

Delta MEC R&I Committee
Frequently Asked R&I Questions on Letter #51

LOA# 51 will make more changes to your retirement and insurance benefits than any agreement in the past 20 years. Despite working for a bankrupt company and a management using the weight of the 1113 process, we were able to maintain many aspects of our R&I benefits package, improve some, and inevitably absorb concessions in others. The result is an industry leading benefits package that we feel meets the needs of the Delta pilots. We'd like to summarize some of the changes, and then the remainder of this document will deal with some frequently asked questions that we have received.

In the area of retirement, the company has acknowledged in court that our defined benefit pension plan likely will not survive. Regardless of whether it does or does not terminate, we were able to achieve the transfer to your individual control of the MPPP and fix its offset to our Defined Benefit (DB) Plan, the implementation of Roth 401(k) accounts, and the ability to make employer and employee contributions up to the maximum extent permitted by IRS regulations. Should our DB terminate, in recognition of our contract concessions, a \$650m note (to be discussed later) will be issued to the pilot group and our current targeted Defined Contribution (DC) matrix will revert to a flat 9% with all pilots receiving the same percentage contribution.

In the area of disability, we negotiated the first ever, industry unique, requirement for the company to fund a pilot's DC and 401(k) accounts while a pilot is on disability. We were able to maintain our current definition for disability eligibility and to fend off management's demand to change to a social security definition. We also achieved a funding mechanism for the D&S Trust, achieved language requiring management to fund D&S benefits even if the Trust is exhausted, and made the Trust irrevocably for the benefit of pilots, retired pilots, their survivors and beneficiaries. In exchange, we agreed to a limited neutral medical examiner review process, an age cutoff for disability benefits, an income offset and several third-party industry standard disability offsets to the benefit calculation.

In the area of survivorship, we shifted our pre-retirement survivor benefit from an annuity to a life insurance product which not only provides a more secure benefit to our survivors, but is actually a superior benefit due to the tax considerations and adverse pension offsets in the current annuity. In exchange, we substantially reduced our post retirement survivor benefit, though the new benefit will still be industry leading.

And finally, in the area of medical benefits, we were able to keep our current medical benefits package for active employees, while making changes to retiree medical which still keep those benefits near the top of the industry.

The Committee will be making a presentation at the upcoming road shows and will be available to answer any questions that you may have.

Please read the following carefully, as much of this information is new and very detailed.
If you have any additional questions, please send them to Karen.browne@alpa.org

Fraternally,

The MEC Retirement and Insurance Committee

Roger White, Chairman

Kevin Powell, Vice Chairman

Karen Browne-Fleck, CEBS

A. Retirement Benefits (PWA Section 26)

Q1. Letter #51 provides for a “hard freeze” of the Delta Pilots Retirement Plan, our defined benefit pension plan (DB Plan). What exactly does that mean?

A1. As you know, pursuant to Letter #46 the DB Plan was frozen in a “soft freeze” effective December 31, 2004. Under the soft freeze, your Years of Credited Service under the Plan were frozen as of December 31, 2004, but your Final Average Earnings (FAE) were not frozen, so that your FAE at retirement would be the greater of your FAE determined as of December 31, 2004 or your FAE determined as of your retirement date. Under the hard freeze, however, your FAE will now also be frozen as of the effective date of the hard freeze. The effective date of the hard freeze can be as early as July because the Company must give all participants 45 days advance notice of the hard freeze effective date (and the notice cannot be given before membership ratification). For example, assume the date of the hard freeze is July 15, 2006. In that case, the pension benefit you have earned will now be based on your Years of Credited Service through December 31, 2004 and on your FAE that is the higher of your FAE on December 31, 2004 or your FAE on July 15, 2006.

Q2. Will our DB Plan be terminated?

A2. We expect the Company to file in the bankruptcy court for approval to terminate our qualified DB Plan via the voluntary distress termination rules of ERISA. In addition, as we previously reported, there is a significant risk that the Pension Benefit Guaranty Corporation (PBGC) will file for an involuntary termination of the Plan. This risk will be higher around October 1, 2006, when the Plan’s actuaries expect that the Plan will no longer be in liquidity shortfall and will once again be allowed to pay lump sums.

