheimer provides the following private client services:
Full-Service Brokerage – Oppenheimer offers full-service brokerage covering a broad array of investment alternatives including exchange-traded and over-the-counter corporate equity and debt securities, money market instruments, exchange-traded options and futures contracts, municipal bonds, mutual funds, and unit investment trusts. A substantial portion of Oppenheimer’s revenue is derived from commissions from private clients through accounts with transaction-based pricing. Brokerage commissions are charged on investment products in accordance with a schedule which Oppenheimer has formulated. Discounts are available to and can be negotiated with customers based on transaction size and volume as well as a number of other factors.
Wealth Planning – Oppenheimer also offers financial and wealth planning services which include asset management, individual and corporate retirement solutions, including insurance and annuity products, IRAs and 401(k) plans, U.S. stock plan services to corporate executives and businesses, education savings programs, and trust and fiduciary services to individual and corporate clients.
Margin Lending – Oppenheimer extends credit to its customers, collateralized by securities and cash in the customer’s account, for a portion of the purchase price, and receives income from interest charged on such extensions of credit. The customer is charged for such margin financing at interest rates derived from Oppenheimer’s rate.

ASSET MANAGEMENT

The Company offers a wide range of investment advisory services to its retail and institutional clients through proprietary and third party distribution channels. Clients include high-net-worth individuals and families, foundations and endowments, insurance companies, and trust and pension funds. Asset management capabilities include equity, fixed income, large-cap balanced and alternative investments, which are offered through vehicles such as privately managed accounts, and retail and institutional separate accounts. At December 31, 2014, the Company had $25.9 billion of client assets under management ("AUM") in fee-based programs. The Company's asset management services include:

Separately Managed Accounts – The Company provides clients with three wrap fee-based programs: (i) Investment Advisory Services through which clients may select among those managers approved by the Company; (ii) Strategic Asset Review through which clients may select among those managers reviewed and recommended by the Company and those outside of the Company's approved list of managers; and (iii) Unified Managed Account which allows multiple investment managers, mutual funds and ETFs to be combined in a single custodial account.

Portfolio Advisory Services – The Company offers a long-term strategic asset allocation program, Portfolio Advisory Services, in which clients select among mutual funds approved by the Company.

Oppenheimer Investment Advisory Services – Oppenheimer Investment Advisors offers internal portfolio managers servicing high-net-worth individuals, retirement plans, endowments, foundations and trusts using both taxable and non-taxable fixed income strategies as well as a large capitalization equity strategy.

Discretionary Portfolio Management – Through its Omega, Fahnestock Asset Management, and Alpha programs, Oppenheimer offers discretionary investment management wrap programs managed by Oppenheimer advisors with a client-focused approach to money management, servicing high-net-worth individuals, families, endowments and foundations, and institutions.

Fee-Based Non-Discretionary Accounts – Under Oppenheimer's Preference Program, Oppenheimer provides non-discretionary investment advisory services to high-net-worth individuals and families who pay an advisory fee on a quarterly basis with no commissions or additional charges for transactions. The program includes features such as initial portfolio consultation, quarterly performance reporting and periodic consultation.

Institutional Investment Management – Oppenheimer Investment Management, LLC ("OIM") provides fixed income management and solutions to institutional investors including Taft-Hartley funds, public pension funds, corporate pension funds, insurance companies, and foundations and endowments.

Alternative Investments – The Company offers high-net-worth and institutional investors the opportunity to participate in a wide range of non-traditional investment strategies. Strategies include single manager hedge funds, fund of funds and private equity vehicles. For proprietary funds, the Company, through its subsidiaries, acts as general partner in these investments and typically earns 1% to 2% per year in management fees and 20% performance (or incentive) fees. The fees which the Company receives are shared in a pre-determined manner with the portfolio manager.

CAPITAL MARKETS

Investment Banking

Oppenheimer employs over 100 investment banking professionals throughout the United States and in the United Kingdom, Israel and Asia. Oppenheimer's investment banking division provides strategic advisory services and capital markets products to emerging growth and middle market businesses. The investment banking industry coverage groups focus on certain sectors including consumer and business services, energy, financial institutions and real estate, healthcare, industrial growth and services, and technology, media and communications. Oppenheimer's industry coverage teams partner with Oppenheimer's Mergers and Acquisitions practice as well as Equities, Leveraged Finance and Fixed Income platforms to provide its clients with tailored advice and recommendations. In addition, Oppenheimer has extensive experience working with financial sponsors and maintains a dedicated Financial Sponsor group.

Mergers and Acquisitions – Oppenheimer advises buyers and sellers on sales, divestitures, mergers, acquisitions, tender offers, privatizations, restructurings, spin-offs and joint ventures. Oppenheimer provides dedicated senior banker focus to clients throughout the financial advisory process, which combines our structuring and negotiating expertise with our industry knowledge, extensive relationships, and capital markets capabilities.

Equities – Oppenheimer provides capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Oppenheimer focuses on emerging companies in growth industries, including consumer and business services, energy, financial institutions and real estate, healthcare, industrial growth and services, and technology, media and communications.

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Leverage Finance and Fixed Income – Oppenheimer offers a full range of debt financing for emerging growth and middle market companies and financial sponsors. Oppenheimer focuses on structuring and distributing public and private debt in leveraged finance transactions, including leveraged buyouts, acquisitions, growth capital financings, recapitalizations and Chapter 11 exit financings. Oppenheimer also participates in high yield debt and fixed and floating-rate senior and subordinated debt offerings. In addition, Oppenheimer advises on bond financing alternatives for both sovereign and corporate emerging market issuers.

Equities Capital Markets

Institutional Equity Sales and Trading – Oppenheimer provides execution services and access to all major U.S. equity exchanges and alternative execution venues, in addition to capital markets/origination, various arbitrage strategies, portfolio and electronic trading. Oppenheimer offers a suite of quantitative and algorithmic trading solutions to access liquidity in global markets. Oppenheimer's clients include domestic and international investors such as investment advisors, banks, mutual funds, insurance companies, hedge funds, and pension and profit sharing plans, attracted by the insights and market intelligence provided by sales and trading staff as well as by the quality of execution (measured by volume, timing and price), and competitive negotiated commission rates.

Equity Research – Oppenheimer employs 39 senior analysts covering approximately 575 equity securities worldwide, and over 100 dedicated equity research sales professionals. Oppenheimer provides regular research reports, notes and earnings updates and also sponsors numerous research conferences where the management of covered companies can meet with investors in a group format as well as in one-on-one meetings. Oppenheimer also arranges for company managements to meet with interested investors through arranged meetings wherein management representatives travel to various sites to meet with Oppenheimer representatives and with investors. Oppenheimer's analysts use a variety of quantitative and qualitative tools, integrating field analysis, proprietary channel checks and ongoing dialogue with the managements of the companies they cover in order to produce reports and studies on individual companies and industry developments.

Equity, Debt and Index Options – Oppenheimer offers extensive equity and index options strategies for investors seeking to manage risk and optimize returns within the equities market. Oppenheimer's experienced professionals have expertise in many listed derivative products designed to serve the diverse needs of its institutional, corporate and private client base.

Convertible Bonds – Oppenheimer commits dedicated personnel to serve the convertible markets, offering expertise in the sales, trading and analysis of U.S. domestic convertible bonds, convertible preferred shares and warrants, with a focus on minimizing transaction costs and maximizing liquidity. In addition Oppenheimer offers hedged (typically long convertible bonds and short equities) positions to its clients on an integrated trade basis.

Event Driven Sales and Trading – Oppenheimer has a dedicated team focused on providing specialized advice and trade execution expertise to institutional clients with an interest in investment strategies such as: Merger Arbitrage; Dutch tender offers; Splits and Spin-offs; and Recapitalizations, Corporate Reorganizations, and other event driven trading strategies.

Debt Capital Markets

Fixed Income – Oppenheimer offers trading and a high degree of sales support in highly rated ("high grade") corporate bonds, mortgage-backed securities, government and agency bonds and the sovereign and corporate debt of industrialized and emerging market countries, which may be denominated in currencies other than U.S. dollars. Since June 2009, Oppenheimer has participated in auctions for U.S. Government securities conducted by the Federal Reserve Bank of New York on behalf of the U.S. Treasury. Oppenheimer trades non-investment grade public and private debt securities, mortgage-backed securities, sovereign and corporate debt of industrialized and emerging market countries and distressed securities both for its own account as well as for institutional clients qualified to sustain the risks associated with such securities. Oppenheimer also publishes research with respect to a number of such securities. Risk of loss upon default by the borrower is significantly greater with respect to unrated or less than investment grade corporate debt securities than with other corporate debt securities. These securities are generally unsecured and are often subordinated to other creditors of the issuer. These issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. There is a limited market for some of these securities and market quotes are available only from a small number of dealers.

Fixed Income Research – Oppenheimer has a total of nine fixed income research professionals. There are four dedicated research analysts covering companies that have issued high yield bonds in the United States. Oppenheimer's high yield corporate bond research effort is designed to identify debt issues that provide a combination of high yield plus capital appreciation over the short to medium term. In addition, Oppenheimer employs one bank strategist, focused on portfolio strategy for U.S. financial institutions and depositories. The approach is client centric, incorporating both an understanding of the operating position, risk profile and policy constraints of the client, as well as the efficient market execution of a particular strategy. In providing strategy-based services and ideas, the group utilizes a wide range of sophisticated financial models as well as comprehensive portfolio analytics. There is one Mortgage Backed Securities analyst focused on the detailed analysis of individual agency and non-agency Mortgage Backed Securities. There are two professionals covering Emerging Market Fixed Income issuers, including a publishing research analyst focused exclusively on sovereign bonds and a strategist providing commentary on emerging market corporate bond issuers. The Firm also has a municipal bond research analyst publishing reports on the tax-exempt municipal bond market.

Public Finance – Oppenheimer's public finance department advises and raises capital for state and local governments, public agencies, private developers and other borrowers. The group assists its clients by developing and executing capital financing plans that meet our clients' objectives and by maintaining strong national institutional and retail securities distribution capabilities. Public finance bankers have expertise in specific areas, including local governments and municipalities, primary and secondary schools, post-secondary and private schools, state and local transportation entities, health care institutions, senior-living facilities, public utility providers and project financing. In addition to underwriting longer-term municipal securities, Oppenheimer also provides advice to municipal issuers with respect to the timing and issuance of short-term municipal notes, which Oppenheimer then underwrites and distributes.

Municipal Trading – Oppenheimer has municipal bond trading desks located throughout the country that serve retail financial advisers within their regions as well as mid-tier and national institutional accounts. Oppenheimer also assists in underwriting municipal securities originated by its Public Finance Department. These desks serve Oppenheimer's financial advisers in supporting their high net worth clients' needs for taxable and non-taxable municipal securities.

Proprietary Trading

In the regular course of its business, Oppenheimer takes securities positions as a market maker and/or principal to facilitate customer transactions and for investment purposes. In making markets and when trading for its own account, Oppenheimer exposes its own capital to the risk of fluctuations in market value. In 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") that proposes to prohibit proprietary trading by certain financial institutions (the "Volcker Rule") except where facilitating customer trades. The Company does not believe that this legislation will affect its business or operations as the Volcker Rule applies to banks and other subsidiaries of bank holding companies only.

Equities – Oppenheimer acts as both principal and agent in the execution of its customers' orders. Oppenheimer buys, sells and maintains an inventory of a security in order to "make a market" in that security. In executing customer orders for securities in which it does not make a market, Oppenheimer generally charges a commission and acts as agent, or will act as principal by marking the security up or down in a riskless transaction. However, when an order is in a security in which Oppenheimer makes a market, Oppenheimer normally acts as principal and purchases from or sells to its brokerage customers at a price which is approximately equal to the current inter-dealer market price plus or minus a mark-up or mark-down. The stocks in which Oppenheimer makes a market may also include those of issuers which are followed by Oppenheimer's research department.

Fixed Income – Oppenheimer trades and holds positions in public and private debt securities, including non-investment grade and distressed corporate securities as well as municipal securities. There may be a limited market for some of these securities and market quotes may be available from only a small number of dealers or inter-dealer brokers. While Oppenheimer normally holds such securities for a short period of time in order to facilitate client transactions, there is a risk of loss upon default by the borrower or from a change in interest rates affecting the value of the security. These issuers may have high levels of indebtedness and be sensitive to adverse economic conditions, such as recession or increasing interest rates. As of December 31, 2014, the Company did not have any exposure to European sovereign debt.

Through the use of securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements"), the Company acts as an intermediary between borrowers and lenders of short-term funds and provides funding for various inventory positions.

Proprietary Trading and Investment Activities – Oppenheimer holds positions in its trading accounts in securities in which it does not make a market and may engage from time to time in other types of principal transactions in securities. Oppenheimer has several trading departments including a convertible bond department, a risk arbitrage department, a corporate bond department, a municipal bond department, a government/mortgage backed securities department, and a department that underwrites and trades U.S. government agency issues, taxable corporate bonds, preferred shares, unit investment trusts and short term debt instruments. These departments continually purchase and sell securities and make markets in order to make a

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profit on the inter-dealer spread or to profit from investment. Although Oppenheimer from time to time holds an inventory of securities, more typically, it seeks to match customer buy and sell orders. In addition, Oppenheimer and OAM hold proprietary positions in equity or fixed income securities in which it may not act as a dealer.

The size of its securities positions vary substantially based upon economic and market conditions, allocations of capital, underwriting commitments and trading volume. Also, the aggregate value of inventories of securities which Oppenheimer may carry is limited by the Net Capital Rule. See "Regulatory Capital Requirements", below and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

The Company, through its subsidiaries, holds investments as general partner in a range of investment partnerships (hedge funds, fund of funds, private equity partnerships and real estate partnerships) which are offered to Oppenheimer hedge fund-qualified clients and on a limited basis to qualified clients of other broker-dealers.

Securities Lending

In connection with both its trading and brokerage activities, Oppenheimer borrows securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date and lends securities to other brokers and dealers for similar purposes. Oppenheimer earns interest on its cash collateral provided and pays interest on the cash collateral received less a rebate earned for lending securities.

CONSOLIDATED SUBSIDIARIES

Oppenheimer & Co. Inc.

Oppenheimer is a registered broker-dealer in securities under the Securities Exchange Act of 1934 and transacts business on various exchanges, including the New York Stock Exchange, Inc. Oppenheimer engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), underwritings, research, market-making, and investment advisory and asset management services. Oppenheimer provides its services from offices located throughout the United States.

Oppenheimer Asset Management Inc.

OAM is registered as an investment adviser with the U.S. Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). OAM's investment advisory business provides investment advice to clients through separate accounts and wrap fee programs.

OPY Credit Corp.

Through OPY Credit Corp., the Company utilized a warehouse facility provided by Canadian Imperial Bank of Commerce ("CIBC") to extend financing commitments to third party borrowers identified by the Company. This warehouse arrangement terminated on July 15, 2012. However, the Company will remain contingently liable for some minimal expenses in relation to this facility related to commitments made by CIBC to borrowers introduced by the Company until such borrowings are repaid by the borrowers or until 2016, whichever is the sooner to occur. All such owed amounts will continue to be reflected in the Company's consolidated statement of operations as incurred.

The Company reached an agreement with RBS Citizens, NA, now Citizens Bank, NA. ("Citizens"), that was announced in July 2012, whereby the Company, through OPY Credit Corp., will introduce lending opportunities to Citizens, which Citizens can elect to accept and in which the Company will participate in the fees earned from any related commitment by Citizens. The Company can also, in certain circumstances, assume a portion of Citizen's syndication and lending risk under such loans, and if it does so it shall be obligated to secure such obligations via a cash deposit determined through risk based formulas. Neither the Company nor Citizens is obligated to make any specific loan or to commit any minimum amount of lending capacity to the relationship. The agreement also calls for Citizens and the Company at their option to jointly participate in the arrangement of various loan syndications. At December 31, 2014, there were no outstanding loans in place.

Oppenheimer Trust Company of Delaware Inc.

Oppenheimer Trust offers a wide variety of trust services to clients of Oppenheimer. This includes custody services, advisory services and specialized servicing options for clients. At December 31, 2014, Oppenheimer Trust held custodial assets of approximately $594.5 million. See "Other Requirements," below.

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Oppenheimer Multifamily Housing & Healthcare Finance, Inc.

OMHHF is engaged in the business of originating and servicing Federal Housing Administration (“FHA”) insured multifamily and healthcare facility loans and securitizing these loans into Ginnie Mae (“GNMA”) mortgage backed securities. OMHHF also offers mortgage services to developers of commercial properties including apartments, elderly housing and nursing homes that satisfy FHA criteria. OMHHF maintains a mortgage servicing portfolio for which it provides a full array of services, including the collection of mortgage payments from mortgagors which are passed on to the mortgage holders, construction loan management and asset management.

ADMINISTRATION AND OPERATIONS

Administration and operations personnel are responsible for the processing of securities transactions; the receipt, identification and delivery of funds and securities; the maintenance of internal financial controls; accounting functions; custody of customers’ securities; the handling of margin accounts for Oppenheimer and its correspondents; and general office services.

Oppenheimer executes its own and certain of its correspondents’ securities transactions on all United States exchanges as well as many non-U.S. exchanges and in the over-the-counter market. Oppenheimer clears all of its securities transactions (i.e., it delivers securities that it has sold, receives securities that it has purchased and transfers related funds) through its own facilities and through memberships in various clearing corporations and custodian banks in the United States. The Company began clearing its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited through BNP Paribas Securities Services and Oppenheimer through BNP Securities Corp. Oppenheimer has a multi-currency platform which enables it to facilitate client trades in securities denominated in foreign currencies. Oppenheimer operates as an Introducing Broker and introduces its client commodities transactions through a correspondent firm on a fully disclosed basis. Through this arrangement, Oppenheimer offers full commodity services on all exchanges.

EMPLOYEES

At December 31, 2014, the Company employed 3,434 employees (3,363 full-time and 71 part-time), of whom approximately 1,324 were financial advisers.

COMPETITION

Oppenheimer encounters intense competition in all aspects of the securities business and competes directly with other securities firms, a significant number of which have substantially greater resources and offer a wider range of financial services. In addition, there has been increasing competition from other sources, such as commercial banks, insurance companies, private equity and financial sponsors and certain major corporations that have entered the securities industry through acquisition, and from other entities. Additionally, foreign-based securities firms and commercial banks regularly offer their services in performing a variety of investment banking functions including mergers and acquisitions advice, leveraged buy-out financing, merchant banking, and bridge financing, all in direct competition with U.S. broker-dealers.

Currently, several key market events drastically altered the landscape for financial institutions. Voluntary and involuntary consolidations as well as government assistance provided to U.S. financial institutions has led to a greater concentration of capital and market share among large financial institutions. This, coupled with the ability of these financial institutions to finance their securities businesses with capital from other businesses, such as commercial banking deposits, as well as such institutions deriving an aura of stability in the mind of the public (“too big to fail”), may put the Company at a significant competitive disadvantage.

The Company believes that the principal factors affecting competition in the securities and investment banking industries are the quality and ability of professional personnel and relative prices of services and products offered. In some instances, competition within the industry can be impacted by the credit ratings assigned to the firm offering services when potential clients are making a determination of acceptable counterparties. The ability of securities industry participants to offer credit facilities to potential investment banking clients may affect the assignment of individual transactions. The Company’s ability to compete depends substantially on its ability to attract and retain qualified employees while managing compensation and other costs. Oppenheimer and its competitors employ advertising and direct solicitation of potential customers in order to increase business and furnish investment research publications in an effort to retain existing and attract potential clients. Many of Oppenheimer's competitors engage in these programs more extensively than Oppenheimer.

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BUSINESS CONTINUITY PLAN

The Company has a business continuity plan in place which is designed to enable it to continue to operate and provide services to its clients under a variety of circumstances in which one or more events may make one or more firm operating locations unavailable due to a local, regional or national emergency, or due to the failure of one or more systems that the Company relies upon to provide the services that it routinely provides to its clients, employees and various business partners and counterparties. The plan covers all business areas of the Company and provides contingency plans for technology, staffing, equipment, and communication to employees, clients and counterparties. While the plan is intended to address many types of business continuity issues, there could be certain occurrences which, by their very nature are unpredictable, and can occur in a manner that is outside of our planning guidelines and could render the Company’s estimates of timing for recovery inaccurate. Under all circumstances, it is the Company’s intention to remain in business and to provide ongoing investment services as if no disruption had occurred.

Oppenheimer maintains its headquarters and principal operating locations in New York City. In order to provide continuity for these services, the Company operates a primary data center as well as maintains back-up facilities (information technology, operations and data processing) in sites with requisite communications back-up systems. These facilities are maintained in multiple locations and, in addition, the Company occupies significant office facilities in locations around the United States which could, in an emergency, house dislocated staff members for a short or intermediate time frame. Oppenheimer relies on public utilities for power and phone services, industry specific entities for ultimate custody of client securities and market operations, and various industry vendors for services that are significant and important to its business for the execution, clearance and custody of client holdings, for the pricing and valuing of client holdings, and for permitting our Company’s employees to communicate on an efficient basis. The Company’s headquarters and the primary location for its technology infrastructure are both supported by emergency electric generator back-up. All of these service providers have assured the Company that they have made plans for providing continued service in the case of an unexpected event that might disrupt their services.

The fourth quarter of 2012 was impacted by Superstorm Sandy which occurred on October 29th causing the Company to vacate its two principal offices in downtown Manhattan and displaced 800 of the Company’s employees including substantially all of its capital markets, operations and headquarters staff for in excess of 30 days. During the displacement period, the Company successfully implemented its business continuity plan by relocating personnel from both of its downtown Manhattan locations into other branch offices and back-up facilities in the region. Other than the closure of the financial markets for two business days, the Company was able to successfully clear and settle open trades that took place prior to the storm and to get its trading, operations, technology, and other support functions mobilized to process business once the financial markets reopened. The Company was able to return to its headquarters facilities beginning in December 2012 and the locations returned to full utility power in March 2013.

Cybersecurity presents significant challenges to the business community in general, as well as to the financial services industry. The company maintains vigilance and ongoing planning and systems to prevent any such attack from disrupting its services to clients as well as to prevent any loss of data concerning our clients, their financial affairs, as well as company privileged information. See Item 1A under the caption "Risk Factors - The Company may be exposed to damage to its business or its reputation by Cybersecurity incidents."

REGULATION

Self-Regulatory Organization Membership - Oppenheimer is a member firm of the following self-regulatory organizations ("SROs"): the Financial Industry Regulatory Authority ("FINRA"), the Intercontinental Exchange, Inc., known as ICE Futures U.S., the Commodities Futures Trading Commission ("CFTC") and the National Futures Association ("NFA"). In addition, Oppenheimer has satisfied the requirements of the Municipal Securities Rulemaking Board ("MSRB") for effecting customer transactions in municipal securities. Freedom is also a member of FINRA. Oppenheimer Europe Ltd. is regulated by the Financial Conduct Authority ("FCA") in the United Kingdom and the Jersey Financial Services Commission ("JFSC") in the Isle of Jersey. Oppenheimer Investments Asia Limited is regulated by the Securities and Futures Commission ("SFC") in Hong Kong. Oppenheimer is also a member of the Securities Industry and Financial Markets Association ("SIFMA"), a non-profit organization that represents the shared interests of participants in the global financial markets. The Company has access to a number of regional and national markets and is required to adhere to their applicable rules and regulations.

Securities Regulation - The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the Federal agency charged with administration of the Federal securities laws. Much of the regulation of broker-dealers has been delegated to SROs such as FINRA and the NFA. FINRA has been designated as the primary regulator of Oppenheimer and Freedom with respect to securities and option trading activities and the NFA has been designated as Oppenheimer’s primary regulator with respect to commodities activities. SROs adopt rules (subject to approval by the SEC or the CFTC, as the case may be) governing the industry and conduct periodic examinations of Oppenheimer's and Freedom's operations. In recent years, the SEC has increased its programs for examinations of registrants, even where such examinations overlap with examinations conducted by other entities. Securities firms are also subject to regulation by state securities commissions in the states in which they do business. Oppenheimer and Freedom are each registered as a broker-dealer in the 50 states and the District of Columbia and Puerto Rico.

Broker-dealer Regulation - The regulations to which broker-dealers are subject cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, the use and safekeeping of customers' funds and securities, capital structure of securities firms, record keeping and the conduct of directors, officers and employees. The SEC has adopted rules requiring underwriters to ensure that municipal securities issuers provide current financial information and imposing limitations on political contributions to municipal issuers by brokers, dealers and other municipal finance professionals. Additional legislation, changes in rules promulgated by the SEC, the CFTC and by SROs, or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of broker-dealers. The SEC, SROs (including FINRA) and state securities commissions may conduct administrative proceedings which can result in censure, fine, issuance of cease and desist orders or suspension or expulsion of a broker-dealer, its officers, or employees. These administrative proceedings, whether or not resulting in adverse findings, can require substantial expenditures of time and money and can have an adverse impact on the reputation of a broker-dealer. The principal purpose of regulating and disciplining broker-dealers is to protect customers and the securities markets rather than to protect creditors and shareholders.

Regulation NMS and Regulation SHO have substantially affected the trading of equity securities. These regulations were intended to increase transparency in the markets and have acted to further reduce spreads and, with competition from electronic marketplaces, to reduce commission rates paid by institutional investors.

Oppenheimer and certain of its affiliates are also subject to regulation by the SEC and under certain state laws in connection with its business as an investment advisor and its research department activities. The SEC has announced its intention to place additional oversight and scrutiny over dual registrants such as the Company, where the registrant conducts business as a broker-dealer and investment advisor.

The SEC has passed a requirement for custodians of securities on behalf of investment advisors, such as the Company, to be subject to an annual "surprise" examination of custodian assets and to deliver a control report to its clients, issued by a qualified accounting firm, describing its processes and controls affecting custody operations, which report was issued by the Company for the first time on September 12, 2010. The Company's most recent report was timely filed on March 28, 2014.

Margin lending by Oppenheimer is subject to the margin rules of the Board of Governors of the Federal Reserve System and FINRA. Under such rules, Oppenheimer is limited in the amount it may lend in connection with certain purchases of securities and is also required to impose certain maintenance requirements on the amount of securities and cash held in margin accounts. In addition, Oppenheimer may (and currently does) impose more restrictive margin requirements than required by such rules.

The Sarbanes-Oxley Act of 2002 effected significant changes to corporate governance, auditing requirements and corporate reporting. This law generally applies to all companies, including the Company, with equity or debt securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company has taken numerous actions, and incurred substantial expenses, since the passage of the legislation to comply with the Sarbanes-Oxley Act, related regulations promulgated by the SEC and other corporate governance requirements of the NYSE. Management has determined that the Company's internal control over financial reporting as of December 31, 2014 was effective. See Item 8 under the caption "Management's Report on Internal Control over Financial Reporting."

In July 2010, Congress enacted extensive legislation entitled the Dodd-Frank Wall Street Reform and Consumer Protection Act in which it mandated that the SEC and other regulators conduct comprehensive studies and issue new regulations based on their findings to control and monitor the activities of financial institutions in order to protect the financial system, the investing public and consumers from issues and failures that occurred in the 2008-9 financial crisis. All the relevant studies have not yet been completed, but they are widely expected to extensively impact the regulation and practices of financial institutions including the Company. The changes are likely to significantly reduce leverage available to financial institutions and to increase transparency to regulators and investors of risks taken by such institutions. It is impossible to presently predict the nature of such rulemaking, although proposals that have been implemented or are being considered in the U.S. and Europe include creating a new regulator for certain activities, regulating and/or prohibiting proprietary trading for certain deposit taking institutions, controlling the amount and timing of compensation to “highly paid” employees, creating new regulations around financial transactions with consumers requiring the adoption of a uniform fiduciary standard of care of broker-dealers and investment advisers providing personalized investment advice about securities to retail customers, increasing the disclosures provided to clients, and creating a tax on securities transactions. The Volcker Rule is targeted to become effective

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on July 21, 2015, although Congress is considering a further extension of the implementation date. In December 2012, France began applying a .2% transaction tax on financial transactions in American Depository Receipts of French companies that trade on U.S. exchanges. Italy implemented its own transaction tax on financial transactions in early 2013. The European Markets are attempting to enact a transaction tax on financial transactions that would be imposed on all financial transactions originating in the Euro zone. If and when enacted, such regulations will likely increase compliance costs and reduce returns earned by financial service providers and intensify compliance overall.

In July 2014, the SEC adopted amendments to the rules that govern money market mutual funds. The amendments make structural and operational reforms to address risks of excessive withdrawals over relatively short time frames by investors from money market funds, while preserving the benefits of the funds. Oppenheimer does not sponsor any money market funds. Oppenheimer utilizes such funds to a small extent for its own investment purposes, and offers its clients money market funds that are sponsored by third parties as one of several cash sweep alternatives. It is highly likely that these new rules will significantly diminish the use of these funds by retail investors.

Effective July 1, 2014, certain final rules issued by the SEC regarding the mandatory registration of municipal advisors became effective. These rules specify which activities will be covered by the fiduciary duty of a municipal advisor to its government client imposed by the Dodd-Frank Act, may result in the need for new written representations by issuers, and may limit the manner in which we, in our capacity as an underwriter or in our other professional roles, interact with municipal issuers. Oppenheimer registered as a municipal advisor and by virtue of such registration is now subject to additional regulation and oversight in respect of its municipal finance business. The SEC recently announced that it will undertake a two-year review of municipal advisors. Additionally, forthcoming rulemaking by the Municipal Securities Rulemaking Board may cause further changes to the manner in which state and local government is able to interact with outside finance professionals. These new rules impact the nature of Oppenheimer's interactions with public finance clients, and may have a negative short-term impact on the volume of public finance transactions while the industry adapts to the new rules.

It is difficult to predict the nature of the final regulations and their impact on the business of the Company. The impact of any of, or more than one of, the foregoing could have a material adverse effect on our business, financial condition and results of operations. Certain of the rule-making described above remains under consideration and has been subject to numerous changes and postponements in both the requirements of such rules and the implementation date(s).

Trust Company Regulation – Oppenheimer Trust is a limited purpose trust company organized under the laws of Delaware and is regulated by the Office of the State Banking Commissioner.

REGULATORY CAPITAL REQUIREMENTS

As registered broker-dealers and member firms regulated by FINRA, Oppenheimer and Freedom are subject to certain net capital requirements pursuant to Rule 15c3-1 (the "Net Capital Rule") promulgated under the Exchange Act. The Net Capital Rule, which specifies minimum net capital requirements for registered brokers and dealers, is designed to measure the general financial integrity and liquidity of a broker-dealer and requires that at least a minimum part of its assets be kept in liquid form.

Oppenheimer elects to compute net capital under the alternative method of calculation permitted by the Net Capital Rule. (Freedom computes net capital under the basic formula as provided by the Net Capital Rule.) Under the alternative method, Oppenheimer is required to maintain a minimum “net capital”, as defined in the Net Capital Rule, at least equal to 2% of the amount of its "aggregate debit items" computed in accordance with the Formula for Determination of Reserve Requirements for Brokers and Dealers (Exhibit A to Rule 15c3-3 under the Exchange Act) or $1.5 million, whichever is greater. "Aggregate debit items" are assets that have as their source transactions with customers, primarily margin loans. Failure to maintain the required net capital may subject a firm to suspension or expulsion by FINRA, the SEC and other regulatory bodies and ultimately may require its liquidation. The Net Capital Rule also prohibits payments of dividends, redemption of stock and the prepayment of subordinated indebtedness if net capital thereafter would be less than 5% of aggregate debit items (or 7% of the funds required to be segregated pursuant to the Commodity Exchange Act and the regulations thereunder, if greater) and payments in respect of principal of subordinated indebtedness if net capital thereafter would be less than 5% of aggregate debit items (or 6%

of the funds required to be segregated pursuant to the Commodity Exchange Act and the regulations thereunder, if greater). The Net Capital Rule also provides that the total outstanding principal amounts of a broker-dealer's indebtedness under certain subordination agreements (the proceeds of which are included in its net capital) may not exceed 70% of the sum of the outstanding principal amounts of all subordinated indebtedness included in net capital, par or stated value of capital stock, paid-in capital in excess of par, retained earnings and other capital accounts for a period in excess of 90 days.

Net capital is essentially defined in the Net Capital Rule as net worth (assets minus liabilities), plus qualifying subordinated borrowings minus certain mandatory deductions that result from excluding assets that are not readily convertible into cash and deductions for certain operating charges. The Net Capital Rule values certain other assets, such as a firm's positions in securities, conservatively. Among these deductions are adjustments (called "haircuts") in the market value of securities to reflect the possibility of a market decline prior to disposition.

Compliance with the Net Capital Rule could limit those operations of the brokerage subsidiaries of the Company that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances, and also could restrict the Company's ability to withdraw capital from its brokerage subsidiaries, which in turn could limit the Company's ability to pay dividends, repay debt and redeem or purchase shares of its outstanding capital stock. Under the Net Capital Rule, broker-dealers are required to maintain certain records and provide the SEC with quarterly reports with respect to, among other things, significant movements of capital, including transfers to a holding company parent or other affiliate. The SEC and/or SROs may in certain circumstances restrict the Company's brokerage subsidiaries' ability to withdraw excess net capital and transfer it to the Company or to other Operating Subsidiaries or to expand the Company's business.

Oppenheimer Europe Ltd. is authorized by the FCA of the United Kingdom to provide investment services under the Markets of Financial Instruments Directive ("MiFID"). New Basel III requirements being implemented in the European Union have changed how capital adequacy is reported under the Capital Requirements Directive ("CRD IV"), effective January 1, 2014, for Oppenheimer Europe Ltd. There are three capital ratios Oppenheimer Europe Ltd. must meet: 1) Common Equity Tier ratio of 4.5%; 2) Tier 1 Capital ratio of 6.0%; and 3) Total Capital ratio of 8.0%.

Oppenheimer Investments Asia Limited was approved by the SFC to place securities of U.S. listed companies with institutional clients and to provide corporate finance advisory services to Hong Kong institutional clients.

Oppenheimer Investments Asia Limited is required to maintain Required Liquid Capital of the greater of HKD 3.0 million or 5% of Adjusted Liabilities as defined by the Hong Kong Securities and Futures Financial Resources Rules.

OMHHF was approved to be a non-supervised HUD mortgagee under Title II of the U.S. Department of Housing and Urban Development ("HUD"). To maintain its status as an approved lender for HUD, OMHHF is required to meet and maintain various eligibility criteria established by HUD, such as minimum net worth, operational liquidity and collateral requirements. At December 31, 2014, OMHHF was required to maintain a minimum net worth of $2.5 million.

See Note 17 to the consolidated financial statements for the year ended December 31, 2014 appearing in Item 8 for further information on the Company's regulatory capital requirements.

OTHER REQUIREMENTS

Senior Secured Notes

On April 12, 2011, the Company completed the private placement of $200.0 million in aggregate principal amount of 8.75% Senior Secured Notes due April 15, 2018 (the "Notes") at par. The interest on the Notes is payable semi-annually on April 15th and October 15th. On April 15, 2014, the Company partially retired and redeemed the Notes and $150.0 million aggregate principal amount of the Notes remains outstanding.

The indenture for the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company's obligations under the Notes are guaranteed, subject to certain limitations. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future. At December 31, 2014, the Company was in compliance with all of its covenants.

On May 28, 2014, Moody's Corporation affirmed the Company's 'B2' Corporate Family rating and 'B2' rating on the Notes with a stable outlook. On August 8, 2014, S&P affirmed the Company and the Notes "B" rating and revised its outlook on the Notes to stable from positive.

Other debt

Through OMHHF, which is engaged in commercial mortgage origination and servicing, the Company utilizes an uncommitted warehouse facility line from PNC Bank ("PNC") under which OMHHF pledges FHA-guaranteed mortgages for a period averaging 15 business days and PNC table funds the principal payment to the mortgagee. OMHHF repays PNC upon the securitization of the mortgage by GNMA and the delivery of the security to the counter-party for payment pursuant to a contemporaneous sale on the date the mortgage is funded. The Company's ability to originate mortgage loans depends upon our ability to secure and maintain these types of short-term financings on acceptable terms.

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Through OPY Credit Corp., the Company utilized a warehouse facility provided by CIBC to extend financing commitments to third party borrowers identified by the Company. This warehouse arrangement terminated on July 15, 2012. However, the Company will remain liable for some minimal expenses in relation to this facility related to commitments made by CIBC to borrowers introduced by the Company until such borrowings are repaid by the borrower or until 2016, whichever is the sooner to occur. All such owed amounts will continue to be reflected in the Company's consolidated statement of operations as incurred.

Oppenheimer and Freedom are each members of the Securities Investor Protection Corporation ("SIPC"), which provides, in the event of the liquidation of a broker-dealer, protection for customers' accounts (including the customer accounts of other securities firms when it acts on their behalf as a clearing broker) held by the firm of up to $500,000 for each customer, subject to a limitation of $250,000 for claims for cash balances. SIPC is funded through assessments on registered broker-dealers. In addition, Oppenheimer has purchased additional "excess of SIPC" policy protection from certain underwriters at Lloyd's of London of an additional $99.5 million (and $900,000 for claims for cash balances) per customer. The "excess of SIPC" policy has an overall aggregate limit of liability of $400.0 million. The Company has entered into an indemnity agreement with Lloyd's of London pursuant to which the Company has agreed to indemnify Lloyd's of London for losses incurred by Lloyd's under the policy.

AVAILABLE INFORMATION

The Company's principal place of business is at 85 Broad Street, New York, NY 10004 and its telephone number is (212) 668-8000. The Company's Internet address is http://www.opco.com. The Company makes available free of charge through its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other SEC filings and all amendments to those reports within 24 hours of such material being electronically filed with or furnished to the SEC.

You may read and copy this Annual Report on Form 10-K for the year ended December 31, 2014 at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies by mail from the Public Reference Room of the SEC at prescribed rates. To obtain information on the operation of the Public Reference Room, you can call the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including Oppenheimer Holdings Inc., that file electronically with the SEC. The address of the SEC's Internet website is http://www.sec.gov.

Item 1A. RISK FACTORS

The Company's business and operations are subject to numerous risks. The material risks and uncertainties that management believes affect the Company are described below. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business operations. If any of the following risks actually occur, the Company's financial condition and results of operations may be materially and adversely affected.

The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market.

In February 2008, the market for auction rate securities ("ARS") began experiencing disruptions due to the failure of auctions for preferred stocks issued to leverage closed end funds, municipal bonds backed by tax exempt issuers, and student loans backed by pools of student loans guaranteed by U.S. government agencies. This failure followed an earlier failure of a smaller market of ARS that were backed by mortgage and other forms of derivatives in the summer of 2007. These auction failures developed as a result of auction managers or dealers, typically large commercial or investment banks, deciding not to commit their own capital when there was insufficient demand from bidders to meet the supply of sales from sellers. The failure of the ARS market has prevented clients of the Company from liquidating holdings in these positions or, in many cases, posting these securities as collateral for loans. The Company had operated in an agency capacity in this market and held and continues to hold ARS in its proprietary accounts and, as a result, is exposed to these liquidity issues as well. The Company believes that, although issuer redemptions of ARS have occurred, approximately 15% of the overall ARS issued into the ARS market remained outstanding at December 31, 2014. There is no guarantee that further ARS issuer redemptions will occur and, if so, that the

Company's clients' ARS will be redeemed.

