

# **ADDENDUM A**

**Supplemental Section 1114 Pilot Retiree Committee  
Agreement Term Sheet**

January 22, 2007

**I. BACKGROUND AND SCOPE**

A. On October 4, 2006, Delta Air Lines, Inc. (“**Delta**” or the “**Debtor**”) and the Section 1114 Pilot Retiree Committee (“**1114 Pilot Committee**”) entered into that certain Section 1114 Pilot Retiree Committee Agreement Term Sheet (“**Term Sheet**”), which provided, *inter alia*, for the consensual modification of certain healthcare benefits for Retired Pilots (as defined below in Section (I)(F)).

B. On October 5, 2006, Delta filed a Motion to Approve Agreements Between the Debtors and Section 1114 Retiree Committees to Modify Retiree Benefits. On October 19, 2006, the United States Bankruptcy Court for the Southern District of New York (the “**Bankruptcy Court**”) entered an Order Approving Agreements Between the Debtors and Section 1114 Retiree Committees to Modify Retiree Benefits.

C. This Supplemental Section 1114 Pilot Retiree Committee Agreement Term Sheet (“**Supplemental Term Sheet**”) sets forth the agreement between Delta and the 1114 Pilot Committee regarding the method of calculation of claims resulting from the modifications to retiree benefits described in the Term Sheet.

D. Pursuant to that certain May 31, 2006 Stipulation and Consent Order Under Bankruptcy Rule 9019 Between Delta Air Lines, Inc. and the Pilot Retiree Committee (“**Stipulation**”), persons represented by the 1114 Pilot Committee include: (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); (b) pilots employed, or formerly employed, by Delta who on June 1, 2006 were age 60 or over, not on the Delta pilots’ system seniority list, and eligible for Delta health and welfare benefits; and (c) survivors (as defined below in (I)(H)) who are entitled to health and welfare benefits from Delta through decedents who met the conditions set forth in clauses (a) or (b). Survivors, as set forth in paragraph (c) of the Stipulation, include individuals who are entitled to health and welfare benefits from Delta through decedents who (1) died while actively working or on disability prior to age 60 and (2) would have met the conditions set forth in clause (b) of the Stipulation had they lived. This Supplemental Term Sheet applies to persons represented by the 1114 Pilot Committee, other than those pilots who

retired from Western Airlines, Inc. prior to its April 1, 1987 merger with Delta (“**Western Retirees**”).<sup>1</sup>

E. Those persons described in (a) and (b) of the Stipulation as set forth in Section (D) above (other than Western Retirees) are referred to in this Supplemental Term Sheet as “**Retired Pilot(s)**.”

F. For purposes of this Supplemental Term Sheet: (1) “**Pre-1997 Retiree**” refers to a Retired Pilot who retired on or before January 1, 1997 and pilots who retired under the 1996 Special Early Retirement Program regardless of their date of retirement; and (2) “**Post-1997 Retiree**” refers to: (i) a Retired Pilot who retired after January 1, 1997 (other than those who retired under the 1996 Special Early Retirement Program) and on or before June 1, 2006; and (ii) a Retired Pilot who is described in clause (b) of Section (D) above.

G. For purposes of this Supplemental Term Sheet, “**Dependent Spouse**” means the spouse of a Retired Pilot who is eligible for post-retirement healthcare benefits under the terms of the applicable Delta Pilots Medical Plan (“**DPMP**”).

H. For purposes of this Supplemental Term Sheet, “**Survivor**” means a spouse of a deceased Retired Pilot (including an individual described in the penultimate sentence of Section I(D)) who receives monthly survivor income benefits from the Delta Pilots Disability and Survivorship Plan following the Retired Pilot’s death.

## **II. CALCULATION AND ALLOWANCE OF CLAIMS**

A. Delta and the 1114 Pilot Committee (and their respective advisors) have determined the method of calculation of the individual claims as described below, and the claims that result from such method of calculation shall be allowed as unsecured non-priority claims without the need for the individual claimants to file proofs of claims for those amounts. Delta agrees to amend its Schedules to set forth the allowed individual unsecured non-priority claims (listed by employee number) and provide notice of such amendment to the affected claimants.

B. Each Retired Pilot<sup>2</sup> and Survivor will receive an unsecured non-priority

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<sup>1</sup> Retiree benefits for Western Retirees were not modified by the Term Sheet and, therefore, Western Retirees will not receive claims in this Supplemental Term Sheet.

