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

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<b>In Re:</b>	:	<b>Chapter 11 Case No.</b>
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<b>DELTA AIR LINES, INC., et al.,</b>	:	<b>05-17923 (ASH)</b>
	:	
<b>Debtors.</b>	:	<b>(Jointly Administered)</b>
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**DEBTORS' REPLY IN SUPPORT OF MOTION TO APPROVE  
SUPPLEMENTAL TERM SHEET BETWEEN THE DEBTORS AND  
THE SECTION 1114 PILOT RETIREE COMMITTEE**

Delta Air Lines, Inc. (“**Delta**”) and those of its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the “**Debtors**”), for their reply in support of their motion (the “**Motion**”)<sup>1</sup> pursuant to section 1114(e)(1)(B) and section 363(b) seeking this Court’s approval of the Supplemental Term Sheet between the Debtors and the official section 1114 Pilot Committee, respectfully state as follows:

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<sup>1</sup> Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to it in the Motion.

## Preliminary Statement

1. The Court approved certain modifications to the cost of Delta retiree medical coverage pursuant to the Term Sheet on October 19, 2006. Notably, the Term Sheet did not exclude a single Retired Pilot or Survivor from access to Delta medical coverage; in large part, it simply modified the subsidy that Delta contributes to pilot retiree healthcare, so that such subsidy is now generally consistent with Letter of Agreement 51, the current pilot collective bargaining agreement, and unifies the Delta Pilots Medical Plan design for all retirees. The Term Sheet provided necessary annual savings to Delta in the amount of at least \$19.4 million.

2. The Supplemental Term Sheet, among other things, sets forth a methodology for calculating and allowing claims resulting from the modifications to retiree benefits described in the Term Sheet. The Debtors submit that the assumptions underlying the methodology are extremely favorable to Retired Pilots and Survivors, and the Debtors believe that the resulting claims fairly compensate these individuals for these modifications. As described in the Motion, the Supplemental Term Sheet was negotiated and agreed to by the Debtors and the Pilot Committee. The Creditors' Committee, along with its advisors, analyzed the calculation methodology underlying the Supplemental Term Sheet and had no objection to the Motion.

3. On January 25, 2007, consistent with the Supplemental Term Sheet, Delta amended its schedules of assets and liabilities (the "**Schedules**") to reflect the approximately \$440 million of claims initially allowed pursuant to the Supplemental Term Sheet in respect of the approximately \$19.4 million of annual savings. Notice of the schedule amendment (the "**Schedule Amendment Notice**," a sample of which is annexed hereto as Exhibit A) was mailed to each Retired Pilot and Survivor affected

thereby (approximately 6,000 individuals) along with an explanatory plain-English cover letter and an attachment providing information about the individual claim amount (a sample of the cover letter and attachment are collectively attached hereto as Exhibit B). The Schedule Amendment Notice established March 12, 2007 as the deadline to file a proof of claim to challenge the application of the agreed-upon claim calculation methodology to individual circumstances (but not the methodology itself, which is the subject of the instant Motion).

4. The Debtors received approximately 368 objections to the Motion prior to the date hereof,<sup>2</sup> an unsurprising amount in light of the thousands of Retired Pilots and Survivors. Preliminarily, it should be noted that none of these objections have articulated a valid legal basis to oppose the Supplemental Term Sheet. First and foremost, none of the objections assert a legal basis for individual standing to object. Nor could they – as this Court has already held, individual retirees simply lack standing to object to an agreement between a debtor and an official retiree committee. Second, none of the objections contend that the terms of the Supplemental Term Sheet are not in the best interest of the estate. Indeed, many of the objections assert that the aggregate claims could have been higher, which allegations only tend to prove that that the Supplemental Term Sheet is, in fact, in the best interest of the estate. Notwithstanding the lack of individual standing, the Debtors and the Pilot Committee have analyzed each objection

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<sup>2</sup> Only 36 of these objections were timely filed in accordance with the procedures set forth in the Motion and the Debtors' Case Management Order. An additional 332 objections were not filed on the docket but were received through counsel to the Debtors or otherwise. Moreover, 91 objections were untimely and were filed or served after the objection deadline. For purposes of this Reply, the Debtors have included all objections of which they are aware, regardless of how or when these objections were received.

and, described further below, elected to amend the Supplemental Term Sheet, in part, to address the concerns set forth in the vast majority of the objections.