Regulators have concluded, in many cases, that securities firms, initially those that underwrote and supported the auctions for ARS, should be compelled to purchase them from retail customers. Underwriters and broker-dealers in such securities have settled with various regulators and have purchased ARS from their retail clients. The Company may be at a competitive disadvantage to those of its competitors that have already completed purchases of ARS from their clients.

In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office ("NYAG") and the Massachusetts Securities Division ("MSD" and, together with the NYAG, the "Regulators") concluding investigations and administrative proceedings concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. The ultimate amount of ARS to be repurchased by the Company under the settlements with the Regulators or legal settlements and awards cannot be predicted with any certainty and will be impacted by redemptions by issuers and legal and other actions by clients during the relevant period which cannot be predicted. See Item 7 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory Environment – Other Regulatory Matters" and "Off-Balance Sheet Arrangements" for additional details.

Notwithstanding the foregoing settlements with the Regulators, the Company remains as a named respondent in several arbitrations by its current or former clients as well as a lawsuit related to its sale of ARS. In addition, the Company is continuing to cooperate with investigating entities from other states.

If the ARS market remains frozen, the Company may likely be further subject to claims by its clients. There can be no guarantee that the Company will be successful in defending any or all of the current actions against it or any subsequent actions filed in the future. Any such failure could have a material adverse effect on the results of operations and financial condition of the Company, including its cash position.

See "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters and – Other Matters."

The Company's customers held at Oppenheimer approximately $134.2 million of ARS at December 31, 2014, exclusive of amounts that were owned by Qualified Institutional Buyers ("QIBs"), transferred to the Company or purchased by customers after February 2008, or transferred from the Company to other securities firms after February 2008. The Company does not presently have the capacity to purchase all of the ARS held by all of its former or current clients who purchased such securities prior to the market's failure in February 2008 over a short period of time. If the Company was to be required to purchase all of the ARS held by all former or current clients who purchased such securities prior to the market's failure in February 2008 over a short period of time, these purchases would have a material adverse effect on the Company's results of operations and financial condition including its cash position. Neither of the settlements with the Regulators requires the Company to do so. The Company does not currently believe that it is legally obligated to make any such purchases except for those purchases it has agreed with the Regulators to make as previously disclosed. If Oppenheimer defaults on either agreement with the Regulators, the Regulators may terminate their agreements and, in the case of the MSD, may reinstitute the previously pending administrative proceedings. In addition, there can be no guarantee that other regulators won't seek to compel the Company to repurchase a greater amount of ARS than called for by the settlements with the Regulators. See "Legal Proceedings."

The Company has sought, with very limited success, financing from a number of sources to try to find a means for all its clients to find liquidity from their ARS holdings and will continue to do so. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients' ARS holdings.

Damage to our reputation could damage our businesses.

Maintaining our reputation is critical to our attracting and maintaining customers, investors and employees. If we fail to deal with, or appear to fail to deal with, various issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues include, but are not limited to, any of the risks discussed in this Item 1A, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, record keeping, sales and trading practices, failure to sell securities we have underwritten at the anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. A failure to deliver appropriate standards of service and quality, or a failure or perceived failure to treat customers and clients fairly, can result in customer dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and harm to our reputation. Further, negative publicity regarding us, whether or not true, may also result in harm to our prospects. See "The precautions the Company takes to prevent and detect employee misconduct may not be effective and the Company could be exposed to unknown and unmanaged risks or losses."

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Developments in market and economic conditions have adversely affected, and may in the future adversely affect, the Company’s business and profitability.

Performance in the financial services industry is heavily influenced by the overall strength of economic conditions and financial market activity, which generally have a direct and material impact on the Company’s results of operations and financial condition. These conditions are a product of many factors, which are mostly unpredictable and beyond the Company’s control, and may affect the decisions made by financial market participants. Uncertain or unfavorable market or economic conditions could result in reduced transaction volumes, reduced revenue and reduced profitability in any or all of the Company’s principal businesses. For example:

- The Company’s investment banking revenue, in the form of underwriting, placement and financial advisory fees, is directly related to the volume and value of transactions as well as the Company’s role in these transactions. In an environment of uncertain or unfavorable market or economic conditions such as we have observed in recent years, the volume and size of capital-raising transactions and acquisitions and dispositions typically decrease, thereby reducing the demand for the Company’s investment banking services and increasing price competition among financial services companies seeking such engagements. The completion of anticipated investment banking transactions in the Company’s pipeline is uncertain and beyond its control, and its investment banking revenue is typically earned upon the successful completion of a transaction. In most cases, the Company receives little or no payment for investment banking engagements that do not result in the successful completion of a transaction. For example, a client’s acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the client’s or counterparty’s business. If the parties fail to complete a transaction on which the Company is advising or an offering in which it is participating, the Company will earn little or no revenue from the transaction but may incur expenses including but not limited to legal fees. The Company may perform services subject to an engagement agreement and the client may refuse to pay fees due under such agreement, requiring the Company to re-negotiate fees or commence legal action for collection of such earned fees. Accordingly, the Company’s business is highly dependent on market conditions, the decisions and actions of its clients and interested third parties. The number of engagements the Company has at any given time is subject to change and may not necessarily result in future revenues.
- A portion of the Company’s revenues are derived from fees generated from its asset management business segment. Asset management fees often are primarily comprised of base management and performance (or incentive) fees. Management fees are primarily based on assets under management. Assets under management balances are impacted by net inflow/outflow of client assets and changes in market values. Poor investment performance by the Company’s funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors and thus further impact the Company’s business and financial condition. If the Company experiences losses of managed accounts, fee revenue will decline. In addition, in periods of declining market values, the values under management may ultimately decline, which would negatively impact fee revenues.
- A downturn in the financial markets may result in a decline in the volume and value of trading transactions and, therefore, may lead to a decline in the revenue the Company generates from commissions on the execution of trading transactions and, in respect of its market-making activities, a reduction in the value of its trading positions and commissions and spreads. A further downturn could negatively impact the Company’s ability to generate revenue.
- Financial markets are susceptible to severe events such as dislocations which may lead to reduced liquidity. Under these extreme conditions, the Company’s risk management strategies may not be as effective as they might otherwise be under normal market conditions.
- Liquidity is essential to the Company’s businesses. The Company’s liquidity could be negatively affected by an inability to raise funding on a regular basis either in the short term market through bank borrowing or in the long term market through senior and subordinated borrowings. Such illiquidity could arise through a lowering of the Company’s credit rating or through market disruptions unrelated to the Company. The availability of unsecured financing is largely dependent on our credit rating which is largely determined by factors such as the level and quality of our

earnings, capital adequacy, risk management, asset quality and business mix. As noted above, the Company has purchased, and will continue to purchase, auction rate securities from its clients which will reduce liquidity available to the Company for other purposes. The failure to secure the liquidity necessary for the Company to operate and grow could have a material adverse effect on the Company’s financial condition and results of operations. See "Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources," under Item 7.

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- Changes in interest rates (especially if such changes are rapid), high interest rates or uncertainty regarding the future direction of interest rates, may create a less favorable environment for certain of the Company's businesses, particularly its fixed income business, resulting in reduced business volume and reduced revenue.
- The reduction of interest rates to all-time record lows has substantially reduced the interest profits available to the Company through its margin lending and has also reduced profit contributions from money fund products and sponsored FDIC-covered deposits. If interest rates remain at the current historical low levels until late 2015, as is forecasted by the Federal Reserve, or later, the Company's profitability will continue to be significantly negatively impacted.
- The Company expects to continue to commit its own capital to engage in proprietary trading, investing and similar activities, and uncertain or unfavorable market or economic conditions may reduce the value of its positions, resulting in reduced revenue.

The cyclical nature of the economy and the financial services industry leads to volatility in the Company's operating margins, due to the fixed nature of a portion of compensation expenses and many non-compensation expenses, as well as the possibility that the Company will be unable to scale back other costs at an appropriate time to match any decreases in revenue relating to changes in market and economic conditions. As a result, the Company's financial performance may vary significantly from quarter to quarter and year to year.

Markets have experienced, and may continue to experience, periods of high volatility accompanied by reduced liquidity.

Financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be effective. Severe market events have historically been difficult to predict, and significant losses could be realized in the wake of such events. The "Flash Crash" on May 6, 2010 was driven not by external economic events but by internal market dynamics and automated systems. Such events cannot be predicted nor can anyone, including the Company, predict the effectiveness of controls put in place to prevent such incidents. Increasingly, threats of terrorism and terrorist acts have disrupted markets and increased the perception of risk to the worldwide economy. Any such act or threat may impact markets, and consequently the Company's business, in an adverse manner.

The Company has experienced significant pricing pressure in areas of its business, which may impair its revenues and profitability.

In recent years the Company has experienced, and continues to experience, significant pricing pressures on trading margins and commissions in debt and equity trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to increased price competition and decreased trading margins. In the equity market, the Company has experienced increased pricing pressure from institutional clients to reduce commissions, and this pressure has been augmented by the increased use of electronic and direct market access trading, which has created additional downward pressure on trading margins. The trend toward using alternative trading systems is continuing to grow, which may result in decreased commission and trading revenue, reduce the Company's participation in the trading markets and its ability to access market information, and lead to the creation of new and stronger competitors. Institutional clients also have pressured financial services firms to alter "soft dollar" practices under which brokerage firms bundle the cost of trade execution with research products and services. Some institutions are entering into arrangements that separate (or "unbundle") payments for research products or services from sales commissions. These arrangements have increased the competitive pressures on sales commissions and have affected the value the Company's clients place on high-quality research. Moreover, the Company's inability to reach agreement regarding the terms of unbundling arrangements with institutional clients who are actively seeking such arrangements could result in the loss of those clients, which would likely reduce the level of institutional commissions. The Company believes that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins. Additional pressure on sales and trading revenue may impair the profitability of the Company's business.

The ability to attract, develop and retain highly skilled and productive employees is critical to the success of the Company’s business.

The Company faces intense competition for qualified employees from other businesses in the financial services industry, and the performance of its business may suffer to the extent it is unable to attract and retain employees effectively, particularly given the relatively small size of the Company and its employee base compared to some of its competitors. The primary sources of revenue in each of the Company’s business lines are commissions and fees earned on advisory and underwriting transactions and customer accounts managed by its employees, who are regularly recruited by other firms and in certain cases are able to take their client relationships with them when they change firms. Experienced employees are regularly offered financial inducements by larger competitors to change employers, and thus competitors can de-stabilize the Company's relationship with valued employees. Some specialized areas of the Company's business are operated by a relatively small number of employees, the loss of any of whom could jeopardize the continuation of that business following the employee's departure.

The Company depends on its senior employees and the loss of their services could harm its business.

The Company's success is dependent in large part upon the services of its senior executives and employees. Any loss of service of the CEO may adversely affect the business and operations of the Company. The Company maintains key man insurance on the life of its CEO. If the Company's senior executives or employees terminate their employment and the Company is unable to find suitable replacements in relatively short periods of time, its operations may be materially and adversely affected.

Underwriting and market-making activities may place capital at risk.

The Company may incur losses and be subject to reputational harm to the extent that, for any reason, it is unable to sell securities it purchased as an underwriter at the anticipated price levels. As an underwriter, the Company is subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings it underwrites. Any such misstatement or omission could subject the Company to enforcement action by the SEC and claims of investors, either of which could have a material adverse impact on the Company's results of operations, financial condition and reputation. As a market maker, the Company may own large positions in specific securities, and these undiversified holdings concentrate the risk of market fluctuations and may result in greater losses than would be the case if the Company's holdings were more diversified.

Increases in capital commitments in our proprietary trading, investing and similar activities increase the potential for significant losses.

The Company's results of operations for a given period may be affected by the nature and scope of these activities and such activities will subject the Company to market fluctuations and volatility that may adversely affect the value of its positions, which could result in significant losses and reduce its revenues and profits. In addition, increased commitment of capital will expose the Company to the risk that a counter-party will be unable to meet its obligations, which could lead to financial losses that could adversely affect the Company's results of operations. These activities may lead to a greater concentration of risk, which may cause the Company to suffer losses even when business conditions are generally favorable for others in the industry.

If the Company is unable to repay its outstanding indebtedness when due, its operations would be materially adversely affected.

At December 31, 2014, the Company had liabilities of approximately $2.3 billion, a significant portion of which is collateralized by highly liquid and marketable government securities as well as marketable securities owned by customers. The Company cannot assure that its operations or the liquidation of collateral supporting such borrowings will generate funds sufficient to repay its existing debt obligations as they come due. The Company's failure to repay its indebtedness and make interest payments as required by its debt obligations would most likely have a material adverse effect on its results of operations and financial condition.

The Company may make strategic acquisitions of businesses, engage in joint ventures or divest or exit existing businesses, which could result in unforeseen expenses or disruptive effects on its business.

From time to time, the Company may consider acquisitions of other businesses or joint ventures with other businesses. For example, on January 14, 2008, the Company acquired certain businesses from CIBC World Markets Corp. Any acquisition or joint venture that the Company determines to pursue will be accompanied by a number of risks. After the announcement or completion of an acquisition or joint venture, the Company's share price could decline if investors view the transaction as too costly or unlikely to improve the Company's competitive position. Costs or difficulties relating to such a transaction, including integration of products, employees, offices, technology systems, accounting systems and management controls, may be difficult to predict accurately and be greater than expected causing the Company's estimates to differ from actual results. The Company may be unable to retain key personnel after the transaction, and the transaction may impair relationships with customers and business partners. In addition, the Company may be unable to achieve anticipated benefits and synergies from the transaction as fully as expected or within the expected time frame. Divestitures or elimination of existing businesses or products could have similar effects. These difficulties could disrupt the Company’s ongoing business, increase its expenses and adversely affect its operating results and financial condition.

The Company is subject to extensive securities regulation and the failure to comply with these regulations could subject it to penalties or sanctions.

The securities industry and the Company's business are subject to extensive regulation by the SEC, state securities regulators and other governmental regulatory authorities. The Company is also regulated by industry self-regulatory organizations, including FINRA, NFA, and the MSRB. The Company may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. The regulatory environment is subject to change and the Company may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other federal or state governmental regulatory authorities, or self-regulatory organizations. In response to the financial crisis of 2008-2009, the regulatory environment to which the Company is subjected is expected to further intensify as additional rules and regulations are adopted by the Company's regulators. These new regulations will likely increase costs related to compliance and may in other ways adversely affect the performance of the Company.

Oppenheimer is a broker-dealer and investment advisor registered with the SEC and is primarily regulated by FINRA. Broker-dealers are subject to regulations which cover all aspects of the securities business, including:

- sales methods and supervision;
- trading practices among broker-dealers;
- emerging standards concerning fees and charges imposed on clients for fee-based programs;
- use and safekeeping of customers' funds and securities;
- anti-money laundering and Patriot Act compliance;
- capital structure of securities firms;
- compliance with lending practices (Regulation T);
- record keeping; and
- the conduct of directors, officers and employees.

Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. The requirements imposed by these regulations are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Company. New regulations will result in enhanced standards of duty on broker dealers in their dealings with their clients (fiduciary standards). Consequently, these regulations often serve to limit the Company's activities, including through net capital, customer protection and market conduct requirements, including those relating to principal trading. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, principally FINRA, which is the Company's primary regulatory agency. FINRA adopts rules, subject to approval by the SEC, which govern its members and conducts periodic examinations of member firms' operations. However, recently the SEC has significantly increased its direct oversight of registrants in areas that directly overlap with FINRA thereby increasing the Company's costs of compliance and increasing the risks associated with compliance with emerging standards.

The SEC has passed a requirement for custodians of securities on behalf of investment advisors, such as the Company, to conduct an annual "surprise audit", in addition to the annual audit, and to issue an annual controls report to its clients, issued by a qualified accounting firm, describing its processes and controls affecting custody operations. A failure to conduct such an audit or issue the report with favorable findings could adversely affect a sizable portion of the Company's businesses.

If the Company is found to have violated any applicable regulations, formal administrative or judicial proceedings may be initiated against it that may result in:

- censure;
- fine;
- civil penalties, including treble damages in the case of insider trading violations;
- the issuance of cease-and-desist orders;
- the deregistration or suspension of our broker-dealer activities;
- the suspension or disqualification of our officers or employees; or

- other adverse consequences.

The imposition of any of these or other penalties could have a material adverse effect on our operating results and financial condition. For a more detailed description of the regulatory scheme under which the Company operates, see Item 1 under the caption "Regulation" and Item 7 under the caption "Management’s Discussion and Analysis of Financial Condition and Results of Operations - Regulation."

Failure to comply with net capital requirements could subject the Company to suspension or revocation by the SEC or suspension or expulsion by FINRA, the FCA and the SFC.

Oppenheimer and Freedom are subject to the SEC’s Net Capital Rule which requires the maintenance of minimum net capital. For a more detailed description of the regulatory scheme under which the Company operates, see Item 1 under the caption "Net Capital Requirements." Failure to comply with net capital requirements could subject the Company to suspension or revocation by the SEC or suspension or expulsion by FINRA.

In addition, Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited are regulated by the FCA of the United Kingdom and the SFC in Hong Kong, respectively. Failure of these entities to comply with net capital requirements could subject those entities to suspension or expulsion by their respective regulators.

If the Company violates the securities laws, or is involved in litigation in connection with a violation, the Company’s reputation and results of operations may be adversely affected.

Many aspects of the Company’s business involve substantial risks of liability. An underwriter is exposed to substantial liability under federal and state securities laws, other federal and state laws, and court decisions, including decisions with respect to underwriters’ liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that seek substantial damages. The Company’s underwriting activities will usually involve offerings of the securities of smaller companies, which often involve a higher degree of risk and are more volatile than the securities of more established companies. In comparison with more established companies, smaller companies are also more likely to be the subject of securities class actions, to carry directors and officers liability insurance policies with lower limits or not at all, and to become insolvent. In addition, in market downturns, claims tend to increase. Each of these factors increases the likelihood that an underwriter may be required to contribute to an adverse judgment or settlement of a securities lawsuit.

In the normal course of business, the Operating Subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer and as a result of other business activities. In turbulent times such as in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have historically escalated. The Company has experienced an increase in such claims as a result of the recent worldwide credit disruptions, including the disruptions in the auction rate securities market in 2008. If the Company misjudged the amount of damages that may be assessed against it from pending or threatened claims, or if the Company is unable to adequately estimate the amount of damages that will be assessed against it from claims that arise in the future and reserve accordingly, its financial condition and results of operations may be materially adversely affected. See Item 1A under the caption "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market," as well as Item 3 under the caption "Legal Proceedings" and Item 7 under the caption "Management’s Discussion and Analysis of Financial Condition and Results of Operations – Regulatory Environment – Other Regulatory Matters."

The preparation of the consolidated financial statements requires the use of estimates that may vary from actual results.

If actual experience differs from management’s estimates used in the preparation of financial statements, the Company’s consolidated results of operations or financial condition could be adversely affected. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the application of accounting policies that often involve a significant degree of judgment. Such estimates and assumptions may require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. The Company’s accounting policies that are most dependent on the application of estimates and assumptions, and therefore viewed by the Company as critical accounting estimates, are those described in Note 2 to the consolidated financial statements for the year ended December 31, 2014 appearing in Item 8. These accounting estimates require the use of assumptions, some of which are highly uncertain at the time of estimation. These estimates, by their nature, are based on judgment and current facts and circumstances. Accordingly, actual results could differ from these estimates, possibly in the near term, and could have a material effect on the consolidated financial statements.

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The value of the Company’s goodwill and intangible assets may become impaired.

A substantial portion of the Company’s assets arise from goodwill and intangibles recorded as a result of business acquisitions it has made. The Company is required to perform a test for impairment of such goodwill and intangible assets, at least annually. To the extent that there are continued declines in the markets and general economy, impairment may become more likely. If the test resulted in a write-down of goodwill and/or intangible assets, the Company would incur a significant loss. For further discussion of this risk, see Note 18 to the consolidated financial statements for the year ended December 31, 2014 appearing in Item 8.

The Company’s risk management policies and procedures may leave it exposed to unidentified risks or an unanticipated level of risk.

The policies and procedures the Company employs to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible. This information may not be accurate, complete, or up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. The Company cannot give assurances that its policies and procedures will effectively and accurately record and verify this information. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk."

The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. The Company believes that it effectively evaluates and manages the market, credit and other risks to which it is exposed. Nonetheless, the effectiveness of the Company’s ability to manage risk exposure can never be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on the Company’s financial condition and results of operations. The consequences of these developments can include losses due to adverse changes in securities values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in the Company’s credit risk to customers as well as to third parties and increases in general systemic risk.

Credit risk may expose the Company to losses caused by the inability of borrowers or other third parties to satisfy their obligations.

The Company is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include:

- trading counterparties;
- customers;
- clearing agents;
- exchanges;
- clearing houses; and
- other financial intermediaries as well as issuers whose securities we hold.

These parties may default on their obligations owed to the Company due to bankruptcy, lack of liquidity, operational failure or other reasons. This default risk may arise, for example, from:

- holding securities of third parties;
- executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and
- extending credit to clients through bridge or margin loans or other arrangements.

Significant failures by third parties to perform their obligations owed to the Company could adversely affect the Company’s revenue and its ability to borrow in the credit markets.

Risks related to insurance programs.

The Company’s operations and financial results are subject to risks and uncertainties related to the use of a combination of insurance, self-insured retention and self-insurance for a number of risks, including most significantly property and casualty,

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general liability, workers' compensation, and the portion of employee-related health care benefits plans funded by the Company, and certain errors and omissions liability, among others.

While the Company endeavors to purchase insurance coverage that is appropriate to its assessment of risk, it is unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. The Company's business may be negatively affected if in the future its insurance proves to be inadequate or unavailable. In addition, insurance claims may divert management resources away from operating the business.

The precautions the Company takes to prevent and detect employee misconduct may not be effective and the Company could be exposed to unknown and unmanaged risks or losses.

The Company runs the risk that employee misconduct could occur. Misconduct by employees could include:

- employees binding the Company to transactions that exceed authorized limits or present unacceptable risks to the Company (rogue trading);
- employee theft and improper use of Company or client property;
- employees conspiring with third parties to defraud the Company;
- employees hiding unauthorized or unsuccessful activities from the Company, including outside business activities that are undisclosed and may result in liability to the Company;
- the improper use of confidential information; or
- employee conduct outside of acceptable norms including harassment.

These types of misconduct could result in unknown and unmanaged risks or losses to the Company including regulatory sanctions and serious harm to its reputation. The precautions the Company takes to prevent and detect these activities may not be effective. If employee misconduct does occur, the Company's business operations could be materially adversely affected.

Defaults by another large financial institution could adversely affect financial markets generally.

In the fourth quarter of 2008, Lehman Brothers filed for bankruptcy protection and financial institutions including the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, Citigroup Inc., Bank of America Corporation, and American International Group, Inc. needed to accept substantial funding from the Federal government. In the fourth quarter of 2011, MF Global Holding Ltd. filed for bankruptcy protection. In August 2012, Peregrine Financial Group, Inc. was declared bankrupt and placed in receivership. The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing, or other relationships between these institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses, or defaults by other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Company interacts on a daily basis, and therefore could affect the Company.

The failure of guarantors could adversely affect the pricing of securities and their trading markets.

Monoline insurance companies, commercial banks and other insurers regularly issue credit enhancements to issuers in order to permit them to receive higher credit ratings than would otherwise be available to them. As a result, the failure of any of these guarantors could and would suddenly and immediately result in the depreciation in the price of the securities that have been guaranteed or enhanced by such entity. This failure could adversely affect the markets in general and the liquidity of the securities that are so affected. This disruption could create losses for holders of affected securities including the Company. In addition, rating agency downgrades of the debt or deposit or claims paying ability of these guarantors could result in a reduction in the prices of securities held by the Company which are guaranteed by such guarantors.

The Company's information systems may experience an interruption or breach in security.

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Recent disclosures of such incursions by foreign and domestic unauthorized agents aimed at large financial institutions reflect higher risks for all such institutions. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny,

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or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

Security breaches and other disruptions could compromise the Company's information and expose the Company to liability, which would cause its business and reputation to suffer.

In the ordinary course of business, the Company collects and stores sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, in its data centers and on its networks. The secure processing, maintenance and transmission of this information is critical to its operations. Despite its security measures, its information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. The recent increase in the number of security breaches at large retailers, credit card companies, movie studios and others reflect higher risk for all companies handling sensitive client data. Any such breach could compromise its networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt its operations and the services the Company provides to customers, damage its reputation, and cause a loss of confidence in its products and services, which could adversely affect its business, revenues and competitive position.

The Company may be exposed to damage to its business or its reputation by Cybersecurity incidents.

As the World becomes more interconnected through the use of the internet and users rely more extensively on the internet for the transmission and storage of data, such information becomes more susceptible to incursion by hackers and other parties intent on stealing or destroying data on which the Company or our clients rely. These cybersecurity incidents have increased in number and severity and it is expected that these trends will continue. Should the Company be affected by such an incident, we would be exposed to legal liability, loss of reputation as well as increased costs related to protection of systems and providing relief to clients.

The Company has and continues to introduce systems and software to prevent any such incidents and increasingly reviews and increases its defenses to such issues through the use of various services, programs and outside vendors. It is impossible for the Company to know when or if such incidents may arise or the business impact of any such incident.

The Company continually encounters technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. The Company's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company's operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements. The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

The business operations that are conducted outside of the United States subject the Company to unique risks and potential loss.

To the extent the Company conducts business outside the United States, it is subject to risks including, without limitation, the risk that it will be unable to provide effective operational support to these business activities, the risk of non-compliance with foreign laws and regulations, the general economic and political conditions in countries where it conducts business and currency fluctuations. The Company operates in Israel, the United Kingdom, Isle of Jersey, Switzerland and China as well as through agents in Latin America. If the Company is unable to manage these risks relating to its foreign operations effectively, its reputation and results of operations could be harmed.

We may face exposure for environmental liabilities in British Columbia, Canada.

The Company has received notice from the current owner of rural mountainous properties in Canada that the Company may be liable for environmental claims with respect to such properties and that designate it a potentially responsible party in remedial activities for the cleanup of waste sites under applicable statutes. The Company is believed to have held title to various properties near Panorama, British Columbia, Canada from October 1942 through August 1969 and to have engaged in mining and milling operations for some part of that period. The Company was originally incorporated in British Columbia, Canada in 1933, under the name Sheep Creek Gold Mines Limited. The Company underwent a series of name changes and continuances, including from British Columbia to Ontario, from Ontario to Canadian federal jurisdiction and then, in May 2009, from Canada to Delaware.

The Company currently believes that future environmental claims, if any, that may be asserted will not be material and that its potential liability for known environmental matters is not material. However, environmental and related remediation costs are difficult to quantify. Applicable law may impose joint and several liability on each potentially responsible party for the cleanup.

Severe weather, natural disasters, acts of war or terrorism and other external events could significantly impact the Company's business.

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Company's ability to conduct business. Although management has established a disaster recovery plan there is no guarantee that such plan will allow the Company to operate without disruption if such an event was to occur and the occurrence of any such event could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations. The Company maintains disaster recovery sites to aid it in reacting to circumstances such as those described above. The fourth quarter of 2012 was impacted by Superstorm Sandy which occurred on October 29th causing the Company to vacate its two principal offices in downtown Manhattan and displaced 800 of the Company's employees including substantially all of its capital markets, operations and headquarters staff for in excess of 30 days. During the displacement period the Company successfully implemented its business continuity plan by relocating personnel from both of its downtown Manhattan locations into other branch offices and back-up facilities in the region. Other than the closure of the financial markets for two business days, the Company was able to successfully clear and settle open trades that took place prior to the storm and to get its trading, operations, technology, and other support functions mobilized to process business once the financial markets reopened. The plans and preparations for such eventualities including the sites themselves may not be adequate or effective for their intended purpose.

The effect of climate changes on the Company cannot be predicted with certainty.

The Company is not directly affected by environmental legislation, regulation or international treaties. The Company is not involved in an industry which is significantly impacted by climate changes except as such changes may affect the general economy of the United States and the rest of the world. Severe weather conditions such as storms, snowfall, and other climatic events may affect one or more offices of the Company. In October 2012, Superstorm Sandy caused dislocation and disruption of the Company's operations. Any such event may materially impact the operations or finances of the Company. The Company maintains Disaster Recovery Plans and property insurance for such emergencies. A significant change in the climate of the World could affect the general growth in the economy, population growth and create other issues which will over time affect returns on financial instruments and thus the financial markets in general. It is impossible to predict such effects on the Company's business and operations.

The downgrade of U.S. long term sovereign debt obligations and issues affecting the sovereign debt of European nations may adversely affect markets and other business.

On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+. Credit agencies have also reduced the credit ratings of various sovereign nations, including Greece, Italy and France. While the ultimate impact of such action is inherently unpredictable, these downgrades could have a material adverse impact on financial markets and economic conditions throughout the World, including, specifically, the United States. Moreover, the market's anticipation of these impacts could have a material adverse effect on our business, financial condition and liquidity. Various types of financial markets, including, but not limited to, money markets, long-term or short-term fixed income markets, foreign exchange markets, commodities markets and equity markets may be adversely affected by these impacts. In addition, the cost and availability of funding and certain impacts, such as increased spreads in money market and other short term rates, have been experienced already as the market anticipated the downgrade.

The negative impact that may result from this downgrade or any future downgrade could adversely affect our credit ratings, as well as those of our clients and/or counterparties, and could require us to post additional collateral on loans collateralized by U.S. Treasury securities. The unprecedented nature of this and any future negative credit rating actions with respect to U.S. government obligations will make any impact on our business, financial condition and liquidity unpredictable. In addition any such impact may not be immediately apparent.

In addition, global markets and economic conditions have been negatively impacted by the ability of certain European Union ("EU") member states to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments’ financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets and may negatively impact our business, financial condition and liquidity.

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The Company's stock price can be volatile.
Stock price volatility may make it difficult for an investor to resell shares of the Company's Class A non-voting common stock (the "Class A Stock") at the times and at the prices desired. The price of the Class A Stock can fluctuate significantly in response to a variety of factors including, among other things:

- actual or anticipated variations in quarterly results of operations;
- operating and stock price performance of other companies that investors deem comparable to the Company;
- news reports relating to trends, concerns and other issues in the financial services industry;
- perceptions in the marketplace regarding the Company and/or its competitors;
- new technology used, or services offered, by competitors;
- regulatory issues involving the Company or its competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- a downturn in the overall economy or the equity markets in particular;
- failure to effectively integrate acquisitions or realize anticipated benefits from acquisitions; and
- the occurrence of any of the other events described in these Risk Factors.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause the Company's stock price to decrease regardless of operating results.
The trading volume in the Company's Class A Stock is less than that of larger financial services companies.
Although the Company's Class A Stock is listed for trading on the NYSE, the trading volume in its Class A Stock is less than that of larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's Class A Stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given the lower trading volume of the Company's Class A Stock, significant sales of shares of the Company's Class A Stock, or the expectation of these sales, could cause the Company's stock price to fall and increase the volatility of the Class A Stock generally.
The holders of Class A Stock do not have the ability to vote on most corporate matters which limits the influence that these holders have over the Company.
The Company issues two classes of shares, Class A Stock and Class B voting common stock ("Class B Stock"). At December 31, 2014, there were 99,680 shares of Class B Stock outstanding compared to 13,530,688 shares of Class A Stock. The voting power associated with the Class B Stock allows holders of Class B Stock to effectively exercise control over all matters requiring stockholder approval, including the election of all directors and approval of significant corporate transactions, and other matters affecting the Company. Over 96% of the Class B voting shares are held by an entity controlled by Mr. Albert Lowenthal, the Chairman and CEO of the Company. Due to the lack of voting power, the Class A Stockholders have limited influence on corporate matters.
The Company's Chairman and CEO owns a significant portion of the Company's Class B voting stock and therefore can exercise significant control over the corporate governance and affairs of the Company, which may result in him taking actions with which other stockholders do not agree.
An entity controlled by the Company's Chairman and CEO, Mr. Albert Lowenthal, owns over 96% of the Class B voting stock. As a result, Mr. Lowenthal can exercise substantial influence over the outcome of most, if not of all corporate actions requiring approval of our stockholders, including the election of directors and approval of significant corporate transactions, which may result in corporate action with which other stockholders do not agree. This Class B voting power may have the effect of delaying or preventing a change in control of the Company or may result in the receipt of a "control premium" by the controlling stockholder which premium would not be received by the holders of the Class A Stock. The controlling stockholder may have potential conflicts of interest with other stockholders including the ability to determine the impact of "say on pay" provisions at the Company.

Possible additional issuances of the Company's stock will cause dilution.
At December 31, 2014, the Company had 13,530,688 shares of Class A Stock outstanding, outstanding employee stock options to purchase a total of 45,549 shares of Class A Stock, as well as outstanding unvested stock awards granted for an additional 1,239,346 shares of Class A Stock. The Company is further authorized to issue up to 998,615 shares of Class A Stock under share-based compensation plans for which stockholder approval has already been obtained. As the Company issues additional shares, stockholders' holdings will be diluted, perhaps significantly. The issuance of any additional shares of Class A Stock or securities convertible into or exchangeable for Class A Stock or that represent the right to receive Class A Stock, or the exercise of such securities, could be substantially dilutive to holders of our Class A Stock. Holders of our Class A Stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to the Company's stockholders. The market price of the Company's Class A Stock could decline as a result of sales or issuance of shares of Class A Stock or securities convertible into or exchangeable for Class A Stock.

Item 1B. UNRESOLVED STAFF COMMENTS
None.

Item 2. PROPERTIES
The Company and Oppenheimer maintain offices at their headquarters at 85 Broad Street, New York, New York which houses their executive management team and many administrative functions for the firm as well as their research, trading, investment banking, and asset management divisions. Generally, the offices outside of 85 Broad Street serve as bases for sales representatives who process trades and provide other brokerage services in co-operation with Oppenheimer's New York offices using the data processing facilities located there. The Company maintains an office in Troy, Michigan, which among other things, houses its payroll and human resources departments. OMHHF operates its business out of North Wales, Pennsylvania and Oppenheimer Trust is based in Wilmington, Delaware. Freedom conducts its business from its offices located in Edison, New Jersey. Management believes that its present facilities are adequate for the purposes for which they are used and have adequate capacity to provide for presently contemplated future uses. In addition, the Company has offices in London, U.K., St. Helier, Jersey, Geneva, Switzerland, Tel Aviv, Israel and Hong Kong and Beijing, China.
The Company and its subsidiaries own no real property but, at December 31, 2014, occupied office space in 110 locations under standard commercial terms expiring between 2015 and 2028. If any leases are not renewed, the Company believes it could obtain comparable space elsewhere on commercially reasonable rental terms.

Item 3. LEGAL PROCEEDINGS
Many aspects of the Company's business involve substantial risks of liability. In the normal course of business, the Company has been the subject of customer complaints and has been named as a defendant or co-defendant in various lawsuits or arbitrations creating substantial exposure. The incidences of these types of claims have increased since the onset of the credit crisis in 2008 and the resulting market disruptions. The Company is also involved from time to time in certain governmental and self-regulatory agency investigations and proceedings. These proceedings arise primarily from securities brokerage, asset management and investment banking activities. There has been an increased incidence of regulatory investigations in the financial services industry in recent years, including customer claims, and including investigations by multiple regulators of matters involving the same or similar underlying facts, which seek substantial penalties, fines or other monetary relief. The SEC, amongst other regulators, has announced its intention to bring more regulatory cases seeking substantial penalties in the future.
While the ultimate resolution of routine pending litigation and other matters cannot be currently determined, in the opinion of management, after consultation with legal counsel, the Company does not believe that the resolution of these matters will have a material adverse effect on its financial condition. However, the Company's results of operations could be materially affected during any period if liabilities in that period differ from prior estimates.

Notwithstanding the foregoing, an adverse result in any of the matters set forth below or multiple adverse results in arbitrations and litigations currently filed or to be filed against the Company, including arbitrations and litigations relating to auction rate securities, could have a material adverse effect on the Company's results of operations and financial condition, including its cash position.

The materiality of legal and regulatory matters to the Company's future operating results depends on the level of future results of operations as well as the timing and ultimate outcome of such legal and regulatory matters. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Item 1A as well as

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"Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters and – Other Matters" as well as "Factors Affecting 'Forward-Looking Statements'" in Item 7.

In accordance with applicable accounting guidance, the Company establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and reasonably estimable. When loss contingencies are not both probable and reasonably estimable, the Company does not establish reserves. In some of the matters described below loss contingencies are not probable and reasonably estimable in the view of management and, accordingly, reserves have not been established for those matters. For legal proceedings set forth below where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of $0 to approximately $31.0 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where an estimate for such losses can be made. For certain cases, the Company does not believe that an estimate can currently be made. The foregoing estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

Auction Rate Securities Matters

For a number of years, the Company offered auction rate securities ("ARS") to its clients. A significant portion of the market in ARS 'failed' in February 2008 due to credit market conditions, and dealers were no longer willing or able to purchase the imbalance between supply and demand for ARS. Oppenheimer offered ARS to its clients in the same manner as dozens of other "downstream" firms in the ARS marketplace – as an available cash management option for clients seeking to increase their yields on short-term investments similar to a money market fund. The Company believes that Oppenheimer's participation therefore differed dramatically from that of the larger broker-dealers who underwrote and provided supporting bids in the auctions, actions Oppenheimer never undertook. Oppenheimer played no role in any decision by the lead underwriters or broker-dealers to discontinue entering support bids and allowing auctions to fail. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Item 1A as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Environment – Other Regulatory Matters and – Other Matters" in Item 7 for additional details.

As previously disclosed, Oppenheimer, without admitting or denying liability, entered into a Consent Order (the "Order") with the Massachusetts Securities Division (the "MSD") pursuant to the Massachusetts Uniform Securities Act on February 26, 2010 settling a pending administrative proceeding against the respondents related to Oppenheimer's sales of ARS to retail and other investors in the Commonwealth of Massachusetts.

As previously disclosed, on February 23, 2010, the New York Attorney General ("NYAG" and together with the MSD, the "Regulators") accepted Oppenheimer's offer of settlement and entered an Assurance of Discontinuance ("AOD") pursuant to New York State Executive Law Section 63(15) in connection with Oppenheimer's marketing and sale of ARS. Oppenheimer did not admit or deny any of the findings or allegations contained in the AOD and no fine was imposed.

Pursuant to the terms of the Order, Oppenheimer commenced and closed three offers to purchase Eligible ARS (as defined in the Order) from Customer Accounts (as defined in the Order) during 2010 and 2011 with the final offer closing on April 7, 2011. In addition, pursuant to the terms of the AOD, the Company has made eight offers to purchase ARS from Eligible Investors between the periods May 21, 2010 and June 11, 2014. The Company commenced a ninth offer to purchase on December 8, 2014 which expired on February 23, 2015. The Company's purchases of ARS from clients have continued and will, subject to the terms and conditions of the AOD, continue on a periodic basis. Accounts were, and will continue to be, aggregated on a "household" basis for purposes of these offers. As of December 31, 2014, the Company had purchased and holds (net of redemptions) approximately $98.6 million of ARS pursuant to the settlements with the Regulators and legal settlements and awards.

Oppenheimer has agreed with the NYAG that it will offer to purchase Eligible ARS from Eligible Investors who did not receive an initial purchase offer, periodically, as excess funds become available to Oppenheimer after giving effect to the financial and regulatory capital constraints applicable to Oppenheimer, until Oppenheimer has extended a purchase offer to all Eligible Investors. Such offers will remain open for a period of seventy-five days from the date on which each such offer to purchase is sent. The ultimate amount of ARS to be repurchased by the Company cannot be predicted with any certainty and will be impacted by redemptions by issuers and client actions during the period, which also cannot be predicted.

