DELTA AIR LINES INC /DE/

FORM 10-K
(Annual Report)

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| Industry | Airline |
| Sector  | Transportation |
| Fiscal Year | 12/31 |
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[ ] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-5424

DELTA AIR LINES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

58-0218548
(I.R.S. Employer Identification No.)

HARTSFIELD ATLANTA INTERNATIONAL AIRPORT
ATLANTA, GEORGIA
(Address of principal executive offices)

30320
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA
CODE:

(404) 715-2600

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

NAME OF EACH EXCHANGE ON
WHICH REGISTERED

TITLE OF EACH CLASS
Common Stock, par value $3.00 per share
Preferred Stock Purchase Rights

NAME OF EACH EXCHANGE ON
WHICH REGISTERED
New York Stock Exchange
New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of August 29, 1997, was approximately $6,367,210,000. As of August 29, 1997, 73,722,230 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II of this Form 10-K incorporate by reference certain information from the registrant's 1997 Annual Report to Stockholders. Part III of this Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement dated September 15, 1997, for its Annual Meeting of Stockholders to be held on October 23, 1997.
DELTA AIR LINES, INC.

PART I

ITEM 1. BUSINESS

General Description

Delta Air Lines, Inc. ("Delta" or the "Company") is a major air carrier providing scheduled air transportation for passengers, freight and mail over a network of routes throughout the United States and abroad. Based on calendar 1996 data, Delta is the largest United States airline as measured by aircraft departures and passengers enplaned, and the third largest United States airline as measured by operating revenues and revenue passenger miles flown. As of August 15, 1997, the Company served 149 domestic cities in 42 states, the District of Columbia, Puerto Rico and the United States Virgin Islands, as well as 41 cities in 25 foreign countries.

An important characteristic of Delta's domestic route system is its four hub airports in Atlanta, Cincinnati, Dallas-Fort Worth and Salt Lake City. Each of these hub operations includes Delta flights that gather and distribute traffic from markets in the geographic region surrounding the hub to other major cities and to other Delta hubs. These hubs also provide connecting passengers with access to Delta's international gateway at New York's Kennedy Airport and its Pacific gateway in Portland, Oregon.

Delta conducts operations in various foreign countries, principally in North America, Europe and Asia. Operating revenues from the Company's foreign operations were approximately $2.8 billion, $2.7 billion and $2.8 billion in the years ended June 30, 1997, 1996 and 1995, respectively.

For the year ended June 30, 1997, passenger revenues accounted for 92% of Delta's operating revenues. Cargo revenues, which include freight and mail, accounted for 4% of Delta's operating revenues, and other sources accounted for 4% of the Company's operating revenues.

Delta's operating results for any interim period are not necessarily indicative of operating results for an entire year because of seasonal variations in the demand for air travel. In general, demand for air travel is higher in the June and September quarters, particularly in international markets, because there is more vacation travel during these periods than during the remainder of the year. Demand for air travel, especially by leisure and other discretionary customers, is also affected by factors such as general economic conditions and fare levels.

Delta is incorporated under the laws of the State of Delaware. Its principal executive offices are located at Hartsfield Atlanta International Airport, Atlanta, Georgia 30320, and its telephone number is (404) 715-2600.
Regulatory Environment

While the United States Department of Transportation (the "DOT") and the Federal Aviation Administration (the "FAA") exercise regulatory authority over air carriers under the Federal Aviation Act of 1958, as amended (the "Act"), most domestic economic regulation of passenger and freight services was eliminated pursuant to the Airline Deregulation Act of 1978 and other statutes amending the Act. The DOT has jurisdiction over international tariffs and pricing; international routes; computer reservations systems; and certain economic and consumer protection matters such as advertising, denied boarding compensation, baggage liability and smoking aboard aircraft. The FAA regulates flying operations generally, including control of navigable air space, flight personnel, aircraft certification and maintenance, and other matters affecting air safety. The United States Department of Justice has jurisdiction over airline competition matters, including mergers and acquisitions.

As a result of the economic deregulation of the industry, any air carrier which the DOT finds "fit" to operate is given unrestricted authority to operate domestic air transportation (including the carriage of passengers and cargo). Authority to operate international routes continues to be regulated by the DOT and by the foreign governments involved. International route awards are also subject to the approval of the President of the United States for conformance with national defense and foreign policy objectives.

The economic deregulation of the industry permits unfettered competition with respect to domestic routes, services, fares and rates, and Delta faces significant competition on its routes. Except for constraints imposed by the Act's Essential Air Service provisions, which are applicable to certain small communities, airlines may terminate service to a city without restriction.

The FAA has implemented a number of requirements which are incorporated into Delta's maintenance programs. These matters relate to, among other things, inspection and maintenance of aging aircraft, and corrosion control.

Delta is also subject to various other federal, state, local and foreign laws and regulations. The United States Postal Service has authority over certain aspects of the transportation of mail, and rates for the carriage of domestic mail are determined through negotiations or competitive bidding. The Communications Act of 1934, as amended, governs Delta's use and operation of radio facilities. Labor relations in the airline industry are generally governed by the Railway Labor Act. Environmental matters (including noise pollution) are regulated by various federal, state and local governmental entities.

Fares and Rates

Airlines are permitted to set domestic ticket prices without governmental regulation, and the industry is characterized by substantial price competition. International fares and rates are subject to the jurisdiction of the DOT and governments of the foreign countries involved. Most international markets are characterized by significant price competition and substantial commissions, overrides and discounts to travel agents, brokers and wholesalers.
The system passenger mile yield declined 2% in fiscal 1997 compared to fiscal 1996. The domestic passenger mile yield decreased 3%, reflecting the Company's use of more competitive pricing strategies; the continued presence of low-cost, low-fare carriers in domestic markets served by Delta; and the March 7, 1997 reimposition of the United States transportation excise tax. The international passenger mile yield decreased 2%, due to the Company's use of more competitive pricing strategies.

Delta expects that low-fare competition is likely to continue in domestic and international markets. If price reductions are not offset by increases in traffic or changes in the mix of traffic that improve the passenger mile yield, Delta's operating results will be adversely affected.

**Competition and Route Authority**

All domestic routes served by Delta are subject to competition from both new and existing carriers, and service over virtually all of Delta's domestic routes is highly competitive. On most of its principal domestic routes, the Company competes with at least one, and usually more than one, major airline. Delta also competes with regional and national carriers, all-cargo carriers, charter airlines and, particularly on its shorter routes, with surface transportation. Service over most of Delta's international routes is also highly competitive.

International alliances between foreign and domestic carriers, such as the marketing and code-sharing arrangements between KLM-Royal Dutch Airlines and Northwest Airlines, Inc., and among Lufthansa German Airlines, Scandinavian Airline Systems and United Air Lines, Inc., have significantly increased competition in international markets. A proposed marketing alliance between British Airways Plc and American Airlines, Inc. is under review by United States governmental authorities. Through code-sharing arrangements with United States carriers, foreign carriers have obtained access to interior United States passenger traffic. Similarly, United States carriers have increased their ability to sell transatlantic services and destinations to and beyond European cities.

On June 14, 1996, Delta, Swissair, Sabena and Austrian Airlines received antitrust immunity from the DOT to pursue a global marketing alliance. The alliance agreements, which were effective as of February 1, 1997, establish the framework that allowed these four carriers to form a transatlantic air transport system which links Delta's domestic system with the European hubs of Swissair, Sabena and Austrian Airlines. The alliance enables the carriers to pursue a coordinated approach to worldwide sales and marketing; common pricing and inventory control; coordination of airline schedules and route planning; and the pooling of revenues on certain code-share flights.

Delta's flight operations are authorized by certificates of public convenience and necessity and, to a limited extent, by exemptions issued by the DOT. The requisite approvals of other governments for international operations are provided by bilateral agreements with, or permits issued by, foreign countries. Because international air transportation is governed by bilateral or other agreements between the United States and the foreign country or countries involved, changes in United States or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of Delta's international route authorities or
otherwise affect Delta's international operations. Bilateral agreements between the United States and various foreign countries served by Delta are subject to renegotiation from time to time.

Certain of Delta's international route authorities are subject to periodic renewal requirements. Delta requests extension of these authorities when and as appropriate. While the DOT usually renews temporary authorities on routes where the authorized carrier is providing a reasonable level of service, there is no assurance of this result. Dormant authority may not be renewed in some cases, especially where another United States carrier indicates a willingness to provide service.

Code-Sharing

Delta has entered into marketing agreements with certain foreign carriers to maintain or improve Delta's access to international markets. Under these dual designator code-sharing arrangements, Delta and the foreign carriers publish their respective airline designator codes on a single flight operation, thereby allowing Delta and the foreign carrier to provide joint service with one aircraft rather than operating separate services with two aircraft.

Most of Delta's international code-sharing arrangements operate in discrete international city pairs. Delta purchases seats that are marketed under Delta's "DL" designator code and sells seats that are marketed under foreign carriers' two-letter designator code pursuant to code-sharing arrangements with certain foreign airlines. In addition to its agreements with Swissair, Sabena and Austrian Airlines, as of August 15, 1997, Delta had code-sharing agreements with eleven foreign carriers.

Airport Access

Operations at four major United States and certain foreign airports served by Delta are regulated by governmental entities through "slot" allocations. Each slot represents the authorization to land at or take off from the particular airport during a specified time period. In the United States, the FAA regulates slot allocations at Kennedy Airport in New York, LaGuardia Airport in New York, National Airport in Washington, D.C., and O'Hare International Airport in Chicago. The Delta Shuttle requires slot allocations at LaGuardia and National Airports, as do Delta's other operations at those four airports. Certain foreign airports also have slot allocations.

Delta currently has sufficient slot authorizations to operate its existing flights, and has generally been able to obtain slots to expand its operations and to change its schedules. There is no assurance, however, that Delta will be able to obtain slots for these purposes in the future because, among other reasons, slot allocations are subject to changes in governmental policies.

Delta Express

On October 1, 1996, Delta began Delta Express, a low-fare, leisure-oriented operation which provides service from certain cities in the Northeast and Midwest to Orlando and four other
Florida destinations. Delta Express operates a dedicated fleet of 25 B-737-200 aircraft. Effective October 1, 1997, Delta Express will offer 126 daily non-stop flights to 16 cities.

The Delta Connection Program

Delta has marketing agreements with four air carriers serving principally the following areas of the United States: Atlantic Southeast Airlines, Inc. ("ASA") operates in the Southeast through Atlanta and in the Southwest through Dallas-Fort Worth; Business Express, Inc. operates in the Northeast through Boston and New York; Comair, Inc. ("Comair") serves Florida and operates in the Midwest through Cincinnati; and SkyWest Airlines, Inc. ("SkyWest") serves California and operates in other western states through Salt Lake City. These carriers, which are known as "Delta Connection" airlines, use Delta's "DL" code on their flights and exchange connecting traffic with Delta. At June 30, 1997, Delta held equity interests in ASA Holdings, Inc. (the parent of ASA), Comair Holdings, Inc. (the parent of Comair) and SkyWest, Inc. (the parent of SkyWest) of 27%, 21% and 15%, respectively.

Computer Reservation System Partnership

Delta owns 38% of WORLDSPAN, L.P. ("WORLDSPAN"), a Delaware limited partnership which operates and markets a computer reservation system ("CRS") and related systems for the travel industry. Northwest Airlines, Inc., Trans World Airlines, Inc. and ABACUS Distribution Systems Pte Ltd. own 32%, 25% and 5%, respectively, of WORLDSPAN.

CRS services are used primarily by travel agents to book airline, hotel, car rental and other travel reservations and issue airline tickets. CRS services are provided by several companies in the United States and worldwide. In the United States, other CRS competitors are SABRE (owned primarily by AMR, Inc.), Galileo International, Inc. (owned by United Air Lines, Inc., US Airways, Inc. and certain foreign carriers) and AMADEUS (owned by Continental Airlines, Inc., and certain foreign carriers). CRS vendors are subject to regulations promulgated by the DOT and certain foreign governments.

The CRS industry is highly competitive. Delta believes that, based on the number of travel agents in the United States using a CRS, WORLDSPAN ranks third, behind SABRE and the Galileo International, Inc. in market share among travel agents in the United States.
Fuel

Delta's operations are significantly affected by the availability and price of jet fuel. Based on the Company's fiscal 1997 jet fuel consumption, a one-cent change in the average annual price per gallon of jet fuel would have caused an approximately $26 million change in Delta's annual fuel costs. The following table shows Delta's jet fuel consumption and costs for fiscal years 1993-1997.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Gallons Consumed (Millions)</th>
<th>Cost (Millions)</th>
<th>Average Price Per Gallon</th>
<th>Percent of Operating Expenses*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>2,529</td>
<td>$1,592</td>
<td>62.95 (cent)</td>
<td>13%</td>
</tr>
<tr>
<td>1994</td>
<td>2,550</td>
<td>1,411</td>
<td>55.34</td>
<td>12</td>
</tr>
<tr>
<td>1995</td>
<td>2,533</td>
<td>1,370</td>
<td>54.09</td>
<td>12</td>
</tr>
<tr>
<td>1996</td>
<td>2,500</td>
<td>1,464</td>
<td>58.53</td>
<td>13</td>
</tr>
<tr>
<td>1997</td>
<td>2,599</td>
<td>1,723</td>
<td>66.28</td>
<td>14</td>
</tr>
</tbody>
</table>

* Excluding restructuring and other non-recurring charges

Aircraft fuel expense increased 18% in fiscal 1997 compared to fiscal 1996, as the average fuel price per gallon rose 13% to 66.28 (cent), and fuel gallons consumed increased 4%.

