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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE: . Case No. 05-17923 (ASH)
. .
DELTA AIR LINES, INC., et al, . (Jointly Administered)
. .
Debtors. . New York, New York
. . Thursday, February 22, 2007
. . 2:31 p.m.
.

TRANSCRIPT OF HEARING
BEFORE THE HONORABLE ADLAI S. HARDIN
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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25PageDEBTORS' MOTION TO REJECT CERTAIN EXECUTORY CONTRACTS
AND UNEXPIRED LEASES AND AUTHORIZING THE ABANDONMENT
OF CERTAIN PERSONAL PROPERTY

Terms of Agreement with Indenture Trustee

4

MOTION TO APPROVE SUPPLEMENTAL TERMSHEET BETWEEN THE
DEBTORS AND THE SECTION 1114 PILOT RETIREE COMMITTEE

Argument by Mr. Kaminetzky

8

Argument by Ms. Lacey

19

Argument by Mr. Booth

23

Argument by Ms. Beckerman

24

Argument by Ms. Vaughan

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Response by Mr. Kaminetzky

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Court Decision

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1 (Proceedings commence at 2:31 p.m.)

2 THE COURT: Mr. Huebner.

3 MR. HUEBNER: Good afternoon, Your Honor. For the
4 record, I am Marshall Huebner of Davis, Polk & Wardwell, here
5 on behalf of Delta Air Lines at our next omnibus hearing.

6 I'm pleased to announce that we have settled virtually
7 everything that was on for today's hearing; the agenda letter
8 reflects many of those.

9 There is one matter where I'm just going to speak for
10 under four minutes and put the deal referenced on the record,
11 but that will be heard at a later hearing because we need time
12 to document it --

13 THE COURT: All right.

14 MR. HUEBNER: -- and then I will turn it over to Mr.
15 Kaminetzky to handle the Pilot/1114 final claim allowance
16 matter, which is largely uncontested at this point, although
17 there's certainly a great number of pro se letters that he will
18 address.

19 THE COURT: All right.

20 MR. HUEBNER: Your Honor, we are very pleased to
21 announce that we recently reached agreement with the indenture
22 trustee and the majority of the bondholders, with respect to
23 Delta's lease at Cincinnati Airport, our second-biggest hub
24 after Atlanta, and specifically with respect to the 1992
25 special facilities bonds.

1 Our expectation is that papers addressing all issues
2 with both KCAB, the airport authority and our landlord at the
3 Cincinnati Airport, as well as UMB Bank, the indenture trustee
4 for the 1992 special facilities bonds at issue. Bonds that
5 were issued in connection with certain facilities that Delta
6 occupies at Cincinnati will be filed in early March and
7 addressed at our April omnibus hearing, prior to confirmation.

8 The parties, nonetheless, agreed that putting the deal
9 reached with the bondholders, quote, "on the record" was
10 appropriate at today's hearing.

11 I should note before I just lay out the five or six
12 quick bullet points that represent the deal, that it is
13 contingent on Delta working out new and acceptable arrangements
14 with KCAB, the landlord; including, among other things, a lease
15 that calls for no facilities rent and has a term and terms
16 acceptable to Delta. We currently do not have any reason to
17 believe that we will not reach accord on those agreements with
18 the landlord since, I think, the larger outstanding issue by
19 far was the issue of the facilities bond, but time will -- the
20 next week or two will give us a definitive answer on that.

21 With that introduction, Your Honor, here is the
22 agreement reached on the treatment of the \$413.75 million of
23 outstanding CVG bonds; the 1992 special facility bonds.

24 One, they will receive an allowed general unsecured
25 claim of 260 million, with the bondholders' claims allowed in

1 that amount for both voting and allowance purposes.

2 Two, Delta will issue a note in favor of those
3 bondholders, payable on a term through December 2015, with a
4 net present value or "NPV" at eight percent of \$85 million,
5 less all amounts paid under the 2006 forbearance agreement.
6 We've been making payments under a forbearance agreement that
7 are going to be credits against that eighty-five-million-dollar
8 note. The deduction amount, the credit amount, is currently
9 15.75 million; and, by the time the note is actually issued,
10 sometime in the spring, we think the note at eight percent is
11 likely to have an NPV of around \$67 million.

12 The note will be issued under Delta's plan of
13 reorganization, reasonably soon after the effective date of
14 that plan.

15 Until the effective date of Delta's plan of
16 reorganization, we will continue to make the 1.125-million-
17 dollar monthly payments called for under the 2006 forbearance
18 agreement.

19 Delta will pay, all in; on an all-in basis, the
20 reasonable fees and expenses of the indenture trustee,
21 including all legal and professional fees, at an amount not to
22 exceed \$2 million.

