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

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:
In re: : **Chapter 11 Case No.**
:
DELTA AIR LINES, INC., et al., : **05-17923 (ASH)**
:
Debtors. : **(Jointly Administered)**
:
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**DECLARATION OF MARGARET M. MCDANIEL
IN SUPPORT OF THE MOTION OF THE DEBTORS SEEKING A
DETERMINATION THAT THEY SATISFY THE FINANCIAL
REQUIREMENTS FOR A DISTRESS TERMINATION OF THE DELTA PILOTS
RETIREMENT PLAN AND APPROVAL OF SUCH TERMINATION**

I, Margaret M. (“Peg”) McDaniel, hereby declare and state as follows:

1. I voluntarily and freely make this declaration in support of the Motion of the Debtors Seeking A Determination That They Satisfy The Financial Requirements For A Distress Termination Of The Delta Pilots Retirement Plan And Approval Of Such Termination (the “Motion”) in the above-captioned cases.

2. Except as otherwise indicated, all facts set forth in this Declaration, including the attached exhibits, are based upon my personal knowledge, my review of

relevant business records, information provided to me by employees working under my supervision, or relevant information supplied to me by Delta Air Lines, Inc. (“Delta”). If called upon to testify, I would testify competently to the facts set forth in this Declaration.

3. I am a Principal in the Atlanta office of Towers Perrin (“Towers Perrin”), with over 25 years of consulting experience relating to the design, financing, and administration of retirement and other employee benefit programs. Towers Perrin is a global human resources consultancy that provides actuarial consulting services to more than 1,200 organizations. Towers Perrin currently serves as consulting actuary for more of the U.S. Fortune 100, 500 and 1000 organizations than any of its competitors. I currently oversee the delivery of actuarial and benefits related consulting services related to Delta’s post-retirement and post-employment benefit programs, including Delta’s defined benefit pension plans for pilots and non-pilots. I have consulted with Delta for over 4 years and have extensive experience with airline benefit programs. I received a Bachelor of Business Administration degree in actuarial science from Georgia State University. I am a Fellow of the Conference of Consulting Actuaries, an Associate of the Society of Actuaries and an Enrolled Actuary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

4. Over the last several months, my staff and I have performed actuarial and financial analyses to project estimates of certain pension contributions that Delta will be required to make to its retirement plans. In making those estimates, Towers Perrin employed generally accepted actuarial methods and assumptions.

Background of the Plan

5. Pension benefits can be provided by employers for their employees using defined benefit plans, defined contribution plans or both. A defined benefit plan normally is funded solely by the employer and guarantees participants a specified level of income at retirement. Employers contribute to their defined benefit plans. These contributions are generally held in a segregated trust fund and invested for purposes of producing income for the trust. Because defined benefit plans guarantee a specified level of retirement income to participants, employers bear the risk of any market fluctuations with respect to a plan's assets, the mortality risks associated with participants dying at rates different from those assumed, as well as other risks that influence the amount of payments that will be made from the plans.¹

6. Defined benefit plans that are qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "IRC") are partially insured by the Pension Benefit Guaranty Corporation (the "PBGC"). The PBGC is the federal governmental agency that administers the pension plan termination insurance program established by Title IV of ERISA. When a pension plan covered by Title IV terminates without sufficient assets to pay all of its promised benefits, the PBGC typically becomes trustee of the plan and pays plan participants their pension benefits, subject to certain statutory limits.

¹ By contrast, defined contribution plans do not guarantee participants any specified level of retirement income. Instead, the employer, the employee, or both make contributions to each participant's individual account, which then appreciates or depreciates according to market fluctuations. The employee, and not the employer, bears the risk of investment gains and losses as well as other risks.

7. Since 1972, Delta has maintained the Delta Pilots Retirement Plan (the “Plan” or the “Pilot Plan”)² pursuant to its collective bargaining agreement (the “Pilot Working Agreement”) with the Air Line Pilots Association, International (“ALPA”). The Plan is qualified under Section 401(a) of the IRC. The Plan is a “defined benefit plan” subject to the funding requirements of ERISA and the IRC described below. In addition to the Pilot Plan, Delta maintains a defined benefit plan for all non-pilot employees, the Delta Retirement Plan, which has over 90,000 participants and is substantially larger than the Pilot Plan.