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In addition, Oppenheimer has agreed to work with issuers and other interested parties, including regulatory and other authorities and industry participants, to provide liquidity solutions for other Massachusetts clients not covered by the offers to purchase. In that regard, on May 21, 2010, Oppenheimer offered such clients a margin loan against marginable collateral with respect to such account holders' holdings of Eligible ARS. As of December 31, 2014, Oppenheimer had extended margin loans to six holders of Eligible ARS from Massachusetts.

Further, Oppenheimer has agreed to (1) no later than 75 days after Oppenheimer has completed extending a purchase offer to all Eligible Investors (as defined in the AOD), use its best efforts to identify any Eligible Investor who purchased Eligible ARS (as defined in the AOD) and subsequently sold those securities below par between February 13, 2008 and February 23, 2010 and pay the investor the difference between par and the price at which the Eligible Investor sold the Eligible ARS, plus reasonable interest thereon (the "ARS Losses"); (2) no later than 75 days after Oppenheimer has completed extending a Purchase Offer to all Eligible Investors, use its best efforts to identify Eligible Investors who took out loans from Oppenheimer after February 13, 2008 that were secured by Eligible ARS that were not successfully auctioning at the time the loan was taken out from Oppenheimer and who paid interest associated with the ARS-based portion of those loans in excess of the total interest and dividends received on the Eligible ARS during the duration of the loan (the "Loan Cost Excess") and reimburse such investors for the Loan Cost Excess plus reasonable interest thereon; (3) upon providing liquidity to all Eligible Investors, participate in a special arbitration process for the exclusive purpose of arbitrating any Eligible Investor's claim for consequential damages against Oppenheimer related to the investor's inability to sell Eligible ARS; and (4) work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not within the definition of Small Businesses and Institutions (as defined in the AOD) that held ARS in Oppenheimer brokerage accounts on February 13, 2008. Oppenheimer believes that because Items (1) through (3) above will occur only after it has provided liquidity to all Eligible Investors, it will take an extended period of time before the requirements of Items (1) through (3) will take effect.

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

FORM 10-K

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

For the fiscal year ended December 31, 2016

Or

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

Commission File Number 001-5424

DELTA AIR LINES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**58-0218548**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Post Office Box 20706

Atlanta, Georgia	**30320-6001**
(Address of principal executive offices)	(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**
Common Stock, par value $0.0001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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 o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

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. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2016 was approximately $27.3 billion.

On January 31, 2017, there were outstanding 730,770,638 shares of the registrant's common stock.

This document is also available on our website at http://ir.delta.com/.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission.

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

FORWARD-LOOKING STATEMENTS

Statements in this Form 10-K (or otherwise made by us or on our behalf) that 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. Known material risk factors applicable to Delta are described in "Risk Factors Relating to Delta" and "Risk Factors Relating to the Airline Industry" in "Item 1A. Risk Factors" of this Form 10-K, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and 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.

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Part I

ITEM 1. BUSINESS

General

We provide scheduled air transportation for passengers and cargo throughout the United States ("U.S.") and around the world. Our global route network gives us a presence in every major domestic and international market. Our route network is centered around a system of hub, international gateway and key airports that we operate in Amsterdam, Atlanta, Boston, Detroit, London-Heathrow, Los Angeles, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to domestic and international cities and to other hubs or gateways. Our network is supported by a fleet of aircraft that is varied in size and capabilities, giving us flexibility to adjust aircraft to the network. Other important characteristics of our route network include our international joint ventures, our alliances with other foreign airlines, our membership in SkyTeam and agreements with multiple domestic regional carriers that operate as Delta Connection®.

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. Our telephone number is (404) 715-2600 and our Internet address is www.delta.com. Information contained on our website is not part of, and is not incorporated by reference in, this Form 10-K.

International Alliances

Our international alliance relationships with foreign carriers are an important part of our business as they improve our access to international markets and enable us to market globally integrated air transportation services. In general, these arrangements include reciprocal codesharing and frequent flyer program participation and airport lounge access arrangements and with some carriers may also include joint sales and marketing coordination, co-location of airport facilities and other commercial cooperation arrangements. These alliances also may present opportunities in other areas, such as airport ground handling arrangements, aircraft maintenance insourcing and joint procurement.

Joint Venture Agreements. We currently operate three joint ventures with foreign carriers. These arrangements, for which we have received antitrust immunity from the U.S. Department of Transportation ("DOT"), provide for joint commercial cooperation with our partners within the geographic scope of those arrangements, including the sharing of revenues and/or profits and losses generated by the parties on the joint venture routes, as well as joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to the parties' operations on joint venture routes. The three joint ventures are:

- A transatlantic joint venture with Air France and KLM, both of which are subsidiaries of the same holding company, and Alitalia, which generally covers routes between North America and Europe.

- A transatlantic joint venture with Virgin Atlantic Airways with respect to operations on non-stop routes between the United Kingdom and North America. In addition to the joint venture, we own a non-controlling 49% equity stake in Virgin Atlantic Limited, the parent company of Virgin Atlantic Airways.

- A transpacific joint venture with Virgin Australia Airlines and its affiliated carriers with respect to operations on transpacific routes between North America and Australia/New Zealand.

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Enhanced Commercial Agreements with Foreign Carriers. We have separate strategic equity investments in Grupo Aeroméxico, S.A.B. de C.V., the parent company of Aeroméxico, and in GOL Linhas Aéreas Inteligentes, S.A., the parent company of VRG Linhas Aéreas (operating as GOL), and an exclusive commercial relationship with each air carrier. We invested in Aeroméxico and GOL because they operate in Latin America's two largest markets, Mexico and Brazil, respectively. Our commercial agreements with each of these carriers separately provide for expansion of reciprocal codesharing and frequent flyer program participation, airport lounge access arrangements, improved passenger connections and joint sales cooperation.

We intend to further expand our relationship with Aeroméxico through a joint venture on flights between the U.S. and Mexico that will allow us to compete more effectively on these routes. We have received conditional approvals from governmental authorities for this joint venture and plan to implement it in the first half of 2017. We have commenced a tender offer for additional capital stock of Grupo Aeroméxico (the parent company of Aeroméxico) that would result in us owning up to 49% of the outstanding shares. In addition to our commercial cooperation arrangements for passenger service with Aeroméxico, we and Aeroméxico have established a joint venture relating to an airframe maintenance, repair and overhaul operation located in Queretaro, Mexico.

We also own shares of China Eastern and entered into a commercial agreement with them during 2015 to expand our relationship and better connect the networks of the two airlines. The expanded commercial agreement is designed to allow the carriers to compete more effectively on routes between the U.S. and China, provide more travel options for customers in both countries and make joint investments in the customer experience.

SkyTeam. In addition to our marketing alliance agreements with individual foreign airlines, we are a member of the SkyTeam global airline alliance. The other members of SkyTeam are Aeroflot, Aerolíneas Argentinas, Aeroméxico, Air Europa, Air France, Alitalia, China Airlines, China Eastern, China Southern, CSA Czech Airlines, Garuda Indonesia, Kenya Airways, KLM, Korean Air, Middle East Airlines, Saudi Arabian Airlines, Tarom, Vietnam Airlines and Xiamen Airlines. Through alliance arrangements with other SkyTeam carriers, Delta is able to link its network with the route networks of the other member airlines, providing opportunities for increased connecting traffic while offering enhanced customer service through reciprocal codesharing and frequent flyer arrangements, airport lounge access programs and coordinated cargo operations.

Regional Carriers

We have air service agreements with domestic regional air carriers that feed traffic to our route system by serving passengers primarily in small and medium-sized cities. These arrangements enable us to better match capacity with demand in these markets. Approximately 17% of our passenger revenue in 2016 was related to flying by these regional air carriers.

Through our regional carrier program, Delta Connection, we have contractual arrangements with regional carriers to operate aircraft using our "DL" designator code. We have contractual arrangements with:

- ExpressJet Airlines, Inc. and SkyWest Airlines, Inc., both subsidiaries of SkyWest, Inc.;
- Republic Airline, Inc. ("Republic"), a subsidiary of Republic Airways Holdings, Inc.;
- Compass Airlines, LLC ("Compass") and GoJet Airlines, LLC, both subsidiaries of Trans States Holdings, Inc. ("Trans States"); and
- Endeavor Air, Inc., which is a wholly owned subsidiary of ours.

Our contractual agreements with regional carriers primarily are capacity purchase arrangements, under which we control the scheduling, pricing, reservations, ticketing and seat inventories for the regional carriers' flights operating under our "DL" designator code. We are entitled to all ticket, cargo, mail, in-flight and ancillary revenues associated with these flights. 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. These capacity purchase agreements are long-term agreements, usually with initial terms of at least 10 years, which grant us the option to extend the initial term. Certain of these agreements provide us the right to terminate the entire agreement, or in some cases remove some of the aircraft from the scope of the agreement, for convenience at certain future dates.

SkyWest Airlines operates some flights for us under a revenue proration agreement. This proration agreement establishes a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

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Frequent Flyer Program

Our SkyMiles® frequent flyer program ("SkyMiles program") is designed to retain and increase traveler loyalty by offering incentives to customers to increase travel on Delta. The SkyMiles program allows program members to earn mileage credit for travel awards by flying on Delta, its regional carriers and other participating airlines. Mileage credit may also be earned by using certain services offered by program participants, such as credit card companies, hotels and car rental agencies. In addition, individuals and companies may purchase mileage credits. Miles do not expire, but are subject to the program rules. 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.

SkyMiles program mileage credits can be redeemed for air travel on Delta and participating airlines, for membership in our Delta Sky Clubs® and for other program participant awards. Mileage credits are subject to certain transfer restrictions and travel awards on partner airlines are subject to capacity-controlled seating. We offer last-seat availability for travel awards on our own flights (including Delta Connection flights). In 2016, program members redeemed more than 326 billion miles in the SkyMiles program for 13.4 million award redemptions. During this period, 7.9% of revenue miles flown on Delta were from award travel.

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.

Year	Gallons Consumed[(1)] (in millions)	Cost[(1)(2)] (in millions)	Average Price Per Gallon[(1)(2)]	Percentage of Total Operating Expense[(1)(2)]
2016	4,016	$5,985	$ 1.49	18.3 %
2015	3,988	$7,579	$ 1.90	23.0 %
2014	3,893	$13,512	$ 3.47	35.4 %

(1) Includes the operations of our regional carriers operating under capacity purchase agreements.
(2) Includes the impact of fuel hedge activity and refinery segment results.

General

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

Monroe Energy

Our wholly owned subsidiaries, Monroe Energy, LLC and MIPC, LLC (collectively, "Monroe") operate the Trainer refinery and related assets located near Philadelphia, Pennsylvania. The facilities include pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK. These companies are distinct from us, operating under their own management teams and with their own boards of managers. We own Monroe as part of our strategy to mitigate the cost of the refining margin reflected in the price of jet fuel, as well as to maintain sufficiency of supply to our New York operations.

Refinery Operations. The facility is capable of refining approximately 195,000 barrels of crude oil per day. In addition to jet fuel, the refinery's production consists of gasoline, diesel and other refined products ("non-jet fuel products"). Monroe sources domestic and foreign crude oil supply from a variety of providers.

Strategic Agreements. Monroe exchanges the non-jet fuel products the refinery produces with third parties for jet fuel consumed in our airline operations.

Segments. Because the products and services of Monroe's refinery operations are discrete from our airline services, segment results are prepared for our airline segment and our refinery segment. Financial information on our segment reporting can be found in Note 13 of the Notes to the Consolidated Financial Statements.

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Fuel Hedging Program

We have recently managed our fuel price risk through a hedging program intended to reduce the financial impact from changes in the price of jet fuel as jet fuel prices are subject to potential volatility. We utilize different contract and commodity types in this program and frequently test their economic effectiveness against our financial targets. We closely monitor the hedge portfolio and rebalance the portfolio based on market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates.

Fuel Supply Availability

We are currently able to obtain adequate supplies of aircraft fuel, including fuel produced by Monroe or procured through the exchange of non-jet fuel products the refinery produces, and crude oil for Monroe's operations. However, it is impossible to predict the future availability or price of aircraft fuel and crude oil. Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in government policy concerning aircraft fuel production, transportation, taxes or marketing, changes in refining capacity, environmental concerns and other unpredictable events may result in future fuel supply shortages and fuel price increases.

Other Businesses

Cargo

Through our global network, our cargo operations are able to connect all of the world's major freight gateways. We generate cargo revenues in domestic and international markets through the use of cargo space on regularly scheduled passenger aircraft. We are a member of SkyTeam Cargo, a global airline cargo alliance, whose other members are Aeroflot, Aerolíneas Argentinas, Aeroméxico Cargo, Air France-KLM Cargo, Alitalia Cargo, China Airlines Cargo, China Cargo Airlines, China Southern Cargo, Czech Airlines Cargo and Korean Air Cargo. SkyTeam Cargo offers a global network spanning six continents.

Ancillary Businesses

We have several other businesses arising from our airline operations, including aircraft maintenance, repair and overhaul ("MRO"), staffing and other services, vacation wholesale operations and our private jet operations. In 2016, the total revenue from these businesses was approximately $1 billion.

- In addition to providing maintenance and engineering support for our fleet of over 900 aircraft, our MRO operation, known as Delta TechOps, serves aviation and airline customers from around the world.

- Delta Global Services provides services to us and to third parties, including staffing services, aviation solutions, professional security and training services.

- Our vacation wholesale business, Delta Vacations, provides vacation packages to third-party consumers.

- Our private jet operations, Delta Private Jets, provides aircraft charters, aircraft management and programs allowing members to purchase flight time by the hour.

Distribution and Expanded Product Offerings

Our tickets are sold through various distribution channels, including: (1) digital channels, such as delta.com and mobile applications / web, (2) telephone reservations, (3) online travel agencies and (4) traditional "brick and mortar" and other agencies. We make fare and product information widely available across those channels, ensuring customers always receive the best information and service options. An increasing number of our tickets are sold through Delta digital direct channels, driving more direct, personalized interactions with our customers and reducing distribution costs.

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We have transformed distribution to a more retail oriented merchandised approach by introducing well-defined and differentiated products for our customers. We offer distinct travel experiences with clear value propositions that enable customer choice. Delta One™, Delta Premium Select, First Class and Delta Comfort+™ include premium amenities and services while Main Cabin and Basic Economy allow varying levels of pre-travel flexibility as well as exceptional service once onboard the aircraft. We expect that these merchandising initiatives as implemented across all of Delta's distribution channels will allow customers to better understand our product offerings, make it easier to buy the products they desire and increase customer satisfaction. This merchandising effort is most effective in Delta's digital channels where customers can compare all product options in a single, easy to understand display.

Competition

The airline industry is highly competitive, marked by significant competition with respect to routes, fares, schedules (both timing and frequency), services, products, customer service and frequent flyer programs. The industry is transforming through consolidation, both domestically and internationally, and changes in international alliances. Consolidation in the airline industry, the rise of well-funded government sponsored international carriers, changes in international alliances and the creation of immunized joint ventures have altered, and will continue to alter, the competitive landscape in the industry, resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and competitive cost structures.

Domestic

Our domestic operations are subject to competition from traditional network carriers, including American Airlines and United Airlines, national point-to-point carriers, including Alaska Airlines, JetBlue Airways and Southwest Airlines, and discount carriers, some of which may have lower costs than we do and provide service at low fares to destinations served by us. Point-to-point, discount and ultra low-cost carriers, including Spirit Airlines and Allegiant Air, place significant competitive pressure on network carriers in the domestic market. In particular, we face significant competition at our domestic hub and gateway airports either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs and gateways. We also face competition in smaller to medium-sized markets from regional jet operations of other carriers.

International

Our international operations are subject to competition from both foreign and domestic carriers. Competition is increasing from government-owned and -funded carriers in the Gulf region, including Emirates, Etihad Airways and Qatar Airways. These carriers have large numbers of international widebody aircraft on order and are increasing service to the U.S. Several of these carriers, along with carriers from China, India and Southeast Asia, are government-subsidized, which has allowed them to grow quickly, reinvest in their product and expand their global presence at the expense of U.S. airlines.

Through alliance and other marketing and codesharing agreements with foreign carriers, U.S. carriers have increased their ability to sell international transportation, such as services to and beyond traditional European and Asian gateway cities. Similarly, foreign carriers have obtained increased access to interior U.S. passenger traffic beyond traditional U.S. gateway cities through these relationships. In particular, alliances formed by domestic and foreign carriers, including SkyTeam, the Star Alliance (among United Airlines, Lufthansa German Airlines, Air Canada and others) and the oneworld alliance (among American Airlines, British Airways, Qantas and others) have altered competition in international markets.

In addition, several joint ventures among U.S. and foreign carriers, including our transatlantic and transpacific joint ventures, have received grants of antitrust immunity allowing the participating carriers to coordinate schedules, pricing, sales and inventory. Other joint ventures that have received antitrust immunity include a transatlantic alliance among United Airlines, Air Canada and Lufthansa German Airlines, a transpacific joint venture between United Airlines and All Nippon Airways, a transatlantic joint venture among American Airlines, British Airways and Iberia and a transpacific joint venture between American Airlines and Japan Air Lines.

Regulatory Matters

The DOT and the Federal Aviation Administration (the "FAA") exercise regulatory authority over air transportation in the U.S. 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 authority to operate domestic and international 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.

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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 and engages in regulation of economic matters such as slot transactions. The FAA has primary responsibility for matters relating to the safety of 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 certificate authorities are also subject to the approval of the U.S. President for conformance with national defense and foreign policy objectives.

The Transportation Security Administration and the U.S. 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 U.S.

Airlines are also subject to various other federal, state, local and foreign laws and regulations. For example, the U.S. Department of Justice has jurisdiction over airline competition matters. The U.S. 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 all domestic and most international city pairs with minimal 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 also by exemptions and limited-entry frequency awards issued by the DOT. The requisite approvals of other governments for international operations are controlled by bilateral agreements (and a multilateral agreement in the case of the U.S. and the European Union) with, or permits or approvals issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the U.S. and the foreign country or countries involved, changes in U.S. 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 U.S. and various foreign countries served by us are subject to renegotiation from time to time. The U.S. government has negotiated "Open Skies" agreements with many countries, which allow unrestricted access between the U.S. and the foreign markets. These agreements include separate agreements with the European Union and Japan.

Certain of our international route 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 authorities 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.

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In the U.S., the FAA currently regulates the allocation of slots, slot exemptions, operating authorizations, or similar capacity allocation mechanisms at Reagan National in Washington, D.C. and LaGuardia and JFK in the New York City area. Our operations at these airports generally require the allocation of slots or analogous regulatory authorizations. Similarly, our operations at Tokyo's Narita and Haneda airports, London's Heathrow airport and other international airports are regulated by local slot coordinators pursuant to the International Air Transport Association's Worldwide Scheduling Guidelines and applicable local law. 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

Our operations are subject to a number of international, federal, state and local laws and regulations governing protection of the environment, including regulation of greenhouse gases and other air emissions, noise reduction, water discharges, aircraft drinking water, storage and use of petroleum and other regulated substances, and the management and disposal of hazardous waste, substances and materials.

Emissions. Greenhouse gas emissions by the aviation industry and their impact on climate change have become a particular focus in the international community and within the U.S. For several years, the European Union has required its member states to implement regulations to include aviation in its Emissions Trading Scheme ("ETS"). Under these regulations, any airline with flights originating or landing in the European Union is subject to the ETS and, beginning in 2012, was required to purchase emissions allowances if the airline exceeds the number of free allowances allocated to it under the ETS. The ETS was amended to apply only to flights within the European Economic Area from 2013 through 2016. As a result, we operated a limited number of flights subject to the ETS through 2016. Unless the EU amends the current legislation following the 2016 Assembly of the International Civil Aviation Organization ("ICAO"), the ETS will apply to all flights originating or landing in the European Union beginning in 2017.

In October 2016, ICAO formally adopted a global, market-based emissions offset program known as the Carbon Offsetting and Reduction Scheme for International Aviation. This program is designed to achieve a medium-term goal for the aviation industry of achieving carbon-neutral growth in international aviation beginning in 2020. A pilot phase of the offset program will begin in 2021, followed by a first phase of the program beginning in 2024 and a second phase beginning in 2027. Countries can voluntarily participate in the pilot and first phase, but participation in the second phase is mandatory. In 2016, ICAO also adopted new aircraft certification standards to reduce carbon dioxide (CO_2) emissions from aircraft. The new aircraft certification standards apply to virtually all types of aircraft that make up the global commercial fleet and will be phased in between 2020 and 2028.

Separately, the U.S. has pledged to reduce greenhouse gas emissions by 26-28% from 2005 levels by 2025. The U.S. has made this pledge in connection with the 2015 United Nations Framework Convention on Climate Change reached in Paris by over 190 countries, which the U.S. and China formally ratified in September 2016. The U.S. has proposed a number of domestic greenhouse gas regulations to help achieve this goal.

In July 2016, the U.S. Environmental Protection Agency ("EPA") issued a final finding under the Clean Air Act that greenhouse gases threaten the public health and welfare, and further determined that aircraft cause or contribute to greenhouse gases. The endangerment finding does not establish standards, but triggers an obligation for the EPA to regulate greenhouse gas emissions from aircraft. The EPA has historically implemented air emissions control standards adopted by ICAO; therefore, the ICAO engine certification standards are expected to influence the development of any EPA greenhouse gas emission standards for aircraft.

We may face additional regulation of aircraft emissions in the U.S. and abroad and become subject to further taxes, charges or additional requirements to obtain permits or purchase allowances or emission credits for greenhouse gas emissions in various jurisdictions. Additional regulation could result in taxation or permitting requirements from multiple jurisdictions for the same operations and significant costs for us and the airline industry. In addition to direct costs, such regulation could result in increased fuel costs passed through from fuel suppliers affected by any such regulations. We are monitoring and evaluating the potential impact of such legislative and regulatory developments.

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We seek to minimize the impact of greenhouse gas emissions from our operations through reductions in our fuel consumption and other efforts and have realized reductions in our greenhouse gas emission levels since 2005. We have reduced the fuel needs of our aircraft fleet through the retirement of older, less fuel efficient aircraft and replacement with newer, more fuel efficient aircraft. In addition, we have implemented fuel saving procedures in our flight and ground support operations that further reduce carbon emissions. We are also supporting efforts to develop alternative fuels and efforts to modernize the air traffic control system in the U.S. as part of our efforts to reduce our emissions and minimize our impact on the environment.

Noise. 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. In addition, foreign governments may allow airports to enact similar restrictions, which could adversely impact our international operations or require significant expenditure in order for our aircraft to comply with the restrictions.

Refinery Matters. Monroe's operation of the Trainer refinery is subject to numerous environmental laws and extensive regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures and greenhouse gas emissions.

Under the Energy Independence and Security Act of 2007, the EPA has adopted Renewable Fuel Standards ("RFS") that mandate the blending of renewable fuels into gasoline and on-road diesel ("Transportation Fuels"). Renewable Identification Numbers ("RINs") are assigned to renewable fuels produced or imported into the U.S. that are blended into Transportation Fuels to demonstrate compliance with this obligation. A refinery may meet its obligation under RFS by blending the necessary volumes of renewable fuels with Transportation Fuels or by purchasing RINs in the open market or through a combination of blending and purchasing RINs. Because the refinery operated by Monroe does not blend renewable fuels, it must purchase its RINs requirement in the secondary market or obtain a waiver from the EPA.

Other Environmental Matters. We are subject to certain environmental laws and contractual obligations governing the management and release of regulated substances, which may require the investigation and remediation of affected sites. Soil and/or ground water impacts have been identified at certain of our current or former leaseholds at several domestic airports. To address these impacts, we have a program in place to investigate and, if appropriate, remediate these sites. Although the ultimate outcome of these matters cannot be predicted with certainty, we believe 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 U.S. 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 aircraft during the contract period ending September 30, 2017. The CRAF Program has only been activated twice since it was created in 1951.

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Employee Matters

Railway Labor Act

Our relations with labor unions representing our airline employees in the U.S. 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 50% 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. A labor union will be certified as the representative of the employees in a craft or class if more than 50% of votes cast are for that union. A certified labor union would commence 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 U.S. President 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, 2016, we had approximately 84,000 full-time equivalent employees, approximately 19% of whom were represented by unions. The following table shows our domestic airline employee groups that are represented by unions.

Employee Group	Approximate Number of Active Employees Represented	Union	Date on which Collective Bargaining Agreement Becomes Amendable
Delta Pilots	12,863	ALPA	December 31, 2019
Delta Flight Superintendents (Dispatchers)	415	PAFCA	March 31, 2018
Endeavor Air Pilots	1,527	ALPA	January 1, 2020
Endeavor Air Flight Attendants	1,132	AFA	December 31, 2018
Endeavor Air Dispatchers	47	PAFCA	December 31, 2018

In addition, 199 refinery employees of Monroe are represented by the United Steel Workers under an agreement that expires on February 28, 2019. This agreement is governed by the National Labor Relations Act ("NLRA"), which generally allows either party to engage in self help upon the expiration of the agreement.

Labor unions periodically engage in organizing efforts to represent various groups of our employees, including at our operating subsidiaries, that are not represented for collective bargaining purposes.

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Executive Officers of the Registrant

Edward H. Bastian, Age 59: Chief Executive Officer of Delta since May 2016; President of Delta (September 2007 - May 2016); President of Delta and Chief Executive Officer Northwest Airlines, Inc. (October 2008 - December 2009); President and Chief Financial Officer of Delta (September 2007 - October 2008); Executive Vice President and Chief Financial Officer of Delta (July 2005 - September 2007); Chief Financial Officer, Acuity Brands (June 2005 - July 2005); Senior Vice President-Finance and Controller of Delta (2000 - April 2005); Vice President and Controller of Delta (1998 - 2000).

Peter W. Carter, Age 53: Executive Vice President - Chief Legal Officer of Delta since July 2015; Partner, Dorsey & Whitney LLP (1999 - 2015), including co-chair of Securities Litigation and Enforcement practice group, chair of Policy Committee and chair of trial department.

Glen W. Hauenstein, Age 56: President of Delta since May 2016; Executive Vice President - Chief Revenue Officer of Delta (August 2013 - May 2016); Executive Vice President-Network Planning and Revenue Management of Delta (April 2006 - July 2013); Executive Vice President and Chief of Network and Revenue Management of Delta (August 2005 - April 2006); Vice General Director-Chief Commercial Officer and Chief Operating Officer of Alitalia (2003 - 2005); Senior Vice President-Network of Continental Airlines (2003); Senior Vice President-Scheduling of Continental Airlines (2001 - 2003); Vice President Scheduling of Continental Airlines (1998 - 2001).

Paul A. Jacobson, Age 45: Executive Vice President - Chief Financial Officer of Delta since August 2013; Senior Vice President and Chief Financial Officer of Delta (March 2012 - July 2013); Senior Vice President and Treasurer for Delta (December 2007 - March 2012); Vice President and Treasurer (August 2005 - December 2007).

Steven M. Sear, Age 51: President, International and Executive Vice President - Global Sales of Delta since February 2016; Senior Vice President - Global Sales of Delta (December 2011 - February 2016); Vice President - Global Sales of Delta (October 2008 - December 2011); Vice President - Sales & Customer Care of Northwest Airlines (June 2005 - October 2008).

Joanne D. Smith, Age 58: Executive Vice President and Chief Human Resources Officer of Delta since October 2014; Senior Vice President - In-Flight Service of Delta (March 2007 - September 2014); Vice President - Marketing of Delta (November 2005 - February 2007); President of Song (January 2005 - October 2005); Vice President - Marketing and Customer Service of Song (November 2002 - December 2004).

W. Gil West, Age 56: Senior Executive Vice President and Chief Operating Officer of Delta since February 2016; Executive Vice President and Chief Operating Officer of Delta (March 2014 - February 2016); Senior Vice President - Airport Customer Service and Technical Operations of Delta (February 2012 - February 2014); Senior Vice President - Airport Customer Service of Delta (March 2008 - January 2012); President and Chief Executive Officer of Laidlaw Transit Services (2006 - 2007).

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.

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ITEM 1A. RISK FACTORS

Risk Factors Relating to Delta

Terrorist attacks, geopolitical conflict or security events may adversely affect our business, financial condition and operating results.

Terrorist attacks, geopolitical conflict or security events, or fear of such events, could have a significant adverse effect on our business. The attacks of September 11, 2001 and the aftermath materially impacted the business, financial condition and operating results of our company, as it did for the rest of the airline industry. Despite significantly heightened security measures at airports and airlines, the airline industry remains a high profile target for terrorist groups. We constantly monitor threats from terrorist groups and individuals, including from violent extremists both internationally and domestically, both with respect to direct threats against our operations and in ways not directly related to the airline industry. In addition, the impact on our operations of avoiding areas of the world, including airspace, in which there are geopolitical conflicts and the targeting of commercial aircraft by parties to those conflicts can be significant. Security events, whether from external or internal sources, also pose a significant risk to our operations. These events can include random acts of violence and can occur in public areas that we cannot control. Terrorist attacks, geopolitical conflict or security events, or fear of such events, even if not made directly on or involving the airline industry, could have significant negative impact on us by discouraging passengers from flying leading to decreased ticket sales and increased refunds. In addition, potential costs from these types of events include increased security costs, impacts from avoiding flight paths over areas in which conflict is occurring, reputational harm and other costs. If any or all of these types of events occur, they could have a material adverse effect on our business, financial condition and results of operations.

Our business and results of operations are dependent on the price of aircraft fuel. High fuel costs or cost increases, including in the cost of crude oil, could have a material adverse effect on our operating results.

Our operating results are significantly impacted by changes in the price of aircraft fuel. Over the last decade, fuel prices have increased substantially at times and have been highly volatile during the last several years. In 2016, our average fuel price per gallon, including the impact of fuel hedges, was $1.49, a 21.6% decrease from our average fuel price in 2015. In 2015, our average fuel price per gallon was $1.90, a 45.2% decrease from our average fuel price in 2014. In 2014, our average fuel price per gallon was $3.47, which was significantly higher than fuel prices just a few years earlier. Fuel costs represented 18.3%, 23.0% and 35.4% of our operating expense in 2016, 2015 and 2014, respectively.

Our ability to pass along rapidly increasing fuel costs to our customers may be affected by the competitive nature of the airline industry. At times in the past, we often were not able to increase our fares to offset fully the effect of increases in fuel costs, and we may not be able to do so in the future. Because passengers often purchase tickets well in advance of their travel, a significant rapid increase in fuel price may result in the fare charged not covering that increase.

We acquire a significant amount of jet fuel from our wholly owned subsidiary, Monroe, and through strategic agreements that Monroe has with third parties. The cost of the fuel we purchase under these arrangements remains subject to volatility in the cost of crude oil and jet fuel. In addition, we continue to purchase a significant amount of aircraft fuel in addition to what we obtain from Monroe. Our aircraft fuel purchase contracts alone do not provide material protection against price increases as these contracts typically establish the price based on industry standard market price indices.

Fuel hedging activities are intended to manage the financial impact of the volatility in the price of jet fuel. The effects of rebalancing our hedge portfolio and mark-to-market adjustments may have a negative effect on our financial results.

We have recently managed our fuel price risk through a hedging program intended to reduce the financial impact from changes in the price of jet fuel as jet fuel prices are subject to potential volatility. We utilize different contract and commodity types in this program and frequently test their economic effectiveness against our financial targets. We closely monitor the hedge portfolio and rebalance the portfolio based on market conditions, which may result in locking in gains or losses on hedge contracts prior to their settlement dates. Our hedging program may not be successful in providing price protection due to market conditions and the choice of hedging instruments. In addition, we record mark-to-market adjustments ("MTM adjustments") on our fuel hedges. MTM adjustments are based on market prices at the end of the reporting period for contracts settling in future periods. Losses from rebalancing or MTM adjustments (or both) may have a negative impact on our financial results.

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Our fuel hedge contracts typically contain margin funding requirements. The margin funding requirements may require us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. If fuel prices decrease significantly from the levels existing at the time we enter into fuel hedge contracts, we may be required to post a significant amount of margin, which could have a material impact on the level of our unrestricted cash and cash equivalents and short-term investments.

Significant extended disruptions in the supply of aircraft fuel, including from Monroe, could have a material adverse effect on our operations and operating results.

Weather-related events, natural disasters, political disruptions or wars involving oil-producing countries, changes in governmental policy concerning aircraft fuel production, transportation, taxes or marketing, changes in refining capacity, environmental concerns and other unpredictable events may impact crude oil and fuel supply and could result in shortages in the future. Shortages in fuel supplies could have negative effects on our results of operations and financial condition.

Because we acquire a large amount of our jet fuel from Monroe, the disruption or interruption of production at the refinery could have an impact on our ability to acquire jet fuel needed for our operations. Disruptions or interruptions of production at the refinery could result from various sources including a major accident or mechanical failure, interruption of supply or delivery of crude oil, work stoppages relating to organized labor issues, or damage from severe weather or other natural or man-made disasters, including acts of terrorism. If the refinery were to experience an interruption in operations, disruptions in fuel supplies could have negative effects on our results of operations and financial condition. In addition, the financial benefits from the operation of the refinery could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

If Monroe's cost of producing non-jet fuel products exceeds the value it receives for those products, the financial benefits we expect to achieve through the ownership of the refinery and our consolidated results of operations could be materially adversely affected.

Our significant investments in airlines in other parts of the world and the commercial relationships that we have with those carriers may not produce the returns or results we expect.

An important part of our strategy to expand our global network has been to make significant investments in airlines in other parts of the world and expand our commercial relationships with these carriers. We expect to continue exploring similar non-controlling investments in, and entering into joint ventures and strategic alliances with, other carriers as part of our global business strategy. These investments involve significant challenges and risks, including that we may not realize a satisfactory return on our investment, that they may distract management from our operations or that they may not generate the expected revenue synergies. These events could have a material adverse effect on our operating results or financial condition.

In addition, we are dependent on these other carriers for significant aspects of our network in the regions in which they operate. While we work closely with these carriers, we do not have control over their operations or business methods. We may be subject to consequences from any improper behavior of joint venture partners, including for failure to comply with anti-corruption laws such as the United States Foreign Corrupt Practices Act. To the extent that the operations of any of these carriers are disrupted over an extended period of time or their actions subject us to the consequences of failure to comply with laws and regulations, our results of operations may be adversely affected.

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

An aircraft crash or other serious accident could expose us to significant liability. Although we believe that our insurance coverage is appropriate, we may be forced to bear substantial losses from an accident in the event that the coverage was not sufficient. In addition, any accident involving an aircraft that we operate or an aircraft that is operated by an airline that is one of our regional carriers or codeshare, alliance or joint venture partners could create a negative public perception about safety, which could harm our reputation, resulting in air travelers being reluctant to fly on our aircraft and therefore harm our business.

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Agreements governing our debt, including credit agreements, include financial and other covenants. Failure to comply with these covenants could result in events of default.

Our credit facilities have various financial and other covenants that require us to maintain, depending on the particular agreement, minimum fixed charge coverage ratios, minimum liquidity and/or minimum collateral coverage ratios. The value of the collateral that has been pledged in each facility may change over time due to appraisals of collateral required by our credit agreements and indentures. These changes could result from factors that are not under our control. A decline in the value of collateral could result in a situation where it may be difficult to maintain the collateral coverage ratio. In addition, the credit facilities contain other negative covenants customary for such financings. These covenants are subject to important exceptions and qualifications. If we fail to comply with these covenants and are unable to remedy or obtain a waiver or amendment, an event of default would result.

The credit facilities also contain other events of default customary for such financings. If an event of default were to occur, the lenders could, among other things, declare outstanding amounts due and payable. In addition, an event of default or declaration of acceleration under any of the credit facilities could also result in an event of default under other of our financing agreements. The acceleration of significant amounts of debt could require us to renegotiate, repay or refinance the obligations under the credit facilities or other financing arrangements.

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

Our business is labor intensive, utilizing large numbers of pilots, flight attendants, aircraft maintenance technicians, ground support personnel and other personnel. As of December 31, 2016, approximately 19% of our workforce, primarily pilots, was unionized. 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. Monroe's relations with unions representing its employees are governed by the NLRA, which generally allows self help after a collective bargaining agreement expires.

If we or our subsidiaries 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, we may be subject to work interruptions or stoppages, subject to the requirements of the Railway Labor Act or the NLRA, as the case may be. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct business. Likewise, if third-party regional carriers with whom we have contract carrier agreements are unable to reach agreement with their unionized work groups in 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.

Extended interruptions or disruptions in service at one of our hub, gateway or key 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, gateway or key airports, including Amsterdam, Boston, Detroit, London-Heathrow, Los Angeles, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to other major cities and to other Delta hubs and gateways. A significant extended interruption or disruption in service at one of our hubs, gateways or other key airports could have a material impact on our business, financial condition and results of operations.

Breaches or lapses in the security of our technology systems and the data we store could compromise passenger or employee information and expose us to liability, possibly having a material adverse effect on our business.

As a regular part of our ordinary business operations, we collect and store sensitive data, including personal information of our passengers and employees and information of our business partners. The secure operation of the networks and systems on which this type of information is stored, processed and maintained is critical to our business operations and strategy.

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Our information systems are subject to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deception. Hardware or software we develop or acquire may contain defects that could unexpectedly compromise information security. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving and may be difficult to anticipate or to detect for long periods of time. As a result of these types of risks, we regularly review and update procedures and processes to prevent and protect against unauthorized access to our systems and information and inadvertent misuse of data. However, the constantly changing nature of the threats means that we may not be able to prevent all data security breaches or misuse of data. The compromise of our technology systems resulting in the loss, disclosure, misappropriation of, or access to, customers', employees' or business partners' information or failure to comply with regulatory or contractual obligations with respect to such information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disruption to our operations and damage to our reputation, any or all of which could adversely affect our business.

Disruptions of our information technology infrastructure could interfere with our operations, possibly having a material adverse effect on our business.

Disruptions in our information technology network could result from a technology error or failure impacting our internal systems, whether hosted internally at our data centers or externally at third-party locations, or large scale external interruption in technology infrastructure support on which we depend, such as power, telecommunications or the internet. The operation of our technology systems and the use of related data may also be vulnerable to a variety of other sources of interruption, including natural disasters, terrorist attacks, computer viruses, hackers and other security issues. A significant individual, sustained or repeated failure of our network, including third-party networks we utilize and on which we depend, could impact our customer service and result in increased costs. While we have in place initiatives to prevent disruptions and disaster recovery plans and continue to invest in improvements to these initiatives and plans, these measures may not be adequate to prevent a business disruption and its adverse financial and reputational consequences to our business.

Failure of our technology to perform reliably could have an adverse effect on our business.

We are dependent on technology initiatives to provide customer service and operational effectiveness in order to compete in the current business environment. For example, we have made and continue to make significant investments in delta.com, mobile device applications, check-in kiosks, customer service applications, airport information displays and related initiatives, including security for these initiatives. The performance, reliability and security of the technology are critical to our ability to serve customers. If our technology does not perform reliably, our business and operations would be negatively affected, which could be material.

Our results can fluctuate due to the effects of weather, natural disasters and seasonality.