23 And the bonds will waive all rights to relet proceeds
24 or any other sources of repayment. Essentially, the claim and
25 the note will satisfy the bonds of the 1992 special facilities

1 issue.

2 Your Honor, we cut this deal only last weekend,
3 through a lot of very hard work, frankly, on our part and the
4 indenture trustee, and the creditors' committee joined us in
5 the discussions later. So I'd like to thank the people that
6 actually put in a lot of time over President's Weekend.
7 Because of the recency of the deal, we're working closely now
8 with our creditors' committee; and we hope and expect that, by
9 the time we're ready to present it to the Court, we will have
10 their full support. We have no reason to believe that that,
11 hopefully, will not be the case.

12 But of course, as I said at the outset, until we have
13 a lease done as well, which is the companion piece of the deal
14 with the bondholders, there really isn't anything for us or the
15 committee to have a final decision on. But as soon as that is
16 done, which we hope will be by the very beginning of March, we
17 should be in a position to file papers on proper notice and
18 have the thing teed up for the omnibus hearing of April; at
19 which point, we hope that one of the last larger milestones
20 that will predate our expected confirmation hearing, April
21 25th, will be behind us in a consensual manner.

22 THE COURT: April 25 is the target date for
23 confirmation?

24 MR. HUEBNER: It is, Your Honor. I believe we've
25 reserved that date with chambers already.

1 THE COURT: All right.

2 MR. HUEBNER: So that's all I had on CVG. Unless
3 anyone else feels the need to correct or upbraid or supplement,
4 I think we would be ready for --

5 THE COURT: "Or upbraid"?

6 MR. HUEBNER: I'll take upbraiding, I'm easy.

7 THE COURT: Does anyone wish to be heard on this?

8 MR. KANNEL: Your Honor, William Kannel, counsel for
9 UMB Bank as trustee.

10 That's basically an accurate recitation of the
11 settlement. I do want to stress that there will be a motion
12 filed, which will be noticed to all bondholders and will give
13 bondholders an opportunity to be heard; although, as Mr.
14 Huebner has indicated, the trustee has been directed by a
15 majority of the holders today to enter into this settlement.

16 THE COURT: Okay, good.

17 MR. KANNEL: Thank you.

18 THE COURT: And thank you. Thank you, Mr. Huebner.
19 Good afternoon, sir.

20 MR. KAMINETZKY: Good afternoon, Your Honor. Benjamin
21 Kaminetzky, Davis, Polk & Wardwell, for Delta Air Lines.

22 It's a pleasure to appear before you once again to
23 discuss the consensual resolution of what I believe is the
24 final 1114 issue.

25 Just like the agreement for modifications of Section

1 1114 retiree medical benefits, the agreement we are seeking
2 approval for today was reached because of the extraordinary
3 hard work and countless hours of Delta, the 1114 Committee, and
4 the creditors' committee, and the respective attorneys,
5 actuaries, advisors.

6 As I'm sure the Court appreciates after the review of
7 the supplemental termsheet and the amended supplemental
8 termsheet, this has not been a quick and easy process. But at
9 the end of the day, I think we, once again, showed that the
10 adversary process actually works; not just when parties beat
11 each other up, but when each side sits down, comes together,
12 and tries to cut the very best deal possible for each of their
13 constituencies.

14 So why are we here? Didn't we resolve the Section
15 1114 issues as to pilots and non-pilots back on October 19th?
16 Well, yes, we did.

17 Prior to that date, Delta and the pilots' committee
18 and Delta and the non-pilots' committee reached separate
19 consensual agreements with respect to modification of retiree
20 medical benefits. On that date, although Your Honor stated
21 repeatedly that such approval was not statutorily required, as
22 Section 1114 makes clear that the debtor and the authorized
23 representative -- here, the two Section 1114 Committees -- can
24 simply agree and implement any changes, Your Honor signed, on
25 October 19th, an order approving the termsheets that detailed

1 the agreed-to modifications of benefits. These changes were,
2 in fact, implemented as of January 1, 2007.

3 There was, however, one loose end, and that's why
4 we're here today: The existence and size of the retired
5 pilots' unsecured, non-priority, pre-petition claim. And I'll
6 just say "claim" from now on, just to be clear what I mean,
7 though. And this claim -- what we're talking about is the
8 claim that results from the benefit modifications that were
9 approved on October 19th.

10 Now, Your Honor, there are pilots and non-pilots. As
11 the Court may recall, with respect to non-pilots, there were
12 some that had certain contractual benefits and some that didn't
13 have contractual benefits. Given this complexity, with respect
14 to non-pilots, the termsheet that was agreed to back into
15 October -- back in October, and that Your Honor approved back
16 in October, specifically calculated the size and amount of the
17 claim for retired non-pilots.

18 Because retired pilots were simpler -- ha-ha -- the
19 source for their benefits --

20 (Laughter.)

