

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: : **Chapter 11 Case No.**
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DELTA AIR LINES, INC., et al., : **05-17923 (ASH)**
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Debtors. : **(Jointly Administered)**
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**STIPULATION AND CONSENT ORDER UNDER BANKRUPTCY
RULE 9019 BETWEEN DELTA AIR LINES, INC. AND THE
SECTION 1114 PILOT RETIREE COMMITTEE**

WHEREAS, on April 14, 2006, proposed counsel for the pilot retiree committee formed pursuant to 11 U.S.C. § 1114 (the “**Pilot Retiree Committee**”) filed a motion (the “**Motion for a Declaratory Order**”) requesting an order declaring that proceedings before a panel of third-party neutrals (the “**Panel**”) constituted to decide the motion of Delta Air Lines, Inc. (“**Delta**”) to reject its collective bargaining agreement (the “**Pilot Working Agreement**” or “**PWA**”) with the Air Line Pilots Association, International (“**ALPA**”) “will not prejudice or affect” retired-pilot benefits, “so that for purposes of determining the Pilot Retirees’ rights under 11 U.S.C. § 1114, those rights shall be treated in all respects as if the Pilot Working Agreements had not been rejected”;

WHEREAS proceedings before the Panel have been suspended;

WHEREAS on April 14, 2006, Delta and ALPA reached a tentative agreement embodied in Letter of Agreement #51 (“**LOA #51**”) on long-term changes to the PWA, and Delta, on May 9, 2006, filed a motion (the “**363 Motion**”) pursuant to section 363 of title 11 of the U.S. Code (the “**Bankruptcy Code**”) for authority to enter into LOA #51;

WHEREAS the 363 Motion acknowledges that “[t]he provisions contained in LOA #51 modifying Section 25 of the PWA (Medical Benefits) and certain provisions modifying Section 26 of the PWA (Retirement and Disability Benefits) on their face address benefits that, as to retirees, are the types of health, life insurance and disability benefits within the ambit of section 1114 of the Bankruptcy Code”;

WHEREAS the 363 Motion also states that “[a]s to pilots who retired on or before the June 1, 2006 effective date of LOA #51, Delta . . . expressly agreed with ALPA that none of the 1114 Provisions [as defined in the 363 Motion] shall become effective as to pilots who retired on or before June 1, 2006 without either an order of the Court under section 1114 of the Bankruptcy Code or the agreement of the Official Section 1114 Committee of Pilot Retirees”;

WHEREAS, the Debtors desire that, and the Pilot Retiree Committee has agreed that, the Motion for a Declaratory Order be withdrawn without prejudice to refiling at a later date;

IT IS HEREBY STIPULATED AND AGREED by and between Delta and the Pilot Retiree Committee, and ordered by this Court, as follows:

1. The Motion for a Declaratory Order is hereby withdrawn without prejudice to refiling at a later date in accordance with the Order Approving Notice, Case Management and Administrative Procedures entered in the above-captioned cases on October 6, 2005;
2. Should the 363 Motion be approved by the Court, none of the 1114 Provisions (as defined in the 363 Motion) shall become effective as to those persons

represented by the Pilot Retiree Committee (the “**Retired Pilots**”) without either an order of the Court under section 1114 of the Bankruptcy Code or the agreement of the Pilot Retiree Committee.

3. Retired Pilots are (a) pilots who retired from Delta on or before June 1, 2006 (or from Western Airlines, Inc. prior to its April 1, 1987 merger with Delta) or (b) pilots employed, or formerly employed, by Delta who on June 1, 2006 will be age 60 or over, not on the Delta pilots' system seniority list, and eligible for Delta health and welfare benefits. For the avoidance of doubt, Retired Pilots shall also include survivors who are entitled to health and welfare benefits from Delta through a decedent who met the conditions set forth in clauses (a) or (b) of this paragraph at the time of his or her death.

4. If the 363 Motion is not approved by the Court and the PWA is subsequently rejected, the Debtors shall timely pay and shall not modify any “retiree benefits” as defined in 11 U.S.C. § 1114(a) made on behalf of Retired Pilots without either an order of the Court under section 1114 or the agreement of the Pilot Retiree Committee.

5. Nothing in this Stipulation and Consent Order shall be deemed a concession by the Pilot Retiree Committee concerning the scope of 11 U.S.C. § 1114.

6. The Pilot Retiree Committee reserves its right to assert that Delta improperly modified “retiree benefits” as defined in 11 U.S.C. § 1114(a) in connection with that provision of Section Q of LOA #51 (the “**Disputed Provision**”) that amends Section 26 of the PWA to permit payment from the Delta Pilots Disability and

Survivorship Trust (the ‘**D&S Trust**’) of pilot sick leave benefits and other legally permissible benefits in addition to other benefits payable pursuant to the Delta Pilots Disability and Survivorship Plan without regard to such amendment, in an amount not to exceed \$60 million for 2006 and \$60 million per year thereafter.

7. In the interim, Delta may implement the Disputed Provision effective on and subject to the ratification of LOA #51 by the pilots and approval of LOA #51 by this Court pursuant to section 363 of the Bankruptcy Code.

8. Should the Pilot Retiree Committee actually assert, and the Court subsequently rule, that Delta’s implementation of the Disputed Provision diminished the assets of the D&S Trust in violation of section 1114, then, consistent with any order entered in such litigation, Delta shall replenish the D&S Trust in an amount equal to those amounts paid out by the D&S Trust under Section Q that the Court finds cannot be authorized under section 1114.