The remainder of this FAQ assumes that the DB Plan will be terminated.

Q3. What is the status of the pending pension funding legislation?

A3. The House and Senate each passed pension bills at the end of 2005. Only the Senate version contains the special funding rules for airlines. Differences between the two bills are currently being worked out by a Conference Committee. It is unclear when a compromise will be reached.

Q4. Would the pension legislation provide enough relief to save our DB plan?

A4. Even if legislation is passed in the form introduced in the Senate, we expect that our DB Plan cannot be saved.

The Senate version of the pension legislation provides for a special 20-year amortization period for airlines to pay off their unfunded liabilities. It also allows

the plan's actuary to select a higher interest rate than otherwise required to calculate the plan's liabilities, resulting in lower liabilities. Although these special rules would allow smaller contributions to be made over a longer period of time, the Company would still be required to make any applicable liquidity shortfall contributions. The Company has estimated it would be required to make liquidity shortfall contributions of \$1.2 billion if payment of lump sums were to resume later this year. The Company has stated that it does not intend to make such contributions, and furthermore, we understand that contributions of this magnitude may be too large to allow the Company to emerge from bankruptcy.

Q5. If the Company seeks to terminate our DB Plan, will ALPA oppose the termination?

A5. No. Under Letter #51, ALPA has agreed not to oppose the Company's termination of our DB Plan (or of the Western Air Lines Pilots Defined Benefit Plan (D Plan)).

Q6. What other changes will occur if our DB Plan is terminated?

A6. As described in more detail below, the following will occur if our DB Plan is terminated:

- The Pilots Defined Contribution Plan (DC Plan) will be modified.
- The pilots will receive Notes.
- Our nonqualified defined benefit plans (the Bridge Plan and the Supplemental Annuity Plan) will be terminated.

Q7. How will our DC Plan be modified if our DB Plan is terminated?

A7. Upon termination of our DB Plan, the basis for making Company contributions under the DC Plan will change from "target" to "flat." Company contributions to the DC Plan are currently made on a target basis, with each pilot receiving from 0% to 19.2% of his earnings. Upon termination of the DB Plan, Company contributions will be made on a flat basis, with each pilot receiving 9% of his earnings.

Q8. What are the Notes and what benefits will they provide to me?

A8. The Company will issue senior unsecured Notes with total par value of \$650 million. A Note is a debt security substantially similar to a corporate bond. The Notes will be issued to a trustee, on behalf of the pilots, not later than 120 days after the Company's exit from bankruptcy. The interest rate and structure of the Notes will be designed to allow the Notes to be sold upon issuance at their par value of \$650 million. It is expected that the Notes will be sold for cash promptly upon issuance, and allocated among all of the pilots. As an alternative to issuing

some or all of the Notes, the Company may simply make a cash payment on behalf of the pilots, equal to the par value of the Notes.

Q9. How will the cash proceeds of the Notes be allocated?

A9. Cash proceeds from the sale of Notes (and any cash paid in lieu of issuance of Notes) will be allocated among pilots pursuant to a formula to be determined by the ALPA. Although the methodology for allocation and distribution has not yet been determined, it is intended that such amounts will first be contributed to pilots' accounts under the DC Plan or Family Care Savings Plan, to the extent allowed by the limit of Section 415(c) of the Internal Revenue Code, with the remainder paid to pilots in cash. Section 415(c) limits the amount of money that may be contributed annually by the Company and by you to all of your accounts under both the DC Plan and the Family Care Savings Plan. This limit is \$44,000 in 2006. Amounts attributable to the Notes that cannot be contributed to your accounts under the DC Plan or Family Care Savings Plan will constitute additional taxable wages.

Q10. How will termination of the nonqualified Bridge Plan and nonqualified Supplemental Annuity Plan affect me?

A10. You will not receive any benefits that you may have earned under the Bridge Plan or Supplemental Annuity Plan. Most pilots have no earned benefit under the Bridge Plan. You will only have an earned benefit under the Supplemental Annuity Plan if your FAE exceeded the IRS limit on annual earnings that may be considered under the qualified DB Plan. Your earned benefit under the nonqualified Bridge Plan and nonqualified Supplemental Annuity Plan is the net benefit after applying the offset for your account under the Money Purchase Pension Plan (MPPP).