8. The primary formula used to determine retirement benefits under the Plan is based upon a pilot’s service, earnings and age at retirement. Generally, the formula provides that a pilot receive at retirement an annual benefit of 2.4% of his final average earnings (generally averaged over his or her last three years worked) times years of service up to a maximum of 25 years (a total of 60% for 25 years of service), with the product reduced 3% for each year that age at retirement precedes age 60. For example, if a pilot retires at age 56 with final average earnings of \$200,000 and service of 20 years, his annual retirement benefit is \$84,480 (2.4% times \$200,000 times 20 years times 88%). This amount is then subject to a small reduction when the pilot begins drawing Social Security retirement benefits.

² The Plan was supplemented by the Delta Pilots Bridge Plan (the “Bridge Plan”), the Delta Pilots Supplemental Annuity Plan (the “Supplemental Annuity Plan”), and the Delta Pilots Money Purchase Pension Plan (the “MPPP”). The Bridge Plan and the Supplemental Annuity Plan are non-qualified plans designed to provide benefits that exceed the benefits that can be paid to pilots from the Plan due to limitations imposed on qualified plans under the IRC and ERISA. Because pilot retirement benefits often exceeded these limits, some portion of their retirement benefit was paid from the non-qualified plans. The MPPP is a qualified defined contribution plan that was terminated pursuant to LOA 51 (as defined below). A new defined contribution plan, the Delta Pilots Defined Contribution Plan, was established in 2004 and will be amended pursuant to LOA 51.

9. In 2004, the Pilot Working Agreement was amended to implement a “soft” freeze of the Plan.³ This amendment prevented Delta pilots from accruing additional years of service after December 31, 2004 for pension calculation purposes. For example, a pilot with twenty years of service as of December 31, 2004, would accrue no further credit for service under the Plan even if he or she worked for Delta for additional years. But his or her benefit could increase if his or her Final Average Earnings at retirement were greater than his or her Final Average Earnings as of December 31, 2004. In conjunction with the “soft” freeze of the Plan, Delta agreed to establish a new defined contribution pension plan covering future pilot service at Delta, under which Delta contributed varying amounts, averaging approximately 9% of pilots’ earnings, to individual accounts in pilots’ names.

10. I am informed by Delta that Letter of Agreement 51 (“LOA 51”) entered into with ALPA permits Delta to “hard freeze” all benefit accruals under the Plan, and that Delta froze the Plan effective as of July 31, 2006. I am also informed by Delta that LOA 51 permits Delta to seek the distress termination of the Pilot Plan, and provides that ALPA will not oppose such termination. LOA 51 was approved by the Bankruptcy Court on May 31, 2006.

11. I am informed by Delta that the Plan administrator has issued to affected parties a Notice of Intent to Terminate the Plan under ERISA § 4041(a)(2) and has filed with the PBGC a Form 600, Distress Termination Notice of Intent to Terminate. Contemporaneously with this Declaration, Delta is filing the Motion seeking approval of the distress termination of the Pilot Plan.

³ MPPP contributions were also discontinued at this time.

12. If the Pilot Plan is terminated and the lump sum door (described below) does not reopen, I have estimated that current retirees will retain, on average, approximately 85% to 90% of their qualified plan benefits (including the benefit associated with any lump sums previously paid).⁴

Plan Benefits and the Lump Sum Option

13. As noted above, the Pilot Plan generally provides annual benefits upon retirement that are a percentage of a participant's final average earnings. Plan benefits are payable in the form of a monthly annuity for the life of the pilot (and his surviving spouse, if any) unless the pilot elects a different form of payment.

14. Since 1989, the Pilot Plan has provided that pilots who retire can elect to take 50% of the present value of their total accrued retirement benefit (qualified and non-qualified) as a lump sum payment from the Plan. For those who elect a lump sum, the remaining 50% of the retirement benefit is paid as a monthly annuity.⁵ Delta pilots who are age 50 or older can submit a retirement notice at any time during a month, with their retirement effective as of the first day of the next month. Thus, Delta can receive little advance notice of early retirements.

15. Since the lump sum option became available under the Plan (up until the suspension of lump sum payments described below), the vast majority of retiring pilots have taken advantage of the option and received substantial lump sum amounts. For example, those pilots who retired in the twelve months prior to September 14, 2005 (the

⁴ Even assuming that retired pilots had no claims and no corresponding recoveries in connection with their non-qualified pension benefits, I have estimated that current retirees will retain, on average, approximately 75% to 80% of their total qualified and non-qualified pension benefits (including the benefit associated with any lump sums previously paid).