21 MR. KAMINETZKY: -- the source --

22 THE COURT: The record will note the "ha-ha."

23 MR. KAMINETZKY: Yeah, right.

24 (Laughter.)

25 MR. KAMINETZKY: The source for their benefits were

1 all the same: It was the pilot working agreement, the CBA, and
2 we were running out of time before the hearing. The pilot
3 termsheet specifically stated that Delta and the pilot
4 committee would calculate the claim amount and allocation at a
5 later date.

6 In my extraordinary naivete, I thought that this
7 exercise would be accomplished in short order with Delta's
8 actuary working with the committee's actuary; and, to a certain
9 extent, it was a conceptually simple exercise. The retired
10 pilots had a pre-petition contract for a certain level of
11 medical benefits; and, through the 1114 agreement, that level
12 of benefits was reduced. The pre-petition claim, therefore, is
13 the present value of the difference between what was promised
14 in the CBA and what is now provided pursuant to the 1114
15 agreement. Pretty simple. And indeed, Delta's actuary and the
16 pilots' committee's actuary got together and agreed upon a
17 discount rate and the proper mortality table, neither of which
18 are being challenged by anyone.

19 In addition, and importantly, Your Honor, when
20 reaching an agreement, Delta agreed to certain, perhaps
21 unrealistic assumptions that all inured to the benefit of the
22 retirees.

23 Just for example, we assumed that if you're currently
24 enrolled in a Delta medical plan, you will stay in the plan;
25 and, therefore, incur a loss every single year for the rest of

1 your life, even though we all know that you could opt out at
2 any time, any year.

3 In addition, we kind of assumed away the HCTC -- the
4 health coverage tax credit -- that I think you've heard a lot
5 about in the past, and we've -- that pilots -- retired pilots
6 between the age of sixty and sixty-four may qualify for, and
7 actually reduce the amount that is out of pocket. But, for the
8 purposes of calculating that claim, we assumed that away. And
9 there were other such assumptions that all inured to the
10 benefit of the retirees.

11 Then there was the issue of opt-outs, and we'll be
12 talking a lot about opt-outs this afternoon. "Opt-outs," quite
13 simply, are folks that chose not to enroll in Delta healthcare
14 coverage. It was Delta's original assumption -- and I dare
15 say, if you give the pilot committee truth serum, their initial
16 assumption is, well, that these folks would not get a claim.
17 They're not enrolled in Delta health coverage, they likely have
18 access from another source of insurance; and, therefore, they
19 suffer no loss as a result of the 1114 modifications. Yes,
20 they have the option of opting in at some point in the future,
21 but I suggest that even Mr. Black and Mr. Sholls (phonetic)
22 would have a great difficult time trying to price that option,
23 and the contingent loss someone may theoretically suffer at
24 some point in the future if they decide to opt back in;
25 however, the 1114 Committee fought hard for this opt-out group.

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While there is much precedent, we believe, to give this type of contingent and unliquidated, quote/unquote, "claim" absolutely zero, the committee demanded some claim for the theoretically diminished value of the opt-outs/opt-in option. Got that?

THE COURT: Got it.

MR. KAMINETZKY: And Delta relented; and, after much sweet-talking and arm-twisting, the creditors' committee agreed, as well. We agreed to give each opt-out and each eligible spouse or survivor a settlement of their contingent and unliquidated claim of \$2,100.

So we reached a deal with the pilot committee, signed off by the creditors' committee, and filed the supplemental termsheet dated January 22nd, 2007, which is not to be confused with the amended supplemental termsheet that we filed earlier this week.

Now was this a good deal for the retired pilots? Sometimes, you just have to let numbers speak for themselves. Through the 1114 process, Delta achieved approximately 19.4 million in annual savings from pilot retiree medical costs. The size of the claim agreed to in the January termsheet, in the January termsheet, was \$440 million. Again, 19 million of annual cost savings, a four-hundred-and-forty-million-dollar claim.

1 So what happened next? The letter campaign, also
2 known by some retirees as, quote, "flood the judge."

3 Now Delta had a choice. We had some very powerful;
4 indeed, decisive, weapons. We had a consensual deal with our
5 statutory committee, the deal was approved by the creditors'
6 committee; we had the text of 1114; we had repeated statements
7 by this Court that the text is perfectly clear that the 1114
8 Committee is the exclusive counter-party, and that a deal does
9 not even need court approval; and we had an order of the Court
10 approving the October termsheet, which specifically stated that
11 the pilot committee in Delta will negotiate the claim. So it's
12 fair to say that we could have -- could have -- given the back
13 of our hand to these objections and confidently come to Court
14 today with the January 22nd termsheet, and that's it, and with
15 our arsenal of weapons. We did not do that; instead, we
16 listened.