Changes in jet fuel prices have industry-wide impact and benefit or harm Delta's competitors as well as Delta. Accordingly, lower jet fuel prices may be offset by increased price competition and lower revenues for all air carriers. Moreover, there can be no assurance that Delta will be able to increase its fares in response to any future increases in fuel prices.

Delta's jet fuel contracts do not provide material protection against price increases or for assured availability of supplies. The Company purchases most of its jet fuel from petroleum refiners under contracts which establish the price based on various market indices. The Company also purchases aircraft fuel on the spot market, from off-shore sources and under contracts which permit the refiners to set the price and give the Company the right to terminate upon short notice if the price is unacceptable. Information regarding Delta's fuel hedging program is set forth in Note 4 of the Notes to Consolidated Financial Statements on page 36 of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

Although Delta is currently able to obtain adequate supplies of jet fuel, it is impossible to predict the future availability or price of jet fuel. Political disruptions in the oil producing countries, changes in government policy concerning aircraft fuel production, transportation or marketing, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages and fuel price increases in the future. Such shortages and price increases could have a material adverse effect on Delta's business.
Personnel

At June 30, 1997, Delta employed 63,441 full-time equivalent personnel, compared to 60,289 full-time equivalent personnel at June 30, 1996.

The following table presents certain information concerning Delta's domestic collective bargaining agreements.

<table>
<thead>
<tr>
<th>Personnel Group</th>
<th>Approximate Number of Personnel Represented</th>
<th>Union</th>
<th>Contract Amendable Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilots</td>
<td>8,400</td>
<td>Air Line Pilots Association, International</td>
<td>May 2, 2000</td>
</tr>
<tr>
<td>Flight Superintendents</td>
<td>190</td>
<td>Professional Airline Flight Control Association</td>
<td>January 1, 1998</td>
</tr>
</tbody>
</table>

Delta's relations with labor unions in the United States are governed by the Railway Labor Act. Under the Railway Labor Act, a labor union seeking to represent a craft or class of employees is required to file with the National Mediation Board ("NMB") an application alleging a representation dispute, along with representation cards signed by at least 35% of the employees in that craft or class. The NMB then investigates the dispute and, if it finds the labor union has obtained a sufficient number of representation cards, will conduct an election to determine whether to certify the labor union as the collective bargaining representative of that craft or class.

On September 16, 1997, the Transport Workers Union of America filed an application with the NMB seeking to represent an alleged craft or class consisting of Delta's approximately 8,000 "Fleet Service" employees for purposes of collective bargaining. The NMB is investigating the application. The outcome of this matter cannot presently be determined.

Approximately 2,200 of Delta's personnel are based outside the United States. Delta personnel in certain foreign countries are represented by labor organizations.

Environmental Matters

The Airport Noise and Capacity Act of 1990 (the "ANCA") requires the phase-out of Stage 2 aircraft by December 31, 1999, subject to certain exceptions. In 1991, the FAA issued regulations which implement the ANCA by requiring air carriers to reduce (by modification or retirement) the number of Stage 2 aircraft operated by 25% by December 31, 1994, 50% by December 31, 1996, 75% by December 31, 1998, and 100% by December 31, 1999.
Alternatively, a carrier may satisfy the regulations by operating a fleet that is at least 55%, 65%, 75% and 100% Stage 3 by the respective dates set forth in the preceding sentence.

Delta complied with the ANCA's December 31, 1994 and 1996 requirements. As of September 9, 1997, Delta operated 407 Stage 3 aircraft, constituting 73% of its fleet. The Company expects to comply with the ANCA's (1) December 31, 1998 requirement by operating a fleet comprised of at least 75% Stage 3 aircraft; and (2) December 31, 1999 requirement by hushkitting or retiring its remaining Stage 2 aircraft. Delta has entered into definitive agreements to purchase Stage 3 engine hushkits for a number of its B-727-200 and B-737-200 aircraft.

The ANCA recognizes the rights of operators of airports with noise problems to implement local noise abatement procedures so long as such procedures do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. It generally provides that local noise restrictions on Stage 3 aircraft first effective after October 1, 1990, require FAA approval, and establishes a regulatory notice and review process for local restrictions on Stage 2 aircraft first proposed after October 1, 1990. While Delta has had sufficient scheduling flexibility to accommodate local noise restrictions in the past, the Company's operations could be adversely impacted if locally-imposed regulations become more restrictive or widespread.

The European Union has adopted a uniform policy requiring member states to phase-out Stage 2 aircraft. Under the policy provisions, the phase-out of Stage 2 aircraft began on April 1, 1995, and will extend for seven years. Each Stage 2 aircraft will be assured a 25 year operating life, but not extending beyond April 1, 2002. Delta anticipates it will be able to comply with this Stage 2 aircraft phase-out program, which will apply at all airports in the member states. Other local European airport regulations which penalize or restrict operations by Stage 2 aircraft have not in the past had an adverse effect on Delta's operations. Delta's operations could be adversely impacted, however, if such regulations become more restrictive or widespread.

The United States Environmental Protection Agency (the "EPA") is authorized to regulate aircraft emissions. The engines on Delta's aircraft comply with the applicable EPA standards.

Delta has been identified by the EPA as a potentially responsible party (a "PRP") with respect to the following federal Superfund Sites: the Operating Industries, Inc. Site in Monterey Park, California; the Peak Oil Site in Tampa, Florida; the Petroleum Products Corporation Site in Pembroke Park, Florida; and the Safety Engineered Disposal Site in Hillsboro, Ohio. Delta's alleged volumetric contribution at each of these sites is small when compared to the total contributions of all PRPs at that site. Delta is currently aware of soil and/or ground water contamination present on its current or former leaseholds at several domestic airports; the Company has a program in place to investigate and, if appropriate, remediate these sites. Management presently believes that the resolution of these matters is not likely to have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.
Frequent Flyer Program

Delta, like other major airlines, has established a frequent flyer program offering incentives to maximize travel on Delta. This program allows participants to accrue mileage for travel awards while flying on Delta, the Delta Connection carriers and participating airlines. Mileage credit may also be accrued for the use of certain services offered by program partners such as hotels, car rental agencies and credit card companies. Delta reserves the right to terminate the program with six months advance notice, and to change the program's terms and conditions at any time without notice.

Effective May 1, 1995, Delta modified its frequent flyer program in certain respects. The modifications included reducing the threshold for a free travel award from 30,000 miles to 25,000 miles; making free travel awards more readily transferable; providing that miles earned expire in certain circumstances; and reducing minimum mileage credit.

Mileage credits earned can be redeemed for free or upgraded air travel, for membership in Delta's Crown Room Club and for other program partner awards. Travel awards are subject to certain transfer restrictions and, in most cases, blackout dates and capacity controlled seating. Miles earned prior to May 1, 1995 do not expire so long as Delta has a frequent flyer program. Miles earned on or after May 1, 1995 are valid for 36 months from the month of the participant's last qualifying Delta or Delta Connection flight; every time a participant completes a qualifying Delta or Delta Connection flight, his mileage balance is extended for another 36 months.

Delta accounts for its frequent flyer program obligations by recording a liability for the estimated incremental cost of flight awards the Company expects to be redeemed. The estimated incremental cost associated with a flight award does not include any contribution to overhead or profit. Such incremental cost is based on Delta's system average cost per passenger for fuel; food and food supplies; passenger insurance, injuries, losses and damages; interrupted trips and oversales; porter service; ticket forms; bag tags; boarding forms; in-flight entertainment; and customs. Delta does not record a liability for mileage earned by participants who have not reached the level to become eligible for a free travel award. Delta believes this exclusion is immaterial and appropriate because the large majority of these participants are not expected to earn a free flight award. Delta does not account for the redemption of non-travel awards since the cost of these awards to Delta is negligible.

Delta estimated the potential number of roundtrip flight awards outstanding to be 8.8 million at June 30, 1995, 8.6 million at June 30, 1996 and 9.1 million at June 30, 1997. Of these earned awards, Delta expected that approximately 5.7 million, 5.7 million and 6.0 million, respectively, would be redeemed. At June 30, 1995, 1996 and 1997, Delta had recorded a liability for these awards of $101 million, $103 million and $122 million, respectively. The difference between the roundtrip awards outstanding and the awards expected to be redeemed is the estimate, based on historical data, of awards which will (1) never be redeemed; (2) be redeemed for something other than a free trip; or (3) be redeemed on another carrier participating in the program.
Frequent flyer program participants flew 2.0 million, 1.7 million and 1.7 million free round-trips in fiscal years 1995, 1996 and 1997, respectively. These round-trips accounted for approximately 8%, 8% and 6% of the total passenger miles flown for the respective periods. Delta believes that the low percentage of free passenger miles, its load factor and the restrictions applied to free travel awards minimize the displacement of revenue passengers.

The DOT is conducting a review of the frequent flyer programs of the larger U.S. airlines. The focus of the review relates to limitations placed by the carriers on the availability of award seats and the adequacy of consumer notices concerning such limitations.

Civil Reserve Air Fleet Program

Delta is a participant in the Civil Reserve Air Fleet Program pursuant to which the Company has agreed to make available, during the period beginning October 1, 1997 and ending September 30, 1998, up to 21 of its international range aircraft for use by the United States military under certain stages of readiness related to national emergencies.

ITEM 2. PROPERTIES

Flight Equipment

Information relating to Delta's aircraft fleet is set forth in the charts titled "Aircraft Fleet at June 30, 1997" and "Aircraft Delivery Schedules" on page 13, and in Notes 8 and 9 of the Notes to Consolidated Financial Statements on pages 40-41, of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

Delta's long-term aircraft fleet plan is to simplify its fleet by reducing aircraft family types from six to three, while replacing older aircraft types with newer Boeing 767 and 737 aircraft over several years. The Company plans to remove all L-1011 aircraft from transatlantic service by the end of fiscal 1998, and to retire all L-1011 aircraft from its fleet within the next several years.

Ground Facilities

Delta leases most of the land and buildings that it occupies. The Company's largest aircraft maintenance base, various computer, cargo, flight kitchen and training facilities and most of its principal offices are located at or near Hartsfield Atlanta International Airport in Atlanta, Georgia, on land leased from the City of Atlanta under long-term leases. Delta owns a portion of its principal offices, its Atlanta reservations center and other improved and unimproved real property in Atlanta, as well as a limited number of radio transmitting and receiving sites and certain other facilities.

Delta leases ticket counter and other terminal space, operating areas and air cargo facilities in most of the airports which it serves. These leases generally run for periods of from less than one year to thirty years or more, and contain provisions for periodic adjustment of lease rates. At
most airports which it serves, Delta has entered into use agreements which provide for the non-exclusive use of runways, taxiways, and other facilities; landing fees under these agreements normally are based on the number of landings and weight of aircraft. The Company also leases aircraft maintenance facilities at certain airports, generally under long-term leases which cover the cost of providing, operating and maintaining such facilities. In addition, Delta leases marketing, ticket and reservations offices in certain major cities which it serves; these leases are generally for shorter terms than the airport leases. Additional information relating to Delta's ground facilities is set forth in Notes 4, 8 and 9 of the Notes to Consolidated Financial Statements on pages 36, and 40-41, of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

In recent years, some airports have increased or sought to increase the rates charged to airlines to levels that, in the airlines' opinion, are unreasonable. The extent to which such charges are limited by statute or regulation and the ability of airlines to contest such charges has been subject to litigation and to administrative proceedings before the DOT. If the limitations on such charges are relaxed or the ability of airlines to challenge such charges is restricted, the rates charged by airports to airlines may increase substantially.

ITEM 3. LEGAL PROCEEDINGS

On November 2, 1995, Delta reached an agreement with Trans World Airlines, Inc. ("TWA") to lease ten takeoff/landing slots ("Slots") at New York's La Guardia Airport ("La Guardia"). On November 9, 1995, ValuJet Airlines, Inc. ("ValuJet") filed suit against Delta and TWA in the United States District Court for the Northern District of Georgia. ValuJet alleges, among other things, that (1) TWA breached an alleged agreement to lease the Slots to ValuJet; (2) Delta tortiously interfered with the alleged contract between ValuJet and TWA; (3) Delta and TWA conspired to restrain trade in violation of Section 1 of the Sherman Act; and (4) Delta engaged in acts of monopolization and attempted monopolization in violation of Section 2 of the Sherman Act. ValuJet, which has requested a jury trial, is seeking injunctive relief, unspecified compensatory damages, treble damages under the antitrust laws, punitive damages, costs and attorney's fees, and such other relief as the District Court deems appropriate. On December 7, 1995, Delta filed its answer denying liability and asserting various affirmative defenses. On July 12, 1996, the District Court granted TWA's motion for summary judgment in whole, granted Delta's motion for summary judgment with respect to ValuJet's claims of tortious interference and conspiracy, and denied Delta's motion for summary judgment with respect to ValuJet's remaining claims under Section 2 of the Sherman Act on the ground that those claims were not subject to resolution without further discovery. On August 14, 1997, the District Court denied Delta's renewed motion for summary judgment with respect to ValuJet's claims under Section 2 of the Sherman Act. Delta intends to defend this matter vigorously.

Delta received a Civil Investigative Demand from the United States Department of Justice requesting information and documents concerning Delta's lease of the Slots. Delta has responded to this request.
Delta is also a defendant in certain other legal actions relating to alleged employment discrimination practices, other matters concerning past and present employees, environmental issues and other matters concerning Delta's business. Although the ultimate outcome of these matters and the matters discussed above in this Item 3 cannot be predicted with certainty and could have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity, management presently believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity.

For a discussion of certain environmental matters, see "ITEM 1. Business - Environmental Matters" on pages 7-8 of this Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Certain information concerning Delta's executive officers follows. Unless otherwise indicated, all positions shown are with Delta. There are no family relationships between any of Delta's executive officers.