⁵ In addition to the lump sum of 50%, the MPPP account balance is payable as a lump sum and reduces the annuity portion of the accrued retirement benefit.

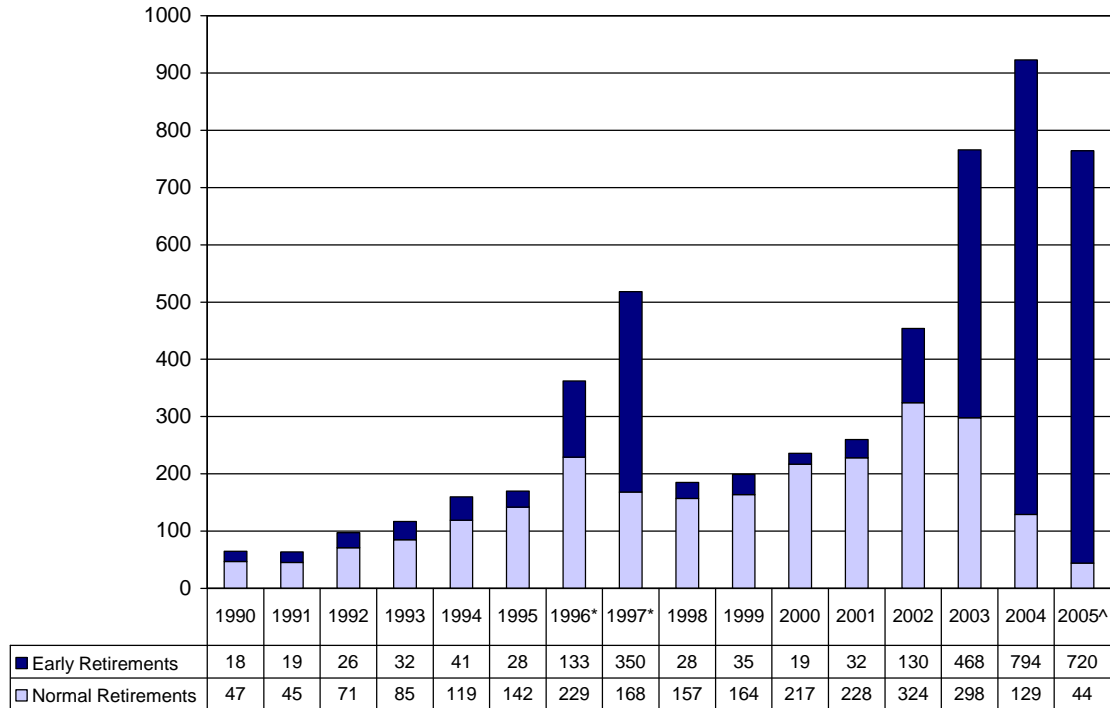
“Petition Date”) received an average lump sum of approximately \$760,000. The highest individual lump sum paid in 2005 from the Plan was \$1,594,000. Of the pilots who retired in 2005, approximately 190 received lump sum payments from the Plan in excess of \$1 million each.

16. In the 1990s and until after 2001, the great majority of pilots did not retire until mandatory retirement at age 60 (other than a period in late 1996 and in 1997 when there was a special incentive early retirement program). Since 2001, as Delta’s financial condition deteriorated, however, the pace of early retirements increased substantially.

Table 1 shows the number of pilot normal and early retirements since 1990:

Table 1

**Pilot Retirements
Based on July 1, 2005 Valuation Data**



* Delta offered a special early retirement incentive to pilots in 1996 and 1997; this accounts for the unusual increase in early retirements in those years.

^ Data is based on information submitted by Delta to Towers Perrin to conduct the July 1, 2005 actuarial valuation for the plan year July 1, 2005 – June 30, 2006. The 2005 count is a partial year through September 1, 2005 retirements.

17. Table 1 shows that Delta experienced a dramatic acceleration of early retirements in the years leading up to the bankruptcy filing, a time when interest rates decreased to produce favorable lump sum amounts and as Delta’s financial condition worsened (increasing the prospects for bankruptcy and the possibility of lump sums becoming unavailable through termination of the Pilot Plan).

