

Delta allowed to dip into disability fund as long as payments are made

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NEW YORK — Delta Air Lines Inc. can continue using funds earmarked for a disability and survivors trust to meet other financial obligations as it reorganizes under Chapter 11, a U.S. bankruptcy judge ruled Monday, but only so long as it continues to make payments to retirees and other beneficiaries.

The court-appointed committee representing retiree interests had sought to force Atlanta-based Delta to seek the retirees' approval before using funds from the disability and survivors trust, stating that removing the funds, which Delta seeks to continue doing, posed an inherent risk to retirees' benefits.

Dean Gloster, an attorney for committee, said Delta had already used \$83 million of the trust's money for severance and sick leave payments prior to filing for bankruptcy last fall, and said the embattled airline wanted to use more of the trust's money to meet its obligations going forward.

Delta attorney Marshall Huebner, however, said the committee could only intervene if payments to beneficiaries were affected. While there was some question as to the fund's long-term solvency, Delta said it would not cut its benefit payments.

Bankruptcy Judge Adlai Hardin, in his first hearing since taking over Delta's case, agreed that the retirees' committee had no standing to control how Delta makes its payments, so long as retiree claims are paid normally. Should Delta alter its payments, then the retiree committee could return with a more suitable payments.

The judge, however, noted that there was still a question of whether Delta appropriately used the trust's money prior to bankruptcy, but that legal action for any potential misuse was not in the current purview of the bankruptcy court. Hardin also repeatedly noted that he had no stance on whether Delta had been using the disability and survivors money appropriately.

Hardin took over the case from Judge Prudence Carter Beatty, who took medical leave last month.