<sup>2</sup> The claim of a Retired Pilot shall compensate such Retired Pilot for both the modification to such Retired Pilot’s own retiree healthcare and, if applicable, the retiree healthcare of any Dependent Spouse. The claim of a Retired Pilot, however, shall not separately compensate the Retired Pilot for any modifications to the retiree healthcare of a dependent child. The Debtors believe that the agreed methodology for calculating the claims of a Retired Pilots sufficiently (...continued)

claim equal to the present value of the difference for all future years, commencing with the 2007 calendar year, between: (1) the Delta-provided retiree medical benefit (consisting of medical, prescription drug and dental coverage) that the Retired Pilot (and, if applicable, any Dependent Spouse) or Survivor would have received had the DPMP not been modified as set forth in the Term Sheet (i.e., the applicable DPMP total cost less the retiree contribution) (the “**Former Benefit**”), and (2) the Delta-provided retiree medical benefit that the Retired Pilot (and, if applicable, any Dependent Spouse) or Survivor will or would receive under the DPMP under the settlement as set forth in the Term Sheet (the “**Current Benefit**”).

C. Pursuant to this method of calculation, any Retired Pilot (and, if applicable, Dependent Spouse) or Survivor not enrolled in retiree medical coverage under the DPMP, the Delta Family-Care Medical Plan, or the Alternative Plan (as defined in the Term Sheet) for years 2006 or 2007 would receive a “zero” claim as such claims are currently contingent and unliquidated. In order to settle such claims, Delta and the 1114 Pilot Committee, however, have agreed to allow an unsecured non-priority claim in the amount of \$2,100 for each such Retired Pilot (and, if applicable, Dependent Spouse) and Survivor who was not enrolled in retiree medical coverage under the DPMP, Delta Family-Care Medical Plan, or the Alternative Plan for years 2006 or 2007

D. For the calculation described in Section II(B):

(i) the Former Benefit for each Retired Pilot (and, if applicable, any Dependent Spouse) and Survivor for a given year is defined as the projected total cost of the applicable DPMP plan for that year (including medical, prescription drug and dental benefits), less the projected retiree contribution (as defined prior to the settlement) for that year, if any;

(ii) the Current Benefit for each Retired Pilot (and, if applicable, any Dependent Spouse) and Survivor for a given year is defined as the projected total cost of the applicable DPMP plan less the projected required retiree contribution, as defined and set forth in the Term Sheet; and

(iii) for the Former Benefit, the determination of the retiree contribution for a Dependent Spouse is based on the age of the Retiree (or, for a Survivor, the age the deceased Retire Pilot would be). For

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(continued...)

compensates each such Retired Pilot for any loss associated with the retiree healthcare of dependent children.

the Current Benefit, as set forth in the Term Sheet and except as stated therein, the determination of the retiree contribution for Dependent Spouses and Survivors will be determined based on the age of the Dependent Spouse or Survivor.

**E. Pre-1997 Retirees**

1. For Retired Pilots (and if applicable, any Dependent Spouses) where the Retired Pilot is a Pre-1997 Retiree, and Survivors where the deceased Retired Pilot was a Pre-1997 Retiree, the Former Benefit for a given year is the projected total cost of the applicable pre-1997 DPMP plan, less the applicable retiree contribution for that year, if any, for each Retired Pilot (and, if applicable, any Dependent Spouse) and Survivor.

2. Pursuant to the Term Sheet, the DPMP plans for Pre-1997 Retirees have been eliminated. Thus, the Current Benefit for a given year for Retired Pilots who retired on or before January 1, 1997 (and their Dependent Spouses and Survivors) will be calculated as the projected total cost of the applicable remaining DPMP plan, less the applicable (as set forth in the Term Sheet) projected retiree contribution for that year.

3. Retired Pilots who retired on or before January 1, 1997 (and their Dependent Spouses and Survivors) will also each receive a claim for the present value of the change in the Medicare Part B Premium reimbursements for each future year resulting from the Term Sheet.

**F. Post-1997 Retirees**

1. For Retired Pilots, Dependent Spouses, and Survivors where the Retired Pilot retired after January 1, 1997, the Former Benefit for a given year is the projected total cost of the applicable post-1997 DPMP plan, less the applicable retiree contribution for that year, if any, for each Retired Pilot, Dependent Spouse, and Survivor.

2. Pursuant to the Term Sheet, the post-1997 DPMP plan designs will remain in effect. Thus, the post-1997 DPMP plans will be the basis for the projected total cost for each future year for both the Former Benefit and the Current Benefit. For the Former Benefit, the applicable projected retiree contribution for each future year will be calculated as defined prior to the Term Sheet, and for the Current Benefit, the projected retiree contribution for each future year will be calculated as defined in the Term Sheet.