18. Since January 1, 2001, the Plan has paid out approximately \$2.5 billion in lump sums to approximately 3,200 pilots. These lump sum payments have greatly reduced the assets in the Plan, resulting in significantly increased contributions required to the Plan under the minimum funding requirements of the IRC and ERISA. The fair market value of the assets of the Plan as of June 30, 2006 was approximately \$1.7 billion and, as of July 1, 2006, the Plan was projected to have assets equal to 39%⁶ of current liability. Said differently, the plan has \$4.1 billion in liabilities but only \$1.6 billion in the actuarial value of assets.

ERISA Funding Requirements

19. ERISA and the IRC contain complex rules that govern the minimum funding contributions that employers are required to make to their qualified defined benefit plans each year. The Plan's plan year ends on June 30 of each year. Generally, for each plan year, Delta must make its minimum required contribution to the Plan in quarterly installments on the following October 15, January 15, April 15, and July 15, with a final payment on or before March 15 of the year after the final quarterly installment is due. Furthermore, as discussed below, in the event that Delta is obliged to make a payment to the Plan that makes up a so-called "liquidity shortfall" that is higher than the minimum funding requirements that would otherwise be payable to the Plan, the liquidity shortfall payment is owed in lieu of – but not in addition to – the minimum funding contribution.

20. Under the IRC and ERISA, a qualified defined benefit plan, such as the Plan, must satisfy minimum funding standards. IRC §412(a). The minimum required

⁶ Based on current pension law assuming a current liability discount rate of 5.07% as of July 1, 2006.

contribution is determined by establishing a “funding standard account” for the plan. IRC §412(b). The funding standard account consists of charges and credits. Charges include the “normal cost” of the plan (the pension liabilities attributed to service by plan participants in the current year), plus amortization charges that cover, over a period of years, the effect of plan amendments increasing benefit accruals for past service and actuarial losses⁷, plus an “additional funding charge” for plans that have a “current liability” significantly in excess of assets. Credits include the employer’s contributions to the plan, and amortization credits that cover, over a period of years, the effect of plan amendments decreasing prior benefit accruals, to the extent allowed by the IRC, and actuarial gains.⁸

21. As of July 1, 2001, the Plan’s actuarial value of assets exceeded its current liability by \$628 million, and no contributions were due for that plan year. As of July 1, 2002, the Plan’s surplus, on a current liability basis, declined to \$102 million. Delta made its required minimum contribution of \$71 million for the 2002 plan year. As of July 1, 2003, the Plan’s current liability exceeded its actuarial value of assets by \$714 million (representing an 83% funded status). Delta made its required minimum contribution of \$177 million for the 2003 plan year. While Delta made its required contributions, the combination of decreasing interest rates, lower than expected investment returns, higher than expected pay increases and higher than expected

⁷ Actuarial losses occur when a plan’s experience differs from the actuarial assumptions in a way that produces an unfavorable change in the funding position of the plan. For example, investment returns that are less than the assumed rate of return will result in losses. Similarly, if pilots retire early or retired pilots live longer than expected after retirement, then the value of annuity benefits will be greater than expected, producing an actuarial loss.

⁸ Actuarial gains are the opposite of actuarial losses. For example, investment returns that exceed the assumed rate produce actuarial gains.

retirements and a dramatic increase in lump sums contributed to the decline in funded status over this period. By July 1, 2004, the Plan's current liability funded status had declined to 75% (for a funding deficit of approximately \$1.02 billion). As of July 1, 2005, the Plan had assets equal to 54% of current liability, and as of July 1, 2006, the Plan was projected to have assets equal to only 39% of current liability.

22. During the pendency of chapter 11 proceedings, Delta has continued to make all contributions to the Plan that are allocable to post-petition service. Because of the "soft freeze" of the Plan, however, the contributions allocable to post-petition service have been relatively small (totaling \$4,702,861 through July 15, 2006, with subsequent contributions totaling approximately \$0.5 million through the hard freeze date).⁹

23. After Delta filed its petition in the Bankruptcy Court, Delta ceased making contributions to the Plan that were allocable to pre-petition service because, I am informed by Delta, these contributions could not be paid absent extraordinary relief from the Bankruptcy Court. The contributions allocable to pre-petition service (ignoring Liquidity Contributions discussed below) that were due during chapter 11 but have not been paid by Delta since the Petition Date total approximately \$139 million, and will total approximately \$525 million on or shortly after the targeted emergence date of March 30, 2007.