Pilots who retired prior to termination of the Bridge Plan and Supplemental Annuity Plan may have paid FICA tax on nonqualified benefits they will never receive. The Company has agreed to seek reimbursement of such FICA taxes on behalf of such retired pilots, to the maximum extent allowed by law.

Q11. Are any changes being made to the Money Purchase Pension Plan (MPPP)?

A11. If Letter #51 is ratified, the MPPP will be terminated no later than June 30, 2006. All pilots' accounts will be distributed to them as soon as practicable thereafter. We expect actual distribution to take place no more than a few months after the termination. Termination of the MPPP and distribution of the MPPP accounts will occur regardless of whether or when our DB Plan is terminated.

Q12. What options will I have for distribution of my MPPP account?

A12. You will be able to elect distribution of your MPPP account in any one of the following forms:

- Cash distribution in a check made payable to you.
- Rollover of cash to your designated personal IRA.
- Rollover of cash into your account under a qualified plan of your choosing that accepts rollovers.
- Rollover of cash into your account under the Delta Family Care Savings Plan.
- Apply account balance to purchase an insurance company annuity policy, under which periodic payments will be made commencing either immediately or at some date in the future that you designate. The Company will pay the annuity purchase fee up to \$500.

The distribution of your MPPP account will be ordinary, taxable income to you, and may be subject to an additional 10% tax penalty on account of early distribution (before age 59-1/2), unless you roll it over to an IRA or qualified plan account within 60 days. Also, unless you make a “direct rollover” (a transfer directly from the MPPP to your IRA or other qualified plan account), the distribution will be subject to mandatory 20% income tax withholding. Payments under the annuity will be ordinary, taxable income as they are received, but will not be subject to the 10% early distribution penalty if they begin after you terminate employment. ALPA does not provide tax advice, and we strongly encourage you to consult your tax advisor for guidance.

You will receive an election form with more details on your distribution options, including your option to make a direct rollover. If you fail to make a timely election, your MPPP account will be distributed in the form of an annuity purchased from an insurance company. If you are married, your spouse must agree in writing to your election of a distribution form other than a joint and 50% survivor annuity. A pilot with a Qualified Domestic Relations Order (QDRO) should seek legal advice.

Q13. I understand that my MPPP account is used to offset my formula benefit under the defined benefit plans. How will this offset be made after the MPPP is terminated and I receive my MPPP account?

A13. As was the case before termination of the MPPP, when you retire, your MPPP account will constitute an offset (i.e. a reduction) to your formula benefit under the defined benefit plans. Your formula benefit is the amount of your benefit determined under the formula applicable under all of our defined benefit plans, both qualified and nonqualified. This formula is: 2.4% x (your Years of Credited Service through December 31, 2004) x your FAE. As described in Q&A1 above, your FAE is the higher of your FAE on December 31, 2004 or your FAE on the hard freeze date.

Prior to the MPPP termination, the offset was based on the pilot's actual MPPP account balance at his retirement. After termination and distribution of the MPPP, however, the offset to your formula benefit will be based on your hypothetical MPPP account balance at retirement. To calculate this hypothetical balance, your actual account balance at distribution will be projected forward to your retirement date, assuming an investment return of 6.5% per annum. That hypothetical balance will then be converted to a hypothetical annuity using our contractually-specified actuarial assumptions (interest rate of 6.5% and 1983 Group Annuity Mortality table).

You can estimate the amount of the offset attributable to your MPPP account by applying the appropriate factor from the chart included with Letter #51 as Attachment 26-1, Exhibit A. (Note: The chart shows factors applicable at ages that are whole integers; interpolation will be applied to determine factors for ages between whole integers.)

Assume, for example, that on the MPPP termination date you are age 50 with an MPPP account balance of \$100,000. Assume also that you retire at age 60. In that case, your applicable factor is 0.173845. The amount of offset to your formula benefit at age 60 is determined as $\$100,000 \times 0.173845 = \$17,384.50/\text{year}$. If your formula benefit (before the offset) had been calculated at \$90,000/year, then after applying the offset attributable to your MPPP account, your remaining benefit under the defined benefit plans would be \$72,615.50/year ($\$90,000 - \$17,384.50$).