5. A majority of these objections (approximately 197 of the objections) were from Retired Pilots or Survivors under the age of 60 who were not enrolled in retiree medical coverage in any Delta sponsored or related plan (including COBRA coverage) in either 2006 or 2007 (the “**Under Age-60 Opt-Outs**”). Because the Under Age-60 Opt-Outs are not currently enrolled in any Delta retiree medical coverage, they have not yet experienced the medical premium cost increase provided for in the Term Sheet (and for which the claims are intended to compensate). Due to the contingent nature of the claims (if any) held by the Under Age-60 Opt-Outs, the Supplemental Term Sheet provided for the allowance of a \$2,100 unsecured claim for each such Under Age-60 Opt-Out (an amount that, in many cases, is significantly lower than the claims allowed for those retirees already enrolled in Delta retiree coverage and who have already suffered the concomitant increase in the cost of retiree medical coverage).

6. Since the filing of the Supplemental Term Sheet (and, in part, prompted by the high percentage of objections received from the Under Age-60 Opt-Outs), the Debtors and the Pilot Committee have had the opportunity to revisit the propriety of allowing uniform claims in the amount of \$2,100 for the Under Age-60 Opt-Outs. Upon further reflection, the Debtors and the Pilot Committee have agreed to amend the Supplemental Term Sheet (the “**Amended Supplemental Term Sheet,**” annexed hereto as Exhibit C) to modify the methodology for calculating claims for the Under Age-60 Opt-Outs. The basis for this modification is that, even before the modifications detailed in the Term Sheet, pilot retirees under age 60 were required to pay 100% of the cost of

their retiree medical premium (retirees over age 60 did receive in the past and under the Term Sheet will continue to receive some subsidy from Delta toward their retiree medical premium). As such, the Debtors and the Pilot Committee have now concluded that it is appropriate to assume that a certain number of the Under Age-60 Opt-Outs will “opt in” to Delta retiree medical coverage when a subsidy becomes available at age 60 (Delta permits pilot retirees to opt in and out of retiree coverage each year during an annual enrollment period). Pursuant to the Amended Supplemental Term Sheet, most Under Age-60 Opt-Outs will receive allowed unsecured claims in amounts equal to approximately at least 50% of the amounts the claims would have been if the Under Age-60 Opt-Outs had been enrolled in Delta retiree coverage. Notably, a historical review of the percentage of Under Age-60 Opt-Outs that have opted into retiree coverage upon attaining age 60 is significantly less than 50%. Moreover, under the Amended Supplemental Term Sheet, a sub-group of the Under Age-60 Opt-Outs (those Under Age-60 Opt-Outs who were enrolled in Delta retiree coverage through the Petition Date, but who opted out of coverage when the non-qualified pension payments ceased) will receive claims as if they were still enrolled. The incremental cost of the amendment to the Supplemental Term Sheet is approximately \$25 million in unsecured claims.

7. An additional 85 objections contest the manner in which the methodology set forth in the Supplemental Term Sheet was applied to individual personal data to calculate the claim amounts set forth in the Schedules. It is the Debtors’ belief that these “objections” are not truly objections to the Motion but rather disagreements with the application of the methodology and are more appropriately resolved through the claims resolution process. As set forth in the Schedule Amendment Notice, Retired Pilots and

Survivors may file, on or prior to March 12, 2007, a proof of claim indicating a disagreement with the personal data on record with the Debtors. Although not required to do so at this time, the Debtors have already made a number of corrections to individual Retired Pilots' and Survivors' claims based on updated or corrected personal data. To date, the cost of these corrections is an incremental cost of approximately \$20 million in unsecured claims.

8. As a result of these modifications and corrections, the Supplemental Term Sheet now provides for the allowance of approximately \$485 million in unsecured claims, all in respect of the approximate \$19.4 million in annual savings achieved pursuant to the Term Sheet.

9. The balance of the objections (approximately 78)<sup>3</sup> is from Retired Pilots and/or Survivors who do not believe that the methodology for quantifying unsecured claims allowed by the Supplemental Term Sheet is appropriate as to them. Notably, 71 of these objections were filed by Retired Pilots and/or Survivors over age 60 who are not enrolled in Delta retiree coverage. Unlike the Under Age-60 Opt-Outs, there is nothing inherent in Delta retiree coverage that would suggest that large numbers of these Retired Pilots and Survivors would ever return to Delta coverage. Indeed, particularly for Retired Pilots and Survivors over age 65, it is likely that such individuals have coverage elsewhere and may never return to Delta coverage and, therefore, may never pay the higher premiums for which the claims are intended to compensate. Although Delta sincerely sympathizes with the individual situations of each of the Retired Pilots and

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<sup>3</sup> Given the large volume of objections and the complexity of the data, Delta is still determining, as of the date hereof, the nature of eight objections, which process it anticipates completing promptly. These objections have not been categorized for purposes of this Reply (though they have been counted in the total number of objections).