⁹ Contributions allocable to post-petition service were determined using the value of benefits accruing after the bankruptcy filing date under the unit credit actuarial cost method and the assumptions used in the July 1, 2005 actuarial valuation (including an 8.5% interest rate).

Liquidity Shortfall and Suspension of Lump Sum Payments in 2005

24. ERISA's funding rules include special rules that apply when a plan experiences a "liquidity shortfall." ERISA § 302(e)(5); 29 U.S.C. § 1082(e)(5). A liquidity shortfall is deemed to occur if the value of a plan's liquid assets is less than three times the plan's adjusted disbursements for the trailing 12 months. ERISA § 302(e)(5)(E)(i) and (ii); 29 U.S.C. §§ 1082(e)(5)(E)(i) and (ii). For this purpose, a plan's "adjusted disbursements" include all annuity payments and administrative expenses, and a portion of the plan's lump sum payments. ERISA § 302(e)(5)(E)(iii) and (iv); 29 U.S.C. §§ 1082(e)(5)(E)(iii) and (iv).

25. In determining whether a plan is in liquidity shortfall, ERISA requires that the Plan's assets and trailing adjusted disbursements be measured on the last day of each calendar quarter. ERISA § 302(e)(5)(E)(i); 29 U.S.C. § 1082(e)(5)(E)(i). If the Plan has a liquidity shortfall on the last day of a quarter, the employer has 15 days to contribute the amount of the shortfall (the "Liquidity Contribution") into the trust fund. *See* ERISA § 302(e)(5)(E)(i) and 302(e)(3); 29 U.S.C. §§ 1082(e)(5)(E)(i) and 1082(e)(3). If the Liquidity Contribution is not made, the Plan is prohibited from paying distributions in the form of lump sums until the earlier of (i) the date the Liquidity Contribution is made, or (ii) the calendar quarter when the Plan is no longer in liquidity shortfall (as determined on the last day of the immediately preceding calendar quarter). ERISA § 206(e); 29 U.S.C. § 1056(e). Thus, even if no Liquidity Contribution is ever made, a plan can come out of liquidity shortfall (and, in the case of the Pilot Plan, the lump sum door can reopen) merely by the passage of time.

26. During 2005, as Delta's financial condition worsened and the prospect of an eventual termination of the Pilot Plan increased, the number of early pilot retirements surged. In the 12-month period prior to Delta's chapter 11 filing, approximately 1,100 Delta pilots retired early, causing \$865 million in assets to be paid from the Plan; approximately 720 retired early during 2005 before the lump sum prohibition took effect on October 15, 2005. Of the 720 who retired in 2005, for example, 710 elected the lump sum option, causing over \$570 million in assets to be paid from the Plan.

27. Delta filed its bankruptcy petition on September 14, 2005. The number of early and normal retirements at September 1, 2005 resulted in enough lump sum payments in September 2005 to trigger a liquidity shortfall for the quarter ended September 30, 2005. Absent Delta's bankruptcy petition, a Liquidity Contribution of \$145 million would have been required to the Plan on October 15, 2005.¹⁰

28. I am informed by Delta that it determined that the Liquidity Contribution due on October 15, 2005 was a pre-petition obligation related to the Plan, which Delta could not pay absent extraordinary relief from the Bankruptcy Court. As a consequence, Delta did not make the Liquidity Contribution that was due on October 15. Under ERISA, since the Plan was then in liquidity shortfall, the Plan was required to suspend payment of lump sums from the Plan on October 15, 2005. Since that date, the Plan has

¹⁰ Delta anticipated that the number and timing of lump sum payments with respect to September 1, 2005 pilot retirements could affect whether or not a liquidity shortfall would actually occur. Delta decided that an independent fiduciary should be appointed to control the timing of lump sum payments in the interest of all Plan participants. Delta informed us that on September 1, 2005, Fiduciary Counselors, Inc. was appointed as independent fiduciary for the Plan for certain purposes (and also for the Delta Retirement Plan, the defined benefit pension plan for all non-pilot employees) and exercised that role during the third quarter of 2005 and thereafter during Delta's bankruptcy (the "Independent Fiduciary").

been in liquidity shortfall status and has made virtually no lump sum payments.¹¹ In the roughly 10 months that the Pilot Plan has been in liquidity shortfall and the lump sum option has been unavailable, there have been only 14 early retirements of active pilots (and another 37 of inactive pilots on disability). This is in sharp contrast to the 1,100 early retirements during the 12 months prior to the bankruptcy filing, when lump sum payments were available. These 1,100 early retirements represented approximately 45% of the 2,425 pilots eligible to retire early during that period.

