



Deborah D. Brown
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Department 981
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June 27, 2011

Martin F. Tynan
2333 Chelsea Road
Palos Verdes Estates, CA 90274

Dear Mr. Tynan:

Your letter of May 20, 2011 to Chris Collins of Delta's Human Resources division has been forwarded to me. In your letter you have two questions regarding your individual 1114 claim distribution (specifically, paragraphs 4 and 5 of your letter). You will receive a response to those questions from a Delta representative under separate cover. The balance of your letter pertains to legal matters. Specifically, the 1114 process that occurred almost five years ago during Delta's bankruptcy and the tax withholding on your 1114 claims distribution in March. This letter responds to those legal concerns.

The 1114 process is required when certain retiree benefits are changed during bankruptcy. It is not a unilateral process. Retirees are required to have representation to protect their interests and to negotiate with the Company on their behalf. Applicable bankruptcy law also provides for counsel and other experts to be appointed to represent the retiree committee and the retiree committee must agree to any changes made to the retiree medical benefits during bankruptcy. To that end, a Pilot 1114 Committee was appointed by the Bankruptcy Court within a few months after Delta filed for Chapter 11 protection (the "Pilot 1114 Committee"). The Pilot 1114 Committee was represented by experienced counsel who welcomed communications and input from all retired pilots. The Committee's expenses, including the legal fees incurred by the Committee, were paid for by the Delta bankruptcy estate.

The Pilot 1114 Committee that represented you and other pilot retirees during the proceedings included the Chairman, Donald Romley (also a former Western pilot) and other pilot retiree representatives such as James Haigh, Donald Mairose and Jim Gray. Many of these individuals were well known among the retired pilot group.

The agreements that the Pilot 1114 Committee and Delta reached regarding changes to retiree medical benefits for pilots (including you), their spouses and survivors ("Impacted Pilot Participants") were specifically set out in a "Term Sheet" dated October 4, 2006. A motion for approval of this agreement was filed with the court. Notice was given to Impacted Pilot Participants, regarding the medical benefit changes and the agreement was approved by the court later that month.

As a separate and later process, the claims methodology for the retiree medical benefit changes was negotiated with the Pilot 1114 Committee. This resulted in a Supplemental Term Sheet that was prepared in January, 2007. The purpose of the Supplemental Term Sheet was to set forth the agreement that the Pilot 1114 Committee and the Company reached with regard to the calculation of claims for each Impacted Pilot Participant. You and other retired pilots had ample opportunity to

participate in this process through communications with the Pilot 1114 Committee and its experts. Again, the Supplemental Term Sheet was submitted to the court for approval and all Impacted Pilot Participants were given individual notice of the Motion, the Term Sheet and the process that should be followed if an Impacted Pilot Participant wished to object to the Agreement on the claims methodology. Subsequently, the court held a hearing where Impacted Pilot Participants who had objected to the claims settlement could air their disagreements to the Bankruptcy Court.

In late January, 2007, each Impacted Pilot Participant was sent a large package of information from Delta. This provided each individual with information about how claims would be distributed and the effect of certain tax withholding requirements. It also provided an individualized letter, required notices and a copy of the Term Sheet that described the claim methodology. In addition, the package specifically provided each pilot the dollar amount of his claim and described that the pilot was legally entitled to file a proof of claim if he disputed the amount of the claim detailed in the package. It also reminded the Impacted Pilot Participants of the date that they must object to the Motion for Approval if they did not agree with the *methodology* of the claims calculations. Again, retired pilots had ample opportunity to express any concerns to the Pilot 1114 Committee and the court.

Following a period of time, the court approved the Term Sheet agreement on the claims methodology. The court held a public hearing and some pilot retirees appeared before the court to object to the claims methodology. Nevertheless, the court approved the claims methodology in February 2007 as a fair outcome. The first portion of the 1114 claim was distributed in May 2007 and, as provided in the Plan of Reorganization, the remaining claim amount was distributed this year following the resolution of all outstanding claims matters of all creditors.