17 There are approximately 380 objections of which we are
18 aware. Not bad, considering that 10,000 folks are affected. I
19 say "objections," but what I really mean is any sort of
20 communication or letter, correspondence, irrespective of how it
21 was received or whether the retiree sent the objection before
22 the deadline or filed any sort of service or filing protocols.
23 If we were only to count timely and properly filed objections,
24 well, I don't know how much there is to talk about.

25 Now the majority of these objectors, approximately

1 275, are opt-outs. Once again, we're talking about people not
2 currently enrolled in Delta's healthcare, who were receiving or
3 slated to receive the \$2,100 for their contingent and
4 unliquidated claim. Of these, over 200 are opt-outs who are
5 under sixty years old. Now why are these under-sixty-year-old
6 people special? Now, I'm sorry, but we're going to have to get
7 just a teeny bit technical.

8 As Your Honor may recall, even before the 1114
9 modifications, under-sixty retirees always paid a hundred
10 percent of the cost for their healthcare, and retirees between
11 the age of sixty and sixty-four received a substantial subsidy
12 from Delta. The under-sixty opt-outs make the following
13 argument:

14 I am not enrolled, I have opted out of Delta's
15 healthcare because I currently have to pay a hundred percent,
16 and it's cheaper for me to be on my wife's policy, to be on a
17 veteran's policy, or to go out and buy my own policy. But when
18 I reach the age of sixty and the Delta subsidy kicks in, I
19 would have opted back in.

20 Well, this has some merit. Of course, we don't know
21 if the person is going to opt back in. If he has available
22 insurance; if his wife is a public school teacher or something
23 else, he'll always have that coverage. But in fact, this had
24 some merit. They couldn't have -- they didn't want to pay a
25 hundred percent, but maybe when the subsidy kicks in, maybe

1 they would have opted back in.

2 And again, despite the fact that Delta's 1114
3 Committee and the creditors' committee had the January
4 termsheet all signed, sealed, and delivered to the Court, Delta
5 and the pilot committee thought we should do something,
6 something for this group. And with the creditors' committee's
7 approval -- who, once again, I need to commend for their
8 extreme patience and sensitivity -- we amended the deal to give
9 the under-sixty opt-outs a larger claim.

10 And once again, we were generous. Historically, only
11 about twenty percent of this under-sixty opt-out group actually
12 opts in once they hit age sixty; twenty percent. Nevertheless,
13 as reflected in the amended supplemental termsheet that we
14 filed on February 20th, we gave this group more than fifty
15 percent of their claim they would have received, had they been
16 enrolled, at an additional cost of 18.8 million in unsecured
17 claims.

18 In addition, there is a subgroup of under-sixty
19 retirees and objectors for which we did even more. We call
20 this the "hardship group." These under-sixty retirees were in
21 Delta healthcare in 2005, and were paying a hundred percent of
22 the cost; these folks, however, paid for their healthcare with
23 deductions from their monthly, non-qualified pension checks.

24 As Your Honor knows, when Delta filed for bankruptcy
25 in 2005, these non-qualified pension checks stopped. Having

1 lost their funding source, this hardship group did not enroll
2 or re-enroll in Delta healthcare in 2006 and 2007. These
3 retirees state, rather compellingly, as follows:

4 We were enrolled. We were even willing to pay a
5 hundred percent of the cost of the healthcare. We only opted
6 out when and because you, Delta, took away our funding source,
7 and we couldn't afford it anymore. But when the subsidiary
8 kicks in at age sixty, of course I will opt back in.

9 Again, after discussion with the pilot committee and
10 the creditors' committee, Delta agreed to provide this under-
11 sixty hardship subgroup with a full claim, as if they were now
12 enrolled in Delta healthcare, at an additional incremental cost
13 of 6.2 million in claims. So we have addressed the 201, or
14 approximately 201 objections by under-sixty opt-outs at an
15 incremental cost of 25 million of additional claims.

16 Moving on. Approximately eighty-eight of the
17 objections were actually not objections to the underlying deal;
18 they are complaints that, when calculating their individual
19 claim, we got their individual circumstances wrong; and,
20 therefore, their claim amount is wrong. Most of these people
21 are PRPs and folks enrolled under COBRA. The bottom line is:
22 These are errors, and we're fixing them.

23 As set forth in the schedule amendment notice, retired
24 pilots and survivors have until March 12th, 2007 to send in a
25 proof of claim indicating any disagreement they may have with

1 their personal data. Delta has already made numerous
2 corrections at an incremental cost of approximately \$20 million
3 of additional claims, and this number is only going to go up.
4 Not surprisingly, few people call in and say, my claim is too
5 much, you need to recalculate it. So these eighty-eight
6 objections that aren't really objections have been or will be
7 dealt with. If mistakes were made, they'll be corrected.