The Opening of the Lump Sum Window

29. Once the suspension of lump sums took effect, the trailing 12 month adjusted disbursements from the Plan began to drop. As each post-petition quarter passed with no lump sums being paid, the number of lump sums paid in the prior 12 months of course decreased, and the amount of required liquid assets decreased correspondingly. Based on a preliminary statement of June 30, 2006 assets, I believe that the Plan emerged from liquidity shortfall on July 1, 2006.¹² In any event, it is virtually certain that the Plan

¹¹ By October 2005, the total amount of cash funding then projected to be required for Delta's defined benefit plans for the remainder of 2005 and all of 2006 was approximately \$560 million (\$255 million to the non-pilot defined benefit plan and \$205 million to the Pilot Plan, including the special payment of \$145 million to make up for a liquidity shortfall, and \$100 million for the pilot non-qualified defined benefit plans referenced in footnote 2 of this Declaration—the Bridge Plan and the Supplemental Annuity Plan).

¹² The emergence from liquidity shortfall was by a small margin under the interpretation of liquid assets used by the Independent Fiduciary and by a considerably larger margin under the interpretation of liquid assets used by Delta. An essential element of the liquidity shortfall calculation is the amount of "liquid assets" that are held by or available to the Plan. The Plan's assets are held in a "master trust" with other Delta retirement plan assets. It is my understanding that Delta and the Independent Fiduciary disagree about how the liquid assets in the master trust should be allocated to the Plan.

will be out of liquidity shortfall on October 1, 2006, after the next quarterly calculation is done on September 30, 2006.¹³

30. Once out of liquidity shortfall, the Plan would be required to resume paying lump sums but for the fact that, as noted above, the Plan Administrator (the Administrative Committee of Delta Air Lines, Inc.) has issued a Notice of Intent to Terminate the Plan. A Notice of Intent to Terminate the Plan having been issued, the Plan is barred from making lump sum payments while the termination process is pending. 29 C.F.R. § 4041.42(b).

31. Approximately 1,820 Delta pilots will be eligible to retire early on October 1, 2006. In addition, there are 126 pilots (mostly on disability) who are above age 60 and retirement-eligible. Of these 1,946 pilots, 857 would be entitled to lump-sum payments of \$500,000 or more, and another 712 would be entitled to lump-sum payments of between \$250,000 and \$500,000. I am informed that Delta's best estimate of the number of pilots who would retire early if lump sum payments were reinstated on October 1, 2006 is between 800 and 1,000. If 800-1,000 pilots were to retire early, approximately \$580 - \$680 million in lump sum payments would be paid by the Plan¹⁴ with a corresponding reduction in the Plan assets.¹⁵ As a consequence, other Plan participants (active pilots eligible to retire and recently retired pilots) would lose hundreds of millions of dollars in benefits were the Plan subsequently to terminate.

¹³ The trust would have to lose more than 20% between June 30, 2006 and September 30, 2006, for the Plan to be in liquidity shortfall as of October 1, 2006 under the Independent Fiduciary's approach.

¹⁴ I have also assumed for my calculations that the 126 other retirement-eligible pilots over age 60 also retire to secure their lump sums.

¹⁵ If these amounts were paid out by the Plan, it would again be in liquidity shortfall as of the next quarterly calculation date, effectively creating a three-month window during which pilots will be able to take early retirement and lump sums.

Based on ERISA's liability priority regulations, I estimate that the depletion of Plan assets caused by the early retirement of 800 to 1000 pilots would reduce the present value of benefits payable to all other Plan participants by approximately \$200-250 million based on PBGC plan termination assumptions.