Q14. How does my MPPP account offset affect my benefit under the qualified DB Plan and the amount I will receive from the Pension Benefit Guaranty Corporation?

A14. In accordance with the governing plan documents, the offset attributable to your MPPP account will be applied to your formula benefit in the following order: first to your nonqualified benefits under the Bridge and Supplemental Annuity Plans and then to your qualified DB Plan benefit. The MPPP offset will be made in this order even though the Bridge and Supplemental Annuity Plans are terminated. If the amount of annuity you have earned under the nonqualified plans exceeds the amount of your MPPP hypothetical annuity, then your MPPP account will not reduce your benefit under the qualified DB Plan. If the amount of annuity you have earned under the nonqualified plans is less than the amount of your MPPP hypothetical annuity, then the remainder of your MPPP account will reduce your earned benefit under the qualified DB Plan.

The PBGC will apply its process of allocation among the Priority Categories to the amount of your earned benefit under the qualified DB Plan that is determined after applying the offset attributable to your MPPP account.

Following are three examples that assume the DB Plan terminates in 2006, the pilot is in Priority Category 4 on the date of Plan termination, and he subsequently retires at age 60. For plans terminating in 2006, the maximum amount payable by the PBGC, for a pilot who is in Priority Category 4 and retires at age 60, is \$30,978 per year. Briefly, whether he is retired or not, a pilot is in Priority Category 4 if he is under age 53 on the date of Plan termination and is in Priority Category 3 if he is age 53 or older.

1. Assume the formula benefit earned by the pilot is \$90,000/year (before applying the MPPP offset), consisting of \$15,000/year from the nonqualified Supplemental Annuity Plan and \$75,000/year from the qualified DB Plan. Assume the hypothetical annuity from the MPPP account is \$20,000/year. The MPPP hypothetical annuity will first offset all of the \$15,000 benefit under the Supplemental Annuity Plan and then \$5,000 of the qualified DB Plan benefit. Of the \$70,000 remaining, the pilot would receive the maximum of \$30,978/year from the PBGC.
2. Assume the formula benefit earned by the pilot is \$70,000/year (before applying the MPPP offset), all from the qualified DB Plan. Assume the hypothetical annuity from the MPPP account is \$20,000/year. The MPPP hypothetical annuity will offset \$20,000 of the total benefit. Of the \$50,000 remaining, the pilot would receive the maximum of \$30,978/year from the PBGC.
3. Assume the formula benefit earned by the pilot is \$25,000/year (before applying the MPPP offset), all from the qualified DB Plan. Assume the hypothetical annuity from the MPPP account is \$10,000/year. The MPPP hypothetical annuity will offset \$10,000 of the total benefit. Of the \$15,000 remaining, the pilot would receive the full \$15,000/year from the PBGC.

Q15. Are there any changes to the Family Care Savings Plan, our 401(k) Plan?

A15. Yes. No later than January 1, 2007, you will have the following options under the 401(k) Plan:

- You will be permitted to make employee contributions to the maximum extent allowed by law.
- You will be allowed to designate your contributions as Roth 401(k) contributions, to the maximum extent allowed by law. Expect an R&I bulletin in the coming months explaining the provisions of Roth 401(k) accounts and how they differ from traditional 401(k) accounts.

Q16. Are there any other changes to our retirement benefits?

A16. Pilots will be entitled to receive amounts that are paid in connection with the ALPA Claim in bankruptcy, pursuant to a method of allocation and distribution determined by the ALPA. (This Claim is described in more detail in other documentation you have been given.) As with the Notes described above, it is intended that amounts paid in connection with the Claim will first be contributed to pilots' accounts under the DC Plan or Family Care Savings Plan, to the extent allowed by the limit of Section 415(c) of the Internal Revenue Code, with the remainder paid to pilots in cash or in kind.

B. Disability Benefits (PWA Section 26)

Q17. What disability benefit changes were implemented in Letter #51?

A17. Most importantly, we did NOT change the eligibility requirements to receive disability benefits. You will be eligible if you are unable to meet the standards to hold a First Class Medical Certificate.