8 All tolled, Your Honor, the amended supplemental
9 termsheet that we filed this week now provides more than 485
10 million in claims, once again, for 19.4 million in annual
11 savings.

12 Now the rest of the objections, I think fall into two
13 categories:

14 One -- and there aren't very many -- one is the people
15 that are simply misinformed. People sent in letters saying,
16 I'm never going to be able to enroll again, I can't enroll,
17 you're taking away my healthcare. They just have
18 misinformation about what's going on today and what these
19 termsheets were. To rectify that, Delta sent out plain-letter
20 -- a plain-language letter to each of the retirees. In
21 addition, both DP3 and the retiree committees have posted, I
22 think copious materials on their websites. So, hopefully, the
23 misunderstandings will be cleared up.

24 The remaining objections are from people who simply
25 want more money. And I don't mean to be glib. They simply

1 want a larger claim than the claim negotiated by their
2 statutory representative. Many are over-sixty opt-outs; over-
3 sixty opt-outs who are unhappy with the \$2,100. And it is with
4 this group, and this group only, that we need to take out our
5 arsenal.

6 We had a deal with the 1114 Committee in January.
7 Although we were under no obligation to do anything, we then
8 revisited and substantially enhanced that deal to address the
9 vast majority of objections. We squeezed and squeezed my good
10 friend Lisa Beckerman to the breaking point -- thank you, Lisa.

11 (Laughter.)

12 MR. KAMINETZKY: The pilot committee is the
13 statutorily sanctioned committee and exclusive bargaining
14 counter-party. This is a settlement; or, more accurately, a
15 use of property under 363(b). No one has or could claim that
16 the agreements embodied in the supplemental termsheet and the
17 amended supplemental termsheet are not in the best interests of
18 the estate. They certainly are. I believe we are done.

19 Thank you, Your Honor.

20 THE COURT: Thank you, sir, very much.

21 MS. LACEY: Good afternoon, Your Honor.

22 THE COURT: Good afternoon.

23 MS. LACEY: My name is Alisa Lacey, from the firm of
24 Stinson, Morrison, Hecker, and we are counsel to the 1114
25 Retired Pilots Committee.

1 Present in the courtroom today are three members of
2 the committee: The Chairman, Captain Romley is present;
3 Captain Jim Gray is present; and Joan Greene, who is a
4 survivor, is also present. In addition, present in the
5 courtroom is Mr. Bill Thompson, who is from our actuarial firm,
6 retained by the committee, in order to assist in the
7 negotiation with Delta's actuarial firm Towers Perrin, to reach
8 the claims parameters which are before you in the termsheets.

9 As discussed by Mr. Kaminetzky, the 1114 Retired
10 Pilots Committee represents a constituency of under -- just
11 under 10,000 people. While it's a little startling that the
12 objection and letter-writing and e-mailing campaign produced
13 approximately 380 responses, when you place that in context of
14 10,000 people, it's not really so big.

15 We were very grateful -- and thank you to -- and we
16 thank Delta for providing extraordinary notice of the motion
17 that's before you. They provided individualized notice to each
18 of our constituents of their proposed claim amounts. They made
19 it clear when the objection date was for this hearing. They
20 also provided instructions on how to object in the motion
21 itself. We were comforted by this because of the significance
22 of the motion pending before you and the impact on the number
23 of people it had. So the fact that it generated numerous
24 responses, again, assured us that notice had been adequate;
25 that people did know what was happening, they didn't understand

1 what was happening; and, yet, we only received objections from,
2 at most you could calculate, eight percent of our constituency.

3 That gave us great comfort that the terms that we had
4 agreed to had been substantially approved by our constituency,
5 but it did raise a couple of troubling issues. That's probably
6 -- the fact that Mr. Kaminetzky considers this as kind of a
7 pain is probably why we're referred to as the "non-convenient
8 class" in the plan.

9 In any event, Delta was very attentive to the issues
10 that were raised. They're right, they had a termsheet on
11 January 22nd, it was an agreed-upon deal. Delta could have,
12 with the Unsecured Creditors Committee, enforced that agreement
13 and come to you today with not a single change in those terms.
14 And my committee agreed to it, that was our deal. But that's
15 not what they did.

16 Delta, understanding the arguments which were raised
17 in the responses, and having great empathy for the positions of
18 the people that were making the arguments, went back to Ms.
19 Beckerman's committee and said, we have some arguments that
20 have been raised that we think may have a little merit, and we
21 think that these folks need some additional consideration.
22 Delta is to be applauded for that, and we also applaud and
23 thank the Unsecured Creditors' Committee for their
24 understanding of the issues raised and their agreement to
25 permit additional claims for these folks.