Our results of operations are impacted by severe weather, natural disasters and seasonality. Severe weather conditions and natural disasters (or other environmental events) can significantly disrupt service and create air traffic control problems. These events decrease revenue and can also increase costs. In addition, increases in the frequency, severity or duration of thunderstorms, hurricanes, typhoons or other severe weather events, including from changes in the global climate, could result in increases in delays and cancellations, turbulence-related injuries and fuel consumption to avoid such weather, any of which could result in loss of revenue and higher costs. In addition, demand for air travel is typically higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. The seasonal shifting of demand causes our financial results to vary on a seasonal basis. Because of fluctuations in our results from weather, natural disasters and seasonality, operating results for a historical period are not necessarily indicative of operating results for a future period and operating results for an interim period are not necessarily indicative of operating results for an entire year.

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An extended disruption in services provided by our third-party regional carriers could have a material adverse effect on our results of operations.

We utilize the services of third parties in a number of areas in support of our operations that are integral to our business, including third-party carriers in the Delta Connection program. While we have agreements with these providers that define expected service performance, we do not have direct control over their operations. In particular, some third-party regional carriers are facing a shortage of qualified pilots due to government mandated increases in flight experience required for pilots working for airlines. If this shortage becomes more widespread, third-party regional carriers may not be able to comply with their obligations to us. To the extent that a significant disruption in our regional operations occurs because any of these providers are unable to perform their obligations over an extended period of time, our revenue may be reduced or our expenses may be increased resulting in a material adverse effect on our results of operations.

The failure or inability of insurance to cover a significant liability related to an environmental or other incident associated with the operation of the Monroe refinery could have a material adverse effect on our consolidated financial results.

Monroe's refining operations are subject to various hazards unique to refinery operations, including explosions, fires, toxic emissions and natural catastrophes. Monroe could incur substantial losses, including cleanup costs, fines and other sanctions and third-party claims, and its operations could be interrupted, as a result of such an incident. Monroe's insurance coverage does not cover all potential losses, costs or liabilities, and Monroe could suffer losses for uninsurable or uninsured risks or in amounts greater than its insurance coverage. In addition, Monroe's ability to obtain and maintain adequate insurance may be affected by conditions in the insurance market over which it has no control. If Monroe were to incur a significant liability for which it is not fully insured or for which insurance companies do not or are unable to provide coverage, this could have a material adverse effect on our consolidated financial results of operations or consolidated financial position.

The operation of the refinery by Monroe is subject to significant environmental regulation. Failure to comply with environmental regulations or the enactment of additional regulation could have a negative impact on our consolidated financial results.

Monroe's operations are subject to extensive environmental, health and safety laws and regulations, including those relating to the discharge of materials into the environment, waste management, pollution prevention measures and greenhouse gas emissions. Monroe could incur fines and other sanctions, cleanup costs and third-party claims as a result of violations of or liabilities under environmental, health and safety requirements, which if significant, could have a material adverse effect on our financial results. In addition, the enactment of new environmental laws and regulations, including any laws or regulations relating to greenhouse gas emissions, could significantly increase the level of expenditures required for Monroe or restrict its operations.

In particular, under the Energy Independence and Security Act of 2007, the EPA has adopted RFS that mandate the blending of renewable fuels into Transportation Fuels. RINs are assigned to renewable fuels produced or imported into the U.S. that are blended into Transportation Fuels to demonstrate compliance with this obligation. A refinery may meet its obligation under RFS by blending the necessary volumes of renewable fuels with Transportation Fuels or by purchasing RINs in the open market or through a combination of blending and purchasing RINs.

Because the refinery operated by Monroe does not blend renewable fuels, it must purchase its RINs requirement in the secondary market or obtain a waiver from the EPA. As a result, Monroe is exposed to the market price of RINs. Market prices for RINs have been volatile, marked by periods of sharp increases. We cannot predict the future prices of RINs. Purchasing RINs at elevated prices could have a material impact on our results of operations and cash flows. Existing laws or regulations could change, and the minimum volumes of renewable fuels that must be blended with refined petroleum products may increase. Increases in the volume of renewable fuels that must be blended into Monroe's products could limit the refinery's production if sufficient numbers of RINs are not available for purchase or relief from this requirement is not obtained, which could have an adverse effect on our consolidated financial results.

If we lose senior management personnel and other key employees and they are not replaced by individuals with comparable skills, our operating results could be adversely affected.

We are dependent on the experience and industry knowledge of our officers and other key employees to design and execute our business plans. If we experience a substantial turnover in our leadership and other key employees, and these persons are not replaced by individuals with comparable skills, our performance could be materially adversely impacted. Furthermore, we may be unable to attract and retain additional qualified executives as needed in the future.

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Risk Factors Relating to the Airline Industry

The global 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.

The airline industry is highly competitive, marked by significant competition with respect to routes, fares, schedules (both timing and frequency), services, products, customer service and frequent flyer programs. Consolidation in the airline industry, the rise of well-funded government sponsored international carriers, changes in international alliances and the creation of immunized joint ventures have altered and will continue to alter the competitive landscape in the industry, resulting in the formation of airlines and alliances with increased financial resources, more extensive global networks and competitive cost structures.

Our domestic operations are subject to competition from traditional network carriers, including American Airlines and United Airlines, national point-to-point carriers, including Alaska Airlines, JetBlue Airways and Southwest Airlines, and discount carriers, some of which may have lower costs than we do and provide service at low fares to destinations served by us. Point-to-point, discount and ultra low-cost carriers, including Spirit Airlines and Allegiant Air, place significant competitive pressure on network carriers in the domestic market. As a result, we face significant competition at our domestic hub and gateway airports either directly at those airports or at the hubs of other airlines that are located in close proximity to our hubs and gateways. We also face competition in smaller to medium-sized markets from regional jet operations of other carriers. Our ability to compete in the domestic market effectively depends, in part, on our ability to maintain a competitive cost structure. If we cannot maintain our costs at a competitive level, then our business, financial condition and operating results could be materially adversely affected.

Our international operations are subject to competition from both foreign and domestic carriers. Competition is increasing from government-owned and -funded carriers in the Gulf region, including Emirates, Etihad Airways and Qatar Airways. These carriers have large numbers of international widebody aircraft on order and are increasing service to the U.S. from their hubs in the Middle East. Several of these carriers, along with carriers from China, India and Southeast Asia, are government-subsidized, which has allowed them to grow quickly, reinvest in their product and expand their global presence at the expense of U.S. airlines.

Through alliance and other marketing and codesharing agreements with foreign carriers, U.S. carriers have increased their ability to sell international transportation, such as services to and beyond traditional European and Asian gateway cities. Similarly, foreign carriers have obtained increased access to interior U.S. passenger traffic beyond traditional U.S. gateway cities through these relationships. In addition, several joint ventures among U.S. and foreign carriers have received grants of antitrust immunity allowing the participating carriers to coordinate schedules, pricing, sales and inventory.

Increased competition in both the domestic and international markets may have a material adverse effect on our business, financial condition and operating results.

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. The industry is heavily taxed. For example, the Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes security requirements on airports and airlines, most of which are funded by a per ticket tax on passengers and a tax on airlines. Additional taxes and fees, if implemented, could negatively impact our results of operations.

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Proposals to address congestion issues at certain airports or in certain airspace, particularly in the Northeast U.S., have included concepts such as "congestion-based" landing fees, "slot auctions" or other alternatives that could impose a significant cost on the airlines operating in those airports or airspace and impact the ability of those airlines to respond to competitive actions by other airlines. In addition, the failure of the federal government to upgrade the U.S. air traffic control system has resulted in delays and disruptions of air traffic during peak travel periods in certain congested markets. The failure to improve the air traffic control system could lead to increased delays and inefficiencies in flight operations as demand for U.S. air travel increases, having a material adverse effect on our operations. Failure to update the air traffic control system in a timely manner, and the substantial funding requirements of an updated system that may be imposed on air carriers, may have an adverse impact on our financial condition and results of operations.
Future regulatory action concerning climate change, aircraft emissions and noise emissions could have a significant effect on the airline industry. For example, the European Commission adopted an emissions trading scheme applicable to all flights operating in the European Union, including flights to and from the U.S. While enforcement of the scheme has been deferred until 2017, we expect that this system would impose additional costs on our operations in the European Union if fully implemented. Other environmental laws or regulations such as this emissions trading scheme or other U.S. or foreign governmental actions may adversely affect our operations and financial results, either through direct costs in our operations or through increases in costs for jet fuel that could result from jet fuel suppliers passing on increased costs that they incur under such a system.
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 U.S., certain European government agencies are reviewing 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.

Prolonged periods of stagnant or weak economic conditions could have a material adverse effect on our business, financial condition and operating results.
As a result of the discretionary nature of air travel, the airline industry has been cyclical and particularly sensitive to changes in economic conditions. Because we operate globally, with approximately 30% of our revenues from operations outside of the U.S., our business is subject to economic conditions throughout the world. During periods of unfavorable or volatile economic conditions in the global economy, demand for air travel can be significantly impacted as business and leisure travelers choose not to travel, seek alternative forms of transportation for short trips or conduct business through videoconferencing. If unfavorable economic conditions occur, particularly for an extended period, our business, financial condition and results of operations may be adversely affected. In addition, significant or volatile changes in exchange rates between the U.S. dollar and other currencies, and the imposition of exchange controls or other currency restrictions, may have a material adverse effect on our liquidity, financial conditions and results of operations.

Economic conditions and regulatory changes leading up to and following the United Kingdom's exit from the European Union could have a material adverse effect on our business and results of operations.
Following a referendum in June 2016 in which voters in the U.K. approved an exit from the European Union ("EU"), the U.K. government is expected to initiate a process to leave the EU (often referred to as Brexit) and begin negotiating the terms of the U.K.'s future relationship with the EU. The airline industry faces substantial uncertainty regarding the impact of the likely exit of the U.K. from the EU. Adverse consequences such as deterioration in economic conditions, volatility in currency exchange rates or adverse changes in regulation of the airline industry or bilateral agreements governing air travel could have a negative impact on our operations, financial condition and results of operations.

The rapid spread of contagious illnesses can have a material adverse effect on our business and results of operations.

The rapid spread of a contagious illness, or fear of such an event, can have a material adverse effect on the demand for worldwide air travel and therefore have a material adverse effect on our business and results of operations. Moreover, our operations could be negatively affected if employees are quarantined as the result of exposure to a contagious illness. Similarly, travel restrictions or operational issues resulting from the rapid spread of contagious illnesses in a part of the world in which we have significant operations may have a materially adverse impact on our business and results of operations.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Flight Equipment

Our operating aircraft fleet, commitments and options at December 31, 2016 are summarized in the following table:

	Current Fleet[1]					Commitments		
Aircraft Type	**Owned**	**Capital Lease**	**Operating Lease**	**Total**	**Average Age**	**Purchase**	**Lease**	**Options**
B-717-200	3	13	75	91	15.3	—	—	—
B-737-700	10	—	—	10	7.9	—	—	—
B-737-800	73	—	—	73	15.9	—	4	—
B-737-900ER	41	—	28	69	1.8	51	—	—
B-747-400	3	4	—	7	25.4	—	—	—
B-757-200	79	18	4	101	19.6	—	—	—
B-757-300	16	—	—	16	13.8	—	—	—
B-767-300	6	—	—	6	23.4	—	—	—
B-767-300ER	54	4	—	58	20.8	—	—	—
B-767-400ER	21	—	—	21	15.8	—	—	—
B-777-200ER	8	—	—	8	16.9	—	—	—
B-777-200LR	10	—	—	10	7.8	—	—	—
A319-100	55	—	2	57	14.9	—	—	—
A320-200	58	4	7	69	21.8	—	—	—
A321-200	7	—	8	15	0.4	67	—	—
A330-200	11	—	—	11	11.8	—	—	—
A330-300	26	—	3	29	8.5	2	—	—
A330-900neo	—	—	—	—	—	25	—	—
A350-900	—	—	—	—	—	25	—	—
CS100[2]	—	—	—	—	—	75	—	50
MD-88	93	23	—	116	26.4	—	—	—
MD-90	65	—	—	65	19.9	—	—	—
Total	639	66	127	832	17.0	245	4	50

(1) Excludes certain aircraft we own or lease, which are operated by regional carriers on our behalf shown in the table below.

(2) During the June 2016 quarter, we reached an agreement with Bombardier to acquire 75 CS100 aircraft with deliveries beginning in 2018 and continuing through 2022. We have flexibility under the purchase agreement with respect to deferral, acceleration, conversion and a limited number of cancellation rights. The agreement also includes options to purchase 50 additional aircraft.

The following table summarizes the aircraft fleet operated by our regional carriers on our behalf at December 31, 2016:

	Fleet Type					
Carrier	**CRJ-200**	**CRJ-700**	**CRJ-900**	**Embraer 170**	**Embraer 175**	**Total**
Endeavor Air, Inc.[1]	53	—	81	—	—	134
ExpressJet Airlines, Inc.	36	35	28	—	—	99
SkyWest Airlines, Inc.	60	27	36	—	12	135
Compass Airlines, LLC	—	—	—	6	36	42
Shuttle America[2]	—	—	—	14	16	30
GoJet Airlines, LLC	—	22	7	—	—	29
Total	149	84	152	20	64	469

(1) Endeavor Air, Inc. is a wholly owned subsidiary of Delta.

(2) Shuttle America merged into Republic Airline, Inc. effective January 31, 2017.

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Aircraft Purchase Commitments

Our purchase commitments for additional aircraft at December 31, 2016 are detailed in the following table:

	Delivery in Calendar Years Ending				
Aircraft Purchase Commitments	**2017**	**2018**	**2019**	**After 2019**	**Total**
B-737-900ER	20	18	13	—	51
A321-200	17	23	27	—	67
A330-300	2	—	—	—	2
A330-900neo	—	—	4	21	25
A350-900	5	6	7	7	25
CS100	—	15	25	35	75
Total	44	62	76	63	245

Ground Facilities

Airline Operations

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. We lease ticket counters, passenger holdrooms, operating areas and other terminal space in most of the airports that we serve. At most airports, 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 30 years or more, and often contain provisions for periodic adjustments of lease rates, landing fees and other charges applicable under that type of agreement. We also lease aircraft maintenance and air cargo facilities at several airports. Our 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 offices, reservations offices and other off-airport facilities in certain locations for varying terms.

We own our Atlanta reservations center, other real property in Atlanta, and reservations centers in Minot, North Dakota and Chisholm, Minnesota.

Refinery Operations

Our wholly owned subsidiaries, Monroe and MIPC, own and operate the Trainer refinery and related assets in Pennsylvania. The facility includes pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK.

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ITEM 3. LEGAL PROCEEDINGS

First Bag Fee Antitrust Litigation

In 2009, a number of purported class action antitrust lawsuits were filed against Delta and AirTran Airways ("AirTran"), alleging that Delta and AirTran engaged in collusive behavior in violation of Section 1 of the Sherman Act in November 2008 based upon certain public statements made in October 2008 by AirTran's CEO at an analyst conference concerning fees for the first checked bag, Delta's imposition of a fee for the first checked bag on November 4, 2008 and AirTran's imposition of a similar fee on November 12, 2008. The plaintiffs sought to assert claims on behalf of an alleged class consisting of passengers who paid the first bag fee after December 5, 2008 and seek injunctive relief and unspecified treble damages. All of these cases have been consolidated for pre-trial proceedings and remain pending in the Northern District of Georgia. On July 12, 2016, the Court issued an order granting the plaintiffs' motion for class certification. On October 7, 2016, the U.S. Court of Appeals for the Eleventh Circuit granted the defendants' petition for interlocutory review of this order, and that appeal remains pending. In addition, the defendants have filed motions for summary judgment, which also remain pending. Delta believes the claims in these cases are without merit and is vigorously defending these lawsuits.

Capacity Antitrust Litigation

In July 2015, a number of purported class action antitrust lawsuits were filed alleging that Delta, American, United and Southwest had conspired to restrain capacity. The lawsuits were filed in the wake of media reports that the U.S. Department of Justice had served civil investigative demands upon these carriers seeking documents and information relating to this subject. The lawsuits have been consolidated into a single Multi-District Litigation proceeding in the U.S. District Court for the District of Columbia. In November 2016, the District Court denied the defendants' motion to dismiss the claims, and the matter is now proceeding through discovery. Delta believes the claims in these cases are without merit and is vigorously defending these lawsuits.

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For a discussion of certain environmental matters, see "Business-Regulatory Matters-Environmental Matters" in Item 1.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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Part II

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

Market Information

Our common stock is listed on the New York Stock Exchange ("NYSE"). The following table sets forth for the periods indicated the highest and lowest sales price for our common stock as reported on the NYSE and dividends declared during these periods.

	Common Stock		Cash Dividends Declared (per share)
	High	Low	
Fiscal 2016			
Fourth Quarter	$52.76	$37.91	$0.2025
Third Quarter	$41.35	$34.08	$0.2025
Second Quarter	$49.80	$32.60	$0.135
First Quarter	$50.50	$40.03	$0.135
Fiscal 2015			
Fourth Quarter	$52.77	$43.35	$0.135
Third Quarter	$48.30	$34.61	$0.135
Second Quarter	$47.98	$38.97	$0.09
First Quarter	$51.06	$42.60	$0.09

Holders

As of January 31, 2017, there were approximately 2,818 holders of record of our common stock.

Dividends

Our Board of Directors initiated a quarterly dividend program in the September 2013 quarter of $0.06 per share. As reflected above, the Board has increased the quarterly dividend payment several times, most recently to $0.2025 per share in the September 2016 quarter. The Board expects to be able to continue to pay cash dividends for the foreseeable future, subject to applicable limitations under Delaware law. Dividend payments will be dependent upon our results of operations, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. In addition, our ability to pay future dividends is subject to compliance with covenants in several of our credit facilities.

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Stock Performance Graph

The following graph compares the cumulative total returns during the period from December 31, 2011 to December 31, 2016 of our common stock to the Standard & Poor's 500 Stock Index and the NYSE ARCA Airline Index. The comparison assumes $100 was invested on December 31, 2011 in each of our common stock and the indices and assumes that all dividends were reinvested.

Issuer Purchases of Equity Securities

The following table presents information with respect to purchases of common stock we made during the December 2016 quarter. The total number of shares purchased includes shares repurchased pursuant to our $5 billion share repurchase program, which was publicly announced on May 13, 2015 ("the 2015 Repurchase Program"). The 2015 Repurchase Program will terminate no later than December 31, 2017. Some purchases were made pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934.

In addition, the table includes shares withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the Delta Air Lines, Inc. Performance Compensation Plan (the "Plan"). The Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. The shares of common stock withheld to satisfy tax withholding obligations may be deemed to be "issuer purchases" of shares that are required to be disclosed pursuant to this Item.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value (in millions) of Shares That May Yet Be Purchased Under the Plan or Programs
October 2016	7,540	$40.40	7,540	$ 1,650
November 2016	1,132,079	$46.05	1,132,079	$ 1,600
December 2016	4,987,902	$49.83	4,987,902	$ 1,350
Total	6,127,521		6,127,521	

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ITEM 6. SELECTED FINANCIAL DATA

The following tables are derived from our audited Consolidated Financial Statements and present selected financial and operating data for the years ended December 31, 2016, 2015, 2014, 2013 and 2012.

Consolidated Summary of Operations

	Year Ended December 31,				
(in millions, except share data)	2016	2015	2014	2013	2012
Operating revenue	$39,639	$40,704	$40,362	$37,773	$36,670
Operating expense	32,687	32,902	38,156	34,373	34,495
Operating income	6,952	7,802	2,206	3,400	2,175
Non-operating expense, net	(316)	(645)	(1,134)	(873)	(1,150)
Income before income taxes	6,636	7,157	1,072	2,527	1,025
Income tax (provision) benefit	(2,263)	(2,631)	(413)	8,013	(16)
Net income	$4,373	$4,526	$659	$10,540	$1,009
Basic earnings per share	$5.82	$5.68	$0.79	$12.41	$1.20
Diluted earnings per share	$5.79	$5.63	$0.78	$12.29	$1.19
Cash dividends declared per share	$0.68	$0.45	$0.30	$0.12	$—

Special Items

	Year Ended December 31,				
(in millions)	2016	2015	2014	2013	2012
MTM adjustments and settlements	$450	$1,301	$(2,346)	$276	$27
Restructuring and other	—	(35)	(716)	(424)	(452)
Loss on extinguishment of debt	—	—	(268)	—	(118)
Virgin Atlantic MTM adjustments	115	26	(134)	—	—
Release of tax valuation allowance and intraperiod income tax allocation	—	—	—	7,989	—
Total income (loss)	$565	$1,292	$(3,464)	$7,841	$(543)

Consolidated Balance Sheet Data

	December 31,				
(in millions)	2016	2015	2014	2013	2012
Total assets	$51,261	$53,134	$54,005	$52,104	$43,933
Long-term debt and capital leases (including current maturities)	$7,332	$8,329	$9,661	$11,194	$12,555
Stockholders' equity (deficit)	$12,287	$10,850	$8,813	$11,643	$(2,131)

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Other Financial and Statistical Data (Unaudited)

	Year Ended December 31,				
Consolidated[1]	**2016**	**2015**	**2014**	**2013**	**2012**
Revenue passenger miles (in millions)	213,098	209,625	202,925	194,988	192,974
Available seat miles (in millions)	251,867	246,764	239,676	232,740	230,415
Passenger mile yield	15.85¢	16.59¢	17.22¢	16.89¢	16.46¢
Passenger revenue per available seat mile	13.41¢	14.10¢	14.58¢	14.15¢	13.78¢
Operating cost per available seat mile	12.98¢	13.33¢	15.92¢	14.77¢	14.97¢
Passenger load factor	84.6 %	84.9 %	84.7 %	83.8 %	83.8 %
Fuel gallons consumed (in millions)	4,016	3,988	3,893	3,828	3,769
Average price per fuel gallon[2]	$1.49	$1.90	$3.47	$3.00	$3.25
Full-time equivalent employees, end of period	83,756	82,949	79,655	77,755	73,561

(1) Includes the operations of our regional carriers under capacity purchase agreements. Full-time equivalent employees exclude employees of regional carriers that we do not own.

(2) Includes the impact of fuel hedge activity and refinery segment results.

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

Financial Highlights - 2016 Compared to 2015

Our pre-tax income for 2016 was $6.6 billion, representing a $521 million decrease compared to the prior year as lower passenger revenue and higher salaries and related costs offset the benefits of lower fuel prices. Pre-tax income, adjusted for special items (a non-GAAP financial measure) was $6.1 billion, an increase of $206 million, or 3.5%. Special items in 2016 were related to fuel hedge MTM adjustments and settlements and Virgin Atlantic MTM adjustments, which totaled $450 million and $115 million, respectively.

Revenue. Our operating revenue decreased $1.1 billion, or 2.6%, and passenger revenue per available seat mile ("PRASM") decreased 4.9% on 2.1% higher capacity compared to 2015. The decrease in PRASM was largely driven by competitive pressure in the current low fuel price environment and the impact of U.S. dollar strength on tickets sold in international markets, which are predominantly priced in local currency.

Operating Expense. Total operating expense decreased $215 million and our consolidated operating cost per available seat mile ("CASM") decreased 2.6% to 12.98 cents compared to 2015, primarily due to lower fuel prices, partially offset by higher salaries and related costs. During 2016, Brent crude oil averaged $44 per barrel compared to the average of nearly $52 per barrel during 2015. Salaries and related costs were higher as a result of the pay rate increase for pilots resulting from a new pilot contract ratified in the December 2016 quarter that was retroactive to January 1, 2016 and pay rate increases for eligible merit, ground and flight attendant employees effective in the December 2015 quarter.

Non-fuel unit costs ("CASM-Ex, including profit sharing" a non-GAAP financial measure) increased 3.7% to 10.13 cents due to the pay rate increases discussed above and other product and service investments, which were partially offset by productivity gains from our fleet, technology and supply chain initiatives.

The non-GAAP financial measures for pre-tax income, adjusted for special items, and CASM-Ex, used above and adjusted net debt, used below, are defined and reconciled in "Supplemental Information" below.

Company Initiatives

Our employees are an important part of Delta's success and underpin the quality, customer service and operational reliability that is core to Delta's brand. During the December 2016 quarter, Delta pilots ratified a new contract that included an 18% pay rate increase that was retroactive to January 1, 2016. This increase for pilots followed pay rate increases for the majority of other employees during the December 2015 quarter. In addition, our profit sharing payment to employees in February 2017 will be the third consecutive annual profit sharing payment of more than one billion dollars. We have paid eligible employees more than $5 billion in profit sharing since the program started in 2007. We expect to continue to pay our employees industry leading total compensation because sharing the success that our employees help produce is core to Delta's culture and important to providing the best travel experience for our customers and producing solid results for shareholders.

Running a reliable, customer-focused airline has produced a solid return on invested capital ("ROIC", see calculation in "Supplemental Information" below) of 26.1% in 2016, despite the pressure from employee investments discussed above. This financial performance has allowed us to improve our balance sheet by reducing debt and capital lease obligations to $7.3 billion and adjusted net debt (a non-GAAP financial measure) to $6.1 billion, increase funding of our defined benefit pension plans and increase the amount of capital returned to our shareholders. We are focused on delivering additional value for shareholders in the future through revenue growth, cost productivity and prudent deployment of cash flows.

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Driving Revenue Growth

Operational Reliability

A key driver of our revenue growth is higher customer satisfaction resulting from strong operational reliability. We have significantly invested in our business since 2010 to improve our operational performance, which consistently ranks first among the major U.S. carriers. During 2016, we operated 241 days with zero mainline canceled flights, a nearly 50% improvement over our 2015 performance. In addition, our reported completion factor of 99.6% and on-time arrival rate of nearly 87% places us at the top of the major global U.S. carriers. This operational excellence resulted in consistent increases in our domestic net promoter score, including our highest reported score of 44% in November.

Global Strategy

We continue to expand our global network by strengthening our presence in major and developing markets around the world in an effort to increase and diversify our network into high revenue and high growth markets. The growth of our global presence will enable customers to seamlessly connect to more places while enjoying a consistent, high-quality travel experience. We are deploying this strategy through investments and relationships in the Atlantic, Latin America and the Pacific.

Atlantic. In 2017, we plan to build on our presence in our strategically advantaged hubs in London, Paris and Amsterdam, while de-emphasizing higher Europe point-of-sale markets. Alongside our 49% equity investment in Virgin Atlantic, we have an antitrust immunized joint venture with the U.K.-based carrier. This joint venture has significantly improved our presence in London, one of the largest revenue markets from the U.S., while also enhancing our transatlantic network including our existing joint venture relationship with Air France-KLM and Alitalia. Our Atlantic senior decision-making functions are located in Europe for close coordination with our joint venture airlines.

Latin America. We are focused on maximizing the value of our relationships with other carriers in Latin America while deriving value from the recent investments in our network, product and service.

During 2015, we announced our intention to create an antitrust immunized commercial joint venture with Aeroméxico and to acquire additional shares of the capital stock of Grupo Aeroméxico through a cash tender offer, both subject to regulatory approvals. The Mexican and U.S. regulators approved antitrust immunity for the joint venture during 2016, subject to certain conditions. Delta and Aeroméxico have accepted the conditions and are in the process of implementing the necessary actions in order to satisfy the conditions. We expect both the joint venture to be implemented and the tender offer to be completed in the first half of 2017. As a result of the tender offer, when combined with our current holdings and derivative positions, we would own up to 49% of the outstanding capital stock of Grupo Aeroméxico.

We also own 9.5% of GOL's outstanding capital stock as part of our long-term strategy to strengthen the opportunity we see in Brazil. In conjunction with our investment, we and GOL have extended our existing commercial agreements.

Pacific. We continue to execute the multi-year restructuring of our Pacific operations by reorienting our network from Tokyo-Narita to Shanghai, through our partnership with China Eastern Airlines, and Seoul, through our partnership with Korean Air. During 2016, the U.S. Department of Transportation announced that we have been awarded two daytime slot pairs at Tokyo's Haneda Airport (from Los Angeles and Minneapolis). We commenced these routes and canceled other routes in the Pacific region during the December 2016 quarter. Concurrent with these changes, we are increasing our presence in China, the largest transpacific market from the U.S. We hold a 3.2% stake in China Eastern and are expanding our relationship through co-location in the same terminal at Shanghai's Pudong airport for a seamless travel experience. China Eastern is one of the largest airlines in China with a route network covering more than 200 destinations in over 25 countries. In addition, we are working to expand our trans-Pacific partnership with Korean Air, including expanded codeshare offerings and the commencement of a daily, non-stop flight between Atlanta and Seoul during the June 2017 quarter.

Cost Productivity

Over the long-term, we continue to focus on maintaining the rate of non-fuel unit cost growth at less than 2% annually. We continue to leverage our expertise in supply chain and aircraft maintenance to improve our productivity. Additionally, we are investing in technology projects to improve the customer experience in a cost-efficient manner.

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Prudent Deployment of Cash Flows

As part of our previously announced long-term goals, we target $8-9 billion in annual operating cash flow and $4-5 billion in annual free cash flow. We use approximately 50% of our operating cash flow to reinvest in the business for long-term growth opportunities. The remaining free cash flow is used to further strengthen the balance sheet to reduce debt levels, make incremental pension contributions and return capital to shareholders through dividends and share repurchases.

Investing in our Facilities

We are working closely with airport authorities throughout our network to enhance facilities in order to both improve our operational efficiency and to better serve our customers. These efforts include, but are not limited to, future airport renovation and redevelopment projects at New York-LaGuardia airport, Los Angeles International Airport ("LAX") and Hartsfield-Jackson Atlanta International Airport and the recently-completed redevelopment of New York-JFK airport. In addition, we are modernizing our Sky Clubs, including the recent openings of flagship locations in Atlanta and Seattle, and improving the food, beverage and services offered throughout the Sky Club network. Finally, we continue to make significant investments in technologies that improve the customer experience including delta.com, mobile device applications, check-in kiosks, employee customer service applications and airport information displays.

Strengthened Balance Sheet

A key tenet of our strategy is to operate the company with investment grade financial metrics. Since beginning our balance sheet improvement strategy in 2009, we have reduced our adjusted net debt by nearly $11 billion, which has significantly reduced our annual interest expense. As a result of these efforts, we have received upgrades to our credit ratings by all three major ratings agencies, including investment grade ratings from Moody's and Fitch. In addition, because we have a significant net underfunded pension liability, we have been making pension contributions above the minimum amount required. Our goal remains to achieve at least an 80% funded status for the pension plan by 2020.

Increased Capital Returns to Owners

While we have been reducing our debt levels and investing in the business, we have been increasing our capital returns to shareholders, returning a total of $3.1 billion in 2016 through dividends and share repurchases. Since first implementing our quarterly dividend in 2013, we have increased the dividend per share by 50% annually and paid $1.2 billion in total dividends, including $509 million in 2016. Through dividends and share repurchases, we have returned nearly $7.4 billion to shareholders since 2013, while reducing outstanding shares by approximately 14% compared to the beginning of 2013.

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Results of Operations - 2016 Compared to 2015

Operating Revenue

(in millions)	Year Ended December 31, 2016	2015	Increase (Decrease)	% Increase (Decrease)
Passenger:				
Mainline	$28,105	$28,898	$(793)	(2.7)%
Regional carriers	5,672	5,884	(212)	(3.6)%
Total passenger revenue	33,777	34,782	(1,005)	(2.9)%
Cargo	668	813	(145)	(17.8)%
Other	5,194	5,109	85	1.7 %
Total operating revenue	$39,639	$40,704	$(1,065)	(2.6)%

Passenger Revenue

		Increase (Decrease) vs. Year Ended December 31, 2015					
(in millions)	Year Ended December 31, 2016	Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Mainline	$ 17,932	— %	4.3 %	5.2 %	(4.1)%	(5.0)%	(0.8) pts
Regional carriers	5,672	(3.6)%	0.6 %	1.0 %	(4.2)%	(4.6)%	(0.3) pts
Domestic	23,604	(0.9)%	3.6 %	4.5 %	(4.4)%	(5.2)%	(0.6) pts
Atlantic	5,185	(6.5)%	(1.7)%	0.3 %	(4.9)%	(6.8)%	(1.7) pts
Pacific	2,616	(12.8)%	(4.6)%	(6.6)%	(8.6)%	(6.7)%	1.8 pts
Latin America	2,372	(1.8)%	3.5 %	0.8 %	(5.1)%	(2.6)%	2.3 pts
Total	$ 33,777	(2.9)%	1.7 %	2.1 %	(4.5)%	(4.9)%	(0.3) pts

Passenger revenue decreased $1.0 billion over the prior year. PRASM decreased 4.9% and passenger mile yield decreased 4.5% on 2.1% higher capacity. Load factor was 0.3 points lower than the prior year at 84.6%.

Unit revenues of the domestic region decreased 5.2%, resulting from weakness in the close-in yield environment during most of the year despite strong volume.

Revenues related to our international regions decreased 7.2% year-over-year primarily due to yield declines resulting from imbalances between supply and demand, principally in the Atlantic region and China, the impact of foreign currency fluctuations, continued reductions in international fuel surcharges and economic challenges in certain regions.

In the Atlantic, the unit revenue decline predominantly resulted from lower yields driven by industry capacity growth outpacing passenger demand and the strength of the U.S. dollar. In core European markets, U.S. point-of-sale demand was strong and recovered quickly following the Brussels airport terrorist attack in March. However, Europe point-of sale demand has been soft largely due to the impact of weaker Euro exchange rates. In 2017, we will continue to build on our presence in our strategically advantaged hubs in London, Paris and Amsterdam.

Unit revenue declines in the Pacific compared to 2015 primarily resulted from lower yen hedge gains, lower international fuel surcharges and yield declines resulting from industry capacity growth between the U.S. and China. We expect the significant capacity growth over the last three years in the U.S. to Shanghai market to slow in 2017 as both Chinese and U.S. carriers reach their respective frequency caps. During the September 2016 quarter, the U.S. Department of Transportation announced that we have been awarded two daytime slot pairs at Tokyo's Haneda Airport (from Los Angeles and Minneapolis). We commenced these routes and canceled other routes in the Pacific region during the December 2016 quarter as part of our ongoing optimization of the Pacific region.

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Although Latin America unit revenues declined compared to 2015, unit revenues improved in the second half of 2016 compared to the second half of 2015. We expect these positive trends to continue in 2017 as we continue to invest in higher performing Mexican business markets. An Open Skies agreement between the U.S. and Mexico took effect in August 2016 and our application for antitrust immunity with Aeroméxico was approved in the December 2016 quarter, which should continue to strengthen our performance in the important Mexican business markets.

Cargo Revenue

Cargo revenue decreased $145 million, or 17.8%, primarily due to weaker international demand compared to the prior year.

Other Revenue

(in millions)	Year Ended December 31, 2016	2015	Increase (Decrease)	% Increase (Decrease)
Loyalty programs	$1,782	$1,584	$ 198	12.5 %
Administrative fees, club and on-board sales	1,205	1,261	(56)	(4.4)%
Ancillary businesses and refinery[1]	1,129	1,158	(29)	(2.5)%
Baggage fees	881	885	(4)	(0.5)%
Other	197	221	(24)	(10.9)%
Total other revenue	$5,194	$5,109	$ 85	1.7 %

(1) Ancillary businesses and refinery include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery sales to third parties. These revenues are not related to the generation of a seat mile.

Other revenue increased $85 million, or 1.7%, in 2016 primarily due to increased loyalty programs revenues from our co-brand credit card partnership with American Express resulting from new credit card accounts.

Operating Expense

(in millions)	Year Ended December 31, 2016	2015	Increase (Decrease)	% Increase (Decrease)
Salaries and related costs	$10,034	$8,776	$1,258	14.3 %
Aircraft fuel and related taxes	5,133	6,544	(1,411)	(21.6)%
Regional carriers expense	4,311	4,241	70	1.7 %
Contracted services	1,991	1,848	143	7.7 %
Depreciation and amortization	1,902	1,835	67	3.7 %
Aircraft maintenance materials and outside repairs	1,823	1,848	(25)	(1.4)%
Passenger commissions and other selling expenses	1,710	1,672	38	2.3 %
Landing fees and other rents	1,490	1,493	(3)	(0.2)%
Profit sharing	1,115	1,490	(375)	(25.2)%
Passenger service	907	872	35	4.0 %
Aircraft rent	285	250	35	14.0 %
Restructuring and other	—	35	(35)	NM[1]
Other	1,986	1,998	(12)	(0.6)%
Total operating expense	$32,687	$32,902	$(215)	(0.7)%

(1) Due to the nature of amounts recorded within restructuring and other, a year-over-year comparison is not meaningful. For a discussion of charges recorded in restructuring and other, see Note 14 of the Notes to the Consolidated Financial Statements.

Salaries and Related Costs. The increase in salaries and related costs was principally due to pay rate increases given to eligible employees which includes an 18% pay rate increase for pilots resulting from a new pilot contract ratified in the December 2016 quarter that was retroactive to January 1, 2016. Additionally, in the December 2015 quarter, base pay rates increased 14.5% for eligible merit, ground and flight attendant employees in conjunction with changes in their profit sharing program.

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Aircraft Fuel and Related Taxes. Including our regional carriers, fuel expense decreased $1.6 billion compared to the prior year due to an 18% decrease in the market price per gallon of fuel and lower fuel hedge losses, partially offset by a loss from our refinery segment in the current year compared to a profit in the prior year and a 0.7% increase in consumption. The table below presents fuel expense, including our regional carriers:

(in millions)	Year Ended December 31, 2016	2015	(Decrease)	% (Decrease)
Aircraft fuel and related taxes[1]	$5,133	$6,544	$(1,411)	
Aircraft fuel and related taxes included within regional carriers expense	852	1,035	(183)	
Total fuel expense	$5,985	$7,579	$(1,594)	(21.0)%

[1] Includes the impact of fuel hedging and refinery results described further in the table below.

The table below shows the impact of hedging and the refinery on fuel expense and average price per gallon, adjusted (non-GAAP financial measures):

				Average Price Per Gallon		
(in millions, except per gallon data)	Year Ended December 31, 2016	2015	Increase (Decrease)	Year Ended December 31, 2016	2015	Increase (Decrease)
Fuel purchase cost[1]	$5,579	$6,934	$(1,355)	$1.39	$1.74	$(0.35)
Airline segment fuel hedge losses[2]	281	935	(654)	0.07	0.23	(0.16)
Refinery segment impact[2]	125	(290)	415	0.03	(0.07)	0.10
Total fuel expense	$5,985	$7,579	$(1,594)	$1.49	$1.90	$(0.41)
MTM adjustments and settlements[3]	450	1,301	(851)	0.11	0.33	(0.22)
Total fuel expense, adjusted	$6,435	$8,880	$(2,445)	$1.60	$2.23	$(0.63)

[1] Market price for jet fuel at airport locations, including related taxes and transportation costs.

[2] Includes the impact of pricing arrangements between the airline and refinery segments with respect to the refinery's inventory price risk. For additional information regarding the refinery segment impact, see "Refinery Segment" below.

[3] MTM adjustments and settlements include the effects of the derivative transactions discussed in Note 4 of the Notes to the Consolidated Financial Statements. For additional information and the reason for adjusting fuel expense, see "Supplemental Information" below.

Regional Carriers Expense. The increase in regional carriers expense was primarily due to increases in aircraft maintenance and scheduled contract carrier rate escalations, partially offset by lower fuel cost from the decrease in the market price of fuel.

Contracted Services. The increase in contracted services expense predominantly related to costs associated with the 2.1% increase in capacity and additional temporary staffing.