The following changes were made:

- Company contributions will now be made on behalf of a disabled pilot, to both the DC Plan and the Family Care Savings Plan, while the pilot is on disability.
- LTD benefits will cease when the pilot reaches the FAA mandatory retirement age.
- LTD benefits will be offset by employment income and certain third-party disability benefits.
- Continued eligibility for payment of LTD benefits will be subject to review by a Neutral Medical Examiner.

Q18. I am currently on LTD. Will these changes apply to me?

A18. The changes will apply to you if you are still on the seniority list on June 1, 2006.

Q19. How will a disabled pilot receive Company contributions to the DC Plan and Family Care Savings Plan?

A19. For pilots receiving disability benefits, the Company will now make contributions of 9% of earnings to a disabled pilot's account under the DC Plan and 2% of earnings to his account under the Family Care Savings Plan. Since a disabled pilot no longer has actual earnings from the Company, the contribution is based on "earnings" equal to twice the amount of his disability benefit. The amount of his disability benefit is doubled for purposes of this calculation, since his disability benefit is initially based on 50% of his pre-disability earnings.

The intent is to allow a disabled pilot to continue building his retirement plan accounts in a manner similar to that of an active pilot, since disability benefits

will no longer be paid for life, but will end when the disabled pilot reaches the FAA mandatory retirement age.

Q20. Explain the Neutral Medical Examiner review process.

A20. If the D&S Plan Administrator has a good faith belief that a pilot who is receiving disability benefits is no longer disabled, the Administrator may request proof of disability. Proof may be requested no more than once per year.

Proof of disability will be established through a process very similar to the medical review process of PWA *Section 15 B*. If the Plan's medical examiner determines that a pilot is no longer disabled, then the pilot may initiate a review by his own medical examiner. If the pilot's medical examiner also determines that the pilot is no longer disabled, then disability benefits will cease. If the pilot's medical examiner disagrees with the Plan's medical examiner, then a Neutral Medical Examiner (NME) will be chosen, by joint agreement of the pilot's medical examiner and the Plan's medical examiner, to break the tie. If the NME decides that the pilot is still disabled, then the Plan must pay the expenses of the pilot's medical examiner and the NME; if not, the pilot must pay the full expense of his medical examiner and one-half of the expense of the NME.

Q21. LTD benefits will now be offset by employment income. How will this work?

A21. The offset would apply only if a disabled pilot's employment income exceeds the calculated disability amount (before application of the other offsets). At that time, the LTD benefit would be offset dollar for dollar for each additional dollar earned above that threshold. The intent of this provision is to permit the pilot who can earn income from other sources while on LTD to be able to return to his total pre-disability income as quickly as possible. Once he reaches that amount, his LTD benefit would be reduced as his income increases, and would be eliminated in the event the sum of his outside income and other third-party offsets equals or exceeds his pre-disability income.

Q22. What third-party disability payments will constitute offsets to LTD benefits?

A22. As with most disability programs in the airline industry and elsewhere, disability payments received from certain sources will reduce your LTD benefits. Under Letter #51, workers compensation payments, state disability income benefits, and Social Security disability benefits will all offset your LTD benefits. Any other disability payments, such as DPMA payments or private Loss of License insurance benefits, will not offset your LTD benefits.

Q23. Disability benefits are already offset by benefits paid under the defined benefit plans. Once these plans are terminated, how will this offset work?

A23. The D&S Plan has long provided that disability benefits are offset by retirement benefits paid from the qualified DB Plan, the nonqualified Bridge and Supplemental Annuity Plans, and the Western Pilots D-Plan. These plans will be amended to clarify that the offset is calculated as if the retirement plans had not terminated. The offset will apply when retirement benefits are actually paid. This clarification will apply to all disabled pilots, whether they retire before or after June 1, 2006.

C. Life Insurance in Lieu of Current Survivor Benefits (PWA Section 26)

Q24. What changes were made to our survivor benefits?

A24. Survivor benefits will change effective January 1, 2008. For pilots who die before or after retirement, monthly survivor annuity benefits and life insurance under the D&S Plan will be replaced with group term life insurance. The following Q&As provide details.

Q25. Who do these changes apply to?