1 As a result, we now bring before you the enhanced
2 agreement, which provides even additional claims to those
3 groups that pointed out issues that the parties thought had
4 merit.

5 That does leave us -- we believe that over 200 of even
6 the opt-out objections should be considered, if not resolved
7 consensually, the Court should simply approve the agreement
8 and, if necessary, deem them estimated under 502(c) in
9 accordance with the agreement because we think it's a fair --
10 more than fair resolution of those issues.

11 We think the same holds true for those that are over
12 sixty that are receiving a settlement amount. Granted, it's a
13 reduced settlement amount. But if, by the time you reach age
14 sixty and the premium amount drops, and you have not opted back
15 in, historical performance shows that you're likely not to opt
16 back in; in fact, it's a very, very low percentage that would
17 come back in once those premium percentages drop and you're
18 over the age of sixty.

19 So, Your Honor, we believe that the agreement should
20 be approved. We believe that this Court has ample authority
21 under Section 1114, under Section 363; and we have raised for
22 the Court the authority under Section 502(c). If there's any
23 particular claimant that contends that they have not been
24 appropriately treated, we think the Court can take the
25 information available to it and simply estimate the claim.

1 We would note for the Court that we believe that our
2 committee that has worked exceedingly hard -- the nine members
3 of this committee have been asked to understand, the
4 demographic variations of their group are enormous, the details
5 regarding the 1114 settlement are complex, the economic
6 implications are complex, and these nine people have been asked
7 to digest and understand it all in approving these agreements.
8 They are exceedingly group-minded, which they are supposed to
9 be as a committee. They act for the protection of their
10 constituency as a whole, rather than individual interests.

11 We believe, on that basis, that this committee has
12 acted well within the scope of its fiduciary responsibilities
13 and has carried them out extraordinarily well, and we would ask
14 the Court to approve the agreement; and, if the Court deems it
15 necessary, utilize the power under Section 502(c). Thank you,
16 Your Honor.

17 THE COURT: Thank you very much.

18 Sir?

19 MR. BOOTH: Your Honor, Dean Booth with Miller &
20 Martin, I represent DP3 and the group of retired pilots.

21 The Delta Air Lines and the 1114 Committee allowed us
22 to participate in these discussions; they allowed us to be
23 fully heard. Delta was responsive to some points we made. The
24 creditors' committee was responsive, and we feel like -- that
25 this agreement is fair and we support it.

1 THE COURT: Thank you very much, sir.

2 MS. BECKERMAN: Good afternoon, Your Honor. Lisa
3 Beckerman, on behalf of the creditors' committee.

4 Your Honor, I think when we started receiving these
5 objections from the pilots, I read every one of them personally
6 when it's a motion that's mine. I read every objection. I'm
7 sure -- I know you read letters when you get them, and I read
8 them, as well. And I think as soon as we started to get a few
9 of these letters, it was apparent to me that, A, there had been
10 some calculation mistakes which needed to get fixed and the
11 company, of course, recognized that right away and made sure
12 that they got the word out to people that that was going to
13 happen, because clearly, nothing about this settlement
14 agreement that we reached in January was intended to not give
15 people what was supposed to be in that termsheet, Your Honor.

16 And also, it made it clear to me that there were a lot
17 of people who had a reasonable argument; you know, an argument
18 that was hard to prove that they would opt back in the future,
19 but an argument that was somewhat legitimate about why they
20 weren't in the healthcare system right now. And Mr. Kaminetzky
21 jokes about squeezing me, but it's more about me squeezing my
22 clients, I'd say.

23 It was apparent to me that we really needed to come up
24 with a solution for that group of people because I felt that,
25 while no one could ever figure out how many people in the

1 future would opt in or would not opt in, it certainly seemed
2 like a lot of people were, you know, making it clear to this
3 Court that they had a good reason for not being in the system
4 now, and that they very well had looked to the system for the
5 future, and so we had to try to come up with something to
6 fashion.

7 And I think it's one of those things where every other
8 day the company would come to me with a different problem with
9 this group that we would realize, but when we came to this
10 problem, we really had to put our thinking caps on. And while
11 this isn't a perfect solution -- because, sitting here, we
12 don't know how many people will ever opt in or not opt in --
13 you know, I think by giving people over half of their, you
14 know, claim for in that group, recognizing that historically,
15 twenty percent have opted in, you know, seems like a reasonable
16 solution.

17 It's difficult, always, when you deal with contingent
18 claims and it's also difficult when you deal with 10,000
19 retirees. Having been committee counsel in a lot of cases,
20 this isn't my first time dealing with large retiree groups
21 myself, and I know how difficult it is because every person
22 wants to see a solution for their claim that's individually
23 tailored, but that's just not possible. And so, when we come
24 to these settlements for calculation purposes, we have to try
25 to fashion something that's fair and that works for the group

1 as a whole, even if that means that an individual person or so
2 feels that their situation, you know, hasn't been treated
3 perfectly under the settlement. No settlement, as Your Honor
4 knows, is ever perfect. That's part of why it's a settlement.