Leo F. Mullin  
Mr. Mullin has been President and Chief Executive Officer of Delta since August 14, 1997. He was Vice Chairman of Unicom Corporation and its principal subsidiary, Commonwealth Edison Company, from 1995 through August 13, 1997. Mr. Mullin was an executive of First Chicago Corporation from 1981 to 1995, serving as that company's President and Chief Operating Officer from 1993 to 1995, and as Chairman and Chief Executive Officer of American National Bank, a subsidiary of First Chicago Corporation, from 1991 to 1993. Age 54.

Maurice W. Worth  
Chief Operating Officer, August 14, 1997 to date; Acting Chief Executive Officer, August 1, 1997 through August 13, 1997; Executive Vice President - Customer Service and Acting Chief Operating Officer, May 12, 1997 through July 31, 1997; Executive Vice President - Customer Service, September 13, 1995 through May 11, 1997; Senior Vice President - Personnel, May 1991 through September 12, 1995; Vice President - Personnel, November 1989 through April 1991. Age 57.
Harry C. Alger

Robert W. Coggin

Robert G. Adams
Senior Vice President - Personnel, November 1, 1996 to date; Vice President - Personnel, September 16, 1995 through October 31, 1996; Vice President - Personnel Services, November 1, 1993 through September 15, 1995; Assistant Vice President - Personnel Services, August 1, 1993 through October 31, 1993; Assistant Vice President - Personnel - International, November 1, 1991 through July 31, 1993; Vice President - Human Resources, Pan American World Airways, Inc., 1982 through October 31, 1991. Age 59.

Robert S. Harkey
Senior Vice President - General Counsel and Secretary, November 1994 to date; Senior Vice President - General Counsel, November 1990 through October 1994; Vice President - General Counsel, November 1988 through October 1990. Age 56.

Thomas J. Roeck, Jr.
Senior Vice President - Finance and Chief Financial Officer, June 1988 to date. Age 53.
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Information required by this item is set forth under "Common Stock", "Number of Shareholders" and "Market Prices and Dividends" on page 52 of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

Under the Delta Air Lines, Inc. Directors' Deferred Compensation Plan ("Plan"), members of the Company's Board of Directors may defer for a specified period all or any part of their cash compensation earned as a director. A participating director may choose an investment return on the deferred amount from among the 17 investment return choices available under the Delta Family-Care Savings Plan, a qualified defined contribution pension plan for eligible Delta personnel. One of the investment return choices under the Delta Family-Care Savings Plan is a fund invested primarily in Delta's common stock ("Delta Common Stock Fund"). During the quarter ended June 30, 1997, participants in the Plan deferred a total of $39,750 in the Delta Common Stock Fund investment return choice (equivalent to approximately 463 shares of Delta common stock at prevailing market prices). These transactions were not registered under the Securities Act of 1933, as amended, in reliance on Section 4(2) of such Act.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item is set forth on pages 50-51 of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item is set forth on pages 21-27 of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item is set forth under "Market Risks Associated With Financial Instruments" on page 25, and in Note 4 of the Notes to Consolidated Financial Statements on page 36, of Delta's 1997 Annual Report to Stockholders, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required by this item is set forth on pages 5-7, and under "Other Matters Involving Directors and Executive Officers - Section 16 (a) Beneficial Ownership Reporting Compliance" on page 22, of Delta's Proxy Statement dated September 15, 1997, and is incorporated herein by reference. Certain information regarding executive officers is contained in Part I of this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is set forth on pages 4, and 16-22, of Delta's Proxy Statement dated September 15, 1997, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item is set forth on pages 8-10 of Delta's Proxy Statement dated September 15, 1997, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. George D. Busbee and Mr. Peter D. Sutherland are members of the Company's Board of Directors. Mr. Busbee is of counsel to the law firm of King & Spalding, which provided certain legal services to the Company in fiscal 1997 and is expected to provide similar services in fiscal 1998. Mr. Sutherland is a general partner of Goldman, Sachs & Co., which provided certain investment banking services to the Company in fiscal 1997 and is expected to provide similar services in fiscal 1998.

Additional information required by this item is set forth on pages 20-22 of Delta's Proxy Statement dated September 15, 1997, and is incorporated herein by reference.
ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1), (2). The financial statements and schedule required by this item are listed in the Index to Consolidated Financial Statements and Schedule on page 19 of this Form 10-K.

(3). The exhibits required by this item are listed in the Exhibit Index on pages 24-26 of this Form 10-K. The management contracts and compensatory plans or arrangements required to be filed as an exhibit to this Form 10-K are listed as Exhibit 10.1 and Exhibits 10.7 to 10.16 in the Exhibit Index.

(b) During the quarter ended June 30, 1997, Delta did not file any Current Reports on Form 8-K.
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of September, 1997.

**DELTA AIR LINES, INC.**

By: /s/ Leo F. Mullin

Leo F. Mullin
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 26th day of September, 1997 by the following persons on behalf of the registrant and in the capacities indicated.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edwin L. Artzt*</td>
<td>Director</td>
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<tr>
<td>Edwin L. Artzt</td>
<td></td>
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<tr>
<td>Henry A. Biedenharn, III*</td>
<td>Director</td>
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<td>Henry A. Biedenharn, III</td>
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</tr>
<tr>
<td>James L. Broadhead*</td>
<td>Director</td>
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<td>James L. Broadhead</td>
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<tr>
<td>Edward H. Budd*</td>
<td>Director</td>
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<tr>
<td>Edward H. Budd</td>
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<tr>
<td>George D. Busbee*</td>
<td>Director</td>
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<tr>
<td>George D. Busbee</td>
<td></td>
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<tr>
<td>R. Eugene Cartledge*</td>
<td>Director</td>
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<td>R. Eugene Cartledge</td>
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<tr>
<td>Signature</td>
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<td>------------------------------------------------------------</td>
</tr>
<tr>
<td>Mary Johnston Evans*</td>
<td>Director</td>
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<td>Mary Johnston Evans</td>
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<tr>
<td>Gerald Grinstein*</td>
<td>Non-executive Chairman of the Board</td>
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<tr>
<td>Gerald Grinstein</td>
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<tr>
<td>Jesse Hill, Jr.*</td>
<td>Director</td>
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<tr>
<td>Jesse Hill, Jr.</td>
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<tr>
<td>/s/ Leo F. Mullin</td>
<td>President and Chief Executive Officer and a Director</td>
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<tr>
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</tr>
<tr>
<td>Leo F. Mullin</td>
<td>(Principal Executive Officer)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>/s/ Thomas J. Roeck, Jr.</td>
<td>Senior Vice President-Finance and Chief Financial Officer</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------------------------------------------------------------</td>
</tr>
<tr>
<td>Thomas J. Roeck, Jr.</td>
<td>(Principal Financial Officer and Principal Accounting Officer)</td>
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<tr>
<td>Peter D. Sutherland*</td>
<td>Director</td>
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<tr>
<td>Peter D. Sutherland</td>
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<tr>
<td>Andrew J. Young*</td>
<td>Director</td>
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<tr>
<td>Andrew J. Young</td>
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<tr>
<td>*By: /s/ Thomas J. Roeck, Jr.</td>
<td>Attorney-In-Fact</td>
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<td></td>
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<tr>
<td>Thomas J. Roeck, Jr.</td>
<td></td>
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</tbody>
</table>
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULE


FINANCIAL STATEMENTS - All of which are incorporated herein by reference to Delta's 1997 Annual Report to Stockholders.

Consolidated Balance Sheets - June 30, 1997 and 1996


Consolidated Statements of Shareholders' Equity for the years ended June 30, 1997, 1996 and 1995


REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

SCHEDULE SUPPORTING FINANCIAL STATEMENTS:

Schedule Number

II    Valuation and Qualifying Accounts for the fiscal years ended June 30, 1997, 1996 and 1995

All other schedules have been omitted as not applicable.

19
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULE

To Delta Air Lines, Inc.:  

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements included in Delta Air Lines, Inc.'s annual report to stockholders incorporated by reference in this Form 10-K and have issued our report thereon dated August 15, 1997. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed in the accompanying index is the responsibility of the Company's management, is presented for purposes of complying with the Securities and Exchange Commission's rules, and is not part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP  
Atlanta, Georgia  
August 15, 1997
DELTA AIR LINES, INC.
VALUATION AND QUALIFYING ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

(Amounts in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
<th>Column D</th>
<th>Column E</th>
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<tr>
<td></td>
<td>Balance at Beginning of Period</td>
<td>Charged to Costs and Expenses</td>
<td>Charged to Other Accounts-describe</td>
<td>Deductions-describe</td>
<td>Balance at End of Period</td>
</tr>
<tr>
<td>DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:</td>
<td>$ 44</td>
<td>$ 30</td>
<td>-</td>
<td>$ 26 (a)</td>
<td>$ 48</td>
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<tr>
<td>Allowance for uncollectible accounts receivable:</td>
<td>$(206)</td>
<td>-</td>
<td>-</td>
<td>$ 40 (b)</td>
<td>$(166)</td>
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</tbody>
</table>

(a) Represents write-off of accounts considered to be uncollectible, less collections.

(b) Represents net unrealized loss recognized resulting from changes in market values.
## SCHEDULE II

**DELTA AIR LINES, INC.**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1996**

(Amounts in Millions)

<table>
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<th>Description</th>
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<tr>
<td>Allowance for uncollectible accounts receivable:</td>
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<tr>
<td>Allowance for unrealized gains on marketable equity securities:</td>
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<td>DEDUCTION (INCREASE) IN THE BALANCE SHEET FROM THE ASSET TO WHICH IT APPLIES:</td>
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<tr>
<td>Allowance for uncollectible accounts receivable:</td>
<td>$ 29</td>
<td>$ 15</td>
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<td>$ 44</td>
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<td>Allowance for unrealized gains on marketable equity securities:</td>
<td>$(131)</td>
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<td>$(75) (a)</td>
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<td>$(206)</td>
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(a) Represents net unrealized gain recognized resulting from changes in market values.
(Amounts in Millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Column A</th>
<th>Column B</th>
<th>Column C</th>
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<tr>
<td>Allowance for uncollectible accounts receivable:</td>
<td>$ 50</td>
<td>$ 21</td>
<td>-</td>
<td>$ 42 (a)</td>
<td>$ 29</td>
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<td>Allowance for unrealized gains on marketable equity securities:</td>
<td>$(85)</td>
<td>-</td>
<td>$(46) (b)</td>
<td>-</td>
<td>$(131)</td>
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(a) Represents write-off of accounts considered to be uncollectible, less collections.

(b) Represents net unrealized gain recognized resulting from changes in market values.
3.1 Delta's Certificate of Incorporation (Filed as Exhibit 4.1 to Delta's Registration Statement on Form S-8 (Registration No. 333-16471)).*

3.2 Delta's By-Laws (Filed as Exhibit 3 to Delta's Current Report on Form 8-K dated November 17, 1993).*

4.1 Rights Agreement dated as of October 24, 1996, between Delta and First Chicago Trust Company of New York, as Rights Agent (Filed as Exhibit 1 to Delta's Form 8-A/A Registration Statement dated November 4, 1996).*

4.2 Certificate of Designations, Preferences and Rights of Series B ESOP Convertible Preferred Stock and Series D Junior Participating Preferred Stock (Filed as part of Exhibit 3.1 of this Form 10-K).

4.3 Indenture dated as of March 1, 1983, between Delta and The Citizens and Southern National Bank, Trustee, as supplemented by the First and Second Supplemental Indentures thereto dated as of January 27, 1986 and May 26, 1989, respectively (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 2-82412), Exhibit 4(b) to Delta's Registration Statement on Form S-3 (Registration No. 33-2972), and Exhibit 4.5 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*

4.4 Agreement dated May 31, 1989, among Delta, The Citizens and Southern National Bank and The Citizens and Southern National Bank of Florida relating to the appointment of a successor trustee under the Indenture dated as of March 1, 1983, as supplemented, between Delta and The Citizens and Southern National Bank (Filed as Exhibit 4.6 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*

4.5 Indenture dated as of April 30, 1990, between Delta and The Citizens and Southern National Bank of Florida, Trustee (Filed as Exhibit 4(a) to Amendment No. 1 to Delta's Registration Statement on Form S-3 (Registration No. 33-34523)).*

4.6 Indenture dated as of May 1, 1991, between Delta and The Citizens and Southern National Bank of Florida, Trustee (Filed as Exhibit 4 to Delta's Registration Statement on Form S-3 (Registration No. 33-40190)).*

4.7 Credit Agreement dated as of May 2, 1997, by and among Delta, Certain Banks and NationsBank, N.A. (South), as Agent Bank.

4.8 Note Purchase Agreement dated February 22, 1990, among the Delta Family-Care Savings Plan, Issuer, Delta, Guarantor, and Various Lenders relating to the Guaranteed Serial ESOP Notes (Filed as Exhibit 10 to Delta's Current Report on Form 8-K dated April 25, 1990).*
4.9 Indenture of Trust dated as of August 1, 1993, among Delta, Fidelity Management Trust Company, ESOP Trustee, and Wilmington Trust Company, Trustee, relating to the Guaranteed Serial ESOP Notes (Filed as Exhibit 4.12 to Delta's Annual Report on Form 10-K for the year ended June 30, 1993).*

Delta is not filing any other instruments evidencing any indebtedness because the total amount of securities authorized under any single such instrument does not exceed 10% of the total assets of Delta and its subsidiaries on a consolidated basis. Copies of such instruments will be furnished to the Securities and Exchange Commission upon request.