A25. The new life insurance benefit will apply if you die on or after January 1, 2008 and you meet any one of the following:

- you are on the seniority list on or after January 1, 2008
- you retire on or after January 1, 2008
- you are on the seniority list on or after January 1, 2008 and die while receiving disability benefits
- you are on the seniority list on June 1, 2006, and die (on or after January 1, 2008) while receiving disability benefits

All others will remain covered by the D&S Plan's old provisions. Under those provisions, if a pilot dies before retirement, his eligible survivors receive survivor annuity benefits of 25-35% of FAE, depending on the number of eligible survivors, plus \$50,000 in basic life insurance, and if he dies after retirement, his eligible survivors receive similar survivor annuity benefits plus reduced life insurance benefits.

Q26. How much life insurance will we have before retirement?

A26. All pilots will initially have \$500,000 of group term life insurance while on the seniority list or while receiving disability benefits. Each year, based on future pay rates, this amount could increase. The insurance amount will be the greater of \$500,000 or 2,500 times the 12-year captain hourly rate on the highest paying aircraft type outlined in the PWA in effect on January 1 of each year.

Q27. How much life insurance will we have after retirement?

A27. Upon retirement, the insurance amount will decrease to \$250,000 for the first year and then “stair step” down in \$50,000 decrements until reaching a floor of \$10,000 for the remainder of the pilot’s life. For example, for a pilot retiring at age 60, the amount of post-retirement life insurance will be as follows:

Age 60 -	\$250,000
Age 61 -	\$200,000
Age 62 -	\$150,000
Age 63 -	\$100,000
Age 64 -	\$ 50,000
Age 65, and for life -	\$ 10,000

Q28. What about pilots with medical issues. Will they be covered by the new life insurance?

A28. Yes. The new life insurance will be provided under a group insurance policy with “guaranteed insurability,” meaning that you will be insured without having to provide any medical evidence of insurability.

Q29. Will I be taxed on the new life insurance coverage?

A29: You will be taxed on “imputed income” attributable to the cost of providing life insurance coverage in excess of \$50,000, both before and after retirement. There is no imputed income on the first \$50,000 of life insurance coverage. The imputed income will be reported as additional wages to you on Form W-2.

The amount of your imputed income is determined under rules prescribed by the IRS, based on your age and the amount of your insurance coverage each month, as set forth in the table below. For example, an active pilot who is in the age bracket 45-49 during a year will have imputed income of \$810 for that year, attributable to \$450,000 in life insurance coverage in excess of \$50,000.

Age	Gross Amount of Life Insurance	Imputed Income Per \$1,000 Per Month	Annual Imputed Income
< 25	500,000	0.05	270.00
25 – 29	500,000	0.06	324.00
30 – 34	500,000	0.08	432.00
35 – 39	500,000	0.09	486.00
40 – 44	500,000	0.10	540.00
45 – 49	500,000	0.15	810.00
50 – 54	500,000	0.23	1,242.00
55 – 59	500,000	0.43	2,322.00
60	250,000	0.66	1,584.00
61	200,000	0.66	1,188.00
62	150,000	0.66	792.00
63	100,000	0.66	396.00
64	50,000	0.66	0.00
65	10,000	1.27	0.00
66	10,000	1.27	0.00
67	10,000	1.27	0.00
68	10,000	1.27	0.00
69	10,000	1.27	0.00
70+	10,000	2.06	0.00

Q30. Why did we change from a survivor annuity to a life insurance benefit?

A30. There were several reasons, among them the following:

- For most pilots prior to retirement, the value of the life insurance exceeds the value of the current D&S Plan pre-retirement survivor benefits.
- Savings from reducing post-retirement survivor benefits prevented other concessions in the PWA.
- Previously, survivor benefits were payable only to a pilot’s surviving spouse and/or surviving dependent children and thus, had no value to pilots without a surviving spouse or children. Under the new life insurance, you may name any person and/or any trust as your beneficiary.
- Unlike monthly survivor benefits, life insurance proceeds are not taxable to your beneficiary.

- Your survivor benefits will now be provided as a lump sum, by a third-party insurer, and will not be tied to the long-term health of Delta Air Lines, Inc. or the D&S Trust.

Q31. I am a B73N Captain with a wife and two children, currently making \$150,000/year. How can \$500,000 in life insurance make up for the old survivor benefits?