Survivors who filed these objections, the facts described therein are simply not relevant to this Court's consideration of the Supplemental Term Sheet (as modified by the Amended Supplemental Term Sheet). As the Court has already held, the Pilot Committee is the exclusive authorized bargaining representative for the Retired Pilots in these cases and may agree to benefit modifications without further involvement of individual retirees. Section 1114 is crystal clear that a debtor's agreement with the official section 1114 authorized representative to modify retiree benefits is binding upon all retirees and individual retirees are not proper objectors to the terms of such agreements. Just as it was not possible for Delta and the Pilot Committee to agree on modifications that took into account the individual circumstances of thousands of individuals, so too it is not possible for Delta and the Pilot Committee to individually determine claims for thousands of individuals.

#### **Summary of Amended Supplemental Term Sheet**

10. The Amended Supplemental Term Sheet sets forth the agreement of Delta and the Pilot Committee to amend the Supplemental Term Sheet solely with respect to the method of calculation of two categories of claims. Pursuant to the Amended Supplemental Term Sheet, Delta agreed to amend its Schedules to reflect the unsecured non-priority claims allowed thereunder and to provide notice of such claims to the affected claimants. The Creditors' Committee has analyzed the calculation methodology underlying the Amended Supplemental Term Sheet and has authorized the Debtors to represent that it has no objection thereto.

11. The Amended Supplemental Term Sheet provides that, notwithstanding Section II(C) of the Supplemental Term Sheet, each Retired Pilot under age 60 as of

January 1, 2007 (and, if applicable, Dependent Spouse) not enrolled in retiree medical coverage under the DPMP or the FCMP in 2006 or 2007, but who (i) was enrolled in retiree medical coverage under the DPMP or the FCMP in 2005 and (ii) received non-qualified pension payments from Delta until such payments were suspended in September 2005 (the “**Hardship Group**”), shall have an unsecured non-priority claim calculated as if such claimant was still enrolled.

12. Furthermore, notwithstanding Section II(C) of the Supplemental Term Sheet, each Retired Pilot under age 60 as of January 1, 2007 (and, if applicable, Dependent Spouse) not enrolled in retiree medical coverage under the DPMP or the FCMP in 2006 or 2007 (other than the Retired Pilots and Dependent Spouses comprising the Hardship Group) (the “**Under 60 Group**”), shall have an unsecured non-priority claim equal to such claimant’s *pro rata* share of \$18.8 million, such *pro rata* share being based upon the claim calculation methodology set forth in the Supplemental Term Sheet assuming the Retired Pilot actually had been enrolled in Delta retiree medical coverage. It is estimated that claimants in the Under 60 Group shall receive claims that are approximately at least 50% of the claims these Retired Pilots would have had had they been enrolled in retiree medical coverage.

### Argument

#### **I. The Majority of Objections Have Been Resolved by Debtors, Either by the Amended Supplemental Term Sheet, or Otherwise**

13. The Supplemental Term Sheet provided only those Retired Pilots and Survivors actually enrolled in retiree medical coverage under the DCMP, the FCMP or the Alternative Plan with an unsecured non-priority claim equal to the present value of the difference for all future years between (i) the Former Benefit – the Delta provided

retiree medical benefit that the Retired Pilot (and, if applicable, Dependent Spouse) and Survivor would have received had the program not been modified as set forth in the Term Sheet and (ii) the Current Benefit – the Delta-provided retiree medical benefit that the Retired Pilot (and, if applicable, Dependent Spouse) and Survivor will (or would) receive under the settlement as set forth in the Term Sheet.

14. The Supplemental Term Sheet did not provide such a claim for those retirees *not* enrolled in retiree medical coverage in either 2006 or 2007. Rather, it was assumed that most retirees not enrolled in retiree medical coverage in either 2006 or 2007 had found an alternative source of medical coverage and would not “opt in” to Delta’s medical coverage at a later date. Because some of these retirees may have chosen to opt in to Delta’s medical coverage at some point in the future, it was recognized that Retired Pilots (and, if applicable, Dependent Spouses) and Survivors might have contingent and unliquidated claims. Accordingly, the Supplemental Term Sheet provides that each such Retired Pilot (and, if applicable, Dependent Spouse) and Survivor would receive an unsecured non-priority claim in the amount of \$2,100 for each such Retired Pilot (and, if applicable, Dependent Spouse) and Survivor.