10.1 Delta's Incentive Compensation Plan, as amended (Filed as Appendix A to Delta's Proxy Statement dated September 16, 1996).*

10.2 Stock Purchase Agreement dated July 10, 1989, between Delta and Swissair, Swiss Air Transport Company Ltd. (Filed as Exhibit 10.2 to Delta's Current Report on Form 8-K dated July 24, 1989).*

10.3 Stock Purchase Agreement dated August 21, 1989, between Delta and Swissair, Swiss Air Transport Company Ltd. (Filed as Exhibit 10.9 to Delta's Annual Report on Form 10-K for the year ended June 30, 1989).*

10.4 Stock Purchase Agreement dated October 26, 1989, between Singapore Airlines Limited and Delta (Filed as Exhibit 10.1 to Delta's Current Report on Form 8-K dated November 2, 1989).*

10.5 Stock Purchase Agreement dated October 26, 1989, between Delta and Singapore Airlines Limited (Filed as Exhibit 10.2 to Delta's Current Report on Form 8-K dated November 2, 1989).*

10.6 Sixth Amended and Restated Limited Partnership Agreement of WORLDSPAN, L.P. dated as of April 30, 1993 (Filed as Exhibit 10.6 to Delta's Annual Report on Form 10-K for the year ended June 30, 1993).*


10.8 Agreement dated as of July 31, 1997 between Delta and Mr. Ronald W. Allen.
10.9 Delta's 1989 Stock Incentive Plan, as amended (Filed as Exhibit 10.10 to Delta's Annual Report on Form 10-K for the year ended June 30, 1996).*

10.10 Delta's Executive Deferred Compensation Plan, as amended (Filed as Exhibit 10.11 to Delta's Annual Report on Form 10-K for the year ended June 30, 1995).*

10.11 Directors' Deferred Compensation Plan (Filed as Exhibit 10.12 to Delta's Annual Report on Form 10-K for the year ended June 30, 1996).*

10.12 Directors' Charitable Award Program (Filed as Exhibit 10.14 to Delta's Annual Report on Form 10-K for the year ended June 30, 1993).*


10.14 Delta's Non-employee Directors' Stock Plan (Filed as Exhibit 4.5 to Delta's Registration Statement on Form S-8 (Registration No. 33-65391)).*

10.15 Form of Stock Option and Restricted Stock Award Agreements under 1989 Stock Incentive Plan (Filed as Exhibit 10.17 to Delta's Annual Report on Form 10-K for the year ended June 30, 1996).*

10.16 Forms of Executive Retention Protection Agreements for Certain Officers.

10.17 Agreement dated April 29, 1996, between Delta and The Air Line Pilots in the service of Delta as represented by the Air Line Pilots Association, International (Filed as Exhibit 10 to Delta's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1996).*


18. Letter re Change in Accounting Principles.

23. Consent of Arthur Andersen LLP.


27. Financial Data Schedule.

*Incorporated herein by reference
CREDIT AGREEMENT
DATED AS OF MAY 2, 1997
BY AND AMONG
DELTA AIR LINES, INC.,
EACH OF THE FINANCIAL INSTITUTIONS INITIALLY A SIGNATORY HERETO,
TOGETHER WITH THOSE ASSIGNEES PURSUANT TO SECTION 12.6 HEREOF
AND
NATIONSBANK, N.A. (SOUTH),
AS AGENT BANK
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CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of May 2, 1997 (this "Agreement") by and among DELTA AIR LINES, INC., a corporation organized under the laws of the State of Delaware (the "Company"), each of the financial institutions initially a signatory hereto together with those assignees pursuant to Section 12.6. hereof (collectively, the "Banks" and each individually, a "Bank") and NATIONSBANK, N.A. (SOUTH), in its capacity as agent for the Banks (the "Agent Bank").

WHEREAS, the parties hereto desire to make available to the Company certain financial accommodations on the terms and conditions contained herein;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

ARTICLE 1. DEFINITIONS

SECTION 1.1 DEFINITIONS.

In addition to terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Agreement:

"Absolute Rate" shall have the meaning assigned to such term in Section 3.3.(c)(ii)(C) hereof.

"Agent Bank" shall mean NationsBank, N.A. (South) in its capacity as agent for the Banks; provided, however, that if NationsBank, N.A. (South) shall have resigned or been removed as Agent Bank, then "Agent Bank" shall mean the bank selected as Agent Bank pursuant to the provisions of Section 11.8. hereof.

"Applicable Margin" shall mean, as of any date of determination, the percentage rate set forth below for each type of Loan corresponding to the long term senior unsecured debt rating of the Company, as rated by S&P (the "S&P Rating") and Moody's (the "Moody's Rating"; each of the S&P Rating and the Moody's Rating referred to herein as a "Rating"):
The Agent Bank shall determine the Applicable Margin from time to time in accordance with the above table and notify the Company and the Banks of such determination from time to time. In the event the S&P Rating and the Moody's Rating correspond to different levels on the above table resulting in different Applicable Margin determinations, the following provisions shall apply. In the event the S&P Rating and the Moody's Rating differ by one level, the Applicable Margin shall be that corresponding to the higher Rating. For example, a "BBB+" S&P Rating and a "Baa1" Moody's Rating would result in an Applicable Margin for Eurodollar Rate Loans equal to 0.30%. In the event the S&P Rating and the Moody's Rating differ by two levels, the Applicable Margin shall be that corresponding to the level which is in between the two applicable levels. For example, a "BBB" S&P Rating and a "Ba1" Moody's Rating would result in an Applicable Margin for Eurodollar Rate Loans equal to 0.375%. In the event the S&P Rating and the Moody's Rating differ by three levels, the Applicable Margin shall be that corresponding to the level immediately above the lower of such Ratings. For example, a "BBB+" S&P Rating and a "Ba1" Moody's Rating would result in an Applicable Margin for Eurodollar Rate Loans equal to 0.50%. In the event the S&P Rating and the Moody's Rating differ by four levels (i.e. a ratings split between level 1 and level 5), the Applicable Margin shall be that corresponding to level 4. For example, a "BBB+" S&P Rating and a "Ba2" Moody's Rating would result in an Applicable Margin for Eurodollar Rate Loans equal to 0.75%.

In the event only one rating agency exists or continues rating the Company's long term senior unsecured debt, such agency's rating shall be used for purposes of the above table. In the event: (i) neither agency exists or continues rating the Company's long term senior unsecured debt or (ii) the Company no longer has any outstanding long term senior unsecured debt to be rated, the Applicable Margin for the first 90 days after such occurrence shall be the Applicable Margin in effect as determined using the above immediately prior to such occurrence. During such 90-day period, the Agent Bank and the Company shall negotiate in good faith to agree upon a new pricing grid or other appropriate pricing terms. Any such new grid or pricing terms shall be approved by the Majority Banks. In the event the Agent Bank, the Company and Majority Banks cannot agree upon such new pricing grid or pricing terms by the end of such 90-day period, the Applicable Margin shall be that corresponding to level 3 of the above table for the remainder of the term of the Agreement.
Any necessary adjustment in the Applicable Margin pursuant to the terms hereof shall become effective immediately upon any change in a Rating.

"Available Commitment" shall mean, on any date, the Total Commitments of the Banks in effect on such date minus the sum of: (i) the aggregate Stated Amount of Letters of Credit outstanding on such date, (ii) the aggregate outstanding principal amount of Syndicated Loans on such date, (iii) the aggregate outstanding principal amount of Competitive Bid Loans on such date, and (iv) any Reimbursement Obligations unpaid on such date (other than any such Reimbursement Obligations to be paid on such date with the proceeds of a Syndicated Loan).

"Base Rate" shall mean the rate per annum which is the Prime Rate in effect from time to time at a majority of the Reference Banks (or if no two of such Banks have the same Prime Rate in effect, the Prime Rate in effect at such Bank whose Prime Rate is neither the highest nor the lowest) plus the Applicable Margin.

"Base Rate Loan" shall mean any Syndicated Loan which bears interest at the Base Rate.

"Business Day" shall mean any day during which the Main Office of the Agent Bank is scheduled to be open for the conduct of its banking business and during which national banking associations located in New York, New York and Charlotte, North Carolina are open for the conduct of banking business.

"Commitment" shall have the meaning set forth in Section 2.1. hereof.

"Commitment Fee" shall mean the fee required to be paid to the Agent Bank, for the account of the Banks, by the Company pursuant to Section 3.11. hereof.

"Competitive Bid Loan" shall mean any Loan which bears interest at the Absolute Rate.

"Competitive Bid Quote" shall mean an offer in accordance with Section 3.3. hereof by a Bank to make a Competitive Bid Loan with one single specified interest rate.

"Competitive Bid Quote Request" shall have the meaning assigned to such term in Section 3.3.(b) hereof.

"Convertible Subordinated Debt" shall mean any debt of the Company convertible into shares of any or all classes of stock of the Company and containing, or issued under agreements or indentures containing, provisions effectively subordinating the same to the debt created by this Agreement.
"Credit Facility" shall mean the credit facility extended to the Company by the Banks pursuant hereto.

"Current Debt" shall mean any obligation for borrowed money (including notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money) payable on demand or within a period of one year from the date of the creation thereof.

"Default" means any of the events specified in paragraphs (a) through (h) of Section 9.1. hereof, whether or not there has been satisfied any requirement for giving of notice, lapse of time or the happening of any other condition.

"Dollar" and "$" shall mean lawful money of the United States of America.

"Drawing" shall mean a drawing by a beneficiary under a Letter of Credit.

"Effective Date" shall mean the date upon which: (i) all of the conditions of Section 5.1. hereof have been satisfied and (ii) the Company has paid to the Agent Bank the fees required by Section 3.17. hereof.

"Equity" shall mean the sum of: (i) the par value (or value stated on the books of the Company) of the capital stock of all classes of the Company (other than the Company's Series B ESOP Convertible Preferred Stock), (ii) the amount of additional paid-in capital and reinvested earnings of the Company, (iii) the amount of taxes deferred and unamortized investment tax credits under Sections 167 and 168 of the Internal Revenue Code or similar provisions of any applicable tax law and carried on the balance sheet under those captions, (iv) the amount of any gain on the sale and leaseback of assets which is deferred pursuant to generally accepted accounting principles, (v) the principal amount of any Convertible Subordinated Debt outstanding, (vi) the amount of any postretirement benefits (other than pensions) of the Company accrued in accordance with the Statement of Financial Accounting Standards No. 106 (Financial Accounting Standards Board 1990) and generally accepted accounting principles and classified as long term liabilities on the balance sheet of the Company, and (vii) the difference between (a) the stated and liquidation value of the Company's Series B ESOP Convertible Preferred Stock and (b) the unearned compensation under the Company's employee stock ownership plan; minus (viii) the unrealized loss on noncurrent marketable equity securities, net of any deferred tax benefits, and minus (ix) treasury stock at cost.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and any successor statute.

"Eurodollar Business Day" shall mean any day on which banks are scheduled to be open for business and quoting interest rates for Dollar deposits on the London interbank market and which is also a Business Day.
"Eurodollar Lending Office" shall mean with respect to each Bank the office of such Bank identified as such from time to time to the Agent Bank and the Company as the office of such Bank or of its affiliate at which the Eurodollar Rate Loans held by such Bank are to be maintained.

"Eurodollar Rate" shall mean a rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) determined by Agent Bank pursuant to the following formula:

\[
\text{Eurodollar Rate} = \text{LIBOR} + \text{Applicable Margin.}
\]

"LIBOR" shall mean, with respect to any Interest Period for Eurodollar Rate Loans, the offered rate in the London interbank market for deposits in United States dollars of amounts equal or comparable to the principal amount of such Eurodollar Rate Loan offered for a term comparable to such Interest Period, as currently shown on the Reuters Screen LIBO page as of 11:00 a.m., GMT, two Eurodollar Business Days prior to the first day of such Interest Period; provided, however, that (A) if more than one offered rate as described above appears on the Reuters Screen LIBO page, the rate used to determine LIBOR will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100 of 1%) of such offered rates, or (B) if no such offered rates appear, the rate used for such Interest Period will be the arithmetic average (rounded upward, if necessary, to the next higher 1/100 of 1%) of rates quoted by the Reference Banks at approximately 10:00 a.m., New York time, two Eurodollar Business Days prior to the first day of such Interest Period for deposits in United States dollars offered to leading European banks for a period comparable to such Interest Period in an amount comparable to the principal amount of such Eurodollar Rate Loans. If the Agent Bank ceases to use the Reuters Screen LIBO page for determining interest rates based on eurodollar deposit rates, a comparable internationally recognized interest rate reporting service shall be used to determine such offered rates.

"Eurodollar Rate Loan" shall mean any Syndicated Loan which bears interest at the Eurodollar Rate.

"Event of Default" means any one of the events specified in paragraphs (a) through (h) of Section 9.1. hereof, provided that any requirement for notice or lapse of time or other condition contained therein has been satisfied.

"Funded Debt" shall mean any obligation for borrowed money or the deferred purchase price of property, or any obligation arising under a capital lease, other than Convertible Subordinated Debt, payable more than one year from the date of the creation thereof which, under generally accepted accounting principles in effect from time to time, is shown on the balance sheet of the obligor as a liability; provided that any obligation shall be treated as Funded Debt, regardless of its term, if such obligation is renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one (1) year after the date of the creation of such obligation or may be payable.
out of the proceeds of a similar obligation pursuant to the terms of such obligation or of any such agreement.

"Immediate Replacement Event" shall mean a change in any law, rule, or regulation, or any change in the interpretation or administration thereof, or, a new law, rule, or regulation, having any of the consequences specified in Section 10.1. hereof.