A31. The pre-retirement survivor benefit derived from life insurance is superior for several reasons. First, it is a tax-free benefit. As stated above, you will have taxable imputed income on your coverage; however, this permits the \$500,000 in life insurance to be tax-free to your beneficiary. Invested at a conservative 6% over the expected lifetime of the beneficiary (assuming the beneficiary is of the same approximate age as the pilot) this will provide a better benefit in most cases, regardless of age or position. Second, unlike the survivor annuity, there is no pension offset to the life insurance. In the case of a pilot who dies before retirement under the old rules, the pre-retirement survivor benefit paid to his surviving spouse under the DB Plan offsets the D&S Plan survivor annuity paid to his surviving spouse, at death when the pilot would have reached age 50. But under the new rules, in addition to the \$500,000 in life insurance, the pilot's surviving spouse will still be eligible to receive the pre-retirement survivor benefit from the DB Plan, whether that benefit is paid from the DB Plan or from the PBGC.

Q32. Who will pay for the new life insurance coverage?

A32. The D&S Plan will have the obligation to provide the new life insurance coverage effective January 1, 2008, and will continue to have the obligation to provide the monthly survivor annuity and life insurance benefits to those covered under the old rules. All D&S Plan benefits are paid from assets in the D&S Trust established in connection with the Plan. The D&S Trust is tax-exempt as a "voluntary employees' beneficiary association," also known as a VEBA. The D&S Trust will pay the premiums on the new \$500,000 in life insurance coverage, and will continue to pay the monthly survivor annuity and life insurance benefits to those covered under the old rules.

Q33. Will I be able to purchase additional insurance?

A33. Yes. You will continue to be able to purchase additional, optional life insurance, via payroll deductions.

D. D&S Trust and Funding (PWA Section 26)

Q34. I understand that the D&S Trust has assets of \$1.6 billion. Can these assets be used to pay for other benefits or expenses beyond disability and survivor benefits?

A34. Yes. Beginning in 2006, the D&S Trust will also be allowed to pay sick leave for pilots and other legally permissible benefits for pilots, up to a total of \$60 million per year.

Q35: Will the D&S Trust be repaid for these additional benefits?

A35. If the D&S Trust balance is below \$1.2 billion as of any December 31, beginning with December 31, 2010, then on the following April 15, the Company will make a cash payment to the D&S Trust equal to the lesser of 4% of free cash flow or \$60 million.

Q36. What if the D&S Trust runs out of money?

A36. Our actuarial analysis shows that the D&S Trust will be adequately funded for many years even with these additional payments. However, under Letter #51, in the event the D&S Trust runs out of money, the Company will still have the obligation to make cash contributions sufficient to allow the D&S Plan to pay all of the benefits the Plan is obligated to provide.

Q37. Have we protected the D&S Trust from being used to pay benefits or expenses on behalf of other employees?

A37. Yes. Under Letter #51, the D&S Plan and D&S Trust documents will be amended to restrict the use of the assets, forever, to pilots, former pilots and their beneficiaries and survivors.

E. Medical and Dental Benefits (*PWA Section 25*)

Q38. Were any changes made to medical and dental benefits for active pilots and disabled pilots?

A38. No.

Q39. Were any changes made to medical and dental benefits for pilots who retire?

A39. Yes, changes were made in the premiums you will be required to pay. These changes apply to pilots who retire on or after June 1, 2006.

Q40. When I retire, what will be my options and premiums for continued medical and dental coverage?

A40. You will have the same medical and dental coverage options as before. Presently, retirees may elect coverage under the Delta Pilots Medical Plan (DPMP) (which includes comprehensive dental coverage), any of the Company-wide medical and dental plans, or the no-coverage option. You may elect a different option

annually, during the open enrollment period. However, except as described in Question 41, the premium you pay after age 60 will be higher than before Letter #51, if you elect coverage under the DPMP. The premium you pay for any option other than the DPMP is determined by the Company, but cannot be greater for retired pilots than for other retired employees.

Presently, the amount a retired pilot pays for DPMP coverage is a specified percentage of the retiree "base premium" (plus any required service-related premium and subject to the 150% cap beginning in 2008). The base premium is the total cost of coverage based on the experience of retired employees only. Under Letter #46, the percentage of base premium paid by most retirees after age 60 would have risen to 31% in 2008 (plus any service-related premium, and subject to the 150% cap). As described in detail below, the changes made in Letter #51 are designed to increase this percentage to 43%, on average, during the period from age 60-65, for a pilot retiring at age 60 (plus any service-related premium, and subject to the 150% cap).