Profit Sharing. The decrease in profit sharing was primarily due to an adjustment to the profit sharing calculation. Our broad-based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the program defines profit as pre-tax profit adjusted for profit sharing and certain other items. Beginning with 2016 (to be paid out in 2017), the profit sharing program for merit, ground and flight attendant employees was adjusted to pay 10% of annual pre-tax profit (as defined by the terms of the program) and, if we exceed our prior-year results, the program will pay 20% of the year-over-year increase in pre-tax profit to eligible employees. For years prior to 2016, our profit sharing program paid 10% to all eligible employees for the first $2.5 billion of annual profit and 20% of annual profit above $2.5 billion. The profit sharing program for pilots remains unchanged from the prior year and will continue under its current terms.

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Results of Operations - 2015 Compared to 2014

Operating Revenue

(in millions)	Year Ended December 31, 2015	2014	Increase (Decrease)	% Increase (Decrease)
Passenger:				
Mainline	$28,898	$28,688	$ 210	0.7 %
Regional carriers	5,884	6,266	(382)	(6.1)%
Total passenger revenue	34,782	34,954	(172)	(0.5)%
Cargo	813	934	(121)	(13.0)%
Other	5,109	4,474	635	14.2 %
Total operating revenue	$40,704	$40,362	$ 342	0.8 %

Passenger Revenue

(in millions)	Year Ended December 31, 2015	Increase (Decrease) vs. Year Ended December 31, 2014 Passenger Revenue	RPMs (Traffic)	ASMs (Capacity)	Passenger Mile Yield	PRASM	Load Factor
Mainline	$17,933	5.4 %	6.7 %	6.1 %	(1.2)%	(0.6)%	0.5 pts
Regional carriers	5,884	(6.1)%	(2.2)%	(4.0)%	(4.0)%	(2.1)%	1.5 pts
Domestic	23,817	2.3 %	5.1 %	4.1 %	(2.6)%	(1.8)%	0.8 pts
Atlantic	5,548	(4.8)%	0.6 %	3.2 %	(5.3)%	(7.7)%	(2.1) pts
Pacific	3,002	(12.2)%	(2.3)%	(5.0)%	(10.2)%	(7.6)%	2.3 pts
Latin America	2,415	(0.4)%	5.1 %	5.7 %	(5.3)%	(5.8)%	(0.5) pts
Total consolidated	$34,782	(0.5)%	3.3 %	3.0 %	(3.7)%	(3.3)%	0.2 pts

Passenger revenue decreased $172 million over the prior year. PRASM decreased 3.3% and passenger mile yield decreased 3.7% on 3.0% higher capacity. Load factor was 0.2 points higher than the prior year at 84.9%.

Unit revenues of the mainline domestic region decreased 0.6%, resulting from weaker yields in certain markets, which were nearly offset by the strong performance in Atlanta, New York, Seattle and Los Angeles.

Regional carriers passenger revenue decreased 6.1% on a 4.0% reduction in capacity. During 2015, we removed thirty 50-seat regional aircraft as part of our strategy to restructure our domestic fleet.

Revenues related to our international regions decreased 6.0% year-over-year primarily due to the impact of the strong U.S. dollar and reductions in international fuel surcharges. These challenges were addressed through capacity reductions implemented in the December 2015 quarter.

In the Atlantic region, unit revenue declines in Africa, the Middle East and Russia were partially offset by strength in core European markets. Unit revenue declines in the Pacific primarily resulted from the strength of the U.S. dollar and lower international fuel surcharges. We continued to optimize the Pacific region in order to improve margins by reducing our winter capacity, including the cancellation of our Seattle to Tokyo-Haneda route in the June 2015 quarter and downgauging via the continued retirement of the B-747-400 fleet during the second half of 2015. In addition, we made a strategic investment in, and established a long-term commercial relationship with, China Eastern. Latin America saw capacity growth of 5.7%, the majority of which occurred during the first half of 2015. In the December 2015 quarter, we continued to invest in higher performing markets such as Mexico and the Caribbean, while reducing capacity in Brazil due to its challenging economic environment.

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Other Revenue

(in millions)	Year Ended December 31, 2015	2014	Increase (Decrease)	% Increase (Decrease)
Loyalty programs	$1,584	$1,309	$ 275	21.0 %
Administrative fees, club and on-board sales	1,261	1,194	67	5.6 %
Ancillary businesses and refinery[1]	1,158	880	278	31.6 %
Baggage fees	885	863	22	2.5 %
Other	221	228	(7)	(3.1)%
Total other revenue	$5,109	$4,474	$ 635	14.2 %

(1) Ancillary businesses and refinery include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery sales to third parties. These revenues are not related to the generation of a seat mile.

Other revenue increased $635 million, or 14.2%, primarily due to loyalty program revenues including our agreement with American Express, third-party refinery sales and maintenance sales to third parties by our MRO services business.

Operating Expense

(in millions)	Year Ended December 31, 2015	2014	Increase (Decrease)	% Increase (Decrease)
Salaries and related costs	$8,776	$8,120	$656	8.1 %
Aircraft fuel and related taxes	6,544	11,668	(5,124)	(43.9)%
Regional carriers expense	4,241	5,237	(996)	(19.0)%
Aircraft maintenance materials and outside repairs	1,848	1,828	20	1.1 %
Contracted services	1,848	1,749	99	5.7 %
Depreciation and amortization	1,835	1,771	64	3.6 %
Passenger commissions and other selling expenses	1,672	1,700	(28)	(1.6)%
Landing fees and other rents	1,493	1,442	51	3.5 %
Profit sharing	1,490	1,085	405	37.3 %
Passenger service	872	810	62	7.7 %
Aircraft rent	250	233	17	7.3 %
Restructuring and other	35	716	(681)	NM[1]
Other	1,998	1,797	201	11.2 %
Total operating expense	$32,902	$38,156	$(5,254)	(13.8)%

(1) Due to the nature of amounts recorded within restructuring and other, a year-over-year comparison is not meaningful. For a discussion of charges recorded in restructuring and other, see Note 14 of the Notes to the Consolidated Financial Statements.

Salaries and Related Costs. The increase in salaries and related costs was primarily due to higher pilot and flight attendant block hours and pay rate increases implemented in both the first half of 2015 and December 2015. Base pay rates increased 14.5% for eligible merit, ground and flight attendant employees effective December 1, 2015.

Aircraft Fuel and Related Taxes. Including our regional carriers, fuel expense decreased $5.9 billion compared to the prior year due to a 43.5% decrease in the market price per gallon of fuel, an increase in Monroe's profitability and reduced hedge losses, partially offset by a 2.4% increase in consumption. The table below presents fuel expense, including our regional carriers:

(in millions)	Year Ended December 31, 2015	2014	(Decrease)	% (Decrease)
Aircraft fuel and related taxes[1]	$6,544	$11,668	$(5,124)	
Aircraft fuel and related taxes included within regional carriers expense	1,035	1,844	(809)	

Total fuel expense	$7,579	$13,512	$(5,933)	(43.9)%

(1) Includes the impact of fuel hedging and refinery results described further in the table below.

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The table below shows the impact of hedging and the refinery on fuel expense and average price per gallon, adjusted:

	Year Ended December 31,		Increase (Decrease)	Average Price Per Gallon Year Ended December 31,		Increase (Decrease)
(in millions, except per gallon data)	**2015**	**2014**		**2015**	**2014**	
Fuel purchase cost[1]	$6,934	$11,350	$(4,416)	$1.74	$2.91	$(1.17)
Airline segment fuel hedge losses[2]	935	2,258	(1,323)	0.23	0.58	(0.35)
Refinery segment impact[2]	(290)	(96)	(194)	(0.07)	(0.02)	(0.05)
Total fuel expense	$7,579	$13,512	$(5,933)	$1.90	$3.47	$(1.57)
MTM adjustments and settlements[3]	1,301	(2,346)	3,647	0.33	(0.60)	0.93
Total fuel expense, adjusted	$8,880	$11,166	$(2,286)	$2.23	$2.87	$(0.64)

(1) Market price for jet fuel at airport locations, including related taxes and transportation costs.

(2) Includes the impact of pricing arrangements between the airline and refinery segments with respect to the refinery's inventory price risk. For additional information regarding the refinery segment impact, see "Refinery Segment" below.

(3) MTM adjustments and settlements include the effects of the derivative transactions discussed in Note 4 of the Notes to the Consolidated Financial Statements. For additional information and the reason for adjusting fuel expense, see "Supplemental Information" below.

Regional Carriers Expense. The reduction in regional carriers expense was primarily due to lower fuel cost from a decrease in the price per gallon of fuel, lower capacity and reduced maintenance expenses. During 2015, we removed thirty 50-seat regional aircraft as part of our strategy to restructure our domestic fleet.

Contracted Services. The increase in contracted services expense predominantly related to costs associated with the 3.0% increase in capacity and additional temporary staffing.

Depreciation and Amortization. Depreciation and amortization expense increased year-over-year primarily due to investments in new A330-300, B-737-900ER and CRJ-900 aircraft and aircraft modifications that upgraded aircraft interiors and enhanced our product offering.

Landing Fees and Other Rents. Landing fees and other rents increased principally due to an increased number of departures and higher rental rates.

Profit Sharing. The increase in profit sharing was driven by an increase in full year pre-tax income compared to the prior year. Our broad-based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the program defines profit as pre-tax profit adjusted for profit sharing and certain other items. For years prior to 2016, our profit sharing program paid 10% to all employees for the first $2.5 billion of annual profit and 20% of annual profit above $2.5 billion.

Beginning with 2016 pre-tax profit (to be paid out in 2017), the profit sharing program for merit, ground and flight attendant employees has been adjusted to pay 10% of annual pre-tax profit (as defined by the terms of the program) and, if we exceed our prior-year results, the program will pay 20% of the year-over-year increase in pre-tax profit to eligible employees. The profit sharing program for pilots remained unchanged and will continue in 2016 under its terms.

Passenger Service. Passenger service expense includes the costs for onboard food and beverage, cleaning and supplies. This expense increased year-over-year primarily due to costs associated with enhancements to our onboard product offering and the 3.3% increase in traffic.

Other. Other operating expense increased primarily due to costs associated with sales of non-jet fuel products to third parties by our oil refinery.

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Non-Operating Results

(in millions)	Year Ended December 31, 2016	2015	2014	Favorable 2016 vs. 2015	2015 vs. 2014
Interest expense, net	$(388)	$(481)	$(650)	$93	$169
Miscellaneous, net	72	(164)	(484)	236	320
Total non-operating expense, net	$(316)	$(645)	$(1,134)	$329	$489

The decline in interest expense, net in both comparative periods resulted from reduced levels of debt and from the refinancing of debt obligations at lower interest rates. The principal amount of debt and capital leases has declined from $11.7 billion at the beginning of 2014 to $7.4 billion at December 31, 2016.

Miscellaneous, net was favorable primarily due to lower foreign exchange losses compared to 2015. Also contributing to the increase is our proportionate share of earnings from our equity investment in Virgin Atlantic. The increase from Virgin Atlantic primarily resulted from year-over-year profit and improvements in MTM adjustments on fuel hedges. In 2015, miscellaneous, net was favorable primarily due to a reduction in debt extinguishment losses together with year-over-year profits and improvements in MTM adjustments on fuel hedges from Virgin Atlantic compared to 2014.

Income Taxes

Our effective tax rate for 2016 was 34.1%. We expect our annual effective tax rate to be between 34% and 35% for 2017. The reduction in our rate from prior years was primarily related to differences in our global tax rates. At December 31, 2016, we had approximately $5.9 billion of U.S. federal pre-tax net operating loss carryforwards, which do not begin to expire until 2027. Accordingly, we believe we will not pay any cash federal income taxes before 2019. See Note 10 of the Notes to the Consolidated Financial Statements for more information.

Refinery Segment

The refinery primarily produces gasoline, diesel and jet fuel. Monroe exchanges the non-jet fuel products the refinery produces with third parties for jet fuel consumed in our airline operations. The jet fuel produced and procured through exchanging gasoline and diesel fuel produced by the refinery provided approximately 175,000 barrels per day for use in our airline operations during 2016. We believe that the jet fuel supply resulting from the refinery's operation has contributed to the reduction in the market price of jet fuel, and thus lowered our cost of jet fuel compared to what it otherwise would have been.

The refinery recorded operating revenues of $3.8 billion in 2016, compared to $4.7 billion in 2015. Operating revenues in 2016 were primarily composed of $2.7 billion of non-jet fuel products exchanged with third parties to procure jet fuel and $695 million of sales of jet fuel to the airline segment. Refinery revenues decreased compared to the prior year due to an oversupply of crude in the market, which drove lower pricing of refined products throughout the oil industry.

The refinery recorded a loss of $125 million in 2016, compared to profits of $290 million and $96 million recorded in 2015 and 2014, respectively. The refinery's loss in 2016, compared to profits in the preceding two years, was primarily due to higher RINs costs and lower distillate crack spreads.

A refinery is subject to annual EPA requirements to blend renewable fuels into the gasoline and on-road diesel fuel it produces. Alternatively, a refinery may purchase renewable energy credits, called RINs, from third parties in the secondary market. Because the refinery, operated by Monroe, does not blend renewable fuels, it has purchased its entire RINs requirement in the secondary market. We recognized $171 million, $75 million and $111 million of expense related to the RINs requirement in 2016, 2015 and 2014, respectively. RINs expense increased during 2016 primarily as a result of a significant increase in the unit cost of RINs from approximately 58 cents per RIN during 2015 to 84 cents per RIN during 2016.

For more information regarding the refinery's results, see Note 13 of the Notes to the Consolidated Financial Statements.

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Financial Condition and Liquidity

We expect to meet our cash needs for the next 12 months from cash flows from operations, cash and cash equivalents, short-term investments and financing arrangements. As of December 31, 2016, we had $5.7 billion in unrestricted liquidity, consisting of $3.2 billion in cash and cash equivalents and short-term investments and $2.5 billion in undrawn revolving credit facilities. During 2016, we generated $7.2 billion in cash from operating activities, which we used to fund capital expenditures of $3.4 billion, return $3.1 billion to shareholders and reduce the principal on our debt and capital lease obligations by $1.3 billion.

Sources of Liquidity

Operating Activities

Cash flows from operating activities continue to provide our primary source of liquidity. We generated positive cash flows from operations of $7.2 billion in 2016, $7.9 billion in 2015 and $4.9 billion in 2014. We also expect to generate positive cash flows from operations in 2017.

Our operating cash flows can be impacted by the following factors:

Seasonality of Advance Ticket Sales. We sell tickets for air travel in advance of the customer's travel date. When we receive a cash payment at the time of sale, we record the cash received on advance sales as deferred revenue in air traffic liability. The air traffic liability increases during the winter and spring as advanced ticket sales grow prior to the summer peak travel season and decreases during the summer and fall months.

Fuel and Fuel Hedge Margins. Including our regional carriers, fuel expense represented 18.3% of our total operating expenses for 2016. The market price for jet fuel is highly volatile, which can impact the comparability of our cash flows from operations from period to period.

As part of our fuel hedging program, we may be required to post margin to counterparties when our portfolio is in a loss position. Conversely, if our portfolio with counterparties is in a gain position, we may receive margin. Our future cash flows are impacted by the nature of our derivative contracts and the market price of the commodities underlying those derivative contracts. Our hedge contracts were in a net loss position at December 31, 2016 and 2015, resulting in $38 million and $119 million, respectively, of margin postings to counterparties.

Timing of SkyMiles Sales. In December 2011, we amended our American Express agreements and agreed to sell $675 million of unrestricted SkyMiles to American Express in each December from 2011 through 2014. Pursuant to the December 2011 amendment, American Express purchased $675 million of unrestricted SkyMiles in each of those years with the final payment in 2014. The SkyMiles purchased in December 2014 were utilized by American Express in 2015. There were no advanced sales of SkyMiles in 2015 or 2016.

Pension Contributions. We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and are frozen for future benefit accruals. Our funding obligations for these plans are governed by the Employee Retirement Income Security Act, as modified by the Pension Protection Act of 2006. In 2016, we contributed $1.3 billion, including $950 million in cash and shares of our common stock from treasury with a value of $350 million, to our qualified defined benefit pension plans during the first half of 2016. As a result of these contributions, we satisfied, on an accelerated basis, our 2016 required contributions for our defined benefit plans, including more than $750 million above the minimum funding requirements. We contributed $1.2 billion and $917 million in 2015 and 2014, respectively. We estimate our funding under these plans will total at least $1.2 billion in 2017, including $700 million above the minimum funding requirements.

Profit Sharing. Our broad-based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the program defines profit as pre-tax profit adjusted for profit sharing and certain other items.

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We paid $1.5 billion in February 2016, $1.1 billion in two payments, $756 million in February 2015 and more than $300 million in October 2014, and $506 million in February 2014 to our employees in recognition of their contributions toward meeting our financial goals. During the year ended December 2016, we recorded $1.1 billion in profit sharing expense based on 2016 pre-tax profit, which will be paid to employees in February 2017.

Beginning with 2016 (to be paid out in 2017), the profit sharing program for merit, ground and flight attendant employees was adjusted to pay 10% of annual pre-tax profit (as defined by the terms of the program) and, if we exceed our prior-year results, the program will pay 20% of the year-over-year increase in pre-tax profit to eligible employees. For years prior to 2016, our profit sharing program paid 10% to all eligible employees for the first $2.5 billion of annual profit and 20% of annual profit above $2.5 billion. The profit sharing program for pilots remains unchanged from the prior year and will continue under its current terms.

Investing Activities

Capital Expenditures. Our capital expenditures were $3.4 billion in 2016, $2.9 billion in 2015 and $2.2 billion in 2014. Our capital expenditures during 2016 were primarily related to the purchase of B-737-900ER aircraft to replace a portion of our older B-757-200 aircraft, purchases of A321-200 and A330-300 aircraft, advanced deposit payments on future aircraft order commitments and seat density projects for our domestic fleet. Our capital expenditures during 2015 and 2014 were primarily for the purchase of aircraft and modifications to upgrade aircraft interiors that enhance our product offering.

We have committed to future aircraft purchases that will require significant capital investment and have obtained long-term financing commitments for a substantial portion of the purchase price of these aircraft. We expect that we will invest approximately $3.5 billion in 2017 primarily for (a) aircraft, including deliveries of B-737-900ERs, A321-200s and A350-900s, along with advance deposit payments for these and our new A330-900neo and CS100 orders as well as for (b) aircraft modifications, the majority of which relate to increasing the seat density and enhancing the cabins on our domestic fleet. We expect that the 2017 investments will be funded primarily through cash flows from operations.

Equity Investments. We own 4.2% of the outstanding shares of Grupo Aeroméxico, and we have derivative contracts that may be settled for shares of Grupo Aeroméxico. Our total derivative contract holdings represent 12.8% of Grupo Aeroméxico's shares. During 2015, we announced our intention to create an antitrust immunized commercial joint venture with Aeroméxico and to acquire additional shares of the capital stock of Grupo Aeroméxico through a cash tender offer, both subject to regulatory approvals. The Mexican and U.S. regulators approved antitrust immunity for the joint venture during 2016, subject to certain conditions. Delta and Aeroméxico have accepted the conditions and are in the process of implementing the necessary actions in order to satisfy the conditions. We expect both the joint venture to be implemented and the tender offer to be completed in the first half of 2017. As a result of the tender offer, when combined with our current holdings and derivative positions, we would own up to 49% of the outstanding capital stock of Grupo Aeroméxico. The total amount to be paid for the tender offer shares and the shares underlying the derivatives is expected to be up to $765 million.

LAX Redevelopment. During the September 2016 quarter, we executed a new lease agreement with Los Angeles World Airports ("LAWA"), which owns and operates LAX, and announced plans to modernize, upgrade and connect Terminals 2 and 3 at LAX over the next seven years. Based on the lease agreement, we will design and manage the construction of the initial investment of $350 million to renovate gate areas, support space and other amenities for passengers, upgrade the baggage handling systems in the terminals and facilitate the relocation of those airlines currently located in Terminals 2 and 3 to Terminals 5, 6 and Tom Bradley International Terminal ("TBIT"). Subject to required approvals, we have an option to expand the project, which could cost an additional $1.5 billion and would include (1) redevelopment of Terminal 3 and enhancement of Terminal 2, (2) rebuild of the ticketing, arrival hall and security checkpoint, (3) construction of infrastructure for the planned airport people mover (4) ramp improvements and (5) construction of a secure connector to the north side of TBIT. We expect a substantial majority of the project costs will be funded by a quasi-governmental entity.

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Financing Activities

Debt and Capital Leases. The principal amount of debt and capital leases has declined from $11.7 billion at the beginning of 2014 to $7.4 billion at December 31, 2016. Since December 31, 2009, we have reduced our principal amount of debt and capital leases by $10.9 billion. We have focused on reducing our total debt in recent years as part of our strategy to strengthen our balance sheet. As a result, we received upgrades to our credit ratings by all three major rating agencies, including investment grade ratings from Moody's and Fitch. Continued improvement in our credit ratings could result in lower costs of borrowing, among other benefits.

At December 31, 2016, our ratings were:

Rating Agency	Current Rating	Outlook
Moody's	Baa3	Stable
Fitch	BBB-	Stable
Standard & Poor's	BB+	Positive

In connection with the retirement and termination of the outstanding loans under our existing $2.5 billion Senior Secured Credit Financing Facilities (due April 2016 and April 2017), we completed refinancing transactions in August 2015 with new debt consisting of $2.0 billion of Senior Secured Credit Facilities and $500 million of 2015-1 pass through certificates. The Senior Secured Credit Facilities consist of a $1.5 billion Revolving Credit Facility and a $500 million Term Loan Facility.

Capital Returns to Shareholders. Since 2013, our Board of Directors has implemented three programs to return capital to shareholders through quarterly dividends and share repurchases. Since first implementing our quarterly dividend in 2013, we have increased the dividend per share by 50% annually and paid $1.2 billion in total dividends, including $509 million in 2016. Through dividends and share repurchases, we have returned nearly $7.4 billion to shareholders since 2013, while reducing outstanding shares by approximately 14% compared to the beginning of 2013. During 2016 alone, we repurchased and retired 60 million shares at a cost of $2.6 billion.

(in millions, except repurchase price)	Share Repurchase Authorization	Average Repurchase Price	Planned Completion Date	Authorization Remaining
May 2013 Program	$ 500	$ 28.43	June 30, 2016	Completed June 2014
May 2014 Program	$ 2,000	$ 42.86	December 31, 2016	Completed June 2015
May 2015 Program	$ 5,000	$ 44.03	December 31, 2017	$ 1,350

On February 10, 2017, the Board of Directors declared a $0.2025 per share dividend for shareholders of record as of February 24, 2017.

Fuel Hedge Restructuring. During 2015, we effectively deferred settlement of a portion of our hedge portfolio until 2016 by entering into fuel derivative transactions that, excluding market movements from the date of inception, settled and provided approximately $300 million in cash receipts during the second half of 2015 and required approximately $300 million in cash payments in 2016. We early terminated certain of these deferral transactions in 2015. As a result, we reported $429 million in cash receipts and $71 million in cash payments associated with these deferral transactions in 2015.

During the March 2016 quarter, we entered into transactions to further defer settlement of a portion of our hedge portfolio until 2017. These deferral transactions, excluding market movements from the date of inception, provided approximately $300 million in cash receipts during the second half of 2016 and require approximately $300 million in cash payments in 2017.

During the June 2016 quarter, we early terminated certain of our outstanding deferral transactions and made cash payments of $170 million, including normal settlements. As a result, during the year ended December 31, 2016, we reported $291 million in cash receipts and $451 million in cash payments associated with these transactions. For additional information regarding these deferral transactions, see Note 4 to the Notes to the Consolidated Financial Statements.

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Undrawn Lines of Credit

We have $2.5 billion available in undrawn revolving lines of credit. Our credit facilities have covenants, including minimum collateral coverage ratios. If we are not in compliance with these covenants, we may be required to repay amounts borrowed under the credit facilities or we may not be able to draw on them. We currently have a substantial amount of unencumbered assets available to pledge as collateral.

Covenants

We were in compliance with the covenants in our financing agreements at December 31, 2016.

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Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2016 that we expect will be paid in cash. The table does not include amounts that are contingent on events or other factors that are uncertain or unknown at this time, including legal contingencies, uncertain tax positions and amounts payable under collective bargaining arrangements, among others. In addition, the table does not include expected significant cash payments representing obligations that arise in the ordinary course of business that do not include contractual commitments.

The amounts presented are based on various estimates, including estimates regarding the timing of payments, prevailing interest rates, volumes purchased, the occurrence of certain events and other factors. Accordingly, the actual results may vary materially from the amounts presented in the table.

	Contractual Obligations by Year[(1)]						
(in millions)	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt (see Note 6)							
Principal amount	$1,038	$2,160	$1,289	$527	$345	$1,753	$7,112
Interest payments	311	259	172	114	91	214	1,161
Capital lease obligations (see Note 7)							
Principal amount	122	70	51	39	22	20	324
Interest payments	23	15	9	4	2	1	54
Operating lease payments (see Note 7)	1,572	1,443	1,304	1,133	862	6,781	13,095
Aircraft purchase commitments (see Note 9)	2,580	2,980	3,380	1,730	1,130	660	12,460
Contract carrier obligations (see Note 9)	2,039	1,827	1,562	1,220	737	1,196	8,581
Employee benefit obligations (see Note 8)	657	535	552	598	561	9,950	12,853
Other obligations	1,290	410	260	200	200	1,330	3,690
Total	$9,632	$9,699	$8,579	$5,565	$3,950	$21,905	$59,330

(1) For additional information, see the Notes to the Consolidated Financial Statements referenced in the table above.

Long-Term Debt, Principal Amount. Represents scheduled principal payments on long-term debt.

Long-Term Debt, Interest Payments. Represents estimated interest payments under our long-term debt based on the interest rates specified in the applicable debt agreements. Interest payments on variable interest rate debt were calculated using London interbank offered rates ("LIBOR") at December 31, 2016.

Operating Lease Payments. Represents our minimum rental commitments under noncancelable operating leases (including certain aircraft flown by regional carriers).

Aircraft Purchase Commitments. Represents our commitments to purchase 51 B-737-900ER, 67 A321-200, 75 CS100, 25 A330-900neo, 25 A350-900 and two A330-300 aircraft.

Contract Carrier Obligations. Represents our estimated minimum fixed obligations under capacity purchase agreements with third-party regional carriers. The reported amounts are based on (1) the required minimum levels of flying by our contract carriers under the applicable agreements and (2) assumptions regarding the costs associated with such minimum levels of flying.

Employee Benefit Obligations. Represents primarily (1) our estimated minimum required funding for our qualified defined benefit pension plans based on actuarially determined estimates and (2) projected future benefit payments from our unfunded postretirement and postemployment plans. For additional information about our employee benefit obligations, see "Critical Accounting Policies and Estimates."

Other Obligations. Represents estimated purchase obligations under which we are required to make minimum payments for goods and services, including, but not limited to, insurance, marketing, maintenance, technology, sponsorships and other third-party services and products.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are those that require significant judgments and estimates. Accordingly, the actual results may differ materially from these estimates. For a discussion of these and other accounting policies, see Note 1 of the Notes to the Consolidated Financial Statements.

Frequent Flyer Program

Our SkyMiles program offers incentives to travel on Delta. This program allows customers to earn mileage credits by flying on Delta, Delta Connection and airlines that participate in the SkyMiles program, as well as through participating companies such as credit card companies, hotels and car rental agencies. We sell mileage credits to non-airline businesses, customers and other airlines. Effective January 1, 2015, the SkyMiles program was modified from a model in which customers earn redeemable mileage credits based on distance traveled to a model based on ticket price. This award change did not affect the way we account for the program.

The SkyMiles program includes two types of transactions that are considered revenue arrangements with multiple deliverables. As discussed below, these are (1) passenger ticket sales earning mileage credits and (2) the sale of mileage credits to participating companies with which we have marketing agreements. Mileage credits are a separate unit of accounting as they can be redeemed by customers in future periods for air travel on Delta and participating airlines, membership in our Sky Club and other program awards.

Passenger Ticket Sales Earning Mileage Credits. Passenger ticket sales earning mileage credits under our SkyMiles program provide customers with (1) mileage credits earned and (2) air transportation. We value each deliverable on a standalone basis. Our estimate of the selling price of a mileage credit is based on an analysis of our sales of mileage credits to other airlines and customers, which is re-evaluated at least annually. We use established ticket prices to determine the estimated selling price of air transportation. We allocate the total amount collected from passenger ticket sales between the deliverables based on their relative selling prices.

We defer revenue for the mileage credits related to passenger ticket sales when the credits are earned and recognize it as passenger revenue when miles are redeemed and services are provided. We record the air transportation portion of the passenger ticket sales in air traffic liability and recognize these amounts in passenger revenue when we provide transportation or when the ticket expires unused. A hypothetical 10% increase in our estimate of the standalone selling price of a mileage credit would decrease passenger revenue by approximately $50 million, as a result of an increase in the amount of revenue deferred from the mileage component of passenger ticket sales.

Sale of Mileage Credits. Customers may earn mileage credits through participating companies such as credit card companies, hotels and car rental agencies with which we have marketing agreements to sell mileage credits. Our contracts to sell mileage credits under these marketing agreements have multiple deliverables, as defined below.

Our most significant contract to sell mileage credits relates to our co-brand credit card relationship with American Express. In December 2014, we amended our marketing agreements with American Express, which increased the value we receive under the agreements and extended the term to 2022. The amended agreements became effective January 1, 2015. We account for the agreements consistent with the accounting method that allocates the consideration received to the individual products and services delivered based on their relative selling prices. We determined our best estimate of the selling prices by considering discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) the rate at which we sell mileage credits to other airlines, (3) published rates on our website for baggage fees, discounted access to Delta Sky Club lounges and other benefits while traveling on Delta and (4) brand value. The increased value received under the amended agreements increases the amount of deferred revenue for the travel component and increases the value of the other deliverables, which are recognized in other revenue as they are provided.

We recognize revenue as we deliver each sales element. We defer the travel deliverable (mileage credits) as part of frequent flyer deferred revenue and recognize passenger revenue as the mileage credits are used for travel. The revenue allocated to the remaining deliverables is recorded in other revenue. We recognize the revenue for these services as they are performed.

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Breakage. For mileage credits that we estimate are not likely to be redeemed ("breakage"), we recognize the associated value proportionally during the period in which the remaining mileage credits are expected to be redeemed. We use statistical models to estimate breakage based on historical redemption patterns. A change in assumptions as to the period over which mileage credits are expected to be redeemed, the actual redemption activity for mileage credits or the estimated fair value of mileage credits expected to be redeemed could have a material impact on our revenue in the year in which the change occurs and in future years. At December 31, 2016, the aggregate deferred revenue balance associated with the SkyMiles program was $3.9 billion. A hypothetical 1% change in the number of outstanding miles estimated to be redeemed would result in a $31 million impact on our deferred revenue liability at December 31, 2016.

Goodwill and Indefinite-Lived Intangible Assets

We apply a fair value-based impairment test to the carrying value of goodwill and indefinite-lived intangible assets on an annual basis (as of October 1) and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. We assess the value of our goodwill and indefinite-lived assets under either a qualitative or quantitative approach. Under a qualitative approach, we consider various market factors, including the key assumptions listed below. We analyze these factors to determine if events and circumstances have affected the fair value of goodwill and indefinite-lived intangible assets. If we determine that it is more likely than not that the asset may be impaired, we use the quantitative approach to assess the asset's fair value and the amount of the impairment. Under a quantitative approach, we calculate the fair value of the asset using the key assumptions listed below.

When we evaluate goodwill for impairment using a quantitative approach, we estimate the fair value of the reporting unit by considering both market capitalization and projected discounted future cash flows (an income approach). When we perform a quantitative impairment assessment of our indefinite-lived intangible assets, fair value is estimated based on (1) recent market transactions, where available, (2) the royalty method for the Delta tradename (which assumes hypothetical royalties generated from using our tradename) or (3) projected discounted future cash flows (an income approach).

Key Assumptions. The key assumptions in our impairment tests include: (1) forecasted revenues, expenses and cash flows, (2) terminal period revenue growth and cash flows, (3) an estimated weighted average cost of capital, (4) assumed discount rates depending on the asset and (5) a tax rate. These assumptions are consistent with those hypothetical market participants would use. Since we are required to make estimates and assumptions when evaluating goodwill and indefinite-lived intangible assets for impairment, actual transaction amounts may differ materially from these estimates. In addition, we consider the amount by which the intangible assets' fair values exceeded their respective carrying values in the most recent fair value measurements calculated using a quantitative approach.

Changes in certain events and circumstances could result in impairment or a change from indefinite-lived to definite-lived. Factors which could cause impairment include, but are not limited to, (1) negative trends in our market capitalization, (2) reduced profitability resulting from lower passenger mile yields or higher input costs (primarily related to fuel and employees), (3) lower passenger demand as a result of weakened U.S. and global economies, (4) interruption to our operations due to a prolonged employee strike, terrorist attack, or other reasons, (5) changes to the regulatory environment (e.g., diminished slot restrictions or additional Open Skies agreements), (6) competitive changes by other airlines and (7) strategic changes to our operations leading to diminished utilization of the intangible assets.

We assessed each of the above assumptions in our most recent impairment analyses. The combination of our most recently completed annual results and our projected revenues, expenses and cash flows more than offset any negative events and circumstances. The stabilized operating environment for U.S. airlines has led to improved financial results.

Goodwill. Our goodwill balance, which is related to the airline segment, was $9.8 billion at December 31, 2016. Based upon our qualitative assessment of all relevant factors, including applicable factors noted in "*Key Assumptions*" above, we determined that there was no indication that goodwill was impaired.

Identifiable Intangible Assets. Our identifiable intangible assets, which are related to the airline segment, had a net carrying amount of $4.8 billion at December 31, 2016, of which $4.7 billion related to indefinite-lived intangible assets. Indefinite-lived assets are not amortized and consist primarily of routes, slots, the Delta tradename and assets related to SkyTeam and collaborative arrangements. Definite-lived assets consist primarily of marketing and maintenance service agreements.

In 2016, we performed qualitative assessments of our indefinite-lived intangible assets other than the Pacific routes and slots asset, including applicable factors noted in "*Key Assumptions*" above, and determined that there was no indication that the assets were impaired. Our qualitative assessments include analyses and weighting of all relevant factors, which impact the fair value of our indefinite-lived intangible assets.

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We obtained the Pacific routes and slots asset as part of the acquisition of Northwest Airlines in 2008. This intangible asset is composed of Pacific route authorities and takeoff and landing rights ("slots") at capacity-constrained airports in Asia, including Tokyo-Narita airport. Changes in key inputs and assumptions, including (1) new or enhanced joint ventures or alliances, (2) legislative or regulatory changes, including access to Tokyo's Haneda airport, (3) foreign currency exchange rates, (4) fuel costs and (5) Pacific region profitability, could impact the value of this asset in the future. We performed a quantitative assessment of our Pacific routes and slots indefinite-lived intangible asset and determined that there was no indication that the asset was impaired as the fair value significantly exceeded the carrying value.

Long-Lived Assets

Our flight equipment and other long-lived assets have a recorded value of $24.4 billion at December 31, 2016. This value is based on various factors, including the assets' estimated useful lives and salvage values. We review flight equipment and other long-lived assets used in operations for impairment losses when events and circumstances indicate the assets may be impaired. Factors which could be indicators of impairment include, but are not limited to, (1) a decision to permanently remove flight equipment or other long-lived assets from operations, (2) significant changes in the estimated useful life, (3) significant changes in projected cash flows, (4) permanent and significant declines in fleet fair values and (5) changes to the regulatory environment. For long-lived assets held for sale, we discontinue depreciation and record impairment losses when the carrying amount of these assets is greater than the fair value less the cost to sell.

To determine whether impairments exist 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 mile yield, fuel costs, labor costs and other relevant factors. If an impairment occurs, the impairment loss recognized is the amount by which the fleet'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.

Defined Benefit Pension Plans

We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and frozen for future benefit accruals. As of December 31, 2016, the unfunded benefit obligation for these plans recorded on our Consolidated Balance Sheet was $10.6 billion. During 2016, we contributed $1.3 billion to these plans and recorded $251 million of expense in salaries and related costs on our Consolidated Statement of Operations. In 2017, we estimate we will contribute at least $1.2 billion to these plans, including $700 million of contributions above the minimum funding requirements. The most critical assumptions impacting our defined benefit pension plan obligations and expenses are the discount rate, the expected long-term rate of return on plan assets and life expectancy.

Weighted Average Discount Rate. 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 to value the obligations of 4.20% and 4.57% at December 31, 2016 and 2015, respectively. Our weighted average discount rate for net periodic pension benefit cost in each of the past three years has varied from the rate selected on our measurement date, ranging from 4.99% to 4.13% between 2014 and 2016.

Expected Long-Term Rate of Return. Our expected long-term rate of return on plan assets is based primarily on plan-specific investment studies using historical market return and volatility data. Modest excess return expectations versus some public market indices are incorporated into the return projections based on the actively managed structure of the investment programs and their records of achieving such returns historically. We also expect to receive a premium for investing in less liquid private markets. We review our rate of return on plan assets assumptions annually. Our annual investment performance for one particular year does not, by itself, significantly influence our evaluation. The investment strategy for our defined benefit pension plan assets is to earn a long-term return that meets or exceeds our annualized return target while taking an acceptable level of risk and maintaining sufficient liquidity to pay current benefits and other cash obligations of the plan. This is achieved by investing in a globally diversified mix of public and private equity, fixed income, real assets, hedge funds and other assets and instruments. Our expected long-term rate of return on assets for net periodic pension benefit cost for the year ended December 31, 2016 was 8.94%.

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The impact of a 0.50% change in these assumptions is shown in the table below:

Change in Assumption	Effect on 2017 Pension Expense	Effect on Accrued Pension Liability at December 31, 2016
0.50% decrease in weighted average discount rate	$(5) million	$1.3 billion
0.50% increase in weighted average discount rate	$2 million	$(1.2) billion
0.50% decrease in expected long-term rate of return on assets	$55 million	$—
0.50% increase in expected long-term rate of return on assets	$(55) million	$—

Life Expectancy. Changes in life expectancy may significantly change our benefit obligations and future expense. We use the Society of Actuaries' ("SOA") published mortality data, other publicly available information and our own perspective of future longevity to develop our best estimate of life expectancy. In 2014, the SOA published updated mortality tables for U.S. plans and an updated improvement scale, which both reflected significant improvements in longevity. Since then, the SOA has published annual updates to their improvement scale. Each year we consider updates by the SOA in setting our mortality assumptions for purposes of measuring pension and other postretirement and postemployment benefit obligations.

Funding. Our funding obligations for qualified defined benefit plans are governed by the Employee Retirement Income Security Act. The Pension Protection Act of 2006 allows commercial airlines to elect alternative funding rules ("Alternative Funding Rules") for defined benefit plans that are frozen. We elected the Alternative Funding Rules under which the unfunded liability for a frozen defined benefit plan may be amortized over a fixed 17-year period and is calculated using an 8.85% discount rate.

While the Pension Protection Act makes our funding obligations for these plans more predictable, factors outside our control continue to have an impact on the funding requirements. Estimates of future funding requirements are based on various assumptions and can vary materially from actual funding requirements. Assumptions include, among other things, the actual and projected market performance of assets, statutory requirements and demographic data for participants. For additional information, see Note 8 of the Notes to the Consolidated Financial Statements.