In summary, each Impacted Pilot Participant, including you, was represented throughout these proceedings by a group of retiree representatives and experienced counsel, including with respect to the issue of how claim amounts would be determined. In addition, each Impacted Pilot Participant was given notice of that claim methodology and was permitted due process of law to object to that agreement if he or she so desired. Finally, each Impacted Pilot Participant had the opportunity to object regarding his or her individual calculation and those that did were able to appear before the Court and argue their case. Once the Court approved the agreement concerning the claim calculation it was legally binding on all pilot retirees. Further, once the "bar date" for individual claims disputes passed, those calculations were binding on the individual claimant.

Given the foregoing facts, the answers to your questions remain:

1. If you believed your disabled child was left out of the claims determination process, you had an opportunity to express those concerns to the Pilot 1114 Committee and the court at that time, which I note is now nearly five years ago. Either you did not do so, or the Pilot 1114 Committee failed to address your concerns. Either way it was not Delta who was responsible for that decision. Moreover, even aside from the input you could have given the Pilot 1114 Committee, you had the legal right to object to the Term Sheet or you could have filed an objection with respect to your individual claim calculation. Instead, you raise the issue now, years after the time it should have been aired and after Delta's bankruptcy case has been closed. Given these facts, this matter is closed and there is nothing more to be done at this point.

2. You state that Delta has not "extended the courtesy" to retirees concerning the specifics of their claims calculations. Given all of the communication that Delta made to each individual retiree, there is simply no basis for your statement.
3. As to the bullet points on page 2 of your letter, the information that you were provided at the time that the claims methodology was decided answered questions 1-3. You were fully and fairly represented at that time and could have sent these questions through to the Pilot 1114 Committee and their counsel, if you did not find the claims material sufficient. Since I worked closely with those groups during 2007, I can attest to the fact that many retired pilots did ask very specific questions and each and everyone of them was provided an answer, many times with the counsel for the Pilot 1114 Committee and Delta working collaboratively.
4. The Plan of Reorganization states the rules with respect to distributions. The fact that the stock value was different at the time of the final distribution as compared to the first distribution is a result of the stock market and is not unusual. Your distribution was done in the same manner as for other creditors of Delta. There is no legal basis for treating retiree creditors differently than any other creditor.
5. Delta and the Pilot Retiree Committee were readily available throughout the bankruptcy to discuss the claims process with you. However, I don't recall that you availed yourself of this opportunity. In addition, you received an abundance of mailings and notices that explained, in detail, the claims calculation. To suggest nearly five years later that Delta ignored the needs of retirees in communicating this process is quite mystifying.

Finally, the tax withholding questions that you raise in your letter have previously been answered by Delta. On December 3, 2010, Rob Kight sent you a letter when you voiced the same concern about the way that Delta calculated and deducted income and FICA tax from the 1114 claims. That letter is self explanatory, and there is no basis for further discussion. We are following the law and the guidance of the IRS on this topic. The fact that we have been told that an individual pilot retiree taxpayer received a different decision from an IRS agent auditing his tax return does not persuade us that we should take any other course of action. In fact, I note that the lack of uniformity among IRS agents on such a matter was confirmed by the CPA for that individual taxpayer, Jim Munton. In a letter to Jim Munton dated October 18, 2010, the accountant, Mr. Whalen, stated:

"The fact that we have successfully concluded your 2007 audit does not provide any precedent that can be relied upon for any other retired Delta pilot. There is absolutely no guarantee that another auditor will come to the same conclusion as the auditor to whom your 2007 tax return was assigned."

[Source: *Delta Pilot Communication Net*]

It is up to you and other retired pilots as to how to reflect this distribution for tax purposes. However, Delta has independent obligations under law with respect to tax withholding and FICA obligations that it is required to follow. Like CPA Whalen, we do not believe that the Munton situation is binding precedent. Another similar case is just as likely to come out the other way depending upon a number of factors, including the assigned auditor.

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This response fully and finally addresses all of the issues in your letter. You may acquire the court motions, term sheets and other court filings mentioned in this letter at deltadocket.com. As of the date of this writing that website is still available, even though the bankruptcy case is closed.

Regards,

A handwritten signature in cursive script that reads "Deborah D. Brown". The signature is written in black ink and is positioned to the right of the typed name.

Deborah D. Brown

cc: Chris Collins