"Interest Period" means (i) for each Eurodollar Rate Loan, the period beginning on the date of such Loan or conversion thereof on the last day of an immediately preceding Interest Period for such Loan and ending one, two, three, or six months later, as specified in the notice given by the Company to the Agent Bank; provided, however, that if the last day of any Interest Period would fall on a day which is not a Eurodollar Business Day that Interest Period shall be extended to the next succeeding day which is a Eurodollar Business Day, unless the result of such extension should be to carry such Interest Period to the next succeeding calendar month in which event such Interest Period shall end on such date and (ii) for each Competitive Bid Loan, the period beginning on the date of borrowing of such Competitive Bid Loan and ending on such Business Day as may be mutually agreed upon by the Company and the Bank or Banks making such Competitive Bid Loan or Loans, as the case may be, comprising such Competitive Bid Loan; provided, however, that (i) no Competitive Bid Loan shall have an Interest Period greater than 180 days and (ii) any Interest Period that would extend beyond the Termination Date shall end on such date.

"Interest Rate" shall mean:

(a) With respect to a Competitive Bid Loan, the Absolute Rate;

(b) With respect to a Eurodollar Rate Loan, the Eurodollar Rate; and

(c) With respect to a Base Rate Loan, the Base Rate.

"L/C Commitment Amount" shall mean $700,000,000.

"Letter of Credit Banks" shall mean NationsBank, N.A. (South) or any other Bank under this Agreement approved by the Company that agrees, pursuant to documentation in form and substance satisfactory to the Agent Bank and the Company, to issue Letters of Credit hereunder.

"Loans" shall mean, collectively, the Syndicated Loans and the Competitive Bid Loans.

"Main Office" of the Agent Bank shall be NationsBank, N.A. (South), 600 Peachtree Street, Atlanta, Georgia.
"Majority Banks" shall mean, as of any date, Banks on such date having Credit Exposures (as defined below) aggregating at least 51% of the aggregate Credit Exposures of all the Banks on such date. For purposes of the preceding sentence, the amount of the "Credit Exposure" of each Bank shall be equal to:

(i) prior to the occurrence of an Event of Default and the acceleration of the Loans pursuant to the terms hereof, the aggregate principal amount of the Syndicated Loans owing to such Bank plus the unutilized amount of such Bank's Commitment and (ii) after an Event of Default has occurred and the Loans have been accelerated pursuant to the terms hereof, the aggregate principal amount of Syndicated Loans and Competitive Bid Loans owing to such Bank plus the unutilized amount of such Bank's Commitment.

"Moody's" shall mean Moody's Investors Services, Inc.

"Moody's Rating" has the meaning set forth in the definition of Applicable Margin.

"Notes" shall have the meaning set forth in Section 3.4. hereof.

"Officer's Certificate" shall mean a certificate signed by the Chairman of the Board, the President, or a principal financial officer of the Company.

"Orderly Replacement Event" shall mean as to any Eurodollar Rate Loan, the determination by the Agent Bank not later than two (2) Eurodollar Business Days prior to the first day of any Interest Period that: (a) for any reason whatsoever rates are not quoted for the offering of Dollars in the London interbank market for deposit for a period comparable to such Interest Period; or (b) the quoted rate for purposes of computing the rate of interest on the Eurodollar Rate Loan does not accurately reflect the funding cost to the Banks of making or maintaining such Loans.

"Person" shall mean and include an individual, a partnership, a joint venture, an estate, a corporation, a trust, an unincorporated organization, a limited liability company, and a government or any department or agency or political subdivision thereof.

"Prime Rate" shall mean, for any day, the rate which is quoted by each Reference Bank as the respective bank's prime, reference, base, or alternate base rate, as the case may be. The Company acknowledges that the Prime Rate of any Reference Bank may not be the lowest or best interest rate offered by such Reference Bank to its customers.

"Rating" has the meaning set forth in the definition of Applicable Margin.

"Reference Banks" means Citibank, N.A., Bank of America National Trust and Savings Association and the Agent Bank, and each of their respective successors and assigns.

"Reimbursement Obligation" shall mean the obligation of the Company to reimburse the Agent Bank for any Drawing pursuant to Section 4.4. hereof.
"Required Number" shall mean in the case of notices relating to Syndicated Loans hereunder to the Agent Bank: (a) relative to borrowings, prepayments, elections of, and conversions into, the Eurodollar Rate, selections of Interest Periods and other transactions in respect of Eurodollar Rate Loans, not less than three (3) Eurodollar Business Days; and (b) relative to all transactions in respect to Base Rate Loans, not less than one Business Day.

"S&P" shall mean Standard & Poor's Ratings Services.

"S&P Rating" has the meaning set forth in the definition of Applicable Margin.

"Stated Amount" shall mean the amount available to be drawn by a beneficiary under a Letter of Credit outstanding under this Agreement from time to time, as such amount may be increased or reduced from time to time in accordance with the terms of such Letter of Credit.

"Subsidiary" shall mean any corporation, association or other business entity, a majority (by number of votes) of the outstanding stock or other ownership interest of which is, at the time at which any determination is being made, owned by the Company either directly or through Subsidiaries.

"Syndicated Loan" shall mean, collectively, the Eurodollar Rate Loans and the Base Rate Loans.

"Termination Date" shall mean May 1, 2002 (or the date to which the Credit Facility has been extended pursuant to Section 3.18. hereof) unless the Credit Facility is earlier terminated pursuant to the applicable provisions of this Agreement.

"Total Commitments of the Banks" shall have the meaning set forth in Section 2.1. hereof.

**ARTICLE 2. AMOUNT AND TERMS OF CREDIT**

**SECTION 2.1. COMMITMENT.**

Each Bank severally agrees to extend credit to the Company at any time and from time to time from the date hereof until the Termination Date in the manner and upon, and subject to, the terms and conditions hereinafter set forth up to an amount at any one time outstanding equal to such Bank's Commitment as set forth in Section 2.2. hereof, as such Commitment may be adjusted from time to time in accordance with the terms of this Agreement; provided, however, that any Loan made hereunder shall not exceed the Available Commitment in effect at such time. The participation of each Bank in the Credit Facility shall consist of each such Bank's respective Commitment as stated opposite such Bank's name in Section 2.2. hereof as such Commitment may be adjusted from time to
time in accordance with the terms of this Agreement. The obligation of each Bank to make Syndicated Loans to the Company, and to participate in the Reimbursement Obligations with respect to Letters of Credit issued hereunder, is hereby referred to as the Bank’s "Commitment" and collectively as the "Total Commitments of the Banks".

SECTION 2.2. THE BANKS.

<table>
<thead>
<tr>
<th>BANK</th>
<th>COMMITMENT</th>
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<tbody>
<tr>
<td><strong>AGENT BANK</strong></td>
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</tr>
<tr>
<td>NationsBank, N.A. (South)</td>
<td>$ 100,000,000</td>
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<tr>
<td><strong>MANAGING AGENTS</strong></td>
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</tr>
<tr>
<td>Bank of America, National Trust and Savings Association</td>
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<tr>
<td>The Chase Manhattan Bank</td>
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<td>Citicorp USA, Inc.</td>
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<tr>
<td>Royal Bank of Canada</td>
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<tr>
<td><strong>CO-MANAGING AGENTS</strong></td>
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<tr>
<td>The Mitsubishi Trust and Banking Corporation</td>
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<td>SunTrust Bank, Atlanta</td>
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<tr>
<td>Wachovia Bank of Georgia, N.A.</td>
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<tr>
<td><strong>CO-AGENTS</strong></td>
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<td>The Bank of Tokyo-Mitsubishi, Ltd., New York Branch</td>
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<td>CIBC Inc.</td>
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<tr>
<td>The Northern Trust Company</td>
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</tr>
<tr>
<td><strong>PARTICIPANTS</strong></td>
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<td>Bank of Montreal</td>
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<td>Bayerische Vereinsbank AG</td>
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<td>The First National Bank of Chicago</td>
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<td>Kredietbank N.V., Grand Cayman Branch</td>
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<td>PNC Bank, National Association</td>
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<td>Credit Lyonnais New York Branch</td>
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<td>Star Bank, N.A.</td>
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</tr>
<tr>
<td>The Sumitomo Bank, Limited</td>
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</tbody>
</table>

Total Commitments of the Banks $1,250,000,000
SECTION 2.3. INCREASES IN THE TOTAL COMMITMENTS OF THE BANKS.

(a) The Company, the Agent Bank, the Letter of Credit Banks and the Banks acknowledge and agree that the aggregate principal amount of the Total Commitments of the Banks may be increased from time to time in accordance with this Section 2.3. So long as no Event of Default then exists or would be caused thereby, the Total Commitments of the Banks may be increased by up to $250,000,000 from that in existence on the Effective Date at any time with the prior written consent of the Agent Bank, which will not be unreasonably withheld. So long as no Event of Default then exists or would be caused thereby, the Total Commitments of the Banks may be increased by up to $500,000,000 from that in existence on the Effective Date, with the prior written consent of the Agent Bank and the Majority Banks. Any increase in the Total Commitments of the Banks beyond the parameters set forth above or other than as expressly permitted by this Section 2.3. shall require the prior written consent of the Agent Bank and each of the Banks. No increase in the Total Commitments of the Banks pursuant to this Section 2.3. shall effect an increase in the aggregate dollar amount of the Commitment of any Bank hereunder other than as a result of an express written agreement between the Company and such Bank.

(b) Any increase in the Total Commitments of the Banks contemplated by paragraph (a) above may be effected as a result of an agreement by any Bank hereunder to increase the Commitment of such Bank hereunder, provided that the following conditions are satisfied:

(i) The Bank which has agreed to increase its Commitment hereunder and the Company and such Bank shall jointly notify the Agent Bank, in writing, of (A) the agreement of such Bank to increase its Commitment hereunder, (B) the aggregate principal amount of the increase in such Bank's Commitment and (C) the effective date of such agreement, which notice shall be substantially in the form of Exhibit B attached hereto; and

(ii) The Company shall execute and deliver to such Bank a new Note to the order of such Bank in an original principal amount equal to the aggregate principal amount of the increase in such Bank's Commitment hereunder.

(c) Any increase in the Total Commitments of the Banks contemplated by paragraph (a) above may also be effected as a result of an agreement by a financial institution which is not then a Bank hereunder to become a Bank hereunder, provided that the following conditions are satisfied prior to or contemporaneously with the effectiveness of the increase in the Total Commitments of the Banks:

(i) The financial institution which has agreed to become a Bank hereunder shall execute and deliver to the Agent Bank, for itself and on behalf of the Banks, an agreement to assume the rights and obligations of a Bank hereunder
and to accept and ratify, in full, the terms of this Agreement, which agreement shall set forth (A) the aggregate principal amount of such institution's Commitment hereunder, (B) the effective date of such agreement and (C) such institution's address for notices pursuant to Section 12.2. hereof, and which agreement shall be substantially in the form of Exhibit C-1 attached hereto, and which shall be acknowledged and agreed to by the Company; and

(ii) the Company shall execute and deliver to such institution a Note to the order of such institution in an original principal amount equal to the aggregate principal amount of such institution's Commitment hereunder.

Upon the Agent Bank's receipt of the items described in clause (c)(i) above, together with any other agreement, amendment or other document which the Agent Bank deems necessary to implement the intent and terms of this Section 2.3. (all of which shall be in form and substance satisfactory to the Agent Bank), such financial institution shall thereupon and thereafter be deemed to be a Bank for all purposes hereunder.

(d) The amount of the Total Commitments of the Banks hereunder shall be deemed to be increased (i) by the aggregate principal amount by which any existing Bank hereunder increases its Commitment hereunder in accordance with Section 2.3.(b) above, and (ii) by the aggregate principal amount of any Commitment hereunder by any new financial institution in accordance with Section 2.3.(c) hereof. Simultaneously with any increase in the Total Commitments of the Banks pursuant to, and in accordance with, this Section 2.3., the respective pro rata share of the Banks (including any new Banks) of the Total Commitments of the Banks shall be deemed to be automatically adjusted to reflect the increase in the amount of the Total Commitments of the Banks and the Agent Bank shall notify the Banks of such increase and of each Bank's new pro rata share hereunder.

(e) Any increase in the Total Commitments of the Banks hereunder shall not affect any other term or condition of this Agreement. However, any such increase in the Total Commitments of the Banks shall cause a reallocation of each Bank's pro rata share of each Syndicated Loan and/or each Letter of Credit outstanding on the effective date of such increase. Such reallocation shall be accomplished by a payment to the Agent Bank, for the account of the Banks, by (a) the existing Bank that has increased its Commitment or (b) the new financial institution that has become a Bank, as the case may be, of an amount equal to such Bank's pro rata share of all outstanding Syndicated Loans and unpaid Reimbursement Obligations. The Agent Bank shall then immediately transmit the applicable pro rata share of such payment so received by the Agent Bank in immediately available funds to each Bank entitled thereto in the manner specified by such Bank. The existing Bank increasing its Commitment or the new financial institution that has become a Bank shall be deemed to have automatically assumed its pro rata share of the obligations set forth in Section 4.1.(b) hereof with respect to all issued and outstanding Letters of Credit.
ARTICLE 3. THE LOANS

SECTION 3.1. SYNDICATED LOANS.

Subject to the terms and conditions hereof, during the period from the Effective Date to the Termination Date, each Bank severally and not jointly agrees to make Syndicated Loans to the Company in an aggregate principal amount at any one time outstanding up to, but not exceeding, such Bank's Commitment; provided, however, that any given borrowing of Syndicated Loans made pursuant to this Section 3.1. shall not exceed the Available Commitment at the time of such borrowing. Subject to the terms and conditions of this Agreement, during the period from the Effective Date to the Termination Date, the Company may borrow, repay and reborrow Syndicated Loans hereunder.