Recent Accounting Standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." Under this ASU and subsequently issued amendments, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration received. Entities may use a full retrospective approach or report the cumulative effect as of the date of adoption. The standard is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption of the standard is permitted, but not before December 15, 2016.

We are currently evaluating how the adoption of the revenue recognition standard will impact our Consolidated Financial Statements. Interpretations are on-going and could have a significant impact on our implementation. While we currently believe the adoption will have little effect on earnings, the classification of certain transactions within revenues and between revenues and operating expenses may change. Also, the adoption may increase the rate used to account for frequent flyer miles, which would impact the balance of the frequent flyer liability. We plan to adopt the standard effective January 1, 2018.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This standard will require all leases with durations greater than twelve months to be recognized on the balance sheet and is effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted.

We have not completed our assessment, but we believe adoption of this standard will have a significant impact on our Consolidated Balance Sheets. However, we do not expect the adoption to have a significant impact on the recognition, measurement or presentation of lease expenses within the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows. Information about our undiscounted future lease payments and the timing of those payments is in Note 7 of the Notes to the Consolidated Financial Statements.

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Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10)." This standard makes several changes, including the elimination of the available-for-sale classification of equity investments, and requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in net income. It is effective for interim and annual periods beginning after December 15, 2017.

Our investments in the parent companies of Aeroméxico and GOL are currently accounted for as available-for-sale with changes in fair value recognized in other comprehensive income. At the time of adoption, any amounts in accumulated other comprehensive income/(loss) ("AOCI") related to equity investments would be reclassified to retained earnings. As of December 31, 2016, a net unrealized loss of $38 million related to these investments was recorded in AOCI on our Consolidated Balance Sheet.

Equity Method Investments

In March 2016, the FASB issued ASU No. 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323)." This standard eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used since the investment was acquired. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in AOCI will be recognized in non-operating income/expense.

We adopted this standard during the March 2016 quarter. Although none of our available-for-sale or cost investments qualified for use of the equity method during 2016, we expect the tender offer for additional capital stock of Grupo Aeroméxico to be completed in the March 2017 quarter, at which point our investment will qualify for the equity method of accounting.

Statement of Cash Flows

In the second half of 2016, the FASB issued ASU Nos. 2016-15 and 2016-18 related to the classification of certain cash receipts and cash payments and the presentation of restricted cash within an entity's statement of cash flows, respectively. These standards are effective for interim and annual reporting periods beginning after December 15, 2017, but early adoption is permitted. We do not expect these standards to have a material impact on our Consolidated Statements of Cash Flows.

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Supplemental Information

We sometimes use information ("non-GAAP financial measures") that is derived from the Consolidated Financial Statements but that is not presented in accordance with GAAP. Under the U.S. Securities and Exchange Commission rules, non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP but should not be considered a substitute for or superior to GAAP results.

The following table shows a reconciliation of pre-tax income (a GAAP measure) to pre-tax income, adjusted for special items (a non-GAAP financial measure). We adjust pre-tax income for the following items to determine pre-tax income, adjusted for special items, for the reasons described below:

- *MTM adjustments and settlements.* MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period. Settlements represent cash received or paid on hedge contracts settled during the period. These items adjust fuel expense to show the economic impact of hedging, including cash received or paid on hedge contracts during the period. Adjusting for these items allows investors to better understand and analyze our core operational performance in the periods shown.

- *Restructuring and other.* Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze our recurring core performance in the periods shown.

- *Virgin Atlantic MTM adjustments*. We record our proportionate share of earnings from our equity investment in Virgin Atlantic in non-operating expense. We adjust for Virgin Atlantic's MTM adjustments to allow investors to better understand and analyze our core financial performance in the periods shown.

(in millions)	**Year Ended December 31, 2016**	**2015**
Pre-tax income	$6,636	$7,157
Adjusted for:		
MTM adjustments and settlements	(450)	(1,301)
Restructuring and other	—	35
Virgin Atlantic MTM adjustments	(115)	(26)
Pre-tax income, adjusted for special items	$6,071	$5,865

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The following table shows a reconciliation of CASM (a GAAP measure) to CASM-Ex, including profit sharing (a non-GAAP financial measure). We adjust CASM for the following items to determine CASM-Ex, including profit sharing for the reasons described below:

- *Aircraft fuel and related taxes.* The volatility in fuel prices impacts the comparability of year-over-year financial performance. The adjustment for aircraft fuel and related taxes (including our regional carriers) allows investors to better understand and analyze our non-fuel costs and year-over-year financial performance.
- *Restructuring and other.* Because of the variability in restructuring and other, the adjustment for this item is helpful to investors to analyze our recurring core performance in the periods shown.
- *Other expenses.* Other expenses include aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery cost of sales to third parties. Because these businesses are not related to the generation of a seat mile, we adjust for the costs related to these sales to provide a more meaningful comparison of the costs of our airline operations to the rest of the airline industry.

	Year Ended December 31,	
	2016	**2015**
CASM (cents)	12.98 ¢	13.33 ¢
Adjusted for:		
Aircraft fuel and related taxes	(2.38)	(3.07)
Restructuring and other	—	(0.01)
Other expenses	(0.47)	(0.48)
CASM-Ex, including profit sharing	10.13 ¢	9.77 ¢

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The following table shows our calculation of ROIC. We present ROIC as management believes this metric is helpful to investors in assessing our ability to generate returns using its invested capital. ROIC is operating income, adjusted, divided by adjusted average invested capital. We adjust operating income for MTM adjustments and settlements and restructuring and other for the same reasons discussed above for pre-tax income. All adjustments to calculate ROIC are intended to provide a more meaningful comparison of our results to the airline industry and other high-quality industrial companies.

(in millions, except % of return)	**Year Ended December 31, 2016**
Operating income	$6,952
Adjusted for:	
MTM adjustments and settlements	(450)
Restructuring and other	—
7x annual interest expense included in aircraft rent	188
Amortization of retirement actuarial loss	231
Operating income, adjusted	$6,921
Adjusted book value of equity	$19,954
Average adjusted net debt	6,601
Adjusted average invested capital(1)	$26,555
ROIC	26.1 %

(1) Adjusted average invested capital represents the sum of the average book value of equity at the end of the last five quarters, adjusted for pension and fuel hedge impacts within other comprehensive income. Average adjusted net debt is calculated using amounts as of the end of the last five quarters.

The following table shows a reconciliation of adjusted net debt. We use adjusted total debt, including aircraft rent and long-term adjusted debt and capital leases, to present estimated financial obligations. We reduce adjusted total debt by cash, cash equivalents and short-term investments, and hedge margin (receivable) payable, resulting in adjusted net debt, to present the amount of assets needed to satisfy the debt. We believe this metric is helpful to investors in assessing the company's overall debt profile. We reduce adjusted total debt by the amount of hedge margin (receivable) payable, which reflects cash (posted to) received from counterparties, as we believe this removes the impact of current market volatility on our unsettled hedges and is a better representation of the continued progress we have made on our debt initiatives.

(in millions)	**December 31, 2016**	**December 31, 2009**
Debt and capital lease obligations	$7,332	$17,198
Plus: unamortized discount, net and debt issuance costs	104	1,123
Adjusted	7,436	18,321

debt and capital lease obligations		
Plus: 7x last twelve months' aircraft rent	1,995	3,360
Adjusted total debt	9,431	21,681
Less: cash, cash equivalents and short-term investments	(3,249)	(4,678)
Less: hedge margin (receivable) payable	(38)	10
Adjusted net debt	$6,144	$17,013

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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.

CASM - (Operating) Cost per Available Seat Mile. The amount of operating cost incurred per ASM during a reporting period. CASM is also referred to as "unit cost."

CASM-Ex, including profit sharing - The amount of operating cost incurred per ASM during a reporting period, adjusted for aircraft fuel and related taxes, restructuring and other and other expenses, including aircraft maintenance and staffing services we provide to third parties, our vacation wholesale operations and refinery cost of sales to third parties.

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

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

PRASM - Passenger Revenue per ASM. The amount of passenger revenue earned per ASM during a reporting period. PRASM 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

We have market risk exposure related to aircraft fuel prices, interest rates and foreign currency exchange rates. Market risk is the potential negative impact of adverse changes in these prices or rates on our Consolidated Financial Statements. In an effort to manage our exposure to these risks, we enter into derivative contracts and may adjust our derivative portfolio as market conditions change. We expect adjustments to the fair value of financial instruments to result in ongoing volatility in earnings and stockholders' equity.

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

Changes in aircraft fuel prices materially impact our results of operations. We have recently managed our fuel price risk through a hedging program intended to reduce the financial impact from changes in the price of jet fuel as jet fuel prices are subject to potential volatility. During the March 2016 quarter, to better participate in the low fuel price environment, we entered into derivatives designed to offset and effectively neutralize our existing airline segment hedge positions. As a result, we locked in the amount of net hedge settlements for the remainder of 2016 and 2017. During the June 2016 quarter, we early settled $455 million of our airline segment's 2016 positions. We recognized $366 million of fuel hedge losses during the year ended December 31, 2016.

For the year ended December 31, 2016, aircraft fuel and related taxes, including our regional carriers, accounted for $6.0 billion, or 18.3%, of our total operating expense, based on annual consumption of approximately four billion gallons of jet fuel. Assuming we do not enter into new derivative contracts, we are exposed to changes in the market price of jet fuel. A one cent increase in the cost of jet fuel would result in approximately $40 million of additional annual fuel expense.

Interest Rate Risk

Our exposure to market risk from adverse changes 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.

At December 31, 2016, we had $3.4 billion of fixed-rate long-term debt and $3.7 billion of variable-rate long-term debt. An increase of 100 basis points in average annual interest rates would have decreased the estimated fair value of our fixed-rate long-term debt by $120 million at December 31, 2016 and would have increased the annual interest expense on our variable-rate long-term debt by $37 million, exclusive of the impact of our interest rate hedge contract. We have one interest rate hedge contract with a notional value of $349 million.

Foreign Currency Exchange Risk

We are subject to foreign currency exchange rate risk because we have revenue and expense denominated in foreign currencies with our primary exposures being the Japanese yen and Canadian dollar. To manage exchange rate risk, we execute both our international revenue and expense transactions in the same foreign currency to the extent practicable. From time to time, we may also enter into foreign currency option and forward contracts. At December 31, 2016, we had open foreign currency forward contracts totaling a $27 million asset position. We estimate that a 10% depreciation or appreciation in the price of the Japanese yen and Canadian dollar in relation to the U.S. dollar would change the projected cash settlement value of our open hedge contracts by a $45 million gain or $55 million loss, respectively, for the year ending December 31, 2017.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Delta Air Lines, Inc.

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' equity for each of the three years in the period ended December 31, 2016. 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Delta Air Lines, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Delta Air Lines, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 13, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 13, 2017

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DELTA AIR LINES, INC.
Consolidated Balance Sheets

	December 31,	
(in millions, except share data)	**2016**	**2015**
ASSETS		
Current Assets:		
Cash and cash equivalents	$2,762	$1,972
Short-term investments	487	1,465
Accounts receivable, net of an allowance for uncollectible accounts of $15 and $9 at December 31, 2016 and 2015, respectively	2,064	2,020
Fuel inventory	519	379
Expendable parts and supplies inventories, net of an allowance for obsolescence of $110 and $114 at December 31, 2016 and 2015, respectively	372	318
Hedge derivative asset	393	1,987
Prepaid expenses and other	854	915
Total current assets	7,451	9,056
Property and Equipment, Net:		
Property and equipment, net of accumulated depreciation and amortization of $12,456 and $10,871 at December 31, 2016 and 2015, respectively	24,375	23,039
Other Assets:		
Goodwill	9,794	9,794
Identifiable intangibles, net of accumulated amortization of $828 and $811 at December 31, 2016 and 2015, respectively	4,844	4,861
Deferred income taxes, net	3,064	4,956
Other noncurrent assets	1,733	1,428
Total other assets	19,435	21,039
Total assets	$51,261	$53,134
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital leases	$1,131	$1,563
Air traffic liability	4,626	4,503
Accounts payable	2,572	2,743
Accrued salaries and related benefits	2,924	3,195
Hedge derivative liability	688	2,581
Frequent flyer deferred revenue	1,648	1,635
Other accrued liabilities	1,650	1,306
Total current liabilities	15,239	17,526
Noncurrent Liabilities:		
Long-term debt and capital leases	6,201	6,766
Pension, postretirement and related benefits	13,378	13,855
Frequent flyer deferred revenue	2,278	2,246
Other noncurrent liabilities	1,878	1,891
Total noncurrent liabilities	23,735	24,758
Commitments and Contingencies		
Stockholders' Equity:		

Common stock at $0.0001 par value; 1,500,000,000 shares authorized, 744,886,938 and 799,850,675 shares issued at December 31, 2016 and 2015, respectively	—	—
Additional paid-in capital	12,294	12,936
Retained earnings	7,903	5,562
Accumulated other comprehensive loss	(7,636)	(7,275)
Treasury stock, at cost, 14,149,229 and 21,066,684 shares at December 31, 2016 and 2015, respectively	(274)	(373)
Total stockholders' equity	12,287	10,850
Total liabilities and stockholders' equity	$51,261	$53,134

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

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DELTA AIR LINES, INC.
Consolidated Statements of Operations

	Year Ended December 31,		
(in millions, except per share data)	**2016**	**2015**	**2014**
Operating Revenue:			
Passenger:			
Mainline	$28,105	$28,898	$28,688
Regional carriers	5,672	5,884	6,266
Total passenger revenue	33,777	34,782	34,954
Cargo	668	813	934
Other	5,194	5,109	4,474
Total operating revenue	39,639	40,704	40,362
Operating Expense:			
Salaries and related costs	10,034	8,776	8,120
Aircraft fuel and related taxes	5,133	6,544	11,668
Regional carriers expense	4,311	4,241	5,237
Contracted services	1,991	1,848	1,749
Depreciation and amortization	1,902	1,835	1,771
Aircraft maintenance materials and outside repairs	1,823	1,848	1,828
Passenger commissions and other selling expenses	1,710	1,672	1,700
Landing fees and other rents	1,490	1,493	1,442
Profit sharing	1,115	1,490	1,085
Passenger service	907	872	810
Aircraft rent	285	250	233
Restructuring and other	—	35	716
Other	1,986	1,998	1,797
Total operating expense	32,687	32,902	38,156
Operating Income	6,952	7,802	2,206
Non-Operating Expense:			
Interest expense, net	(388)	(481)	(650)
Miscellaneous, net	72	(164)	(484)
Total non-operating expense, net	(316)	(645)	(1,134)
Income Before Income Taxes	6,636	7,157	1,072
Income Tax Provision	(2,263)	(2,631)	(413)
Net Income	$4,373	$4,526	$659
Basic Earnings Per Share	$5.82	$5.68	$0.79
Diluted Earnings Per Share	$5.79	$5.63	$0.78
Cash Dividends Declared Per Share	$0.68	$0.45	$0.30

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

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DELTA AIR LINES, INC.
Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31,		
(in millions)	**2016**	**2015**	**2014**
Net Income	$4,373	$4,526	$659
Other comprehensive income (loss):			
Net change in foreign currency and interest rate derivatives	(43)	(82)	3
Net change in pension and other benefits	(360)	163	(2,194)
Net change in investments	42	(45)	10
Total Other Comprehensive (Loss) Income	(361)	36	(2,181)
Comprehensive Income (Loss)	$4,012	$4,562	$(1,522)

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

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DELTA AIR LINES, INC.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
(in millions)	**2016**	**2015**	**2014**
Cash Flows From Operating Activities:			
Net income	$4,373	$4,526	$659
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,902	1,835	1,771
Hedge derivative contracts	(342)	(1,366)	2,186
Deferred income taxes	2,223	2,581	414
Pension, postretirement and postemployment payments greater than expense	(717)	(1,013)	(723)
Restructuring and other	—	35	758
Extinguishment of debt	—	22	268
Equity investment (earnings) loss	(160)	(35)	106
Changes in certain assets and liabilities:			
Receivables	(147)	(56)	(302)
Restricted cash and cash equivalents	(11)	7	62
Fuel inventory	(140)	155	172
Hedge margin	81	806	(922)
Prepaid expenses and other current assets	(26)	(102)	58
Air traffic liability	123	207	174
Frequent flyer deferred revenue	45	(301)	(238)
Profit sharing	(383)	734	264
Accounts payable and accrued liabilities	285	(201)	(36)
Other, net	99	93	276
Net cash provided by operating activities	7,205	7,927	4,947
Cash Flows From Investing Activities:			
Property and equipment additions:			
Flight equipment, including advance payments	(2,617)	(2,223)	(1,662)
Ground property and equipment, including technology	(774)	(722)	(587)
Purchase of equity investments	—	(500)	—
Purchase of short-term investments	(1,707)	(998)	(1,795)
Redemption of short-term investments	2,686	739	1,533
Acquisition of London-Heathrow slots	—	(276)	—
Proceeds for sales of E190 aircraft	226	—	—
Other, net	31	25	48
Net cash used in investing activities	(2,155)	(3,955)	(2,463)
Cash Flows From Financing Activities:			
Payments on long-term debt and capital lease obligations	(1,709)	(2,558)	(2,928)
Repurchase of common stock	(2,601)	(2,200)	(1,100)
Cash dividends	(509)	(359)	(251)
Fuel card obligation	211	(340)	(41)
Payments on hedge derivative contracts	(451)	(71)	—
Proceeds from hedge derivative contracts	291	429	—
Proceeds from long-term obligations	450	1,038	1,020
Other, net	58	(27)	60

Net cash used in financing activities	(4,260)	(4,088)	(3,240)
Net Increase (Decrease) in Cash and Cash Equivalents	790	(116)	(756)
Cash and cash equivalents at beginning of period	1,972	2,088	2,844
Cash and cash equivalents at end of period	$2,762	$1,972	$2,088
Supplemental Disclosure of Cash Paid for Interest	$385	$452	$560
Non-Cash Transactions:			
Treasury stock contributed to our qualified defined benefit pension plans	$350	$—	$—
Flight equipment under capital leases	$86	$111	$28

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

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DELTA AIR LINES, INC.
Consolidated Statements of Stockholders' Equity

(in millions, except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock Shares	Treasury Stock Amount	Total
Balance at January 1, 2014	869	$ —	$ 13,982	$ 3,049	$ (5,130)	18	$ (258)	$ 11,643
Net income	—	—	—	659	—	—	—	659
Dividends declared	—	—	—	(252)	—	—	—	(252)
Other comprehensive loss	—	—	—	—	(2,181)	—	—	(2,181)
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, $31.46[1] per share)	3	—	81	—	—	2	(55)	26
Stock options exercised	2	—	18	—	—	—	—	18
Stock purchased and retired	(29)	—	(460)	(640)	—	—	—	(1,100)
Balance at December 31, 2014	845	—	13,621	2,816	(7,311)	20	(313)	8,813
Net income	—	—	—	4,526	—	—	—	4,526
Dividends declared	—	—	—	(359)	—	—	—	(359)
Other comprehensive income	—	—	—	—	36	—	—	36
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, $46.83[1] per share)	1	—	76	—	—	1	(60)	16
Stock options exercised	2	—	18	—	—	—	—	18
Stock purchased and retired	(48)	—	(779)	(1,421)	—	—	—	(2,200)
Balance at December 31, 2015	800	—	12,936	5,562	(7,275)	21	(373)	10,850
Net income	—	—	—	4,373	—	—	—	4,373
Change in accounting principle	—	—	—	95	—	—	—	95
Dividends declared	—	—	—	(509)	—	—	—	(509)
Other comprehensive loss	—	—	—	—	(361)	—	—	(361)
Shares of common stock issued and compensation expense associated with equity awards (Treasury shares withheld for payment of taxes, $44.27[1] per share)	2	—	105	—	—	1	(40)	65
Stock options exercised	3	—	32	—	—	—	—	32
Treasury stock, net, contributed to our qualified defined benefit pension plans	—	—	204	—	—	(8)	139	343
Stock purchased and retired	(60)	—	(983)	(1,618)	—	—	—	(2,601)
Balance at December 31, 2016	745	$ —	$ 12,294	$ 7,903	$ (7,636)	14	$ (274)	$ 12,287

(1) Weighted average price per share

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Delta Air Lines, Inc., a Delaware corporation, provides scheduled air transportation for passengers and cargo throughout the United States ("U.S.") and around the world. Our Consolidated Financial Statements include the accounts of Delta Air Lines, Inc. and our wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"). We do not consolidate the financial statements of any company in which we have an ownership interest of 50% or less. We are not the primary beneficiary of, nor do we have a controlling financial interest in, any variable interest entity. Accordingly, we have not consolidated any variable interest entity.

We have marketing alliances with other airlines to enhance our access to domestic and international markets. These arrangements may 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. We have received antitrust immunity for certain marketing arrangements, which enables us to offer a more integrated route network and develop common sales, marketing and discount programs for customers. Some of our marketing arrangements provide for the sharing of revenues and expenses. Revenues and expenses associated with collaborative arrangements are presented on a gross basis in the applicable line items on our Consolidated Statements of Operations.

We reclassified certain prior period amounts to conform to the current period presentation. Unless otherwise noted, all amounts disclosed are stated before consideration of income taxes.

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.

Recent Accounting Standards

Standards Effective in Future Years

Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." Under this ASU and subsequently issued amendments, revenue is recognized at the time a good or service is transferred to a customer for the amount of consideration received. Entities may use a full retrospective approach or report the cumulative effect as of the date of adoption. The standard is effective for interim and annual reporting periods beginning after December 15, 2017. Early adoption of the standard is permitted, but not before December 15, 2016.

We are currently evaluating how the adoption of the revenue recognition standard will impact our Consolidated Financial Statements. Interpretations are on-going and could have a significant impact on our implementation. While we currently believe the adoption will have little effect on earnings, the classification of certain transactions within revenues and between revenues and operating expenses may change. Also, the adoption may increase the rate used to account for frequent flyer miles, which would impact the balance of the frequent flyer liability. We plan to adopt the standard effective January 1, 2018.

Leases. In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This standard will require all leases with durations greater than twelve months to be recognized on the balance sheet and is effective for interim and annual reporting periods beginning after December 15, 2018, although early adoption is permitted.

We have not completed our assessment, but we believe adoption of this standard will have a significant impact on our Consolidated Balance Sheets. However, we do not expect the adoption to have a significant impact on the recognition, measurement or presentation of lease expenses within the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows. Information about our undiscounted future lease payments and the timing of those payments is in Note 7, "Lease Obligations."

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Statement of Cash Flows. In the second half of 2016, the FASB issued ASU Nos. 2016-15 and 2016-18 related to the classification of certain cash receipts and cash payments and the presentation of restricted cash within an entity's statement of cash flows, respectively. These standards are effective for interim and annual reporting periods beginning after December 15, 2017, but early adoption is permitted. We do not expect these standards to have a material impact on our Consolidated Statements of Cash Flows.

Financial Instruments. In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10)." This standard makes several changes, including the elimination of the available-for-sale classification of equity investments, and requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in net income. It is effective for interim and annual periods beginning after December 15, 2017.

Our investments in the parent companies of Aeroméxico and GOL are currently accounted for as available-for-sale with changes in fair value recognized in other comprehensive income. At the time of adoption, any amounts in accumulated other comprehensive income/(loss) ("AOCI") related to equity investments would be reclassified to retained earnings. As of December 31, 2016, a net unrealized loss of $38 million related to these investments was recorded in AOCI on our Consolidated Balance Sheet.

Recently Adopted Standards

Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share. In May 2015, the FASB issued ASU No. 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." Under the new standard, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient will no longer be categorized in the fair value hierarchy. We adopted this standard effective January 1, 2016 and have updated our presentation of investments measured at net asset value accordingly. See Note 8, "Employee Benefit Plans" for more information.

Equity Method Investments. In March 2016, the FASB issued ASU No. 2016-07, "Investments—Equity Method and Joint Ventures (Topic 323)." This standard eliminates the requirement that when an existing cost method investment qualifies for use of the equity method, an investor must restate its historical financial statements, as if the equity method had been used since the investment was acquired. Under the new guidance, at the point an investment qualifies for the equity method, any unrealized gain or loss in AOCI will be recognized in non-operating income/expense.

We adopted this standard during the March 2016 quarter. Although none of our available-for-sale or cost investments qualified for use of the equity method during 2016, we expect the tender offer for additional capital stock of Grupo Aeroméxico to be completed in the March 2017 quarter, at which point our investment will qualify for the equity method of accounting. For more information about our investments and the proposed cash tender offer for shares of Grupo Aeroméxico see Note 3, "Investments."

Share-Based Compensation. In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718)." This standard makes changes to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. It also clarifies the statement of cash flows presentation for certain components of share-based awards.

We adopted this standard during the June 2016 quarter. The adoption of this standard resulted in the recognition of $95 million of previously unrecognized excess tax benefits in deferred income taxes, net and an increase in retained earnings on our Consolidated Balance Sheet as of the beginning of the current year and the recognition of $33 million of excess tax benefits in our income tax provision for the year ended December 31, 2016.

Cash and Cash Equivalents and Short-Term Investments

Short-term, highly liquid investments with maturities of three months or less when purchased are classified as cash and cash equivalents. Investments with maturities of greater than three months, but not in excess of one year, when purchased are classified as short-term investments. Investments with maturities beyond one year when purchased may be classified as short-term investments if they are expected to be available to support our short-term liquidity needs. All short-term investments are classified as either available-for-sale or held-to-maturity, and realized gains and losses are recorded using the specific identification method.

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Accounts Receivable

Accounts receivable primarily consist of amounts due from credit card companies from the sale of passenger airline tickets, customers of our aircraft maintenance and cargo transportation services and other companies for the purchase of mileage credits under our frequent flyer program (the "SkyMiles program"). We provide an allowance for uncollectible accounts equal to the estimated losses expected to be incurred based on historical chargebacks, write-offs, bankruptcies and other specific analyses. Bad debt expense was not material in any period presented.

Inventories

Spare Parts. Inventories of expendable parts related to flight equipment, which cannot be economically repaired, reconditioned or reused after removal from the aircraft, are carried at moving average cost and charged to operations as consumed. An allowance for obsolescence is provided over the remaining useful life of the related fleet. We also provide allowances for parts 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.

Refinery. Refined product, feedstock and blendstock inventories, all of which are finished goods, are carried at recoverable cost. We use jet fuel in our airline operations that is produced by the refinery and procured through the exchange with third parties of gasoline, diesel and other refined products ("non-jet fuel products") the refinery produces. Cost is determined using the first-in, first-out method. Costs include the raw material consumed plus direct manufacturing costs (such as labor, utilities and supplies) incurred and an applicable portion of manufacturing overhead.

Accounting for Refinery Related Buy/Sell Agreements

To the extent that we receive jet fuel for non-jet fuel products exchanged under buy/sell agreements, we account for these transactions as nonmonetary exchanges. We have recorded these nonmonetary exchanges at the carrying amount of the non-jet fuel products transferred within aircraft fuel and related taxes on the Consolidated Statements of Operations.

Derivatives

Changes in aircraft fuel prices, interest rates and foreign currency exchange rates impact our results of operations. In an effort to manage our exposure to these risks, we enter into derivative contracts and adjust our derivative portfolio as market conditions change. We recognize derivative contracts at fair value on our Consolidated Balance Sheets.

Not Designated as Accounting Hedges. During the years 2014 to 2016, we did not designate our fuel derivative contracts as accounting hedges. We recorded changes in the fair value of our fuel hedges in aircraft fuel and related taxes. These changes in fair value include settled gains and losses as well as mark-to-market adjustments ("MTM adjustments"). MTM adjustments are defined as fair value changes recorded in periods other than the settlement period. Such fair value changes are not necessarily indicative of the actual settlement value of the underlying hedge in the contract settlement period.

Designated as Cash Flow Hedges. For derivative contracts designated as cash flow hedges (interest rate contracts and foreign currency exchange contracts), the effective portion of the gain or loss on the derivative is reported as a component of AOCI and reclassified into earnings in the same period in which the hedged transaction affects earnings. The effective portion of the derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized in non-operating expense.

Designated as Fair Value Hedges. For derivative contracts designated as fair value hedges (interest rate contracts), the gain or loss on the derivative is reported in earnings and an equivalent amount is reflected as a change in the carrying value of long-term debt and capital leases, with an offsetting loss or gain recognized in current earnings. We include the gain or loss on the hedged item in the same account as the offsetting loss or gain on the related derivative contract, resulting in no impact to our Consolidated Statements of Operations.

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The following table summarizes the risk each type of derivative contract is hedging and the classification of related gains and losses on our Consolidated Statements of Operations:

Derivative Type	Hedged Risk	Classification of Gains and Losses
Fuel hedge contracts	Fluctuations in jet fuel prices	Aircraft fuel and related taxes
Interest rate contracts	Increases in interest rates	Interest expense, net
Foreign currency exchange contracts	Fluctuations in foreign currency exchange rates	Passenger revenue

The following table summarizes the accounting treatment of our derivative contracts:

	Impact of Unrealized Gains and Losses	
Accounting Designation	**Effective Portion**	**Ineffective Portion**
Not designated as hedges	Change in fair value of hedge is recorded in earnings	
Designated as cash flow hedges	Market adjustments are recorded in AOCI	Excess, if any, over effective portion of hedge is recorded in non-operating expense
Designated as fair value hedges	Market adjustments are recorded in long-term debt and capital leases	Excess, if any, over effective portion of hedge is recorded in non-operating expense

We perform, at least quarterly, an assessment of the effectiveness of our derivative contracts designated as hedges, 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 value of the hedge in earnings. We believe our derivative contracts that continue to be designated as hedges, consisting of interest rate and foreign currency exchange contracts, will continue to be highly effective in offsetting changes in fair value or cash flow, respectively, attributable to the hedged risk.

Cash flows associated with purchasing and settling hedge contracts generally are classified as operating cash flows. However, if a hedge contract includes a significant financing element at inception, cash flows associated with the hedge contract are recorded as financing cash flows.

Hedge Margin. In accordance with our fuel, interest rate and foreign currency hedge contracts, we may require counterparties to fund the margin associated with our gain position and/or counterparties may require us to fund the margin associated with our loss position on these contracts. The amount of the margin, if any, is periodically adjusted based on the fair value of the hedge contracts. The margin requirements are intended to mitigate a party's exposure to the risk of counterparty default. We do not offset margin funded to counterparties or margin funded to us by counterparties against fair value amounts recorded for our hedge contracts.

The hedge margin we receive from counterparties is recorded in cash and cash equivalents or prepaid expenses and other, with the offsetting obligation in accounts payable. The hedge margin we provide to counterparties is recorded in prepaid expenses and other.

Long-Lived Assets

The following table summarizes our property and equipment:

		December 31,	
(in millions, except for estimated useful life)	**Estimated Useful Life**	**2016**	**2015**
Flight equipment	20-32 years	$28,135	$26,057
Ground property and equipment	3-40 years	6,581	5,862
Flight and ground equipment under capital leases	Shorter of lease term or estimated useful life	1,056	1,112
Advance payments for equipment		1,059	879
Less: accumulated depreciation and amortization[1]		(12,456)	(10,871)

Total property and equipment, net	$24,375	$23,039

(1) Includes accumulated amortization for flight and ground equipment under capital leases in the amount of $757 million and $782 million at December 31, 2016 and 2015, respectively.

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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 estimated useful lives. The estimated useful life for leasehold improvements is the shorter of lease term or estimated useful life. Depreciation and amortization expense related to our property and equipment was $1.9 billion, $1.8 billion and $1.7 billion for each of the years ended December 31, 2016, 2015 and 2014, respectively. Residual values for owned aircraft, engines, spare parts and simulators are generally 5% to 10% of cost.

We capitalize certain internal and external costs incurred to develop and implement software and amortize those costs over an estimated useful life of three to 10 years. Included in the depreciation and amortization expense discussed above, we recorded $160 million, $148 million and $129 million for amortization of capitalized software for the years ended December 31, 2016, 2015 and 2014, respectively. The net book value of these assets totaled $549 million and $420 million at December 31, 2016 and 2015, respectively.

We review flight equipment and other long-lived assets used in operations for impairment losses when events and circumstances indicate the assets may be impaired. Factors which could be indicators of impairment include, but are not limited to, (1) a decision to permanently remove flight equipment or other long-lived assets from operations, (2) significant changes in the estimated useful life, (3) significant changes in projected cash flows, (4) permanent and significant declines in fleet fair values and (5) changes to the regulatory environment. For long-lived assets held for sale, we discontinue depreciation and record impairment losses when the carrying amount of these assets is greater than the fair value less the cost to sell.

To determine whether impairments exist 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 mile yield, fuel costs, labor costs and other relevant factors. If an impairment occurs, the impairment loss recognized is the amount by which the fleet'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.

Goodwill and Other Intangible Assets

Our goodwill and identifiable intangible assets relate to the airline segment. We apply a fair value-based impairment test to the carrying value of goodwill and indefinite-lived intangible assets on an annual basis (as of October 1) and, if certain events or circumstances indicate that an impairment loss may have been incurred, on an interim basis. We assess the value of our goodwill and indefinite-lived assets under either a qualitative or quantitative approach. Under a qualitative approach, we consider various market factors, including the key assumptions listed below. We analyze these factors to determine if events and circumstances have affected the fair value of goodwill and indefinite-lived intangible assets. If we determine that it is more likely than not that the asset may be impaired, we use the quantitative approach to assess the asset's fair value and the amount of the impairment. Under a quantitative approach, we calculate the fair value of the asset using the key assumptions listed below.

We value goodwill and indefinite-lived intangible assets primarily using market capitalization and income approach valuation techniques. These measurements include the following key assumptions: (1) forecasted revenues, expenses and cash flows, (2) terminal period revenue growth and cash flows, (3) an estimated weighted average cost of capital, (4) assumed discount rates depending on the asset and (5) a tax rate. These assumptions are consistent with those hypothetical market participants would use. Since we are required to make estimates and assumptions when evaluating goodwill and indefinite-lived intangible assets for impairment, actual transaction amounts may differ materially from these estimates.

Changes in certain events and circumstances could result in impairment or a change from indefinite-lived to definite-lived. Factors which could cause impairment include, but are not limited to, (1) negative trends in our market capitalization, (2) reduced profitability resulting from lower passenger mile yields or higher input costs (primarily related to fuel and employees), (3) lower passenger demand as a result of weakened U.S. and global economies, (4) interruption to our operations due to a prolonged employee strike, terrorist attack, or other reasons, (5) changes to the regulatory environment (e.g., diminished slot restrictions or additional Open Skies agreements), (6) competitive changes by other airlines and (7) strategic changes to our operations leading to diminished utilization of the intangible assets.

Goodwill. When we evaluate goodwill for impairment using a quantitative approach, we estimate the fair value of the reporting unit by considering both market capitalization and projected discounted future cash flows (an income approach). 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 estimated fair value.

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Identifiable Intangible Assets. Indefinite-lived assets are not amortized and consist of routes, slots, the Delta tradename and assets related to SkyTeam. Definite-lived intangible assets consist primarily of marketing agreements and are amortized on a straight-line basis or under the undiscounted cash flows method over the estimated economic life of the respective agreements. Costs incurred to renew or extend the term of an intangible asset are expensed as incurred.

We assess our indefinite-lived assets under a qualitative or quantitative approach. We analyze market factors to determine if events and circumstances have affected the fair value of the indefinite-lived intangible assets. If we determine that it is more likely than not that the asset value may be impaired, we use the quantitative approach to assess the asset's fair value and the amount of the impairment. We perform the quantitative impairment test for indefinite-lived intangible assets by comparing the asset's fair value to its carrying value. Fair value is estimated based on (1) recent market transactions, where available, (2) the royalty method for the Delta tradename (which assumes hypothetical royalties generated from using our tradename) or (3) projected discounted future cash flows (an income approach). We recognize an impairment charge if the asset's carrying value exceeds its estimated fair value.

Income Taxes

We account for deferred income taxes under the liability method. We recognize deferred tax assets and liabilities based on the tax effects of temporary differences between the financial statement and tax basis of assets and liabilities, as measured by current enacted tax rates. Deferred tax assets and liabilities are recorded net as noncurrent deferred income taxes. A valuation allowance is recorded to reduce deferred tax assets when necessary.

Fuel Card Obligation

We have a purchasing card with American Express for the purpose of buying jet fuel and crude oil. The card currently carries a maximum credit limit of $800 million and must be paid monthly. At December 31, 2016 and December 31, 2015, we had $432 million and $221 million, respectively, outstanding on this purchasing card, which was classified as a fuel card obligation within other accrued liabilities and a financing activity in our Consolidated Statements of Cash Flows.

Retirement of Repurchased Shares

We immediately retire substantially all shares upon repurchase. Historically, we recorded the share purchase price in excess of par value to additional paid-in capital ("APIC"). During the current year, we changed our presentation by reclassifying a portion of the amounts previously recorded from APIC to retained earnings in each of the years presented. The reclassification reduced retained earnings by $2.1 billion at December 31, 2015. We will continue in future periods to allocate the share purchase price in excess of par value between APIC and retained earnings.

Passenger Tickets

We record sales of passenger tickets in air traffic liability. 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 adjustments in our Consolidated Statements of Operations. 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.

Passenger Taxes and Fees

We are required to charge certain taxes and fees on our passenger tickets, including U.S. federal transportation taxes, federal security charges, airport passenger facility charges and foreign arrival and departure taxes. These taxes and fees are assessments on the customer for which we act as a collection agent. Because 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.

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Frequent Flyer Program

Our SkyMiles program offers incentives to travel on Delta. This program allows customers to earn mileage credits by flying on Delta, Delta Connection and airlines that participate in the SkyMiles program, as well as through participating companies such as credit card companies, hotels and car rental agencies. We sell mileage credits to non-airline businesses, customers and other airlines. Effective January 1, 2015, the SkyMiles program was modified from a model in which customers earn redeemable mileage credits based on distance traveled to a model based on ticket price. This award change did not affect the way we account for the program.

The SkyMiles program includes two types of transactions that are considered revenue arrangements with multiple deliverables. As discussed below, these are (1) passenger ticket sales earning mileage credits and (2) the sale of mileage credits to participating companies with which we have marketing agreements. Mileage credits are a separate unit of accounting as they can be redeemed by customers in future periods for air travel on Delta and participating airlines, membership in our Sky Club and other program awards.

Passenger Ticket Sales Earning Mileage Credits. Passenger ticket sales earning mileage credits under our SkyMiles program provide customers with (1) mileage credits earned and (2) air transportation. We value each deliverable on a standalone basis. Our estimate of the selling price of a mileage credit is based on an analysis of our sales of mileage credits to other airlines and customers, which is re-evaluated at least annually. We use established ticket prices to determine the estimated selling price of air transportation. We allocate the total amount collected from passenger ticket sales between the deliverables based on their relative selling prices.

We defer revenue for the mileage credits related to passenger ticket sales when the credits are earned and recognize it as passenger revenue when miles are redeemed and services are provided. We record the air transportation portion of the passenger ticket sales in air traffic liability and recognize these amounts in passenger revenue when we provide transportation or when the ticket expires unused.

Sale of Mileage Credits. Customers may earn mileage credits through participating companies such as credit card companies, hotels and car rental agencies with which we have marketing agreements to sell mileage credits. Our contracts to sell mileage credits under these marketing agreements have multiple deliverables, as defined below.