15. As stated above, a majority of objections were received from the Under Age-60 Opt-Outs. Most of these retirees asserted that they had dropped out of retiree medical coverage only temporarily, and that they were planning to rejoin once they reached the age of 60. After reviewing these objections, the Debtors examined historical data and determined that a number of retirees (although decidedly less than a majority) did indeed opt in to retiree medical coverage upon reaching the age of 60. The number of people choosing to opt back in to retiree medical coverage can be explained by

examining the cost of participating in the programs; prior to the changes set forth in the Term Sheet, participants under the age of 60 were required to pay 100% of their premiums, while participants aged 60 and older paid a lower percentage of their premiums. Pursuant to the Term Sheet, Retired Pilots between the ages of 60 and 64 pay 51% of their premiums, resulting in some remaining subsidy for up to five years.

16. Because of this two-tier premium system, and the resulting incentive for retirees to temporarily drop out of retiree medical coverage until they reached the age of 60, the Debtors and the Pilot Committee determined to increase the value of the contingent claim for the members of the Under 60 Group from \$2,100 to an amount equal to approximately at least 50% of the claim each such claimant would have received had he or she actually been enrolled in retiree medical coverage in 2006 or 2007. It should be noted that this percentage is significantly higher than the percentage of retirees that the Debtors estimate would opt back in to retiree medical coverage based on historical data.

17. A number of the Under Age-60 Opt-Outs who objected to the Motion are part of the Hardship Group. These retirees pointed out that they, in fact, had been enrolled in retiree medical coverage until they stopped receiving payments on account of their non-qualified pension benefits in 2005 and could no longer afford to pay the premiums; many of these retirees indicated their intent to opt back in to retiree medical coverage once they received a distribution on account of their claim for non-qualified pension benefits.<sup>4</sup> The Debtors and the Pilot Committee determined that it was fair to assume that these retirees would opt back in to retiree medical coverage at the age of 60

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<sup>4</sup> On the day that the Debtors filed for bankruptcy (the “**Petition Date**”), the Debtors ceased making payments on account of non-qualified pension benefits allocable to pre-petition service. Accordingly, after the Petition Date, affected retirees no longer had this source of income from which to pay their medical premiums.

and thus the Amended Supplemental Term Sheet provides them with a claim as if they were currently enrolled in Delta retiree coverage.

**II. Disagreements with Personal Information Should be Resolved through Claims Resolution Process, though Many Have Already Been Addressed by the Debtors**

18. Retired Pilots and Survivors entitled to claims under the Supplemental Term Sheet may contest the personal data used to calculate the claims and/or the mathematical calculation of the claims (but not the methodology) by filing a proof of claim prior to March 12, 2007 in accordance with the procedures set forth in the Schedule Amendment Notice. Approximately 85 objections contested the personal data used to calculate the claims.<sup>5</sup> The Debtors strongly believe that these “objections” are not truly objections to the Motion at all since they do not contest the methodology set forth in the Supplemental Term Sheet but rather question how the methodology should be applied to particular individuals – an issue that is more appropriately addressed through the claims resolution process. Nonetheless, the Debtors have attempted to resolve (and, in most cases, were successful at resolving) as many of these issues as possible prior to the date hereof.

19. The Debtors received approximately 17 objections from Retired Pilots participating in the Delta’s Post Retirement Pilot (“**PRP**”) program, a program under which retired pilots were allowed, for a limited time, to return to flying on a temporary basis for Delta. After investigation, it was determined that the Debtors and their actuaries had calculated the claims of the PRPs using as their start date the date they began service

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<sup>5</sup> Retirees contested, among other things, the data the Debtors had on file regarding their enrollment status, whether they had a spouse and their start date, all of which could impact their claim under the Supplemental Term Sheet.

in the PRP program rather than the date they began working for Delta, often resulting in claims in the amount of zero dollars. The Debtors have recalculated claims for each of the affected PRPs (including those that did not file objections), thereby increasing the amount of claims allowed pursuant to the Supplemental Term Sheet by \$9.3 million. These and other amended claims will be reflected in an amendment to Delta's Schedules. Additionally, the Debtors have worked with the Pilot Committee to publish information regarding these claims on the Pilot Committee's website.