SECTION 3.2. NOTICE AND PLACE OF BORROWING FOR SYNDICATED LOANS.

The Company shall give written, facsimile or telephonic (confirmed immediately in writing) notice to the Agent Bank, such notice to be given not later than 11:00 a.m. Atlanta, Georgia time on a Business Day which is at least the Required Number of days prior to each borrowing of Syndicated Loans and to contain the date of such borrowing, the amount of such borrowing, the Interest Rate option selected, and, where applicable, the length of the Interest Period. Upon receiving notice from the Company, the Agent Bank shall promptly give written, facsimile or telegraphic notice to each Bank, such notice to contain the date of such borrowing, the amount to be borrowed from such Bank, the Interest Rate option selected, and, where applicable, the length of the Interest Period. Funds are to be disbursed pursuant to this Agreement at the Main Office of the Agent Bank. Not later than 11:00 a.m. Atlanta time on the date of borrowing of Syndicated Loans as specified in the notice from the Agent Bank to the Banks, each Bank shall have made available at the Main Office of the Agent Bank, in immediately available funds, the amount of Syndicated Loans to be advanced by such Bank, and the Agent Bank shall immediately pay such funds to or upon the order of the Company. Unless the Agent Bank shall have received notice from a Bank prior to the date of any such borrowing that such Bank will not make available to the Agent Bank such Bank's ratable portion of such borrowing, the Agent Bank may assume that such Bank has made such portion available to the Agent Bank on the date of such borrowing in accordance with this Section 3.2., and the Agent Bank may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent such Bank shall not have made such ratable portion available to the Agent Bank, such Bank shall and the Company severally agree to repay to the Agent Bank immediately on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company and until the date such amount is repaid to the Agent Bank, at (i) with respect to the Company, the interest rate applicable at the time to the type of Loan comprising such borrowing, or (ii) with respect to the Bank, at the applicable overnight federal funds rate. If such Bank shall repay to the Agent Bank such corresponding
SECTION 3.3. COMPETITIVE BID LOANS.

(a) Competitive Bid Loans. Subject to the terms and conditions hereof, during the period from the Effective Date to the Termination Date, the Company may request the Banks to make offers to make Competitive Bid Loans to the Company in Dollars. The Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section 3.3. There may be no more than ten different Interest Periods for both Syndicated Loans and Competitive Bid Loans outstanding at the same time. There shall not be outstanding at any one time more than ten Competitive Bid Loans. Further, the aggregate principal amount of all Competitive Bid Loans outstanding at any time, together with the aggregate principal amount of all Syndicated Loans outstanding at such time, the aggregate Stated Amount of Letters of Credit outstanding at such time and all Reimbursement Obligations outstanding at such time shall not exceed the Total Commitments of the Banks in effect at such time. However, the aggregate principal amount of Competitive Bid Loans extended by a Bank hereunder from time to time may exceed the Commitment of such Bank then in effect at such time. Further, for purposes of this Agreement, Competitive Bid Loans made pursuant to the same Competitive Bid Quote Request and having the same maturity date but extended by different Banks shall be deemed to be a single Competitive Bid Loan made hereunder.

(b) Request for Competitive Bid Loans. When the Company elects to request offers to make Competitive Bid Loans, it shall give the Agent Bank notice (a "Competitive Bid Quote Request") to be received by the Agent Bank no later than 11:00 a.m. Atlanta, Georgia time on the date one Business Day prior to the date of borrowing proposed therein (or such other time and date as the Company and the Agent Bank, with the consent of the Majority Banks, may agree). The Company may request offers to make Competitive Bid Loans for up to two different Interest Periods in a single notice; provided, however, that the request for each separate Interest Period shall be deemed to be a separate Competitive Bid Quote Request for a separate borrowing. In connection with any Competitive Bid Quote Request, the Company shall furnish each Bank with the following as to each Competitive Bid Loan:

(i) the proposed date of a borrowing of such Competitive Bid Loan, which shall be a Business Day;

(ii) the amount of such Competitive Bid Loan, which shall be at least $10,000,000 (and integral multiples of $1,000,000 in excess thereof) but shall not cause the limits specified in paragraph (a) above to be violated;

(iii) the duration of the Interest Period applicable thereto; and
(iv) the date on which the Competitive Bid Quotes are to be submitted if it is before the proposed date of borrowing (the date on which such
Competitive Bid Quotes are to be submitted is called the "Quotation Date").

Except as otherwise provided in this Section 3.3.(b), no Competitive Bid Quote Request will be made by the Company within five (5) Business
Days (or such other number of days as the Company and the Agent Bank, with the consent of the Majority Banks, may agree) of any other
Competitive Bid Quote Request.

(c) Competitive Bid Quotes.

(i) Each Bank may submit one or more Competitive Bid Quotes, each containing an offer to make a Competitive Bid Loan in response to any
Competitive Bid Quote Request; provided, however, that, if the Company's request under paragraph (b) above specified more than one Interest
Period, such Bank may make a single submission containing one or more Competitive Bid Quotes for each such Interest Period. Each
Competitive Bid Quote must be submitted to the Company not later than 10:30 a.m. Atlanta, Georgia time on the Quotation Date (or such other
time and date as the Company and the Agent Bank, with the consent of the Majority Banks, may agree). Subject to terms hereof, any
Competitive Bid Quote so made shall be irrevocable once made except with the consent of the Agent Bank given on the instructions of the
Company.

(ii) Each Competitive Bid Quote may be given to the Company by telephone and shall be promptly confirmed in writing via facsimile. Such
confirmation shall be substantially in the form of Exhibit E hereto and shall specify:

(A) the proposed date of borrowing and the Interest Period therefor;

(B) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount shall be at least
$10,000,000 (and integral multiples of $1,000,000 in excess thereof); provided that (1) the aggregate principal amount of all Competitive Bid
Loans for which a Bank submits Competitive Bid Quotes may not exceed the maximum aggregate principal amount of the Available
Commitment and (2) the Company may not accept Competitive Bid Quotes that would result in an aggregate principal amount outstanding
greater than the then current Available Commitment;

(C) the rate of interest per annum (rounded upwards, if necessary, to the nearest 1/10,000th of 1%) offered for each such Competitive Bid Loan
(the "Absolute Rate"); and

(D) the identity of the quoting Bank.
Unless otherwise agreed by the Agent Bank and the Company, no Competitive Bid Quote shall contain qualifying, conditional or similar language or propose terms other than or in addition to those set forth in the applicable Competitive Bid Quote Request and, in particular, no Competitive Bid Quote may be conditioned upon acceptance by the Company of all (or some specified minimum) of the principal amount of the Competitive Bid Loan for which such Competitive Bid Quote is being made.

(d) Notification by Company. The Company shall, as promptly as practicable after the Competitive Bid Quotes are submitted (but in any event not later than 11:30 a.m. Atlanta, Georgia time on the Quotation Date), notify the Agent Bank of the terms (i) of any Competitive Bid Quote submitted by a Bank that is in accordance with Section 3.3.(c) hereof and (ii) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Company unless such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Company's notice to the Agent Bank shall specify (A) the aggregate principal amount of the Competitive Bid Loan borrowing for which offers have been received and (B) the respective principal amounts and Absolute Rates so offered by each Bank (identifying the Bank that made each Competitive Bid Quote).

(e) Acceptance of Competitive Bid Quotes. In the case of acceptance of Competitive Bid Quotes, such notice shall be substantially in the form of Exhibit F and shall specify the aggregate principal amount of offers that are accepted for each Interest Period and shall be delivered to the Agent Bank and all Banks whose competitive Bid Quotes have been accepted by the Company not later than 1:00 p.m. Atlanta, Georgia time on the Quotation Date. The Company may accept any Competitive Bid Quote in whole or in part if the following conditions are met:

(i) the aggregate principal amount of each borrowing of a Competitive Bid Loan may not exceed the applicable amount set forth in the related Competitive Bid Quote Request;

(ii) the aggregate principal amount of each borrowing of a Competitive Bid Loan shall be at least $10,000,000 (and integral multiples of $1,000,000 in excess thereof) but shall not cause the limits specified in Section 3.3.(a) hereof to be violated;

(iii) except as provided below, acceptance of offers may be made only in ascending order of Absolute Rates in each case beginning with the lowest rate so offered; and

(iv) the Company may not accept any offer where such offer fails to comply with Section 3.3.(c) hereof or otherwise fails to comply with the requirements of this Agreement (including, without limitation, this Section 3.3.).
In the event that two or more Banks quote the same Absolute Rates for a related Interest Period and the aggregate principal amount, after acceptance of all lower Absolute Rates, is greater than the principal amount for which the Company has requested Competitive Bid Quotes, then the principal amount of Competitive Bid Loans shall be allocated by the Company in proportion to the aggregate principal amount of such offers. Determinations by the Company of the amounts of Competitive Bid Loans and the lowest bid shall be conclusive in the absence of manifest error.

(f) Bank's Obligation to Make Competitive Bid Loans. Any Bank whose offer to make any Competitive Bid Loan has been accepted shall, not later than 1:00 p.m. Atlanta, Georgia time on the date specified for the making of such Loan, make the amount of such Loan available to the Company on such date by depositing the same, in Dollars and in immediately available funds, in an account designated by the Company for the deposit of such funds. Subject to the last sentence of Section 3.3.(a), the making of Competitive Bid Loans by a Bank shall not affect or reduce the obligation of such Bank to make Syndicated Loans under Section 3.1. hereof.

(g) Repayment of Competitive Bid Loans. Unless payable earlier pursuant to the terms hereof, the Company shall repay the outstanding principal amount of, and all accrued but unpaid interest on, each Competitive Bid Loan at the end of the Interest Period applicable thereto.

SECTION 3.4. THE NOTES.

Each of the Syndicated Loans made pursuant to this Agreement shall be evidenced by a promissory note executed and delivered by the Company in form substantially the same as Exhibit A-1 attached hereto and made a part hereof (each a “Syndicated Note”), each dated the date of this Agreement, each drawn to the order of one of the Banks in the amount of such Bank's respective Commitment, and each maturing on the Termination Date. Each of the Competitive Bid Loans made pursuant to this Agreement shall be evidenced by a promissory executed and delivered by the Company in form substantially the same as Exhibit A-2 attached hereto and made a part hereof (each a “Competitive Bid Note”), each dated the date of this Agreement, drawn to the order of the Bank making such Competitive Bid Loan, and each maturing on the Termination Date. Each of the Syndicated Notes and the Competitive Bid Notes are hereinafter referred to as the "Notes" and each as a "Note". Each Bank's records with respect to advances and repayments of Loans hereunder shall, absent manifest error, be deemed to prevail as to the Company's obligations hereunder.
SECTION 3.5. INTEREST.

The Company shall pay interest on the outstanding principal amount of each Loan for the period commencing on the date of each such Loan until such Loan shall be due and payable at the rates and times set forth below.

(a) Interest on Eurodollar Rate Loans. Subject to the provisions of subsection (d) immediately below, interest on each Eurodollar Rate Loan shall be payable (i) on the last day of each Interest Period with respect thereto; provided, however, that if such Interest Period is for a period of duration in excess of three months, then such interest shall also be payable on the date three months after the first day of such Interest Period, (ii) on the date of conversion of such Eurodollar Rate Loan to a Base Rate Loan and (iii) at maturity of such Loan (and after maturity of such Loan (whether by acceleration or otherwise) upon demand), at an interest rate per annum during the Interest Period for such Loan equal to the Eurodollar Rate for the Interest Period in effect for such Eurodollar Rate Loan. Each determination by the Agent Bank of an interest rate hereunder shall be conclusive and binding on the Banks and the Company for all purposes, absent manifest error.

(b) Interest on Base Rate Loans. Subject to the provisions of subsection (d) immediately below, interest on each Base Rate Loan shall be payable quarterly in arrears on the last day of each March, June, September and December of each year and at maturity (and after maturity (whether by acceleration or otherwise) upon demand) at an interest rate per annum equal to the Base Rate.

(c) Interest on Competitive Bid Loans. Subject to the provisions of subsection (d) immediately below, interest on each Competitive Bid Loan shall be payable for each Interest Period applicable thereto on the last day of such Interest Period (and after maturity (whether by acceleration or otherwise) upon demand); provided, however, that if such Interest Period is for a period of duration in excess of three months, then such interest shall also be payable on the date three months after the first day of such Interest Period at a rate per annum equal to the Absolute Rate applicable to such Competitive Bid Loan.

(d) Interest Upon Event of Default. Any payment of principal or interest on any Loan which is not paid when due, as herein provided, shall bear interest (to the extent permitted by law) at that rate which is one-quarter of one percent (1/4%) above the Base Rate in effect on each respective day thereafter until paid in full and such interest shall be payable on demand.

(e) Prepayment. Upon prepayment of any Loan hereunder, interest accrued and unpaid on the amount so prepaid shall become due on the date of such prepayment.

(f) Computations. Interest on Base Rate Loans shall be computed on the basis of a year of 365/366 days and an actual day month. Interest on Eurodollar Rate Loans
and Competitive Bid Loans shall be computed on the basis of a year of 360 days and an actual day month.

SECTION 3.6. PLACE OF PAYMENT.

Each payment (whether required or voluntary and whether of principal or interest or both) on each Note and each payment of fees or other amounts owing by the Company hereunder shall be payable, on or before 11:00 a.m., Atlanta time, on the due date of each payment, in immediately available funds, to the Agent Bank at its Main Office at such account as the Agent Bank shall from time to time notify the Company in writing. The Agent Bank shall then immediately transmit the applicable pro rata share of such payment, in the case of a Syndicated Loan, and, subject to Section 3.8. hereof, the full amount of such payment in the case of a Competitive Bid Loan, so received by the Agent Bank in immediately available funds to each Bank entitled thereto in the manner specified by such Bank. Any required payment which would otherwise be due on a day not a Business Day shall be made on the immediately succeeding Business Day.