Our most significant contract to sell mileage credits relates to our co-brand credit card relationship with American Express. Our agreements with American Express provide for joint marketing, grant certain benefits to Delta-American Express co-branded credit card holders ("Cardholders") and American Express Membership Rewards program participants and allow American Express to market using our customer database. Cardholders earn mileage credits for making purchases using co-branded cards, may check their first bag for free, are granted discounted access to Delta Sky Club lounges and receive other benefits while traveling on Delta. These benefits that we provide in the form of separate products and services under the SkyMiles agreements are referred to as "deliverables." Additionally, participants in the American Express Membership Rewards program may exchange their points for mileage credits under the SkyMiles program. As a result, we sell mileage credits at agreed-upon rates to American Express for provision to their customers under the co-brand credit card program and the Membership Rewards program.

In December 2014, we amended our marketing agreements with American Express, which increased the value we receive under the agreements and extended the term to 2022. The amended agreements became effective January 1, 2015. We account for the agreements consistent with the accounting method that allocates the consideration received to the individual products and services delivered based on their relative selling prices. We determined our best estimate of the selling prices by considering discounted cash flow analysis using multiple inputs and assumptions, including: (1) the expected number of miles awarded and number of miles redeemed, (2) the rate at which we sell mileage credits to other airlines, (3) published rates on our website for baggage fees, discounted access to Delta Sky

Club lounges and other benefits while traveling on Delta and (4) brand value. The increased value received under the amended agreements increases the amount of deferred revenue for the travel component and increases the value of the other deliverables.

We recognize revenue as we deliver each sales element. We defer the travel deliverable (mileage credits) as part of frequent flyer deferred revenue and recognize passenger revenue as the mileage credits are used for travel. The revenue allocated to the remaining deliverables is recorded in other revenue. We recognize the revenue for these services as they are performed.

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Breakage. For mileage credits that we estimate are not likely to be redeemed ("breakage"), we recognize the associated value proportionally during the period in which the remaining mileage credits are expected to be redeemed. Management uses statistical models to estimate breakage based on historical redemption patterns. A change in assumptions as to the period over which mileage credits are expected to be redeemed, the actual redemption activity for mileage credits or the estimated fair value of mileage credits expected to be redeemed could have a material impact on our revenue in the year in which the change occurs and in future years.

Regional Carriers Revenue

Our regional carriers include both our contract carrier agreements with third-party regional carriers ("contract carriers") and Endeavor Air, Inc. ("Endeavor"), our wholly owned subsidiary. Our contract carrier agreements are structured as either (1) capacity purchase agreements where we purchase all or a portion of the contract carrier's capacity and are responsible for selling the seat inventory we purchase or (2) revenue proration agreements, which are based on a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries. We record revenue related to our contract carriers and Endeavor in regional carriers passenger revenue and the related expenses in regional carriers expense.

Cargo Revenue

Cargo revenue is recognized when we provide the transportation.

Other Revenue

Other revenue is primarily comprised of (1) loyalty programs, (2) administrative fees, club and on-board sales (3) ancillary businesses and refinery and (4) baggage fees.

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 as a reduction to the cost of the related equipment.

Maintenance Costs

We record maintenance costs to aircraft maintenance materials and outside repairs. Maintenance costs are expensed as incurred, except for costs incurred under power-by-the-hour contracts, which are expensed based on actual hours flown. Power-by-the-hour contracts transfer certain risk to third-party service providers and fix the amount we pay per flight hour to the service provider in exchange for maintenance and repairs under a predefined maintenance program. Modifications that enhance the operating performance or extend the useful lives of airframes or engines are capitalized and amortized over the remaining estimated useful life of the asset or the remaining lease term, whichever is shorter.

Advertising Costs

We expense advertising costs in passenger commissions and other selling expenses in the year incurred. Advertising expense was $277 million for the year ended December 31, 2016 and approximately $225 million for the years ended December 31, 2015 and 2014, respectively.

Commissions

Passenger sales commissions are recognized in operating expense when the related revenue is recognized.

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NOTE 2. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability.

- *Level 1*. Observable inputs such as quoted prices in active markets;
- *Level 2*. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- *Level 3*. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on the valuation techniques identified in the tables below. The valuation techniques are as follows:

(a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities; and

(b) *Income approach.* Techniques to convert future amounts to a single present value amount based on market expectations (including present value techniques and option-pricing models).

Assets (Liabilities) Measured at Fair Value on a Recurring Basis[(1)]

	December 31, 2016			
(in millions)	**Total**	**Level 1**	**Level 2**	**Valuation Technique**
Cash equivalents	$2,279	$2,279	$ —	(a)
Short-term investments				
U.S. government and agency securities	112	86	26	(a)
Asset- and mortgage-backed securities	68	—	68	(a)
Corporate obligations	295	—	295	(a)
Other fixed income securities	12	—	12	(a)
Restricted cash equivalents and investments	61	61	—	(a)
Long-term investments	139	115	24	(a)
Hedge derivatives, net				
Fuel hedge contracts	(324)	(26)	(298)	(a)(b)
Interest rate contract	6	—	6	(a)(b)
Foreign currency exchange contracts	27	—	27	(a)

	December 31, 2015			
(in millions)	**Total**	**Level 1**	**Level 2**	**Valuation Technique**
Cash equivalents	$1,543	$1,543	$ —	(a)
Short-term investments				
U.S. government securities	151	74	77	(a)
Asset- and mortgage-backed securities	380	—	380	(a)
Corporate obligations	896	—	896	(a)
Other fixed income securities	38	—	38	(a)
Restricted cash equivalents and investments	49	49	—	(a)
Long-term investments	155	130	25	(a)
Hedge derivatives, net				

Fuel hedge contracts	(672)	65	(737)	(a)(b)
Interest rate contract	(3)	—	(3)	(a)(b)
Foreign currency exchange contracts	94	—	94	(a)

(1) See Note 8, "Employee Benefit Plans," for fair value of benefit plan assets.

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Cash Equivalents and Restricted Cash Equivalents and Investments. Cash equivalents generally consist of money market funds. Restricted cash equivalents and investments generally consist of money market funds and time deposits, which primarily support letters of credit that relate to certain projected self-insurance obligations and airport commitments. The fair value of these investments is based on a market approach using prices and other relevant information generated by market transactions involving identical or comparable assets.

Short-Term Investments. The fair values of short-term investments are based on a market approach using industry standard valuation techniques that incorporate observable inputs such as quoted market prices, interest rates, benchmark curves, credit ratings of the security and other observable information.

Long-Term Investments. Our long-term investments that are measured at fair value primarily consist of equity investments in Grupo Aeroméxico, the parent company of Aeroméxico, and GOL Linhas Aéreas Inteligentes, the parent company of VRG Linhas Aéreas (operating as GOL). Shares of the parent companies of Aeroméxico and GOL are traded on public exchanges, and we value our investments based on quoted market prices. The investments are classified in other noncurrent assets.

Hedge Derivatives. A portion of our derivative contracts are negotiated over-the-counter with counterparties without going through a public exchange. Accordingly, our fair value assessments give consideration to the risk of counterparty default (as well as our own credit risk). Such contracts are classified as Level 2 within the fair value hierarchy. The remainder of our hedge contracts are comprised of futures contracts, which are traded on a public exchange. These contracts are classified within
Level 1 of the fair value hierarchy.

- *Fuel Contracts.* Our fuel hedge portfolio consists of options, swaps and futures. The hedge contracts include crude oil, diesel fuel and jet fuel, as these commodities are highly correlated with the price of jet fuel that we consume. Option contracts are valued under an income approach using option pricing models based on data either readily observable in public markets, derived from public markets or provided by counterparties who regularly trade in public markets. Volatilities used in these valuations ranged from 18% to 41% depending on the maturity dates, underlying commodities and strike prices of the option contracts. Swap contracts are valued under an income approach using a discounted cash flow model based on data either readily observable or provided by counterparties who regularly trade in public markets. Discount rates used in these valuations vary with the maturity dates of the respective contracts and are based on the London interbank offered rate ("LIBOR"). Futures contracts and options on futures contracts are traded on a public exchange and valued based on quoted market prices.

- *Interest Rate Contract.* Our interest rate derivative is a swap contract, which is valued based on data readily observable in public markets.

- *Foreign Currency Exchange Contracts.* Our foreign currency derivatives consist of Japanese yen and Canadian dollar forward contracts and are valued based on data readily observable in public markets.

NOTE 3. INVESTMENTS

Short-Term Investments

The estimated fair values of short-term investments, which approximate cost at December 31, 2016, are shown below by contractual maturity. Actual maturities may differ from contractual maturities because issuers of the securities may have the right to retire our investments without prepayment penalties.

(in millions) **Available-For-Sale**

Due in one year or less	$ 160
Due after one year through three years	239
Due after three years through five years	65
Due after five years	23
Total	$ 487

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Long-Term Investments

We have developed strategic relationships with certain airlines through equity investments and other forms of cooperation and support. These strategic relationships are important to us as they improve coordination with these airlines and enable our customers to seamlessly reach more destinations. We collectively consider several factors in determining other-than-temporary impairment losses, including the current and expected long-term business prospects of the issuer, our ability and intent to hold the investment until the price recovers and the length of time and relative magnitude of the price decline.

Available-for-Sale

- *Aeroméxico*. We own 4.2% of the outstanding shares of Grupo Aeroméxico, and we have derivative contracts that may be settled for shares of Grupo Aeroméxico, including one obtained in the September 2016 quarter. Our total derivative contract holdings represent 12.8% of Grupo Aeroméxico's shares. During 2015, we announced our intention to create an antitrust immunized commercial joint venture with Aeroméxico and to acquire additional shares of the capital stock of Grupo Aeroméxico through a cash tender offer, both subject to regulatory approvals. The Mexican and U.S. regulators approved antitrust immunity for the joint venture during 2016, subject to certain conditions. Delta and Aeroméxico have accepted the conditions and are in the process of implementing the necessary actions in order to satisfy the conditions. We expect both the joint venture to be implemented and the tender offer to be completed in the first half of 2017. As a result of the tender offer, when combined with our current holdings and derivative positions, we would own up to 49% of the outstanding capital stock of Grupo Aeroméxico. The total amount to be paid for the tender offer shares and the shares underlying the derivatives is expected to be up to $765 million.

- *GOL*. During 2015, we acquired preferred shares of GOL's parent company, increasing our ownership to 9.5% of GOL's outstanding capital stock. Additionally, GOL entered into a $300 million five-year term loan facility with third parties, which we have guaranteed. Our guaranty is primarily secured by GOL's ownership interest in Smiles, GOL's publicly-traded loyalty program. As GOL remains in compliance with the terms of its loan facility, we have not recorded a liability on our Consolidated Balance Sheets as of December 31, 2016. In conjunction with these transactions, we and GOL agreed to extend our existing commercial agreements.

Challenges in the Brazilian economy and GOL's financial performance caused the stock price of GOL's parent company to decline during 2015. However, during 2016, GOL's stock price increased more than 200% at its peak in October 2016, before settling to an 80% increase at December 31, 2016. The current year increase in the stock price was due to improvements in both the economic conditions in Brazil and the financial performance of the company. At December 31, 2016, the fair value of our investment in GOL's parent company was $46 million with a $44 million loss recorded in AOCI at December 31, 2016. The loss recorded in AOCI as of December 31, 2015 was $84 million. We determined the investment is not impaired as the decline as of October 2016 was not significant and GOL's management is continuing to execute measures to maximize operational and network efficiency and control costs, which we anticipate will further improve GOL's financial performance and the fair value of our investment in the near future.

Cost Method

- *China Eastern*. During 2015, we acquired shares of China Eastern, which provide us with a 3.2% stake in the airline as of December 31, 2016. As the investment agreement restricts our sale or transfer of these shares for a period of three years, we will account for the investment at cost until the September 2017 quarter. Although China Eastern shares are actively traded on a public exchange, it is not practicable to estimate the fair value of the investment due to the restriction on our ability to sell or transfer the shares.

We have evaluated whether the decline in the value of China Eastern's shares would impair our investment. We considered the recent conditions and outlook for both China Eastern and the broader Chinese economy, as well as the nature of our investment in China Eastern. Although the market price of China Eastern’s stock at December 31, 2016 was 6% below the market price of the stock on our acquisition date, the stock has recently traded above the book value of our investment. We have the intent and ability to hold our investment in China Eastern to allow for the recovery of its market value as China Eastern is a strategic investment for us and operates as an extension of our global network.

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Equity Method Investment

Virgin Atlantic. We have a non-controlling 49% equity stake in Virgin Atlantic Limited, the parent company of Virgin Atlantic Airways. In addition, during 2014, we began an antitrust immunized joint venture with Virgin Atlantic, which allows for joint marketing and sales, coordinated pricing and revenue management, network planning and scheduling and other coordinated activities with respect to operations on routes between North America and the United Kingdom. As a result of this relationship, our customers have increased access and frequencies to London's Heathrow airport from points in the U.S., primarily from our hub at New York's JFK airport. We account for the investment under the equity method of accounting and recognize our portion of Virgin Atlantic's financial results in miscellaneous, net in our Consolidated Statements of Operations.

NOTE 4. DERIVATIVES AND RISK MANAGEMENT

Changes in aircraft fuel prices, interest rates and foreign currency exchange rates impact our results of operations. In an effort to manage our exposure to these risks, we enter into derivative contracts and adjust our derivative portfolio as market conditions change.

Aircraft Fuel Price Risk

Changes in aircraft fuel prices materially impact our results of operations. We have recently managed our fuel price risk through a hedging program intended to reduce the financial impact from changes in the price of jet fuel as jet fuel prices are subject to potential volatility.

In response to this volatility, during the March 2015 quarter, we entered into transactions that effectively deferred settlement of a portion of our hedge portfolio. These deferral transactions, excluding market movements from the date of inception, provided approximately $300 million in cash receipts during the second half of 2015 and required approximately $300 million in cash payments in 2016. We early terminated certain of the March 2015 quarter deferral transactions in the second half of 2015.

During the March 2016 quarter, we entered into transactions to further defer settlement of a portion of our hedge portfolio until 2017. These deferral transactions, excluding market movements from the date of inception, provided approximately $300 million in cash receipts during the second half of 2016 and require approximately $300 million in cash payments in 2017.

Subsequently, to better participate in the low fuel price environment, we entered into derivatives designed to offset and effectively neutralize our existing airline segment hedge positions, which include the deferral transactions discussed above. As a result, we locked in the amount of the net hedge settlements for the remainder of 2016 and 2017. During the June 2016 quarter, we early settled $455 million of our airline segment's 2016 positions.

During the years ended December 31, 2016 and 2015, we recorded fuel hedge losses of $366 million and $741 million, respectively. Cash flows associated with the deferral transactions are reported as cash flows from financing activities within our Consolidated Statements of Cash Flows.

Interest Rate Risk

Our exposure to market risk from adverse changes 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.

In an effort to manage our exposure to the risk associated with our variable rate long-term debt, we periodically enter into interest rate swaps. We designate interest rate contracts used to convert the interest rate exposure on a portion of our debt portfolio from a floating rate to a fixed rate as cash flow hedges, while those contracts converting our interest rate exposure from a fixed rate to a floating rate are designated as fair value hedges.

We also have exposure to market risk from adverse changes in interest rates associated with our cash and cash equivalents and benefit plan obligations. Market risk associated with our cash and cash equivalents relates to the potential decline in interest income from a decrease in interest rates. Pension, postretirement, postemployment and worker's compensation obligation risk relates to the potential increase in our future obligations and expenses from a decrease in interest rates used to discount these obligations.

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Foreign Currency Exchange Rate Risk

We are subject to foreign currency exchange rate risk because we have revenue and expense denominated in foreign currencies with our primary exposures being the Japanese yen and Canadian dollar. To manage exchange rate risk, we execute both our international revenue and expense transactions in the same foreign currency to the extent practicable. From time to time, we may also enter into foreign currency option and forward contracts. These foreign currency exchange contracts are designated as cash flow hedges.

Hedge Position as of December 31, 2016

(in millions)	Volume		Final Maturity Date	Hedge Derivatives Asset	Other Noncurrent Assets	Hedge Derivatives Liability	Other Noncurrent Liabilities	Hedge Derivatives, net
Designated as hedges								
Interest rate contract (fair value hedge)	349	U.S. dollars	August 2022	$ 2	$ 4	$ —	$ —	$ 6
Foreign currency exchange contracts	54,853	Japanese yen	February 2019	31	3	(4)	(3)	27
	335	Canadian dollars	January 2019					
Not designated as hedges								
Fuel hedge contracts [1]	197	gallons - crude oil, diesel and jet fuel	January 2018	360	—	(684)	—	(324)
Total derivative contracts				$ 393	$ 7	$ (688)	$ (3)	$ (291)

(1) As discussed above, we have early settled $455 million of our airline segment's 2016 hedge positions and entered into derivatives designed to offset and effectively neutralize our 2017 airline segment hedge positions. The dollar amounts shown above primarily represent the offsetting derivatives that were used to neutralize the 2016 and 2017 airline segment hedge portfolio.

Hedge Position as of December 31, 2015

(in millions)	Volume		Final Maturity Date	Hedge Derivatives Asset	Other Noncurrent Assets	Hedge Derivatives Liability	Other Noncurrent Liabilities	Hedge Derivatives, net
Designated as hedges								
Interest rate contract (fair value hedge)	384	U.S. dollars	August 2022	$ 4	$ —	$ —	$ (7)	$ (3)
Foreign currency exchange contracts	46,920	Japanese yen	July 2018	76	20	(1)	(1)	94
	395	Canadian dollars						
Not designated as hedges								
Fuel hedge contracts	887	gallons - crude oil, diesel and jet fuel	November 2017	1,907	4	(2,580)	(3)	(672)
Total derivative contracts				$ 1,987	$ 24	$ (2,581)	$ (11)	$ (581)

Offsetting Assets and Liabilities

We have master netting arrangements with our counterparties giving us the right to offset hedge assets and liabilities. However, we have elected not to offset the fair value positions recorded on our Consolidated Balance Sheets. The following table shows the net fair value of our counterparty positions had we elected to offset.

(in millions)	Hedge Derivatives Asset	Other Noncurrent Assets	Hedge Derivatives Liability	Other Noncurrent Liabilities	Hedge Derivatives, Net
December 31, 2016					
Net derivative contracts	$ 31	$ 6	$ (326)	$ (2)	$ (291)

December 31, 2015					
Net derivative contracts	$ 143	$ 21	$ (737)	$ (8)	$ (581)

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Designated Hedge Gains (Losses)

Gains (losses) related to our designated hedge contracts during the years ended December 31, 2016, 2015 and 2014 are as follows:

	Effective Portion Reclassified from AOCI to Earnings			Effective Portion Recognized in Other Comprehensive (Loss) Income		
(in millions)	2016	2015	2014	2016	2015	2014
Interest rate contracts	$—	$—	$(31)	$—	$—	$38
Foreign currency exchange contracts	37	198	158	(68)	(130)	(34)
Total designated	$37	$198	$127	$(68)	$(130)	$4

As of December 31, 2016, we have recorded $27 million of net gains on cash flow hedge contracts in AOCI, which are scheduled to settle and be reclassified into earnings within the next 12 months.

Credit Risk

To manage credit risk associated with our aircraft fuel price, interest rate and foreign currency hedging programs, we evaluate counterparties based on several criteria including their credit ratings and limit our exposure to any one counterparty.

Our hedge contracts contain margin funding requirements. The margin funding requirements may cause us to post margin to counterparties or may cause counterparties to post margin to us as market prices in the underlying hedged items change. Due to the fair value position of our hedge contracts, we posted margin of $38 million and $119 million as of December 31, 2016 and 2015, respectively.

Our accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services, the majority of which are processed through major credit card companies. We also have receivables from the sale of mileage credits under our SkyMiles program to participating airlines and non-airline businesses such as credit card companies, hotels and car rental agencies. The credit risk associated with our receivables is minimal.

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 aggregate liability for claims incurred, using independent actuarial reviews based on standard industry practices and our historical experience.

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NOTE 5. INTANGIBLE ASSETS

Indefinite-Lived Intangible Assets

(in millions)	Carrying Value at December 31, 2016	2015
International routes and slots	$2,563	$2,563
Delta tradename	850	850
SkyTeam-related assets	661	661
Domestic slots	622	622
Total	$4,696	$4,696

International Routes and Slots. Our international routes and slots primarily relate to Pacific route authorities and slots at capacity-constrained airports in Asia, including Tokyo-Narita airport, and slots at London-Heathrow airport.

Domestic Slots. Our domestic slots relate to our slots at New York-LaGuardia and Washington-Reagan National airports.

Definite-Lived Intangible Assets

	December 31, 2016		December 31, 2015	
(in millions)	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Marketing agreements	$730	$ (667)	$730	$ (658)
Contracts	193	(108)	193	(100)
Other	53	(53)	53	(53)
Total	$976	$ (828)	$976	$ (811)

Amortization expense was $17 million, $18 million and $55 million for the years ended December 31, 2016, 2015 and 2014, respectively. We estimate that we will incur approximately $16 million of amortization expense annually through 2021.

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NOTE 6. LONG-TERM DEBT

The following table summarizes our long-term debt:

(in millions)	Maturity Dates	Interest Rate(s) Per Annum at December 31, 2016		December 31, 2016	December 31, 2015
Pacific Facilities[1]:					
Pacific Term Loan B-1[2]	October 2018	3.25%	variable[4]	$1,059	$1,067
Pacific Term Loan B-2[2]	April 2016	n/a	n/a	—	388
Pacific Revolving Credit Facility	2017 to 2018	undrawn	variable[4]	—	—
2015 Credit Facilities[1]:					
Term Loan Facility[2]	August 2022	3.25%	variable[4]	495	499
Revolving Credit Facility	August 2020	undrawn	variable[4]	—	—
Financing arrangements secured by aircraft:					
Certificates[3]	2017 to 2027	3.63%	to 8.03%	2,777	3,264
Notes[3]	2017 to 2027	1.54%	to 6.76%	2,488	2,564
Other financings[3][5]	2017 to 2031	2.02%	to 8.75%	293	316
Other revolving credit facilities[1]	2017 to 2017	undrawn	variable[4]	—	—
Total secured and unsecured debt				7,112	8,098
Unamortized discount and debt issue cost, net				(104)	(152)
Total debt				7,008	7,946
Less: current maturities				(1,009)	(1,415)
Total long-term debt				$5,999	$6,531

(1) Guaranteed by substantially all of our domestic subsidiaries (the "Guarantors").

(2) Borrowings must be repaid annually in an amount equal to 1% per year of the original principal amount (paid in equal quarterly installments), with the balance due on the final maturity date.

(3) Due in installments.

(4) Interest rate equal to LIBOR (generally subject to a floor) or another index rate, in each case plus a specified margin. Additionally, certain aircraft and other financings are comprised of variable rate debt.

(5) Primarily includes loans secured by certain accounts receivable and real estate.

Key Financial Covenants

We were in compliance with the covenants on our financing agreements at December 31, 2016.

Pacific Facilities. Our obligations under the Pacific Facilities are secured by a first lien on our Pacific route authorities and certain related assets. The Pacific Facilities include affirmative, negative and financial covenants that could restrict our ability to, among other things, make investments, sell or otherwise dispose of collateral if we are not in compliance with the collateral coverage ratio tests described below, pay dividends or repurchase stock.

Minimum fixed charge coverage ratio [1]	1.20:1
Minimum unrestricted liquidity	
Unrestricted cash, permitted investments and undrawn revolving credit facilities	$2.0 billion
Minimum collateral coverage ratio [2]	1.60:1

(1) Defined as the ratio of (a) earnings before interest, taxes, depreciation, amortization and aircraft rent and other adjustments to net income to (b) the sum of gross cash interest expense (including the interest portion of our capitalized lease obligations) and cash aircraft rent expense, for the 12-month period ending as of the last day of each fiscal quarter.

(2) Defined as the ratio of (a) certain of the collateral that meet specified eligibility standards to (b) the sum of the aggregate outstanding obligations and certain other obligations.

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2015 Credit Facilities. Our obligations under the 2015 Credit Facilities are secured by liens on certain of our and the Guarantors' assets, including accounts receivable, aircraft, spare engines, non-Pacific international routes, domestic slots and certain investment property. The 2015 Credit Facilities include affirmative, negative and financial covenants that may restrict our ability to, among other things, make investments, sell or otherwise dispose of assets if not in compliance with the collateral coverage ratio tests, pay dividends or repurchase stock. These covenants require us to maintain:

Minimum unrestricted liquidity	
Unrestricted cash, permitted investments and undrawn revolving credit facilities	$2.0 billion
Minimum collateral coverage ratio(1)	1.60:1

(1) Defined as the ratio of (a) certain of the collateral that meet specified eligibility standards to (b) the sum of the aggregate outstanding obligations under the 2015 Credit Facilities and certain other obligations.

Under the 2015 Credit Facilities, if the Minimum Collateral Coverage Ratio is not maintained, we must either provide additional collateral to secure our obligations, or we must reduce the secured obligations under the facilities by an amount necessary to maintain compliance with the collateral coverage ratio. The 2015 Credit Facilities contain events of default customary for similar financings, including cross-defaults to other material indebtedness and certain change of control events. Upon the occurrence of an event of default, the outstanding obligations under the 2015 Credit Facilities may be accelerated and become due and payable immediately.

Availability Under Revolving Credit Facilities

The table below shows availability under revolving credit facilities, all of which were undrawn, as of December 31, 2016:

(in millions)	
Revolving Credit Facility	$1,500
Pacific Revolving Credit Facility	450
Other revolving credit facilities	513
Total availability under revolving credit facilities	$2,463

Future Maturities

The following table summarizes scheduled maturities of our debt for the years succeeding December 31, 2016:

(in millions)	**Total Debt**	**Amortization of Debt Discount and Debt Issuance Cost, net**	
2017	$1,038	$ (28)	
2018	2,160	(35)	
2019	1,289	(23)	
2020	527	(5)	
2021	345	(5)	
Thereafter	1,753	(8)	
Total	$7,112	$ (104)	$7,008

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Fair Value of Debt

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 fair value of debt, shown below, is principally based on reported market values, recently completed market transactions and estimates based on interest rates, maturities, credit risk and underlying collateral. Long-term debt is primarily classified as Level 2 within the fair value hierarchy.

	December 31,	
(in millions)	2016	2015
Total debt at par value	$7,112	$8,098
Unamortized discount and debt issuance cost, net	(104)	(152)
Net carrying amount	$7,008	$7,946
Fair value	$7,300	$8,400

NOTE 7. LEASE OBLIGATIONS

We lease aircraft, airport terminals, maintenance facilities, ticket offices and other property and equipment from third parties. Rental expense for operating leases, which is recorded on a straight-line basis over the life of the lease term, totaled $1.3 billion for the year ended December 31, 2016 and $1.2 billion for the years ended December 31, 2015 and 2014. Amounts due under capital leases are recorded as liabilities, while assets acquired under capital leases are recorded as property and equipment. Amortization of assets recorded under capital leases is included in depreciation and amortization expense. Our airport terminal leases include contingent rents, which vary based upon facility usage, enplanements, aircraft weight and other factors. Many of our aircraft, facility and equipment leases include rental escalation clauses and/or renewal options. Our leases do not include residual value guarantees and we are not the primary beneficiary in or have other forms of variable interest with the lessor of the leased assets. As a result, we have not consolidated any of the entities that lease to us.

The following tables summarize our minimum rental commitments under capital leases and noncancelable operating leases (including certain aircraft flown by regional carriers) with initial or remaining terms in excess of one year for the years succeeding December 31, 2016:

Capital Leases

(in millions)	Total
2017	$145
2018	85
2019	60
2020	43
2021	24
Thereafter	21
Total minimum lease payments	378
Less: amount of lease payments representing interest	(54)
Present value of future minimum capital lease payments	324
Less: current obligations under capital leases	(122)
Long-term capital lease obligations	$202

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Operating Leases

(in millions)	Delta Lease Payments(1)	Contract Carrier Aircraft Lease Payments(2)	Total
2017	$ 1,302	$ 270	$ 1,572
2018	1,194	249	1,443
2019	1,084	220	1,304
2020	962	171	1,133
2021	766	96	862
Thereafter	6,533	248	6,781
Total minimum lease payments	$ 11,841	$ 1,254	$ 13,095

(1) Includes payments accounted for as construction obligations.

(2) Represents the minimum lease obligations under our contract carrier agreements with Compass Airlines, LLC, ExpressJet Airlines, Inc., GoJet Airlines, LLC, Republic Airline, Inc. (as successor by merger to Shuttle America Corporation) and SkyWest Airlines, Inc.

JFK Construction Obligation

In 2015, we completed our redevelopment project at New York-JFK's Terminal 4 to facilitate convenient connections for our passengers and improve coordination with our SkyTeam alliance partners. Terminal 4 is operated by JFK International Air Terminal LLC ("IAT"), a private party, under its lease with the Port Authority of New York and New Jersey ("Port Authority"). In December 2010, we entered into a 33-year agreement with IAT ("Sublease") to sublease space in Terminal 4. Also, in 2010, the Port Authority issued approximately $800 million principal amount of special project bonds to fund the majority of the project.

We managed the project and bore the construction risk, including cost overruns. We recorded an asset for project costs (e.g., design, permitting, labor and other general construction costs), regardless of funding source, and a construction obligation equal to project costs funded by parties other than us. Our rental payments reduce the construction obligation and result in the recording of interest expense, calculated using the effective interest method. As of December 31, 2016, we have recorded $722 million as a fixed asset and $742 million as the related construction obligation.

We have an equity-method investment in the entity which owns IAT, our sublessor at Terminal 4. The Sublease requires us to pay certain fixed management fees. We determined the investment is a variable interest entity and assessed whether we have a controlling financial interest in IAT. Our rights under the Sublease, with respect to management of Terminal 4, are consistent with rights granted to an anchor tenant under a standard airport lease. Accordingly, we do not consolidate the entity in which we have an investment in our Consolidated Financial Statements.

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NOTE 8. EMPLOYEE BENEFIT PLANS

We sponsor defined benefit and defined contribution pension plans, healthcare plans and disability and survivorship plans for eligible employees and retirees and their eligible family members.

Defined Benefit Pension Plans. We sponsor defined benefit pension plans for eligible employees and retirees. These plans are closed to new entrants and frozen for future benefit accruals. The Pension Protection Act of 2006 allows commercial airlines to elect alternative funding rules ("Alternative Funding Rules") for defined benefit plans that are frozen. We elected the Alternative Funding Rules under which the unfunded liability for a frozen defined benefit plan may be amortized over a fixed 17-year period and is calculated using an 8.85% discount rate. We estimate our funding under these plans will total at least $1.2 billion in 2017, including $700 million of contributions above the minimum funding requirements.

Defined Contribution Pension Plans. Delta sponsors several defined contribution plans. These plans generally cover different employee groups and employer contributions vary by plan. The cost associated with our defined contribution pension plans is shown in the Net Periodic Cost table below.

Postretirement Healthcare Plans. We sponsor healthcare plans that provide benefits to eligible retirees and their dependents who are under age 65. We have generally eliminated company-paid post age 65 healthcare coverage, except for (1) subsidies available to a limited group of retirees and their dependents and (2) a group of retirees who retired prior to 1987. Benefits under these plans are funded from current assets and employee contributions.

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. Substantially all employees are eligible for benefits under these plans in the event of death and/or disability.

Benefit Obligations, Fair Value of Plan Assets and Funded Status

	Pension Benefits		Other Postretirement and Postemployment Benefits	
	December 31,		December 31,	
(in millions)	2016	2015	2016	2015
Benefit obligation at beginning of period	$20,611	$21,856	$3,336	$3,487
Service cost	—	—	68	62
Interest cost	917	884	147	141
Actuarial loss (gain)	411	(1,061)	115	(88)
Benefits paid, including lump sums and annuities	(1,071)	(1,059)	(318)	(302)
Participant contributions	—	—	31	36
Settlements	(9)	(9)	—	—
Benefit obligation at end of period[1]	$20,859	$20,611	$3,379	$3,336
Fair value of plan assets at beginning of period	$9,374	$9,355	$884	$982
Actual gain (loss) on plan assets	687	(132)	51	(25)
Employer contributions	1,320	1,219	154	210
Participant contributions	—	—	31	36
Benefits paid, including lump sums and annuities	(1,071)	(1,059)	(336)	(319)
Settlements	(9)	(9)	—	—
Fair value of plan assets at end of period	$10,301	$9,374	$784	$884
Funded status at end of period	$(10,558)	$(11,237)	$(2,595)	$(2,452)

(1) At the end of each year presented, our accumulated benefit obligations for our pension plans are equal to the benefit obligations shown above.

During 2016, net actuarial losses increased our benefit obligation by $526 million primarily due to the decrease in discount rates from 2015 to 2016. During 2015, net actuarial gains decreased our benefit obligation by $1.1 billion primarily due to the increase in discount rates from 2014 to 2015. These gains and losses are recorded in AOCI and reflected in the table below.

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A net actuarial loss of $268 million will be amortized from AOCI into net periodic benefit cost in 2017. Amounts are generally amortized from AOCI over the expected future lifetime of plan participants.

Balance Sheet Position

	Pension Benefits		Other Postretirement and Postemployment Benefits	
	December 31,		December 31,	
(in millions)	2016	2015	2016	2015
Current liabilities	$(30)	$(27)	$(125)	$(139)
Noncurrent liabilities	(10,528)	(11,210)	(2,470)	(2,313)
Total liabilities	$(10,558)	$(11,237)	$(2,595)	$(2,452)
Net actuarial loss	$(8,515)	$(8,124)	$(570)	$(458)
Prior service credit	—	—	82	109
Total accumulated other comprehensive loss, pre-tax	$(8,515)	$(8,124)	$(488)	$(349)

Net Periodic Cost

	Pension Benefits			Other Postretirement and Postemployment Benefits		
	Year Ended December 31,			Year Ended December 31,		
(in millions)	2016	2015	2014	2016	2015	2014
Service cost	$—	$—	$—	$68	$62	$52
Interest cost	917	884	928	147	141	155
Expected return on plan assets	(902)	(879)	(829)	(74)	(81)	(84)
Amortization of prior service credit	—	—	—	(26)	(26)	(26)
Recognized net actuarial loss	233	232	134	24	24	4
Settlements	3	3	—	—	—	—
Net periodic cost	$251	$240	$233	$139	$120	$101
Defined contribution plan costs	733	592	551	—	—	—
Total cost	$984	$832	$784	$139	$120	$101

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Assumptions

We used the following actuarial assumptions to determine our benefit obligations and our net periodic cost for the periods presented:

	December 31,	
Benefit Obligations[(1)(2)]	**2016**	**2015**
Weighted average discount rate	4.20 %	4.57 %

	Year Ended December 31,		
Net Periodic Cost[(2)]	**2016**	**2015**	**2014**
Weighted average discount rate - pension benefit	4.57 %	4.13 %	4.99 %
Weighted average discount rate - other postretirement benefit[(3)]	4.53 %	4.13 %	4.88 %
Weighted average discount rate - other postemployment benefit	4.50 %	4.13 %	5.00 %
Weighted average expected long-term rate of return on plan assets	8.94 %	8.94 %	8.94 %
Assumed healthcare cost trend rate[(4)]	6.50 %	7.00 %	7.00 %

(1) Our 2016 and 2015 benefit obligations are measured using a mortality table projected to 2022.

(2) Future compensation levels do not impact our frozen defined benefit pension plans or other postretirement plans and impact only a small portion of our other postemployment liability.

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

(4) Assumed healthcare cost trend rate at December 31, 2016 is assumed to decline gradually to 5.00% by 2023 and remain level thereafter.

Healthcare Cost Trend Rate. 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 accumulated plan benefit obligation for these plans, which provide benefits to eligible retirees and their dependents who are under age 65, at December 31, 2016, would have the following effects:

(in millions)	**1% Increase**	**1% Decrease**
Increase (decrease) in total service and interest cost	$ 1	$ (1)
Increase (decrease) in the accumulated plan benefit obligation	12	(29)

Expected Long-Term Rate of Return. Our expected long-term rate of return on plan assets is based primarily on plan-specific investment studies using historical market return and volatility data. Modest excess return expectations versus some public market indices are incorporated into the return projections based on the actively managed structure of the investment programs and their records of achieving such returns historically. We also expect to receive a premium for investing in less liquid private markets. We review our rate of return on plan assets assumptions annually. Our annual investment performance for one particular year does not, by itself, significantly influence our evaluation. The investment strategy for our defined benefit pension plan assets is to earn a long-term return that meets or exceeds our annualized return target while taking an acceptable level of risk and maintaining sufficient liquidity to pay current benefits and other cash obligations of the plan. This is achieved by investing in a globally diversified mix of public and private equity, fixed income, real assets, hedge funds and other assets and instruments. Our expected long-term rate of return on assets for net periodic pension benefit cost for the year ended December 31, 2016 was 8.94%.

Life Expectancy. Changes in life expectancy may significantly change our benefit obligations and future expense. We use the Society of Actuaries' ("SOA") published mortality data, other publicly available information and our own perspective of future longevity to develop our best estimate of life expectancy. In 2014, the SOA published updated mortality tables for U.S. plans and an updated improvement scale, which both reflected significant improvements in longevity. Since then, the SOA has published annual updates to their improvement scale. Each year we consider updates by the SOA in setting our mortality assumptions for purposes of measuring pension and other postretirement and postemployment benefit obligations.

Benefit Payments

Benefit payments in the table below are based on the same assumptions used to measure the related benefit obligations. Actual benefit payments may vary significantly from these estimates. Benefits earned under our pension plans and certain postemployment benefit plans are expected to be paid from funded benefit plan trusts, while our other postretirement benefits are funded from current assets.

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The following table summarizes the benefit payments that are scheduled to be paid in the years ending December 31:

(in millions)	Pension Benefits	Other Postretirement and Postemployment Benefits
2017	$1,154	$ 281
2018	1,163	286
2019	1,184	284
2020	1,206	285
2021	1,224	287
2022-2026	6,326	1,443

Plan Assets

We have adopted and implemented investment policies for our defined benefit pension plans that incorporate strategic asset allocation mixes intended to best meet the plans' long-term obligations, while maintaining an appropriate level of risk and liquidity. These asset portfolios employ a diversified mix of investments, which are reviewed periodically. Active management strategies are utilized where feasible in an effort to realize investment returns in excess of market indices. Derivatives in the plans are primarily used to manage risk and gain asset class exposure while still maintaining liquidity. As part of these strategies, the plans are required to hold cash collateral associated with certain derivatives. Our investment strategies target a mix of 40-50% growth-seeking assets, 20-30% income-generating assets and 25-30% risk-diversifying assets. Risk diversifying assets include hedged mandates implementing long-short, market neutral and relative value strategies that invest primarily in publicly-traded equity, fixed income, foreign currency and commodity securities and derivatives and are used in an attempt to improve the impact of active management on the plans.

Benefit Plan Assets Measured at Fair Value on a Recurring Basis

Benefit Plan Assets. Benefit plan assets relate to our defined benefit pension plans and certain of our postemployment benefit plans that are funded through trusts. These investments are presented net of the related benefit obligation in pension, postretirement and related benefits on the Consolidated Balance Sheets. See Note 2 of the Notes to the Consolidated Financial Statements for a description of the levels within the fair value hierarchy and associated valuation techniques used to measure fair value. The following table shows our benefit plan assets by asset class.