Funding Requirements for the Plan

32. As explained above, ERISA funding rules include both minimum funding contributions and Liquidity Contributions. Where the Liquidity Contribution is higher than the minimum funding contribution, the Liquidity Contribution is required to be paid in lieu of the minimum funding obligation. Legislation has just been passed by Congress that would change the way minimum funding obligations are calculated. For Delta, the legislation would have the effect of lowering minimum funding obligations, by amortizing the amounts owed over a 17-year period for airline plans whose sponsor has made appropriate elections under the law and by allowing airlines to use more favorable interest rates (the "airline relief provisions"). However, the legislation would leave the Liquidity Contribution requirements unchanged.¹⁶ In addition, the new legislation will make certain statutory changes to interest rate calculations that will result in a reduction in the present value of lump sum payments for retirements that take place after January 1, 2008.

33. The following two tables set forth my best estimates of the amounts that would be owed to the Plan at and shortly after emergence from bankruptcy, and in subsequent years through 2010, if the Pilot Plan were not terminated and 800-1,000 pilots

¹⁶ The House of Representatives passed the Pension Protection Act of 2006 (H.R. 4) and the Senate passed the bill on August 3, 2006. The airline relief provisions described above are in this bill.

took early retirement in 2006. Table 2 provides the amounts that would be owed to the Pilot Plan if the President does not sign the legislation passed by Congress. Table 3 provides the amounts that would be owed if the airline relief provisions in the legislation passed by Congress are enacted into law (again, the legislation would not impact Liquidity Contributions). I have assumed an exit date of March 30, 2007.¹⁷

Table 2 – Funding Requirements (Assumes Current Law)

Timing of Payment	Exit March 2007	April 2007 – March 2008	April 2008 – Dec. 2010	Total
(a) 1,000 pilots retired	\$1,570 million	\$220 million	\$165 million	\$1,955 million
(b) 800 pilots retired	\$1,270 million	\$185 million	\$510 million	\$1,965 million

¹⁷ I have made the following key assumptions in developing the contribution projections shown in Tables 2 and 3. I utilized the assumptions used in the most recent actuarial valuation as of July 1, 2005. For Table 3, I assumed that legislation is passed allowing the Plan to amortize its unfunded liability (based on an 8.85% interest rate) over a 17-year period starting July 1, 2007. For Table 2, current liability interest rates were projected as follows: 5.07% on July 1, 2006; 5.16% on July 1, 2007; 5.23% on July 1, 2008; 5.30% on July 1, 2009; and 5.33% on July 1, 2010 (assuming PFEA interest rate relief expires after the 2005 plan year); ERISA interest rate of 8.5% for all years; and the actuarial cost method was changed to the unit credit method on July 1, 2006 due to the hard freeze of the Plan on July 31, 2006. Participant demographics were projected based on actual retirements through September 2005, and then following valuation assumptions thereafter; liabilities were further adjusted to take into account the additional retirements as described above in each of the two scenarios. All amounts above are based on June 30, 2006 preliminary assets values, projected forward assuming a 9% annualized rate of return on assets, less expected benefit payments including taking into account lump sums for the additional retirements.

Tables 2 and 3 reflect the Independent Fiduciary’s method of calculating liquid assets. I have assumed that liquid assets will remain at 75% of the Master Trust in future periods based on Delta’s asset allocation policy.

The numbers for the pension contributions at emergence include the amounts that would be due within two weeks of emergence (the April 15, 2007 quarterly calculation) because it is virtually simultaneous to emergence. These amounts are not included in the incremental funding requirements in the 12 months following emergence.

Table 3 – Funding Requirements (Assumes Enactment of Legislation)

Timing of Payment	Exit March 2007	April 2007 – March 2008	April 2008 – Dec. 2010	Total
(a) 1,000 pilots retired	\$1,495 million	\$220 million	\$15 million	\$1,730 million
(b) 800 pilots retired	\$1,205 million	\$195 million	\$100 million	\$1,500 million

34. Assuming enactment of the legislation passed by Congress, Delta would owe to the Pilot Plan approximately \$1.205 billion to \$1.495 billion upon emergence from bankruptcy.¹⁸ Within the first 12 months of emergence, Delta would owe an additional amount of approximately \$195 million to \$220 million. In total, through the end of 2010, Delta would owe approximately \$1.5 billion to \$1.73 billion.¹⁹ These numbers would be higher if 1,200 pilots took early retirement.²⁰

