

## **Delta wins creditors' OK for deal with pilots**

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Delta Air Lines has reached a preliminary agreement with creditors to issue at least \$650 million in stock to help pay for an IOU likely to be issued to pilots as part of its bankruptcy restructuring.

In a court filing Wednesday, Delta said unsecured creditors agreed to support the recent contract deal with the airline's pilots union, and to stop preparations for its "contemplated objection" to the deal.

Delta, which filed for Chapter 11 protection eight months ago, has asked the U.S. Bankruptcy Court in New York to approve the contract if pilots ratify the pact by the end of May. The contract continues a 14 percent pay cut and clears the way for the carrier to terminate the pilots' deeply underfunded pension plan.

Pilots began voting Wednesday on whether to ratify the 3 1/2-year deal, which Delta has said will save about \$280 million a year.

As part of the pilot deal, Delta agreed to issue \$650 million in debt to the pilots union if it sheds the pension plan, a move that would save Delta significant cash and reduce benefits for most pilots. Delta told the court that it may issue at least \$650 million in new stock to fund the IOU to the pilots.

Both transactions would take place as part of Delta's emergence from bankruptcy, which the company has said may happen next year.

While the creditor agreement clears one potential hurdle for the pilot pact, retired pilots and the Pension Benefit Guaranty Corp. could also object to Delta's agreement with pilots, which also awards them with a potential equity stake in the carrier.

The quasi-government PBGC is likely to want a substantial stake in Delta if it takes over the pilots' pensions, as it got in exchange for taking over pension plans in United's and US Airways' earlier bankruptcies. When a company terminates its pension plan, the PBGC continues benefit payouts but only up to certain limits that are less than most pilots would normally get.

A committee representing retired pilots may also want a say in the agreement, which also affects their pension benefits. Delta halted some pension benefits for thousands of retired pilots after it filed for Chapter 11 protection.

In another development, the pilots union reopened its offices Thursday after the union reached a tentative agreement that halted a strike by its clerical and administrative staff. The staff had been on strike since last Friday.