	December 31, 2016			December 31, 2015			
(in millions)	Level 1	Level 2	Total	Level 1	Level 2	Total	Valuation Technique
Equities and equity-related instruments	$2,407	$14	$2,421	$2,067	$49	$2,116	(a)
Cash equivalents	228	1,240	1,468	—	1,700	1,700	(a)
Fixed income and fixed income-related instruments	8	1,190	1,198	16	834	850	(a)(b)
Benefit plan assets	$2,643	$2,444	$5,087	$2,083	$2,583	$4,666	
Investments measured at net asset value ("NAV")[(1)]			$5,724			$5,364	
Total benefit plan assets			$10,811			$10,030	

(1) Investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

Equities and Equity-Related Instruments. Investments include common stock and equity-related instruments. Common stock is valued at the closing price reported on the active market on which the individual securities are traded. Equity-related instruments include investments in securities traded on exchanges, including listed futures and options, which are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Over-the-counter securities are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes.

Cash Equivalents. These investments primarily consist of high-quality, short-term obligations that are a part of institutional money market mutual funds that are calculated using current market quotations or an appropriate substitute that reflects current market conditions.

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Fixed Income and Fixed Income-Related Instruments. Investments include corporate bonds, government bonds, collateralized mortgage obligations, and other asset-backed securities. These investments are generally valued at the bid price or the average of the bid and ask price. Prices are based on pricing models, quoted prices of securities with similar characteristics, or broker quotes. Fixed income-related instruments include investments in securities traded on exchanges, including listed futures and options, which are valued at the last reported sale prices on the last business day of the year, or if not available, the last reported bid prices. Over-the-counter securities are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes.

The following table summarizes investments measured at fair value based on NAV per share as a practical expedient:

	December 31, 2016				December 31, 2015			
(in millions)	Fair Value	Redemption Frequency	Redemption Notice Period	Unfunded Commitments	Fair Value	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Hedge funds	$3,308	(5)	4-120 Days	$ —	$2,990	(5)	5-120 Days	$ —
Commingled funds, private equities and equity-related instruments	1,214	(1) (3) (4)	15-30 Days	525	1,133	(1) (3) (4)	15-30 Days	345
Fixed income and fixed income-related instruments	270	(2)	5 Days	—	268	(2)	5 Days	5
Real assets	698	(3) (4)	N/A	529	635	(3) (4)	N/A	188
Other	234	(2)	2 Days	—	338	(1) (2)	2-270 Days	—
Total investments measured at NAV	$5,724			$ 1,054	$5,364			$ 538

(1) Monthly
(2) Semi-monthly
(3) Semi-annually
(4) Annually
(5) Various. Includes funds with weekly, monthly, semi-monthly, quarterly and custom redemption frequencies as well as funds with a redemption window following the anniversary of the initial investment.

Hedge Funds. Our hedge fund investments are primarily made through shares of limited partnerships or similar structures for which a liquid secondary market does not exist. Hedge funds are typically valued monthly by third-party administrators that have been appointed by the funds' general partners. Hedge funds have been valued using NAV as a practical expedient.

Commingled Funds, Private Equities, and Equity-Related Instruments. Investments include commingled funds invested in common stock, private equity and equity-related instruments. Commingled funds are valued using NAV as a practical expedient divided by the number of shares outstanding. NAV is based on quoted market prices of the underlying assets owned by the fund. Private equity is valued based on valuation models where one or more of the significant inputs into the model cannot be observed and which require the development of assumptions. Equity-related instruments include investments in securities traded on exchanges, including listed futures and options, which are valued at the last reported sale prices on the last business day of the year or, if not available, the last reported bid prices. Over-the-counter securities are valued at the bid prices or the average of the bid and ask prices on the last business day of the year from published sources or, if not available, from other sources considered reliable, generally broker quotes.

Fixed Income and Fixed Income-Related Instruments. Certain fixed income and fixed income related instruments have been valued using NAV as a practical expedient.

Real Assets. These investments include real estate, energy, timberland and agriculture. The valuation of real assets requires significant judgment due to the absence of quoted market prices as well as the inherent lack of liquidity and the long-term nature of these assets. Investments are valued based on valuation models where one or more of the significant inputs into the model cannot be observed and which require the development of assumptions. We also assess the potential for adjustment to the fair value of these investments due to the lag in the availability of data. In these cases, we solicit preliminary valuation updates from the investment managers and use that information and corroborating data from public markets to determine any needed adjustments to estimate fair value. Real assets have been valued using NAV as a practical expedient.

Other. Primarily includes globally-diversified, risk-managed commingled funds consisting mainly of equity, fixed income and commodity exposures.

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Other

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

Profit Sharing Program

Our broad-based employee profit sharing program provides that, for each year in which we have an annual pre-tax profit, as defined by the terms of the program, we will pay a specified portion of that profit to employees. In determining the amount of profit sharing, the program defines profit as pre-tax profit adjusted for profit sharing and certain other items. For the years ended December 31, 2016, 2015 and 2014, we recorded expenses of $1.1 billion, $1.5 billion and $1.1 billion under the profit sharing program, respectively.

In 2015 we announced certain changes to employee compensation. Beginning with 2016 (to be paid out in 2017), the profit sharing program for merit, ground and flight attendant employees was adjusted to pay 10% of annual pre-tax profit (as defined by the terms of the program) and, if we exceed our prior-year results, the program will pay 20% of the year-over-year increase in pre-tax profit to eligible employees. For years prior to 2016, our profit sharing program paid 10% to all eligible employees for the first $2.5 billion of annual profit and 20% of annual profit above $2.5 billion. The profit sharing program for pilots remains unchanged from the prior year and will continue under its current terms.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Aircraft Purchase and Lease Commitments

Our future aircraft purchase commitments totaled approximately $12.5 billion at December 31, 2016:

(in millions)	Total
2017	$2,580
2018	2,980
2019	3,380
2020	1,730
2021	1,130
Thereafter	660
Total	$12,460

Our future aircraft purchase commitments included the following aircraft at December 31, 2016:

Aircraft Type	Purchase Commitments
B-737-900ER	51
A321-200	67
A330-300	2
A330-900neo	25
A350-900	25
CS100	75
Total	245

Included within the aircraft purchase commitments listed above are agreements reached during the June 2016 quarter for the CS100 aircraft and certain A321-200 aircraft:

- We reached an agreement with Bombardier to acquire 75 CS100 aircraft with deliveries beginning in 2018 and continuing through 2022. We have flexibility under the purchase agreement with respect to deferral, acceleration, conversion and a limited number of cancellation rights. The agreement also includes options to purchase 50 additional aircraft.
- We entered into firm commitments with Airbus for the delivery of 37 additional A321-200 aircraft. Deliveries will begin in November 2017 and continue through 2019.

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Contract Carrier Agreements

We have contract carrier agreements with regional carriers expiring from 2017 to 2027.

Capacity Purchase Agreements. Most of our contract carriers operate for us under capacity purchase agreements. Under these agreements, the contract carriers operate some or all of their aircraft using our flight designator codes, and we control the scheduling, pricing, reservations, ticketing and seat inventories of those aircraft and retain the revenues associated with those flights. 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.

The following table shows our minimum fixed obligations under our existing capacity purchase agreements with third-party regional carriers. The obligations set forth in the table contemplate minimum levels of flying by the contract carriers under the respective agreements and also reflect assumptions regarding certain costs associated with the minimum levels of flying such as the cost of fuel, labor, maintenance, insurance, catering, property tax and landing fees. Accordingly, our actual payments under these agreements could differ materially from the minimum fixed obligations set forth in the table below.

(in millions)	Amount(1)
2017	$ 2,039
2018	1,827
2019	1,562
2020	1,220
2021	737
Thereafter	1,196
Total	$ 8,581

(1) These amounts exclude contract carrier payments accounted for as operating leases of aircraft, which are described in Note 7.

Revenue Proration Agreement. As of December 31, 2016, a portion of our contract carrier agreement with SkyWest Airlines, Inc. is structured as a revenue proration agreement. This revenue proration agreement establishes a fixed dollar or percentage division of revenues for tickets sold to passengers traveling on connecting flight itineraries.

Legal Contingencies

We are involved in various legal proceedings related to employment practices, environmental issues, antitrust matters and other matters concerning our business. We record liabilities for losses from legal proceedings when we determine that it is probable that the outcome in a legal proceeding will be unfavorable and the amount of loss can be reasonably estimated. Although the outcome of the legal proceedings in which we are involved cannot be predicted with certainty, we believe that the resolution of current matters will not have a material adverse effect on our Consolidated Financial Statements.

Credit Card Processing Agreements

Our VISA/MasterCard and American Express credit card processing agreements provide that no cash reserve ("Reserve") is required, and no withholding of payment related to receivables collected will occur, except in certain circumstances, including when we do not maintain a required level of liquidity as outlined in the merchant processing agreements. In circumstances in which the credit card processor can establish a Reserve or withhold payments, the amount of the Reserve or payments that may be withheld would be equal to the potential liability of the credit card processor for tickets purchased with VISA/MasterCard or American Express credit cards, as applicable, that had not yet been used for travel. We did not have a Reserve or an amount withheld as of December 31, 2016 or 2015.

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Other Contingencies

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 or 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 use or operation of the aircraft or other equipment.

We believe that our insurance would cover most of our exposure to liabilities and related indemnities associated with the commercial real estate leases and aircraft and other equipment lease and financing agreements described above. While our insurance does not typically cover environmental liabilities, we have certain insurance policies in place as required by applicable environmental laws.

Certain of our aircraft and other financing transactions include provisions that 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.

Employees Under Collective Bargaining Agreements

At December 31, 2016, we had approximately 84,000 full-time equivalent employees. Approximately 19% of these employees were represented by unions. The following table shows our domestic airline employee groups that are represented by unions.

Employee Group	Approximate Number of Active Employees Represented	Union	Date on which Collective Bargaining Agreement Becomes Amendable
Delta Pilots	12,863	ALPA	December 31, 2019
Delta Flight Superintendents (Dispatchers)	415	PAFCA	March 31, 2018
Endeavor Air Pilots	1,527	ALPA	January 1, 2020
Endeavor Air Flight Attendants	1,132	AFA	December 31, 2018
Endeavor Air Dispatchers	47	PAFCA	December 31, 2018

In addition, 199 refinery employees of Monroe are represented by the United Steel Workers under an agreement that expires on February 28, 2019. This agreement is governed by the National Labor Relations Act, which generally allows either party to engage in self help upon the expiration of the agreement.

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.

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NOTE 10. INCOME TAXES

Income Tax (Provision) Benefit

Our income tax (provision) benefit consisted of the following:

	Year Ended December 31,		
(in millions)	**2016**	**2015**	**2014**
Current tax (provision) benefit:			
Federal	$—	$(23)	$21
State and local	(28)	(25)	(9)
International	(12)	(2)	(11)
Deferred tax (provision) benefit:			
Federal	(2,080)	(2,409)	(424)
State and local	(143)	(172)	10
Income tax provision	$(2,263)	$(2,631)	$(413)

The following table presents the principal reasons for the difference between the effective tax rate and the U.S. federal statutory income tax rate:

	Year Ended December 31,		
	2016	**2015**	**2014**
U.S. federal statutory income tax rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	1.8	1.8	2.0
Decrease in valuation allowance	—	(0.2)	(2.4)
Foreign tax rate differential	(2.0)	—	—
Other	(0.7)	0.2	3.9
Effective income tax rate	34.1 %	36.8 %	38.5 %

As of December 31, 2016, undistributed earnings of our foreign subsidiaries amounted to $379 million. We have not recognized income taxes on undistributed foreign earnings, which will be used in our international operations and will not be repatriated. It is not practicable to estimate the unrealized U.S. deferred tax liability due to uncertainty related to the timing or availability of foreign tax credits.

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Deferred Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. The following table shows significant components of our deferred tax assets and liabilities:

	December 31,	
(in millions)	**2016**	**2015**
Deferred tax assets:		
Net operating loss carryforwards	$2,485	$3,838
Pension, postretirement and other benefits	5,259	5,444
Fuel derivatives MTM adjustments	112	282
Alternative minimum tax credit carryforward	379	379
Deferred revenue	1,544	1,522
Other	963	1,047
Valuation allowance	(40)	(56)
Total deferred tax assets	$10,702	$12,456
Deferred tax liabilities:		
Depreciation	$5,701	$5,490
Intangible assets	1,691	1,681
Other	246	329
Total deferred tax liabilities	$7,638	$7,500
Net deferred tax assets	$3,064	$4,956

At December 31, 2016, we had $379 million of federal alternative minimum tax credit carryforwards, which do not expire, and $5.9 billion of federal pre-tax net operating loss carryforwards, which will not begin to expire until 2027.

Valuation Allowance

We periodically assess whether it is more likely than not that we will generate sufficient taxable income to realize our deferred income tax assets. We establish valuation allowances if it is not likely we will 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, projected future taxable income, scheduled reversals of deferred tax liabilities, the overall business environment, our historical financial results and tax planning strategies. Remaining valuation allowances primarily related to state net operating losses, state credits and unrealized losses on investments, which have limited expiration periods.

The following table shows the balance of our valuation allowance and the associated activity:

(in millions)	**2016**	**2015**	**2014**
Valuation allowance at beginning of period	$56	$46	$177
Income tax provision	—	—	(9)
Other comprehensive income tax (provision) benefit	(16)	24	(3)
Expirations	—	(4)	(91)
Release of valuation allowance	—	(10)	(28)
Valuation allowance at end of period	$40	$56	$46

Uncertain Tax Positions

The amount of, and changes to, our uncertain tax positions were not material in any of the years presented. The amount of unrecognized tax benefits at December 31, 2016, 2015 and 2014 was $32 million, $32 million and $40 million, respectively. We accrue interest and penalties related to unrecognized tax benefits in interest expense and operating expense, respectively. Interest and penalties are not material in any period presented.

We are currently under audit by the IRS for the 2016 and 2015 tax years.

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NOTE 11. EQUITY AND EQUITY COMPENSATION

Equity

We are authorized to issue 2.0 billion shares of capital stock, of which up to 1.5 billion may be shares of common stock, par value $0.0001 per share, and up to 500 million may be shares of preferred stock.

Preferred Stock. We may issue preferred stock in one or more series. The Board of Directors is authorized (1) to fix the descriptions, powers (including voting powers), preferences, rights, qualifications, limitations and restrictions with respect to any series of preferred stock and (2) to specify the number of shares of any series of preferred stock. We have not issued any preferred stock.

Treasury Stock. We generally withhold shares of Delta common stock to cover employees' portion of required tax withholdings when employee equity awards are issued or vest. These shares are valued at cost, which equals the market price of the common stock on the date of issuance or vesting. The weighted average cost of shares held in treasury was $19.40 and $17.70 as of December 31, 2016 and 2015, respectively.

Equity-Based Compensation

Our broad-based equity and cash compensation plan provides for grants of restricted stock, stock options, performance awards, including cash incentive awards and other equity-based awards (the "Plan"). Shares of common stock issued under the Plan may be made available from authorized, but unissued, common stock or common stock we acquire. If any shares of our common stock are covered by an award that is canceled, forfeited or otherwise terminates without delivery of shares (including shares surrendered or withheld for payment of the exercise price of an award or taxes related to an award), such shares will again be available for issuance under the Plan. The Plan authorizes the issuance of up to 163 million shares of common stock. As of December 31, 2016, there were 31 million shares available for future grants.

We make long-term incentive awards annually to eligible employees under the Plan. Generally, awards vest over time, subject to the employee's continued employment. Equity compensation expense for these awards is recognized in salaries and related costs over the employee's requisite service period (generally, the vesting period of the award) and totaled $105 million, $76 million and $81 million for the years ended December 31, 2016, 2015 and 2014, respectively. We record expense on a straight-line basis for awards with installment vesting. As of December 31, 2016, unrecognized costs related to unvested shares and stock options totaled $74 million. We expect substantially all unvested awards to vest and recognize any forfeitures as they occur.

Restricted Stock. Restricted stock is common stock that may not be sold or otherwise transferred for a period of time and is subject to forfeiture in certain circumstances. The fair value of restricted stock awards is based on the closing price of the common stock on the grant date. As of December 31, 2016, there were 2.8 million unvested restricted stock awards.

Stock Options. Stock options are granted with an exercise price equal to the closing price of Delta common stock on the grant date and generally have a 10-year term. We determine the fair value of stock options at the grant date using an option pricing model. As of December 31, 2016, there were 2.8 million outstanding stock option awards with a weighted average exercise price of $21.22, and 2.2 million were exercisable.

Performance Shares. Performance shares are long-term incentive opportunities, which are payable in common stock and/or cash, and are generally contingent upon our achieving certain financial goals.

Other. As discussed in Note 1 of the Notes to the Consolidated Financial Statements, we adopted ASU 2016-09 in the June 2016 quarter. Prior to 2016, no tax benefit was recognized in equity related to equity-based compensation as our excess tax benefits did not reduce taxes payable. During 2016, we recognized $33 million of excess tax benefits in our income tax provision.

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NOTE 12. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table shows the components of accumulated other comprehensive loss:

(in millions)	Pension and Other Benefits Liabilities[2]	Derivative Contracts	Investments	Total
Balance at January 1, 2014	$(5,323)	$219	$(26)	$(5,130)
Changes in value (net of tax effect of $1,276)	(2,267)	83	10	(2,174)
Reclassification into earnings (net of tax effect of $4)[1]	73	(80)	—	(7)
Balance at December 31, 2014	(7,517)	222	(16)	(7,311)
Changes in value (net of tax effect of $41)	10	43	(45)	8
Reclassification into earnings (net of tax effect of $16)[1]	153	(125)	—	28
Balance at December 31, 2015	(7,354)	140	(61)	(7,275)
Changes in value (net of tax effect of $293)	(482)	(19)	42	(459)
Reclassification into earnings (net of tax effect of $57)[1]	122	(24)	—	98
Balance at December 31, 2016	$(7,714)	$97	$(19)	$(7,636)

(1) Amounts reclassified from AOCI for pension and other benefits are recorded in salaries and related costs in the Consolidated Statements of Operations. Amounts reclassified from AOCI for derivative contracts designated as foreign currency cash flow hedges and interest rate cash flow hedges are recorded in passenger revenue and interest expense, net, respectively, in the Consolidated Statements of Operations.

(2) Includes $1.9 billion of deferred income tax expense, primarily related to pension obligations, that will not be recognized in net income until the pension obligations are fully extinguished. We consider all income sources, including other comprehensive income, in determining the amount of tax benefit allocated to continuing operations.

NOTE 13. SEGMENTS AND GEOGRAPHIC INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker and is used in resource allocation and performance assessments. Our chief operating decision maker is considered to be our executive leadership team. Our executive leadership team regularly reviews discrete information for our two operating segments, which are determined by the products and services provided: our airline segment and our refinery segment.

Airline Segment

Our airline segment is managed as a single business unit that provides scheduled air transportation for passengers and cargo throughout the U.S. and around the world and other ancillary airline services. This allows us to benefit from an integrated revenue pricing and route network. Our flight equipment forms 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.

Refinery Segment

In June 2012, our wholly owned subsidiaries, Monroe Energy, LLC, and MIPC, LLC (collectively, "Monroe"), acquired the Trainer oil refinery and related assets located near Philadelphia, Pennsylvania, as part of our strategy to mitigate the cost of the refining margin reflected in the price of jet fuel. The acquisition included pipelines and terminal assets that allow the refinery to supply jet fuel to our airline operations throughout the Northeastern U.S., including our New York hubs at LaGuardia and JFK. We accounted for the refinery acquisition as a business combination.

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Our refinery segment operates for the benefit of the airline segment by providing jet fuel to the airline segment from its own production and through jet fuel obtained via exchange agreements with third parties. The refinery's production consists of jet fuel as well as non-jet fuel products. We use several counterparties to exchange the non-jet fuel products produced by the refinery for jet fuel consumed in our airline operations. The gross fair value of the products exchanged under these agreements during the years ended December 31, 2016, 2015 and 2014 was $2.7 billion, $3.1 billion and $5.1 billion, respectively.

Segment Reporting

Segment results are prepared based on our internal accounting methods described below, with reconciliations to consolidated amounts in accordance with GAAP. Our segments are not designed to measure operating income or loss directly related to the products and services included in each segment on a stand-alone basis.

(in millions)	Airline	Refinery	Intersegment Sales/Other	Consolidated
Year Ended December 31, 2016				
Operating revenue:	$39,406	$3,843		$ 39,639
Sales to airline segment			$(695)[(1)]	
Exchanged products			(2,658)[(2)]	
Sales of refined products			(257)[(3)]	
Operating income (loss)[(4)]	7,077	(125)		6,952
Interest expense, net	386	2		388
Depreciation and amortization	1,862	40		1,902
Total assets, end of period	49,930	1,331		51,261
Capital expenditures	3,270	121		3,391
Year Ended December 31, 2015				
Operating revenue:	$40,398	$4,741		$ 40,704
Sales to airline segment			$(990)[(1)]	
Exchanged products			(3,108)[(2)]	
Sales of refined products			(337)[(3)]	
Operating income[(4)]	7,512	290		7,802
Interest expense, net	481	—		481
Depreciation and amortization	1,805	30		1,835
Total assets, end of period	51,785	1,349		53,134
Capital expenditures	2,853	92		2,945
Year Ended December 31, 2014				
Operating revenue:	$40,217	$6,959		$ 40,362
Sales to airline segment			$(1,313)[(1)]	
Exchanged products			(5,104)[(2)]	
Sales of refined products			(397)[(3)]	
Operating income[(4)]	2,110	96		2,206
Interest expense, net	650	—		650
Depreciation and amortization	1,745	26		1,771
Total assets, end of period	52,896	1,109		54,005
Capital expenditures	2,184	65		2,249

(1) Represents transfers, valued on a market price basis, from the refinery to the airline segment for use in airline operations. We determine market price by reference to the market index for the primary delivery location, which is New York Harbor, for jet fuel from the refinery.
(2) Represents value of products delivered under our exchange agreements, as discussed above, determined on a market price basis.
(3) These sales were at or near cost; accordingly, the margin on these sales is de minimis.
(4) Includes the impact of pricing arrangements between the airline and refinery segments with respect to the refinery's inventory price risk.

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Geographic Information

Operating revenue for the airline segment is recognized in a specific geographic region based on the origin, flight path and destination of each flight segment. The majority of the revenues of the refinery, consisting of fuel sales to the airline, have been eliminated in the Consolidated Financial Statements. The remaining operating revenue for the refinery segment is included in the domestic region.

Our operating revenue by geographic region (as defined by the U.S. Department of Transportation) is summarized in the following table:

	Year Ended December 31,		
(in millions)	**2016**	**2015**	**2014**
Domestic	$28,108	$27,884	$26,898
Atlantic	5,919	6,505	6,757
Pacific	2,939	3,503	3,948
Latin America	2,673	2,812	2,759
Total	$39,639	$40,704	$40,362

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

NOTE 14. RESTRUCTURING AND OTHER

The following table shows amounts recorded in restructuring and other on our Consolidated Statements of Operations:

	Year Ended December 31,		
(in millions)	**2016**	**2015**	**2014**
Fleet and other	$—	$35	$758
Severance and related costs	—	—	71
Settlements	—	—	(113)
Total restructuring and other	$—	$35	$716

Fleet and Other. In recent years, we have restructured our domestic fleet by replacing a portion of our 50-seat regional fleet with more efficient and customer preferred CRJ-900 and B-717-200 aircraft and replacing older, less cost effective B-757-200 aircraft with B-737-900ER aircraft. Restructuring charges recorded during 2015 and 2014 include remaining lease payments, lease return costs for permanently grounded aircraft, impairments, accelerated aircraft depreciation and related equipment disposals.

During 2014, we decided to retire our fleet of 16 B-747-400 aircraft by the end of 2017. As part of the accelerated retirement, we recorded an impairment charge for the owned and capital leased aircraft. This impairment charge was calculated using Level 3 fair value inputs based primarily upon recent market transactions and existing market conditions. Also, we recorded a lease restructuring charge for the three B-747-400 aircraft under operating leases that were retired during 2014.

Severance and Related Costs. During 2015, we announced a voluntary retirement program for eligible U.S. employees and an involuntary merit restructuring initiative. During 2016 and 2015, we recognized charges of $11 million and $51 million, respectively, in salaries and related costs in our Consolidated Statement of Operations in connection with these programs. During 2014, we announced a voluntary retirement program for eligible U.S. employees and recorded a $71 million charge in restructuring and other in our Consolidated Statement of Operations in connection with this program and other programs related to our Pacific strategy.

Settlements. During 2014, we settled outstanding litigation resulting in a favorable settlement of $67 million and received an unrelated insurance settlement of $46 million.

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The following table shows the balances and activity for restructuring charges:

(in millions)	Severance and Related Costs 2016	2015	2014	Lease Restructuring 2016	2015	2014
Liability at beginning of period	$52	$42	$—	$415	$462	$168
Additional costs and expenses	11	51	71	1	41	349
Payments	(59)	(41)	(29)	(85)	(86)	(55)
Other	—	—	—	(2)	(2)	—
Liability at end of period	$4	$52	$42	$329	$415	$462

NOTE 15. EARNINGS PER SHARE

We calculate basic earnings per share by dividing the net income by the weighted average number of common shares outstanding, excluding restricted shares. We calculate diluted earnings per share by dividing net income by the weighted average number of common shares outstanding plus the dilutive effect of outstanding share-based awards, including stock options and restricted stock awards. Antidilutive common stock equivalents excluded from the diluted earnings per share calculation are not material. The following table shows our computation of basic and diluted earnings per share:

(in millions, except per share data)	Year Ended December 31, 2016	2015	2014
Net income	$4,373	$4,526	$659
Basic weighted average shares outstanding	751	797	836
Dilutive effect of share-based awards	4	7	9
Diluted weighted average shares outstanding	755	804	845
Basic earnings per share	$5.82	$5.68	$0.79
Diluted earnings per share	$5.79	$5.63	$0.78

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NOTE 16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our unaudited results of operations on a quarterly basis. The quarterly earnings per share amounts for a year will not add to the earnings per share for that year due to the weighting of shares used in calculating per share data.

	Three Months Ended,			
(in millions, except per share data)	March 31	June 30	September 30	December 31
2016				
Operating revenue	$9,251	$10,447	$10,483	$9,458
Operating income	1,540	2,423	1,969	1,020
Net income	946	1,546	1,259	622
Basic earnings per share	$1.22	$2.04	$1.70	$0.85
Diluted earnings per share	$1.21	$2.03	$1.69	$0.84
2015				
Operating revenue	$9,388	$10,707	$11,107	$9,502
Operating income	1,398	2,474	2,213	1,717
Net income	746	1,485	1,315	980
Basic earnings per share	$0.91	$1.85	$1.67	$1.26
Diluted earnings per share	$0.90	$1.83	$1.65	$1.25

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

None.

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 record, process, summarize and report, within time periods specified by the SEC's rules and forms, information required to be disclosed. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of December 31, 2016 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, 2016, 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, 2016 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 Internal Control-Integrated Framework. Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 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, 2016. Ernst & Young LLP's report on our internal control over financial reporting is set forth below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of
Delta Air Lines, Inc.

We have audited Delta Air Lines, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Delta Air Lines, Inc.'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 included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, Delta Air Lines, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, 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 sheets of Delta Air Lines, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' equity for each of the three years in the period ended December 31, 2016 and our report dated February 13, 2017 expressed an unqualified opinion thereon.
Atlanta, Georgia /s/ Ernst & Young LLP
February 13, 2017

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE OF THE REGISTRANT

Information required by this item is set forth under the headings "Governance Matters," "Proposal 1 - Election of Directors - Certain Information About Nominees" and "Other Matters - Section 16 Beneficial Ownership Reporting Compliance" in our Proxy Statement to be filed with the Commission related to our 2017 Annual Meeting of Stockholders ("Proxy Statement"), and is incorporated by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, certain information regarding executive officers is contained in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is set forth under the headings "Governance Matters - Compensation Committee Interlocks and Insider Participation," "Executive Compensation" and "Director Compensation" in our Proxy Statement and is incorporated by reference.

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the number of shares of common stock that may be issued under Delta's equity compensation plans as of December 31, 2016.

Plan Category	(a) No. of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights[(1)]	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[(2)]	(c) No. of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))[(3)]
Equity compensation plans approved by securities holders	4,474,773	$ 13.16	30,977,782
Equity compensation plans not approved by securities holders	—	—	—
Total	4,474,773	$ 13.16	30,977,782

(1) Includes a maximum of 1,699,072 shares of common stock that may be issued upon the achievement of certain performance conditions under outstanding performance share awards as of December 31, 2016.

(2) Includes performance share awards, which do not have exercise prices. The weighted average exercise price of options is $21.22.

(3) Reflects shares remaining available for issuance under Delta's Performance Compensation Plan. If any shares of our common stock are covered by an award under the Plan that is canceled, forfeited or otherwise terminates without delivery of shares (including shares surrendered or withheld for payment of the exercise price of an award or taxes related to an award), then such shares will again be available for issuance under the Plan except for (i) any shares tendered in payment of an option, (ii) shares withheld to satisfy any tax withholding obligation with respect to the exercise of an option or stock appreciation right ("SAR") or (iii) shares covered by a stock-settled SAR or other awards that were not issued upon the settlement of the award. Because 2,774,807 shares of restricted stock remain unvested and subject to forfeiture, these shares could again be available for issuance.

Other information required by this item is set forth under the heading "Beneficial Ownership of Securities" in our Proxy Statement and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is set forth under the headings "Governance Matters," "Executive Compensation - Post-Employment Compensation - Other Benefits - Pre-Existing Medical Benefits Agreement with Northwest" and "Proposal 1 - Election of Directors" in our Proxy Statement and is incorporated by reference.

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ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is set forth under the heading "Proposal 4 - Ratification of the Appointment of Independent Auditors" in our Proxy Statement and is incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1). The following is an index of the financial statements required by this item that are included in this Form 10-K:

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets—December 31, 2016 and 2015
Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2016, 2015 and 2014
Notes to the Consolidated Financial Statements

(2). The schedule required by this item is included in Notes 10 and 14 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 10.9 through 10.22 in the Exhibit Index.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

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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 13th day of February 2017.

DELTA AIR LINES, INC.

By: /s/ Edward H. Bastian
Edward H. Bastian
Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 13th day of February 2017 by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ Edward H. Bastian Edward H. Bastian	Chief Executive Officer and Director (Principal Executive Officer)
/s/ Paul A. Jacobson Paul A. Jacobson	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Craig M. Meynard Craig M. Meynard	Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ Francis S. Blake Francis S. Blake	Chairman of the Board
/s/ Daniel A. Carp Daniel A. Carp	Director
/s/ David G. DeWalt David G. DeWalt	Director
/s/ Thomas E. Donilon Thomas E. Donilon	Director
/s/ William H. Easter III William H. Easter III	Director
/s/ Mickey P. Foret Mickey P. Foret	Director
/s/ Shirley C. Franklin Shirley C. Franklin	Director
/s/ Jeanne P. Jackson Jeanne P. Jackson	Director
/s/ George N. Mattson George N. Mattson	Director
/s/ Douglas R. Ralph Douglas R. Ralph	Director
/s/ Sergio A.L. Rial Sergio A.L. Rial	Director
/s/ Kathy N. Waller Kathy N. Waller	Director

/s/ Kenneth B. Woodrow Kenneth B. Woodrow	Director

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EXHIBIT INDEX

Note to Exhibits: Any representations and warranties of a party set forth in any agreement (including all exhibits and schedules thereto) filed with this Annual Report on Form 10-K have been made solely for the benefit of the other party to the agreement. Some of those representations and warranties were made only as of the date of the agreement or such other date as specified in the agreement, may be subject to a contractual standard of materiality different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between the parties rather than establishing matters as facts. Such agreements are included with this filing only to provide investors with information regarding the terms of the agreements, and not to provide investors with any other factual or disclosure information regarding the registrant or its business.

3.1(a) Delta's Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on April 30, 2007).*

3.1 (b) Amendment to Amended and Restated Certificate of Incorporation (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on June 27, 2014).*

3.2 Delta's Bylaws (Filed as Exhibit 3.1 to Delta's Current Report on Form 8-K as filed on October 31, 2016).*

Delta is not filing any 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 Credit and Guaranty Agreement, dated as of August 24, 2015, among Delta Air Lines, Inc., as Borrower, the subsidiaries of the Borrower named as Guarantors, each of the several Lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent for the Lenders, Barclays Bank PLC, Bank of America, N.A., Wells Fargo Bank, N.A. and U.S. Bank National Association, as Co-Syndication Agents, BBVA Compass and Fifth Third Bank, as Co-Documentation Agents, J.P. Morgan Securities LLC, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., Citigroup Global Markets Inc., BBVA Compass, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch, Deutsche Bank Securities Inc., Fifth Third Bank, Goldman Sachs Lending Partners LLC, Morgan Stanley Senior Funding, Inc., Wells Fargo Securities, LLC, Natixis, New York Branch, U.S. Bank National Association and UBS Securities LLC, as Revolving Facility Joint Lead Arrangers and Revolving Facility Joint Bookrunners and Barclays Bank PLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, BNP Paribas Securities Corp., Citigroup Global Markets Inc., BBVA Compass, Credit Agricole Corporate and Investment Bank, Credit Suisse AG, Cayman Islands Branch, Deutsche Bank Securities Inc., Fifth Third Bank, Goldman Sachs Lending Partners LLC, Wells Fargo Securities, LLC and U.S. Bank National Association, as Term Loan Joint Lead Arrangers and Term Loan Joint Bookrunners (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).*

10.2 Credit and Guaranty Agreement, dated as of October 18, 2012, among Delta Air Lines, Inc., as Borrower, the subsidiaries of the Borrower named as Guarantors, each of the several Lenders party thereto, Barclays Bank PLC, as administrative agent, Wilmington Trust, National Association, as Collateral Trustee, Deutsche Bank Securities Inc. and UBS Securities LLC, as Co-Syndication Agents, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc., as co-documentation agents, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., and UBS Securities LLC, as joint lead arrangers, and Barclays Bank PLC, BNP Paribas Securities Corp, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche

	Bank Securities Inc., Goldman Sachs Bank USA, J.P. Morgan Securities LLC, Morgan Stanley Senior Funding, Inc. and UBS Securities LLC, as joint bookrunners (Filed as Exhibit 10.2 to Delta's Annual Report on Form 10-K for the year ended December 31, 2012).*
10.3	Anchor Tenant Agreement dated as of December 9, 2010 between JFK International Air Terminal LLC and Delta Air Lines, Inc. (Filed as Exhibit 10.4 to Delta's Annual Report on Form 10-K for the year ended December 31, 2010).*
10.4(a)	Supplemental Agreement No. 13 to Purchase Agreement Number 2022, dated August 24, 2011, between The Boeing Company and Delta relating to Boeing Model 737NG Aircraft ("Supplemental Agreement 13") (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).*/**

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10.4(b)	Supplemental Agreement No. 17 to Purchase Agreement Number 2022, dated December 16, 2015, between The Boeing Company and Delta relating to Boeing Model 737NG Aircraft ("Supplemental Agreement 17") (Filed as Exhibit 10.6(b) to Delta’s Annual Report on Form 10-K for the year ended December 31, 2015).*/**
10.5(a)	Letter Agreements, dated August 24, 2011, relating to Supplemental Agreement 13 (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).*/**
10.5(b)	Letter Agreements, dated December 16, 2015, relating to Supplemental Agreement 17 (Filed as Exhibit 10.7(b) to Delta’s Annual Report on Form 10-K for the year ended December 31, 2015).*/**
10.6(a)	Aircraft General Terms Agreement, dated October 21, 1997, between Boeing and Delta (Filed as Exhibit 10.6 to Delta's Quarterly Report on Form 10-Q for the quarter ended December 31, 1997).*/**
10.6(b)	Letter Agreement, dated August 24, 2011, relating to Revisions to Aircraft General Terms Agreement dated October 21, 1997 and Supplemental Agreement 13 (Filed as Exhibit 10.3(b) to Delta's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011).*/**
10.6(c)	Letter Agreement, dated December 16, 2015, relating to Revisions to Aircraft General Terms Agreement dated October 21, 1997 and Supplemental Agreement 17 (Filed as Exhibit 10.8(c) to Delta’s Annual Report on Form 10-K for the year ended December 31, 2015).*/**
10.7	Airbus A330-900neo Aircraft and A350-900 Aircraft Purchase Agreement dated as of November 24, 2014 between Airbus S.A.S and Delta Air Lines, Inc. (Filed as Exhibit 10.9 to Delta's Annual Report on Form 10-K for the year ended December 31, 2014).*/**
10.8	Airbus A321 Aircraft and A330 Aircraft Purchase Agreement dated as of September 3, 2013 between Airbus S.A.S and Delta Air Lines, Inc., as amended through April 29, 2016 (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).*/**
10.9	Delta Air Lines, Inc. Performance Compensation Plan (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).*
10.10	Delta Air Lines, Inc. Officer and Director Severance Plan, as amended and restated as of June 1, 2016 (Filed as Exhibit 10.3 to Delta's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).*
10.11	Description of Certain Benefits of Members of the Board of Directors and Executive Officers.

10.12(a) Delta Air Lines, Inc. 2014 Long Term Incentive Program (Filed as Exhibit 10.15 to Delta's Annual Report on Form 10- K for the year ended December 31, 2013).*

10.12(b) Model Award Agreement for the Delta Air Lines, Inc. 2014 Long Term Incentive Program (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014).*

10.13(a)	Delta Air Lines, Inc. 2015 Long Term Incentive Program (Filed as Exhibit 10.16 to Delta's Annual Report on Form 10-K for the year ended December 31, 2014).*
10.13(b)	Model Award Agreement for the Delta Air Lines, Inc. 2015 Long Term Incentive Program (Filed as Exhibit 10.2 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015).*

10.14(a) Delta Air Lines, Inc. 2016 Long Term Incentive Program (Filed as Exhibit 10.16 to Delta's Annual Report on Form 10- K for the year ended December 31, 2015).*

10.14(b) Model Award Agreement for the Delta Air Lines, Inc. 2016 Long Term Incentive Program (Filed as Exhibit 10.1 to Delta's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).*

10.15 Delta Air Lines, Inc. 2017 Long-Term Incentive Program.

10.16 Delta Air Lines, Inc. 2016 Management Incentive Plan (Filed as Exhibit 10.18 to Delta's Annual Report on Form 10-K for the year ended December 31, 2015).*

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10.17	Delta Air Lines, Inc. 2017 Management Incentive Plan.
10.18	Letter Agreement dated as of June 11, 2008 between counsel for and on behalf of Mickey P. Foret and Aviation Consultants, LLC, and counsel for and on behalf of Northwest Airlines, Inc. (Filed as Exhibit 10.22 to Delta's Annual Report on Form 10-K for the year ended December 31, 2008).*
10.19	Delta Air Lines, Inc. Restoration Long Term Disability Plan (Filed as Exhibit 10.24 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).*
10.20	Letter Agreement, dated February 2, 2012 between Delta Air Lines, Inc. and Richard H. Anderson (Filed as Exhibit 10.25 to Delta's Annual Report on Form 10-K for the year ended December 31, 2011).*
10.21	Terms of 2015 Restricted Stock Awards for Non-Employee Directors (Filed as Exhibit 10.1 to Delta’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015).*
10.22	Terms of 2016 Restricted Stock Awards for Non-Employee Directors (Filed as Exhibit 10.4 to Delta’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016).*
12.1	Statement regarding computation of ratio of earnings to fixed charges for each fiscal year in the five-year period ended December 31, 2016.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young 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.
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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* Incorporated by reference.

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