20. Additionally, the Debtors received approximately 45 objections from retirees enrolled in medical coverage through COBRA in all or part of 2006 and, in some cases, 2007 (the "**COBRA Enrollees**"), many of whom received notice that they were entitled to a claim in the amount of \$2,100. After the Debtors reviewed their records, it was determined that the COBRA Enrollees were entitled to larger claims pursuant to the Supplemental Term Sheet because they had been enrolled in a Delta retiree medical plan in 2006 or 2007. The Debtors expect the additional claims allowed for COBRA Enrollees to total approximately \$10.8 million.

21. The Debtors and their actuaries were extremely diligent in applying the methodology set forth in the Supplemental Term Sheet to calculate each of the claims arising thereunder. Additionally, these calculations were thoroughly reviewed by the Pilot Committee and their actuaries and the Creditors' Committee and their professionals. Given the magnitude of the undertaking (thousands of Retired Pilots, Dependent Spouses and Survivors received claims under the Supplemental Term Sheet) and the complexity of the personal data used to calculate each claim, the need to correct certain of the claims is, unfortunately, unavoidable. The Debtors will continue to address concerns regarding

the 1114 claims raised by Retired Pilots and Survivors in accordance with the procedures set forth in the Schedule Amendment Notice.

### **III. No Individual Retiree Has Standing to Object to the Supplemental Term Sheet**

22. Section 1114(e)(1)(B) of the Bankruptcy Code is clear that an agreement with respect to the modification of retiree benefits between a debtor and an official section 1114 authorized representative is binding on all retirees affected thereby, and that such agreement does not require court approval.<sup>6</sup> Indeed, this Court previously recognized that agreements pursuant to section 1114(e)(1)(B) of the Bankruptcy Code between Delta and the Pilot Committee and the official committee of non-pilot retirees with respect to retiree benefits did not require Court approval. Oct. 19, 2006 Hr'g Tr., 76:16-76:20 ("It is perfectly clear from the statute that Court approval of these two agreements is not required. What that means, in effect, is that I really don't have the power to disapprove it, but I wouldn't disapprove it if Court approval were required under the statute.")<sup>7</sup>

23. Under the plain language of section 1114(e)(1)(B), Delta had no obligation to provide notice of the Supplemental Term Sheet to retirees. Neither section

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<sup>6</sup> See 11 U.S.C. § 1114(e)(1)(B); see also, e.g., *Hourly Employees/Retirees of Debtor v. Erie Forge & Steel, Inc. (In re Erie Forge & Steel, Inc.)*, 418 F.3d 270, 276-77 (3d Cir. 2005) (concluding that the appellants were bound by the stipulation entered into by a union as their authorized representative and that the union "had the authority to enter into the Stipulation on their behalf" under section 1114(c)(1)); *Argeras v. GF Corp.*, 140 B.R. 884, 886 (N.D. Ohio 1992) (concluding that individual retirees did not have standing to appeal a bankruptcy court's approval of a compromise reached among the debtor, its unsecured creditors' committee and the two retiree authorized representatives and noting that "[t]o allow individual retirees to intervene and participate could completely frustrate the effective implementation of § 1114"), *appeal dismissed sub nom. In re GF Corp.*, Nos. 92-3583, 92-3585, 1993 U.S. App. LEXIS 17218 (6th Cir. June 30, 1993) (unpublished).

<sup>7</sup> The Term Sheet, which was approved by the Court on October 19, 2006, explicitly provided that Delta and the Pilot Committee would work together to determine the amount of the claims resulting from the modifications set forth therein (the subject of the Supplemental Term Sheet).

1114, the Case Management Order nor any other provision of the Bankruptcy Code requires individualized notice of a motion seeking approval of an agreement between a debtor and a section 1114 authorized representative. Nonetheless, out of courtesy to all parties in the case and an abundance of caution, the Debtors sent by mail to all affected retirees, their spouses and dependents (at considerable expense) a copy of the Motion along with several other claims-related documents, including the Schedule Amendment Notice and an explanatory cover letter.<sup>8</sup>

24. The Debtors sincerely sympathize with each of the approximately 78 retirees whose objections were not resolved through either (i) the modifications to the Supplemental Term Sheet reflected in the Amended Supplemental Term Sheet or (ii) the Debtors' corrections to the personal information used to calculate the claims. These objections, however, are no basis for the Court to reject the Supplemental Term Sheet (as amended by the Amended Supplemental Term Sheet). The Pilot Committee is the exclusive authorized bargaining representative for the Retired Pilots in these cases and may agree to claim quantification without further involvement of either the Court or individual retirees. Section 1114 is crystal clear that a debtor's agreement with the official section 1114 authorized representative to modify retiree benefits is binding upon all retirees and individual retirees are not proper objectors to the terms of such agreements. Thus, the individual situations of each of the retirees that filed objections to the Motion, while sympathetic, are not relevant to this Court's consideration of the

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<sup>8</sup> Those retirees that received claims on account of their non-qualified pension benefits received, at the same time, several documents in connection with those claims.