SECTION 3.7. VOLUNTARY PREPAYMENT.

The Company may voluntarily prepay, at any time and from time to time prior to maturity on one day's prior notice to the Agent Bank, any part or the whole of the principal of the Notes; provided, however, that any voluntary prepayment shall be in a minimum amount of $25,000,000 and integral multiples of $5,000,000 in excess thereof. Upon any such prepayment, the Company shall simultaneously pay all accrued and unpaid interest on the amount of principal voluntarily prepaid. However, any such prepayment of a Competitive Bid Loan or Eurodollar Rate Loan shall be made only on the last day of the Interest Period therefor. Any such voluntary prepayment of principal shall, in the case of a Syndicated Loan, to that extent increase the amount (immediately prior to such prepayment) of the unused Total Commitments of the Banks available to the Company under the terms of this Agreement. All voluntary prepayments provided for in this Section 3.7. shall be without premium or penalty.

SECTION 3.8. PRO RATA TREATMENT.

Except for Competitive Bid Loans and Section 3.14. hereof, and except with respect to payments to be made to a Bank pursuant to Sections 3.10., 3.15. or 12.3. and any other indemnity in favor of a Bank or Banks hereunder, each borrowing from, payment to, and utilization of and reduction of the Commitments of, the Banks hereunder shall, be prorated among the Banks according to the respective Commitments of the Banks as set forth in Section 2.2. hereof, as the same may be adjusted from time to time under Section 2.3., 3.13., 3.14. or 3.15. hereof. Each borrowing of Syndicated Loans hereunder shall (in the aggregate) be made in integral multiples of $5,000,000, with a minimum of $25,000,000; provided, however, that any Syndicated Loans made pursuant to Section 4.4.(c)(ii) may, in the aggregate, be in the amount necessary to reimburse the Agent Bank. Except as otherwise provided herein, (i) payments with respect to the outstanding principal of, or accrued interest on, the Syndicated Loans shall be made pro
rata to only those Banks that funded such Loans (including any Bank that advanced monies pursuant to the provisions of Section 2.3.(e) hereof) and not to any defaulting Bank or a Bank not otherwise participating in such Loan, (ii) so long as no Event of Default has occurred, each payment of principal and interest on the Competitive Bid Loans shall be made to the Agent Bank for the account of the respective Bank making such Competitive Bid Loan, and the principal amount of Competitive Bid Loans shall be paid on the last day of the Interest Period for such Competitive Bid Loan, (iii) after the occurrence of an Event of Default, each payment on account of principal and interest on any outstanding Loans shall be made to the Agent Bank for the account of the Banks pro rata in accordance with the aggregate principal amount of all Loans then outstanding, and (iv) all payments to be made by the Company for the account of each of the Banks on account of principal, interest and fees, shall be made without set-off or counterclaim.

SECTION 3.9. INITIAL DETERMINATION OF INTEREST RATE AND CONVERSION OF LOANS BETWEEN EURODOLLAR RATE AND BASE RATE.

Prior to the initial or any subsequent borrowings, the Company will specify the Interest Rate to be applicable to such borrowings, and on any Business Day or Eurodollar Business Day, as applicable, the Company may convert on a pro rata basis among the Banks any outstanding Base Rate Loans or Eurodollar Rate Loans into the other type of Syndicated Loans, subject to the following limitations:

(a) No such conversion of any Eurodollar Rate Loan may be made except on the last day of an Interest Period with respect thereto; and

(b) The Company shall give Agent Bank the Required Number of days notice for such borrowing or conversion.

If, at the end of an Interest Period of a Eurodollar Rate Loan, the Company has failed to specify in a timely manner the Interest Rate option applicable to such Loan for the period after the expiration of the then current Interest Period, the Company shall be deemed to have selected that such Loan shall bear interest at the Base Rate and, at the end of such Interest Period, such Loan shall automatically convert to a Base Rate Loan.

SECTION 3.10. FAILURE TO BORROW.

The Company shall indemnify and hold harmless each Bank in respect of any funding costs and/or losses in the event that any borrowing notified to the Banks pursuant to Section 3.2. or 3.3., relative to Eurodollar Rate Loans or Competitive Bid Loans, shall not be consummated because of the Company's failure to satisfy one or more of the applicable conditions precedent in Article 5. or because the Company fails to borrow such Loans at the specified time.
SECTION 3.11. COMMITMENT FEE.

The Company shall pay to the Agent Bank, for the account of the Banks to be distributed to the Banks pro rata in accordance with their respective Commitments, a Commitment Fee on the daily average amount of the Available Commitment for the period from the Effective Date to the Termination Date at the per annum percentage rate set forth below corresponding to the long term senior unsecured debt rating of the Company, as rated by S&P and Moody’s, respectively, in effect from time to time; provided, however, that, solely for purposes of calculating the Commitment Fee under this Section 3.11., the outstanding principal amount of all Competitive Bid Loans shall not be subtracted when determining the Available Commitment.

<table>
<thead>
<tr>
<th>LEVEL</th>
<th>LONG TERM SENIOR UNSECURED DEBT RATING OF THE COMPANY (S&amp;P/MOODY'S)</th>
<th>COMMITMENT FEE PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BBB+ or higher or Baa1 or higher</td>
<td>0.10%</td>
</tr>
<tr>
<td>2</td>
<td>BBB or Baa2</td>
<td>0.11%</td>
</tr>
<tr>
<td>3</td>
<td>BBB- or Baa3</td>
<td>0.125%</td>
</tr>
<tr>
<td>4</td>
<td>BB+ or Baa</td>
<td>0.15%</td>
</tr>
<tr>
<td>5</td>
<td>BB or lower or Ba2 or lower</td>
<td>0.25%</td>
</tr>
</tbody>
</table>

Commitment Fee shall be computed on the basis of a year of 365/366 days, on an actual day month. Accrued Commitment Fee shall be payable in arrears and in immediately available funds on the last day of each March, June, September and December during the term of this Agreement and on the Termination Date, commencing on June 30, 1997. The Agent Bank shall forthwith pay to each Bank its ratable share of each payment of Commitment Fee under this Section 3.11. in immediately available funds.

The Agent Bank shall determine the Commitment Fee from time to time in accordance with the above table and notify the Company and the Banks of such determination from time to time. In the event the S&P Rating and the Moody’s Rating correspond to different levels on the above table resulting in different Commitment Fee determinations, the following provisions shall apply. In the event the S&P Rating and the Moody’s Rating differ by one level, the Commitment Fee shall be that corresponding to the higher Rating. For example, a "BBB+" S&P Rating and a "Baa2" Moody’s Rating would result in a Commitment Fee percentage equal to 0.10%. In the event the S&P Rating and the Moody’s Rating differ by two levels, the Commitment Fee shall be that corresponding to that level which is in between the two applicable levels. For example, a "BBB" S&P Rating and a "Baa1" Moody’s Rating would result in a Commitment Fee percentage equal to 0.125%. In the event the S&P Rating and the Moody’s Rating differ by three levels, the Commitment Fee shall be that corresponding to the level immediately above the lower of such Ratings. For example, a "BBB+" S&P Rating and a “Ba1” Moody’s Rating would result in a Commitment Fee percentage equal to 0.125%. In the event the S&P Rating and the Moody’s Rating differ by four levels (i.e. a ratings split between level 1 and level 5), then the Commitment Fee shall be that corresponding to
level 4. For example a "BBB+" S&P Rating and a "Ba2" Moody's Rating would result in a Commitment Fee percentage equal to 0.15%.

In the event only one rating agency exists or continues rating the Company's long term senior unsecured debt, such agency's rating shall be used for purposes of the above table. In the event: (i) neither agency exists or continues rating the Company’s long term senior unsecured debt or (ii) the Company no longer has any outstanding long term senior unsecured debt to be rated, the Commitment Fee for the first 90 days after such occurrence shall be the Commitment Fee in effect as determined using the above immediately prior to such occurrence. During such 90-day period, the Agent Bank and the Company shall negotiate in good faith to agree upon a new pricing grid or other appropriate pricing terms. Any such new grid or pricing terms shall be approved by the Majority Banks. In the event the Agent Bank, the Company and Majority Banks cannot agree upon such new pricing grid or pricing terms by the end of such 90-day period, the Commitment Fee shall be that corresponding to level 3 of the above table for the remainder of the term of this Agreement.

Any necessary adjustment in the Commitment Fee pursuant to the terms hereof shall become effective immediately upon any change in a Rating.

SECTION 3.12. TERMINATION OF CREDIT FACILITY.

Unless earlier terminated pursuant to the terms hereof, the Commitments of the Banks, and the Credit Facility, shall terminate on the Termination Date. Accordingly, the Company shall pay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Loans and Notes, together with any and all other amounts owing by the Company to the Bank, the Letter of Credit Banks and the Agent Bank hereunder or under the Notes, on the Termination Date.

SECTION 3.13. OPTIONAL REDUCTION OF COMMITMENTS.

The Company shall have the right at any time or from time to time upon not less than two Business Days' prior written notice to the Agent Bank to reduce the Total Commitments of the Banks, in whole or in part, provided that each partial reduction shall be in an aggregate amount of not less than $25,000,000 and an integral multiple of $5,000,000, and shall reduce the respective Commitments of all the Banks proportionately; provided, however, that the Company shall not reduce the Total Commitments of the Banks to an amount which is less than the aggregate of (i) the aggregate principal amount of all Eurodollar Rate Loans and Competitive Bid Loans having Interest Periods ending after the effective date of the reduction plus (ii) the Stated Amount of all Letters of Credit with an expiration date after the effective date of the reduction; and further, provided, that in no event shall the Total Commitments of the Banks be reduced to an amount less than $400,000,000, unless the Total Commitments of the Banks are terminated in full. The Agent Bank shall give prompt written notice to each Bank of each such reduction. Upon any optional reduction of the Total Commitments of the Banks, the Company shall prepay such amount of each Bank’s outstanding Loans, if
any, as may be necessary so that after such prepayment the sum of the aggregate unpaid principal amount of such Bank's Loans, such Bank's pro rata share of unpaid Reimbursement Obligations, and such Bank's liability in respect of all outstanding Letters of Credit does not exceed the amount of such Bank's Commitment as then reduced. Once the Company voluntarily reduces the Commitments pursuant to this Section 3.13., the Company may not thereafter increase the Commitments pursuant to Section 2.3. or otherwise.

SECTION 3.14. SUBSTITUTION OF BANKS.


If any Bank shall default in the performance of its Commitment, whether in whole or in part, then:

(a) such default shall not relieve any other Bank of its Commitment; and

(b) the Company may, with the prior written approval of the Agent Bank (such approval not to be unreasonably withheld), terminate the Commitment of such defaulting Bank and arrange for the Commitment of the defaulting Bank to be taken over by one or more of the other Banks, and to the extent that such other Banks will not take over such Commitment, arrange for its assumption by one or more banks which are not at that time parties hereto, each of which banks shall, except as otherwise provided herein upon execution and delivery to the Company of a counterpart hereof, become a Bank hereto to the extent of the Commitment taken over by it; and

(c) the defaulting Bank shall immediately refund to the Company that portion of all Commitment Fees which have been paid to it by the Company with respect to the amount of its Commitment not made available to the Company and shall be liable to the Company for any and all additional costs and expenses incurred by the Company in connection with arranging, obtaining and funding any substitute loan or loans and/or substitute commitment or commitments; provided, however, that neither the payments by a defaulting Bank required by this subsection, nor any action of the Company pursuant to this Section 3.14., nor the prepayment of Notes pursuant to Section 3.14.2 hereof shall constitute a waiver of or release of any right which the Company shall have against the defaulting Bank for its failure to perform its obligations hereunder.

3.14.2.

Loans previously made hereunder by a defaulting or withdrawing Bank, or any portion thereof, which are included in the Commitment taken over by any other Bank or Banks or by a bank or banks not then parties hereto, shall be prepaid by the Company without penalty or premium but subject to offset of the amounts due from such withdrawing Bank pursuant to Section 3.14.1(c).
3.14.3.

From time to time, the Company may replace a non-defaulting Bank (the "Replaced Bank") with another financial institution (or institutions) desiring to be a Bank hereunder (the "New Bank(s)") and/or with one or more Banks already a party hereto ("Existing Bank(s)"") so long as (a) the Replaced Bank consents in writing to such replacement and receives all amounts owing to such Replaced Bank hereunder on the effective date of such replacement, (b) the New Bank(s) and/or Existing Bank(s), as the case may be, assume(s) all of the obligations of a Bank hereunder having a Commitment equal to the Replaced Bank's by executing, in the case of a New Bank(s), a letter agreement in substantially the form of Exhibit C-1 attached hereto, or, in the case of an Existing Bank(s), a letter agreement in substantially the form of Exhibit C-2 hereto, (c) the Commitment(s) of the New Bank(s), together with the additional Commitment(s) of the Existing Bank(s) assumed by the Existing Bank(s) pursuant hereto, is equal to the Commitment of the Replaced Bank and (d) the Company and the Agent Bank acknowledge and consent that the New Bank(s) shall become a Bank hereunder (and/or that the Existing Bank(s) shall have an additional Commitment hereunder equal to that of the Replaced Bank) by signing the respective acknowledgments contained in the appropriate letter agreement referred to in subparagraph (c) above.

3.14.4.