5 I think, here, what we fashioned and what the groups
6 working together fashioned, you know, really does legitimately
7 represent people's claims that they could have their maximum
8 claim, really, assuming they stayed in the system, for those
9 people that are in the system now, for those people at
10 hardship, again, their maximum claim they really could have
11 under reasonable assumptions, and for those people who were in
12 that under-sixty opt-out group, a reasonable settlement of the
13 issue and while that doesn't leave everyone's objection
14 settled, I think it was a reasonable process.

15 I guess the only other thing that I wanted to say, you
16 know, from the creditors' committee perspective, is that I
17 think that, you know, the company and the retiree committee,
18 you know, obviously very understandably, and I think
19 appropriately, wanted to try to respond to as much of these
20 objections as possible, and we obviously agreed with that and
21 felt that it was important to do so because we want people to
22 feel that, you know, we've understood and reflected their loss
23 in a way that is at least meaningful and appropriate as a group
24 because they obviously have loss.

25 And the last thing I'd like to say is that I think

1 what surprised me as well -- and I'm glad to hear that there
2 have been a lot of letters and other things put on the website
3 -- is some of the misunderstanding that some of the parties had
4 about what we did in October, which wasn't to change anyone's
5 rights to opt in at any point -- they still have those rights -
6 - it just changed what they'd be paying and that these claims
7 are to address the change in what they'd be paying, not that we
8 took anyone's rights away, and so I think that's a point that
9 was lost somehow. A lot of the letters, to me, seemed to speak
10 to that, and I wanted to make sure that that was in the record,
11 because I know everybody understands, those of us that have
12 been involved in that; but I think, for some of the objectors,
13 it's not entirely clear.

14 And with that, as I said, the committee is supportive
15 of the settlement. It's a product of a lot of months of hard
16 work and then a little rework the last few weeks, in getting
17 these objections. And I think it's a fair settlement of all
18 the issues, given that we can't settle everyone's individual
19 claim with 10,000 people.

20 THE COURT: Thank you, Ms. Beckerman.

21 Does anyone else wish to be heard?

22 MS. VAUGHAN: Good afternoon, Your Honor.

23 THE COURT: Good afternoon.

24 MS. VAUGHAN: Lori Vaughan, Foley & Lardner, here on
25 behalf of the Section 1114 Non-Pilot Retiree Committee.

1 I'm not here this afternoon, Your Honor, to object to
2 the settlement that has been reached between Delta and the
3 pilot retiree committee. I'm only here to clarify, and I think
4 correct a couple of items on the record, Your Honor.

5 Mr. Kaminetzky referred to earlier that an agreement
6 had been reached early on between the two -- with the two
7 retiree committees and that there was one loose end. Your
8 Honor, our committee believes that there are actually two loose
9 ends; that the same issue that's being resolved here today with
10 the pilot committee still exists with the non-pilot retiree
11 committee. And, Your Honor, that issue is the opt-out
12 claimants, those folks who were eligible for benefits and who
13 were not actually enrolled in the Delta family care medical
14 plan.

15 Your Honor, the settlement agreement that was reached
16 between the Section 1114 Non-Pilot Retiree Committee and Delta
17 was silent on the issue of how those claimants would be treated
18 in Delta's case.

19 Standing here today, Your Honor, the issue that is
20 forefront in our minds is that those claimants have never been
21 provided notice that they need to come to the Court and file
22 any sort of proof of claim. Right now, there's no indication
23 of how they will be treated, or an opportunity for them to file
24 a proof of claim and come to this Court and have their day in
25 court.

1 Your Honor, they were not provided with a notice of a
2 bar date. And I think Your Honor may recall that the bar date
3 order in this case specifically excluded claimants who would
4 have claims as a result of their health benefits being
5 modified, and that was for the purpose of Delta to deal with
6 the 1114 Committees, to resolve those issues.

7 Your Honor, I just brought that up to clarify the
8 record and to make that clear for Your Honor, and to say that
9 we are hopeful that we're going to work with Delta and the
10 creditors' committee to resolve the issue of those opt-out
11 claimants with respect to the non-pilot retirees, and that at
12 the very least, at some point, we may need to set a bar date
13 for those folks to come in and file their proofs of claim, so
14 they can have their day in court.

15 THE COURT: Very good. Thank you very much.

16 MS. VAUGHAN: Thank you, Judge.

17 MR. KAMINETZKY: Your Honor, I don't know if now is
18 the time or place for this, but the -- I disagree
19 wholeheartedly and Delta disagrees wholeheartedly with the
20 suggestion that the claims issue is not fully and finally
21 resolved and was not fully, finally resolved back in October.