Supplemental Term Sheet, and Delta does not believe it is appropriate for the Court to address them.<sup>9</sup>

25. If individual retirees were entitled to contest the methodology used to calculate the claims arising under the Supplemental Term Sheet, the text of section 1114 (which Delta and the Pilot Committees followed to the letter) would be rendered meaningless, and any group of individual retirees would effectively be able to circumvent section 1114 by insisting on its own individualized “process” for modifying benefits or by second-guessing agreements made by the section 1114 authorized representatives. Without a uniform method of calculation, Delta would be faced with thousands of proofs of claim filed by individuals all using different methods and arguments to calculate the section 1114 claims. Contesting such claims would be extremely time consuming and could potentially lead to inconsistent results for like kinds of claims.

#### **IV. Authority of Debtors to Enter into Supplemental Term Sheet Has Not Been Questioned**

26. Not a single objection has challenged the Debtors’ assertion that the agreement set forth in the Supplemental Term Sheet was entered into in the Debtors’ sound business judgment, the standard the Second Circuit has utilized to determine whether to grant a debtor authority to use property outside of the ordinary course of business under Section 363(b) of the Bankruptcy Code. *See Official Comm. of Unsecured Creditors of LTV Aerospace & Def. Co. v. LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143 (2d Cir. 1992). As set forth in the Motion, the Debtors submit

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<sup>9</sup> After having reviewed each of the objections, it is the Debtors’ belief that many objections simply misunderstand the impact of the Term Sheet and the Supplemental Term Sheet, including, for example, that the Term Sheet or the Supplemental Term Sheet discontinues future retiree medical coverage (which is quite simply untrue).

that the Supplemental Term Sheet (as now modified by the Amended Supplemental Term Sheet) is well within the range of possible outcomes that Delta would have achieved through litigation concerning claim valuation and represents a sound exercise of the Debtors' business judgment. In particular, the compromise of the contingent, unliquidated claims of those Retired Pilots and Survivors not currently enrolled in Delta retiree medical coverage is designed to compensate such claimants for their contingent future loss. *See, e.g., In re Energy Coop.*, 886 F.2d 921, 928-29 (7th Cir. 1989) (noting that a court must determine "that the value of [a] proposed compromise distribution is reasonably equivalent to the value of the potential claim which has been surrendered or modified by the settlement which has been achieved") (internal citations omitted); *The Air Line Pilots Ass'n, Int'l and The Int'l Ass'n of Machinists and Aerospace Workers v. American Nat'l Bank and Trust Co. of Chicago*, 156 B.R. 414, 427 (S.D.N.Y. 1993) (noting that the value of the compromise does not necessarily have to be "dollar-for-dollar the equivalent of the claim").

27. While there may be some retirees who could present an equitable argument to the Court as to why their particular circumstances warrant a higher claim, it is simply not possible – nor, as described above, would it be beneficial – for the Debtors to determine, on an individualized basis, the claims for each of its thousands of retirees. It is the Debtors' belief that the claims allowed under the Supplemental Term Sheet (as modified by the Amended Supplemental Term Sheet) generously compensate retired pilots for the changes made to retiree medical benefits and, notwithstanding the relatively few remaining unresolved objections, respectfully request that the Court approve the Supplemental Term Sheet, as amended.

**Notice**

28. Consistent with the procedures described in the Case Management Order, the Debtors have served, by electronic or overnight mail, this Reply on (i) the Core Parties (as defined in the Case Management Order), (ii) the Pilot Committee, (iii) the Non-ECF Service Parties (as defined in the Case Management Order) and (iv) each of the objecting parties.

WHEREFORE, the Debtors respectfully request the Court grant the Motion and such other and further relief as is just and proper.

Dated: February 20, 2007  
New York, New York

By: /s/ Timothy Graulich  
Timothy Graulich (TG 0046)

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