Q41. What will be my premium for medical and dental coverage under the DPMP from the time I retire until age 65, when I am eligible for Medicare?

A41. Under Letter #51, from age 60 to 65, you will be required to pay 51% of the retiree base premium if you elect coverage under the DPMP (plus any service-related premium, and subject to the 150% cap). As before, if you retire early, you will be required to pay 100% of the retiree base premium until you reach age 60.

However, whether you retire early or at age 60, you now have another option under Letter #51. When you retire, you may elect to continue your medical and dental coverage under "COBRA" (for Consolidated Omnibus Budget Reconciliation Act, a federal law) and pay the full COBRA premium for the first 18 months of your retirement. Because the COBRA premium is based on an experience pool of active employees, rather than a pool of less healthy retired employees, it is much lower than the retiree base premium for the same coverage. Once the initial 18-month period ends, you will have another opportunity to elect coverage under the DPMP or any of the Company-wide medical and dental options, by paying the applicable premium described above (e.g., for DPMP coverage, 100% of base premium until age 60 and 51% of base premium from age 60 to 65). You will also have the option to change your election during each annual open enrollment period.

Q42. How does the full COBRA premium compare to 51% of the retiree base premium for the same coverage?

A42. In 2006, the full COBRA premium for DPMP coverage, for single coverage only, is \$451.76/month, while the full retiree base premium for such coverage is \$620.02/month. Fifty-one percent of the retiree base premium is \$316.21/month.

(Of course, the amount of the full COBRA premium and full retiree base premium changes from year to year.)

Q43. Why would I opt to pay the full COBRA premium of \$451.76/month rather than 51% of the base premium, which is only \$316.21/month, during my first 18 months of retirement?

A43. You would do this to lower your net cost, by taking advantage of the Health Coverage Tax Credit (HCTC). As explained below, the HCTC is available only if you elect COBRA coverage and pay the COBRA premium.

Q44. What is the HCTC and how does it work?

A44. The HCTC is a federal tax credit equal to 65% of the amount of the COBRA premium. In general, you are eligible to take the credit on your federal tax return for any month that you meet all of the following: you are paying for continued health coverage under COBRA, you are at least age 55 but not yet age 65, and you are receiving benefits from the PBGC. Once our qualified DB Plan is terminated and the PBGC begins paying benefits to retirees, any retiree age 55 to 65, who is receiving benefits from the PBGC and who is paying the COBRA premium for a month, will be eligible to take the tax credit for that month.

For example, assume you retire at age 60, elect COBRA coverage (single coverage) and receive benefits from the PBGC. For the first 18 months of your retirement, you will pay the full COBRA premium (\$451.76/month in 2006) for your medical and dental coverage, but you will be entitled to a tax credit of 65% of this amount (\$293.64/month in 2006), making your net cost only 35% of the COBRA premium (\$158.12/month). By paying the COBRA premium and taking the HCTC, your net cost (\$158.12/month in 2006) during the first 18 months will be half of 51% of the retiree base premium (\$316.21/month in 2006), the amount you would have to pay if you did not elect COBRA coverage.

If you retire at age 60, pay the full COBRA premium for the first 18 months, and 51% of the retiree base premium for the next 42 months, your net average cost of coverage for the entire 5-year period from age 60 to 65 will be about 43% of the retiree base premium, after taking into account the HCTC. For more information on the HCTC, go to www.irs.gov, keyword HCTC.

Q45. What will be my retiree health options when I become eligible for Medicare at age 65?

A45. You will have the same options for medical and dental coverage as before age 65, but will be required to pay 100% of the retiree base premium. This is currently \$186.36/month for single coverage for medical benefits. The premium is lower for post-Medicare coverage, since Medicare is primary.

Q46. When I die, what will be my spouse's and dependents' options and premiums for continued medical and dental coverage?

A46. Your survivors will have the same options and will pay the same premiums for continued medical and dental coverage as you would have had you lived. They will also be offered a COBRA continuation period when you would have attained age 60.