22 Just taking a look at the termsheet, the order that
23 was signed --

24 THE COURT: Are you talking about the non --

25 MR. KAMINETZKY: With respect to the non-pilots.

1 THE COURT: Okay.

2 MR. KAMINETZKY: All I'm doing is responding to the
3 last speaker.

4 The termsheets annexed to the order, dated October
5 19th, 2006, has a Section 8, which is general, unsecured, pre-
6 petition claims for certain individuals. This goes on for
7 three pages and it lists who gets what. The suggestion that,
8 well yeah, but then there's more, is just certainly -- is just
9 simply not credible. This was negotiated and renegotiated and
10 negotiated. I mean, I already, in October, described to you
11 what my summer was like negotiating with the two committees in
12 parallel and part of that negotiation, part of that hard-fought
13 negotiation is who gets a claim and who doesn't get a claim and
14 what size that claim is with respect to non-pilots. In fact,
15 it's because I couldn't go through that again with the pilots
16 at the time that we deferred it to today.

17 So again, I'm not sure now is the time and the place,
18 but I think, you know, just taking a look at the termsheet,
19 what counsel just suggested was not addressed or needs to be
20 addressed was addressed in copious and precise detail back in
21 October and is reflected in the Court's order. Thank you.

22 THE COURT: Well, thank you. I don't think it needs
23 to be addressed further at this point because by the time
24 anybody writes up any papers and gets it before me, I will have
25 forgotten what you said today.

1 But with regard to what is before me today, I want to
2 say that I have read many, probably not all of the letters. I
3 have a vast stack of them on my desk. I didn't bring them with
4 me, but it seems to me that -- was it I who entered an order
5 for the appointment of this 1114 Committee?

6 MR. KAMINETZKY: Yes, Your Honor. You asked the U.S.
7 Trustee to make a recommendation and then they made a
8 recommendation, subject to people's comments, and then you
9 entered an order appointing the committee.

10 THE COURT: Well, I feel very good about having done
11 that. (laughter)

12 MR. KAMINETZKY: As you recall, that was over my
13 objection. (laughter)

14 MS. BECKERMAN: Mine, too.

15 MR. KAMINETZKY: But I --

16 THE COURT: I recall you both objecting.

17 MR. KAMINETZKY: But in retrospect, Your Honor, and
18 I've said this several times, you were right.

19 THE COURT: It seems to me that the work of this
20 committee and the responsiveness of both the debtor and the
21 creditors' committee has been simply terrific. I understand
22 and appreciate the enormous anxieties that all of these issues
23 involving dedicated employees have faced with an airline where
24 -- or any company where there isn't enough to go around.
25 Everybody has made enormous sacrifices and they were very tough

1 issues, very tough issues.

2 But I guess my expression here is one of admiration
3 and appreciation and applause for all of the professionals. I
4 think it's, as I'm sure I must have expressed when I agreed
5 that there should be an 1114 Committee for this group, judges
6 feel very comforted when each side of a controversy is
7 represented by very, very competent professionals. Not just
8 legal professionals, but the actuaries, the other categories of
9 expertise that enable those who are represented and the Court
10 to have great confidence in the process and when you have an
11 adversary process where both sides are extremely -- or all
12 sides in this case, company, creditors' committee and the
13 members of the -- members who are represented by the 1114
14 Committee in question, the retired pilots, it seems to me that
15 you have the best possible chance of reaching a truly fair and
16 appropriate compromise.

17 Everything in bankruptcy works as a compromise and, as
18 I guess Ms. Beckerman says, the essence of a compromise is that
19 everybody takes a little and everybody gives a little and it's
20 not entirely satisfactory to anybody and that's the essence of
21 a settlement.

22 Recognizing that in any particular specific case,
23 there may be grounds for agreements, it seems to me that what
24 has been worked out with enormous, enormous effort and
25 understanding and professional competence of a highest order by

1 all sides of this dispute, if you will, is appropriate from all
2 sides.

3 I'm going to approve the -- what? Should we call it
4 the "enhanced agreement" that has been agreed to? And if
5 there's no other comments or questions or issues to be raised,
6 then I thank you all very much.

7 MR. KAMINETZKY: Thank you, Your Honor.

8 MS. BECKERMAN: Thank you, Your Honor.

9 THE COURT: Will you give me an order to sign?

10 MR. KAMINETZKY: Yes, sir. Yes, sir.

11 THE COURT: Thank you all.

12 (Proceedings concluded at 3:13 p.m.)

13 *****

14 CERTIFICATION

15 I certify that the foregoing is a correct transcript
16 from the electronic sound recording of the proceedings in the
17 above-entitled matter to the best of my knowledge and ability.

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19



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February 23, 2007

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