**G. Calculations & Assumptions**

1. The summary of estimated aggregate pilot claims by category is set

forth on page 1 of Exhibit 1 to this Supplemental Term Sheet. This summary is provided for estimate purposes only. Although both Delta's and the 1114 Pilot Committee's experts have based calculations on the best information available at this time, this Supplemental Term Sheet sets forth an agreement for the method of calculation of individual claims, and the total claims may vary from Exhibit 1.

2. The projected 2007 total cost figures for the pre-97 DPMP plans, post-97 DPMP plans, and DPMP dental plan were used as the starting plan costs for the claim calculations.

3. These amounts and their assumed cost increases for all future years are set forth on page 2 of Exhibit 1 to this Supplemental Term Sheet.

4. The present value is the sum of the difference in the Former Benefit and the Current Benefit for each future year discounted at the discount rate and further reduced for the assumed mortality.

5. Present values are calculated as of January 1, 2007 based on a discount rate of 7.5% and the RP-2000 Combined Healthy mortality table with no collar adjustment projected to 2006.

### **III. OTHER CONSIDERATIONS**

A. This Supplemental Term Sheet, and the agreement reflected herein, were entered into in the context of a settlement. Nothing contained herein may be used by either Delta or the 1114 Pilot Committee as evidence or support for any legal or factual position in any litigation, including without limitation, in any litigation related to the scope of section 1114 of chapter 11 of title 11 of the United States Code ("**Bankruptcy Code**") and/or whether a specific benefit, level of benefit, plan design or premium level is covered by section 1114 of the Bankruptcy Code ("**section 1114**").

B. Delta will indemnify and hold harmless the 1114 Pilot Committee, its members, counsel, actuaries, and financial advisors (each an "**indemnitee**") from any loss, liability, damages, and costs directly resulting from any third party lawsuits with respect to the negotiation and support of this agreement. Such indemnification and hold harmless obligation will not apply to: (1) any lawsuit resulting from the intentional misconduct or gross negligence of the indemnitee, (2) as to the particular indemnitee(s) making the statement at issue, any lawsuit resulting from any statement made by the indemnitee(s) that materially incorrectly describes the agreement, or (3) any lawsuit against any indemnitee that has breached its obligations under paragraph (III)(E). An indemnitee seeking to be indemnified and held harmless pursuant to this paragraph must provide to Delta written notice within seven business days of service upon the indemnitee of the

lawsuit as to which the indemnitee seeks to be indemnified and held harmless. Notice should be provided to Delta Air Lines, Inc., Attention: General Counsel, 1040 Delta Boulevard, Atlanta, Georgia, 30320. Delta will have the right to conduct the defense of such matter with counsel of Delta's choosing and enter into a settlement of such matter. Delta will give reasonable consideration to the wishes of the indemnitee in connection with the matters described in the foregoing sentence.

C. The 1114 Pilot Committee agrees to support, in court and in its communications, including, but not limited to, communications with Delta retirees, Delta's motion pursuant to sections 363 and 1114(e)(1)(B) of the Bankruptcy Code to approve this agreement (the "**Approval Motion**"), and such support from the Chair of the 1114 Pilot Committee and its professionals shall include, but is not limited to, the giving of testimony in support of the Approval Motion. The members of the 1114 Pilot Committee agree not to oppose the Approval Motion in court, in communications, or otherwise. Delta shall promptly file a motion in substance reasonably acceptable to the 1114 Pilot Committee to approve this Supplemental Term Sheet and shall diligently seek approval for that motion.

D. This agreement shall be binding upon any successor or merged company or companies or any successor in control of Delta.

E. The Bankruptcy Court shall retain jurisdiction over any disputes arising from (i) the terms of this agreement or (ii) section 1129(a)(13) of the Bankruptcy Code.

**EXHIBIT 1 TO  
THE SUPPLEMENTAL  
TERM SHEET**

**Delta Pilot Claims by Category**

Type of claim	Group					Part B	Total w/ Part B
	Pre-92	92-96	Post-96	SERP	Total		
Retiree	\$14,894,531	\$38,350,328	\$81,097,833	\$29,602,319	<b>\$163,945,011</b>	\$627,000	<b>\$164,572,011</b>
Dep Spouse	\$20,015,123	\$55,788,430	\$119,528,873	\$44,105,981	<b>\$239,438,407</b>	\$1,043,145	<b>\$240,481,552</b>
Surv Spouse	\$17,214,179	\$11,840,656	\$3,663,320	\$0	<b>\$32,718,155</b>	\$245,386	<b>\$32,963,541</b>
Grand Total	\$52,123,833	\$105,979,414	\$204,290,026	\$73,708,300	<b>\$436,101,573</b>	\$1,915,531	<b>\$438,017,104</b>