35. I am informed by Delta that under LOA 51, the *non-qualified* pilot plans referenced in footnote 2 of this Declaration (the Bridge Plan and the Supplemental Annuity Plan) can be terminated if, but only if, the qualified Pilot Plan is terminated. In the absence of termination of the Pilot Plan, and *in addition* to the amounts set forth in Tables 2 and 3 above, Delta would also owe approximately \$130 million to the non-qualified plans upon emergence and approximately \$95 million to \$100 million per year

¹⁸ For simplicity, all references to amounts owed “upon emergence” include amounts that would be due within 16 calendar days of the targeted emergence date of March 30, 2007 (the April 15, 2007 quarterly calculation) because this date is virtually simultaneous to emergence.

¹⁹ These amounts include contributions due upon emergence and regular contributions due in 2007, 2008, 2009 and 2010. Under current law, Delta would owe approximately \$1.27 billion to \$1.57 billion upon emergence. Within the first 12 months of emergence, Delta would owe an additional amount of approximately \$185 million to \$220 million. In total, through the end of 2010, Delta would owe approximately \$1.955 billion to \$1.965 billion.

²⁰ Using the Independent Fiduciary’s method of calculating liquid assets, assuming enactment of the legislation, Delta would owe approximately \$1.745 billion to the Pilot Plan upon emergence, owe an additional \$245 million within the first 12 months of emergence and owe \$1.990 billion through 2010.

thereafter in the ensuing years.²¹ Through end of 2010, Delta would owe the non-qualified plans an aggregate of \$485 million for 800 pilot retirements and \$505 million for 1,000 pilot retirements.

36. My understanding is that Delta does not plan to seek termination of the defined benefit pension plan for all non-pilot employees (the Delta Retirement Plan), which is much larger than the Pilot Plan and has over 90,000 participants. In addition to the amounts described above that would be owed to the Pilot Plan and the non-qualified pilot plans, Delta will also owe amounts to the Delta Retirement Plan if that plan is not terminated. Assuming enactment of the legislation, Delta would owe approximately \$25 million to the non-pilot plan upon emergence, \$70 million over the first 12 months after emergence, and approximately \$400 million through the end of 2010.²² I am informed by Delta that if the legislation is not enacted, Delta will be forced to seek termination of the Delta Retirement Plan as well.

Continuing Uncertainty Caused by Liquidity Contribution Requirement

37. If (i) the Plan is not terminated, (ii) the lump sum window is “reopened” (because the Plan came out of liquidity shortfall as of October 1, 2006) and a significant number of pilots take early retirement (assuming hypothetically that Delta is able to remain operational under those circumstances), and (iii) Delta exits chapter 11

²¹ Estimated benefit payments are based on data provided for the July 1, 2005 actuarial valuations; actual retirements through September 2005; and estimated benefits for the additional 800-1,000 participants assumed to retire after the lump sum window is re-opened.

²² The estimated contribution amounts in this paragraph follow the same methodology as described for the Pilots Retirement Plan in the footnote to Tables 2 and 3, with the following exceptions. Delta is assumed to elect the special airline provisions of the new legislation, effective January 1, 2007. Participant demographics were projected based on valuation assumptions, without any adjustments.

proceedings as of March 30, 2007 (assuming Delta could exit chapter 11 under those circumstances), then I am informed by Delta that a “second wave” of pilot retirements subsequent to exit is likely, given the rate of early retirements occurring in 2005 prior to the Petition Date. The size of this “second wave” could be considerable. In addition to the retirement-eligible pilots who chose not to retire during the pendency of these chapter 11 proceedings, between 550 and 650 additional Delta pilots per year become newly eligible for early retirement over the next three years alone, representing an incremental increase in payable lump sums of between \$175 million to \$275 million per year.

38. Because of numerous interactive factors, it is extremely difficult to predict the Liquidity Contribution that might be owed by Delta during a “second wave” of pilot retirements. Nevertheless, as can be seen from the preceding estimates, the Liquidity Contribution can significantly increase the pension contributions required of Delta, often with very little notice. This is because the liquidity shortfall, calculated as of the last day of each calendar quarter, depends on (i) the asset values of the Plan as of the last day of that quarter; and (ii) the lump sum and other payments by the Plan up through the last day of that quarter. The Liquidity Contribution, if due, must be paid no later than 15 days after the end of the quarter.