Upon the increase in any Bank's Commitment or any bank or banks becoming a party to this Agreement as herein provided, the Company shall immediately furnish to all Banks which are then parties hereto notice of (a) the increased Commitment of such Bank, or (b) the names and addresses of such bank or banks together with the amount of the Commitment of each such bank or banks.

3.14.5.

The respective amounts of the Commitments under Section 2.2. hereof shall be adjusted from time to time to reflect any changes made pursuant to this Section 3.14. and notice of such adjustments shall be given by the Company at the time thereof to each Bank or bank then a party hereto. Such adjusted amounts of Commitments shall thereupon become the basis for pro rata treatment under Section 3.8. of this Agreement.


Upon the termination in whole of the Commitment of any Bank or any bank which has become a party hereto, and the prepayment of all Loans previously made under such Commitment, all as provided in this Section 3.14., such Bank or bank shall cease to be a party to this Agreement except as otherwise provided herein.
SECTION 3.15. CAPITAL REQUIREMENTS.

If, as a result of the adoption after the date of this Agreement, of any applicable law, rule or regulation affecting capital adequacy or capital maintenance, or any change after the date of this Agreement in the interpretation or administration of any law, rule or regulation affecting capital adequacy or capital maintenance in existence as of the date hereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by such Bank with any request or directive affecting capital adequacy or capital maintenance (whether or not having the force of law) of any such authority, central bank or comparable agency, any Bank determines that such adoption, change or compliance has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of its Commitment or Loans or its commitment to issue, participate in or maintain Letters of Credit to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, such Bank shall give prompt notice to the Company and the Agent Bank, and then from time to time, within 15 days after submission by such Bank to the Company (with a copy to the Agent Bank) of a written request therefor, the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction. Any request submitted by a Bank to the Company pursuant to this Section 3.15. shall contain such calculations of the amounts requested therein as such Bank shall deem reasonable in view of its customary practices, and shall be submitted as soon as practicable, but in any event the initial such request shall be submitted not more than 90 days after such Bank becomes aware of the event by reason of which such request is being submitted. Subsequent requests by such Bank shall be submitted quarterly. If any Bank requests payment of any amount from the Company pursuant to this Section 3.15., the Company may, pursuant to arrangements and documentation satisfactory to the Company and the Agent Bank, prepay the outstanding Loans, fees, and any other amounts due to such Bank in full and terminate the Commitment of such Bank and the Company may at its option arrange for all or part of the Commitment of such Bank to be taken over by one or more of the other Banks and, to the extent such other Banks do not take over such Commitment or part thereof, arrange for it to be taken over in whole or in part by a bank or banks not a party hereto, each of which banks shall, except as otherwise provided herein upon execution and delivery to the Company of a counterpart hereof, become a full party hereto to the extent of the Commitment taken over by it. Upon any bank or banks becoming a party to this Agreement as herein provided, the Company shall immediately furnish to all Banks which are then parties hereto the names and addresses of such bank or banks together with the amount of the Commitment of each such bank or banks. The respective amounts of the Commitments under Section 2.2. hereof shall be adjusted from time to time to reflect any changes made pursuant to this Section 3.15. and notice of such adjustments shall be given by the Company at the time thereof to each Bank or bank then a party hereto. Such adjusted amounts of Commitments shall thereupon become the basis for pro rata treatment under Section 3.8. of this Agreement. Upon the termination in whole of the Commitment of any Bank or any bank which has become a party hereto, and the
SECTION 3.15. PREPAYMENT OF LOANS.

Prepayment of all Loans previously made under such Commitment, all as provided in this Section 3.15., such Bank or bank shall cease to be a party to this Agreement except as otherwise provided herein.

SECTION 3.16. MANDATORY TERMINATION OF COMMITMENTS UPON CHANGE IN CONTROL.

In the event that (i) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934), directly or indirectly, of securities of the Company (or other securities convertible into such securities) representing fifty percent (50%) or more of the combined voting power of all securities of the Company entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency, or (ii) during any period of up to twelve (12) consecutive months, commencing before or after the date of this Agreement, individuals who at the beginning of such twelve (12) month period were directors of the Company shall cease for any reason (other than death, mental or physical disability, or retirement) to constitute a majority of the board of directors of the Company, then: (a) the Commitments of the Banks to the Company hereunder shall be immediately terminated, (b) any amounts outstanding under the Notes or under this Agreement shall, notwithstanding any other provisions of this Agreement or the Notes, become immediately due and payable, and (c) the Company shall immediately deposit as cash collateral, with the Agent Bank, an amount equal to the Stated Amount of all outstanding Letters of Credit.

SECTION 3.17. AGENT FEES.

The Company agrees to pay to the Agent Bank a fee to compensate the Agent Bank for the administration of the Credit Facility, including a fee for the administration of requests and offers to make Competitive Bid Loans, and for other services, such fee to be agreed upon by the Agent Bank and the Company.

SECTION 3.18. EXTENSION OF TERM OF CREDIT FACILITY.

The Company may request up to two successive one (1) year extensions of the Termination Date. The Company shall deliver the initial request for extension to the Agent Bank at least ninety days prior to the first anniversary of the Effective Date and, in the case of the request for the second extension, at least ninety days prior to the second anniversary of the Effective Date (each such request for an extension, an "Extension Request"). The Agent Bank shall immediately forward each Extension Request to the Banks. Each Bank shall have the right, as to its Commitment, in its sole and absolute discretion, to approve or disapprove the requested extension of the Credit Facility. Each Bank shall, within forty-five days after the receipt by the Agent Bank of any Extension Request, notify the Agent Bank whether such Bank shall extend its Commitment to the requested extended Termination Date. In the event that not all of the Banks approve the applicable Extension Request, the Credit Facility shall terminate on the then current Termination Date and all Loans, and all accrued but unpaid interest thereon and all other
amounts owing by the Company to the Banks and the Agent Bank hereunder, shall be due and payable on the then current Termination Date. However, and notwithstanding the foregoing, in the event Banks having Commitments aggregating $400,000,000 or more approve the applicable Extension Request (such Banks so approving the Extension Request referred to herein as the “Approving Banks”) and one such Approving Bank is the Agent Bank, the Credit Facility and the obligation to make Loans thereunder, solely as to the Approving Banks, shall continue and shall remain in full force and effect on the same terms and conditions of this Agreement. The Credit Facility as so extended as to the Approving Banks shall become effective on the first day after the Termination Date that would have then occurred but for an extension thereof as contemplated by this Section 3.18. Further, any reference to "Commitments" and to "Total Commitment of the Banks" as it relates to the Credit Facility as extended pursuant to this Section 3.18., shall refer only to the Commitments of the Approving Banks. In no event shall a Bank that is not an Approving Bank (a "Terminating Bank") be obligated to participate in the Credit Facility as so extended and the Company shall pay, on the Termination Date that would have then occurred but for an extension thereof as contemplated by this Section 3.18., all Loans made by a Terminating Bank, and all accrued interest thereon, and all other amounts owing to such Terminating Bank hereunder.

ARTICLE 4. LETTER OF CREDIT FACILITY

SECTION 4.1. LETTERS OF CREDIT.

(a) Subject to the terms and conditions of this Agreement, the Letter of Credit Banks, on behalf of the Banks, agree to issue and amend (including without limitation, to extend or renew) for the account of the Company one or more standby letters of credit (which may be direct pay letters of credit) (individually, a "Letter of Credit" and collectively, the "Letters of Credit"), in such form as may be requested from time to time by the Company and agreed to by the applicable Letter of Credit Bank, from and including the Effective Date to the Termination Date, up to a maximum aggregate Stated Amount at any one time outstanding equal to the L/C Commitment Amount; provided, however, that the Stated Amount of any Letter of Credit issued pursuant to this Section 4.1. shall not exceed the Available Commitment at the time of such issuance; and further, provided, that the expiration date of any Letter of Credit shall not extend beyond the Termination Date. A request for a Letter of Credit shall be pursuant to a letter of credit application form in form and substance satisfactory to the applicable Letter of Credit Bank.

(b) Each Bank severally agrees that it shall be absolutely, unconditionally and irrevocably liable, without regard to the occurrence of any Default or Event of Default or any condition precedent whatsoever, to the extent of such Bank's pro rata share of the Total Commitments of the Banks, to reimburse each Letter of Credit Bank for the amount of each Drawing paid by such Letter of Credit Bank under each Letter of Credit issued by such Letter of Credit Bank to the extent such amount is not reimbursed by the Company pursuant to Section 4.4. hereof. Each Bank's obligation to reimburse the applicable Letter of Credit Bank pursuant to this Section 4.1.(b) shall not be affected by any circumstance,
including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against a Letter of Credit Bank, the Company, any direct or indirect beneficiary of any Letter of Credit, the Agent Bank or any other Person whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Company; (iv) any breach of this Agreement by the Company, the Agent Bank or any other Bank; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided, however, that the Banks shall not be obligated to reimburse a Letter of Credit Bank pursuant to this Section 4.1.(b) with respect to a Letter of Credit if (i) such Letter of Credit Bank has made payment pursuant to a Drawing with respect to such Letter of Credit and the making of such payment constituted gross negligence or willful misconduct on the part of such Letter of Credit Bank or (ii) a Letter of Credit Bank issues such Letter of Credit after an Event of Default has been declared by any Bank or the Majority Banks pursuant to Article 9. hereof and written notice thereof has been received by such Letter of Credit Bank or after an Event of Default specified in Section 9.1.(c) hereof has occurred. Each Bank's obligation to reimburse a Letter of Credit Bank shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Reimbursement Obligation of the Company is rescinded or must otherwise be restored or returned by such Letter of Credit Bank upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Company or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Company or any substantial part of its property, or otherwise, all as though such payment had not been made. Upon receipt of a notice of its obligation to reimburse a Letter of Credit Bank prior to 11:00 a.m. on a Business Day, a Bank shall make such reimbursement on such Business Day; if such notice is received after 11:00 a.m., reimbursement shall be due on the next Business Day. The failure of any Bank to honor its obligations hereunder shall not relieve any other Bank of its duty to honor its obligations hereunder. Upon the written request of a Bank, a Letter of Credit Bank shall deliver to such Bank a copy of any Letter of Credit and copies of all material documents delivered to such Letter of Credit Bank in connection with any Drawing with respect to such Letter of Credit.

(c) Each payment made by a Bank to a Letter of Credit Bank pursuant to paragraph (b) above shall be treated as the purchase by such Bank of a participating interest in the Company's Reimbursement Obligation under Section 4.4. hereof in an amount equal to such payment. Each Bank, so long as it has made the payment required to be made by it pursuant to Section 4.1.(b) hereof, shall share in accordance with its pro rata share of the Total Commitments of the Banks in any interest which accrues pursuant to Section 4.4.(b) hereof. All amounts recovered by the Agent Bank hereunder or under the Notes and which are applied by the Agent Bank to the Reimbursement Obligations of the Company under Section 4.4. hereof shall be distributed by the Agent Bank to the Banks who have made the payments required to be made by them pursuant to Section 4.1.(b) hereof pro rata in accordance with their respective share of the Total Commitments of the Banks.

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(d) If and to the extent that any Bank shall fail to make available to a Letter of Credit Bank the amount required to be paid by such Bank pursuant to Section 4.1.(b) hereof, such Letter of Credit Bank shall be subrogated to the rights of such Bank under this Agreement to the extent of such failure and shall thereafter (until such Bank shall make such amount available to such Letter of Credit Bank) be entitled to receive all amounts owing by such Bank hereunder and to the percentage of voting rights of such Bank under this Agreement equal to the percentage the amount such Bank failed to pay bears to the aggregate Stated Amount of all outstanding Letters of Credit issued by such Letter of Credit Bank and the aggregate unpaid principal of all outstanding Syndicated Loans at such time. If any Bank fails to reimburse a Letter of Credit Bank as provided in Section 4.1.(b) hereof, such unreimbursed amount shall bear interest from the date due until paid at the applicable overnight federal funds rate.

SECTION 4.2. METHOD OF ISSUANCE OF LETTERS OF CREDIT.

(a) Notice of Issuance. The Company shall give the Agent Bank written notice or telephonic notice confirmed in writing at least three Business Days prior to the requested date of issuance of a Letter of Credit, and the Agent Bank shall give immediate notice thereof to the applicable Letter of Credit Bank.

(b) Issuance. Provided the Company has given the notice prescribed by Section 4.2.(a) and subject to the other terms and conditions of this Agreement, the applicable Letter of Credit Bank shall issue the requested Letter of Credit on the date of issuance on behalf of the Banks for the benefit of the stipulated beneficiary and shall deliver the original of such Letter of Credit to the beneficiary at the address specified in the Company's notice. At the request of the Company, the applicable Letter of Credit Bank shall deliver a copy of each Letter of Credit to the Company within a reasonable time after the date of issuance thereof. Upon the written request of the Company, the applicable Letter of Credit Bank shall deliver to the Company a copy of any Letter of Credit proposed to be issued hereunder prior to the issuance thereof.

(c) Reporting to Banks. The Agent Bank shall report to the Banks on a quarterly basis the aggregate Stated Amount of all Letters of Credit then outstanding and such other information concerning the Letters of Credit as a Bank shall reasonably request. The Agent Bank shall promptly deliver to each Bank copies of any Letter of Credit issued hereunder or any amendment thereto. Other than as set forth in this paragraph (c), the Agent Bank shall have no duty to notify the Banks regarding the issuance or other matters regarding Letters of Credit issued hereunder. The failure of the Agent Bank to perform its requirements under this paragraph (c) shall not relieve the Banks' reimbursement obligations under Section 4.1.(b) hereof.

SECTION 4.3. LETTER OF CREDIT FEES.

(a) The Company hereby agrees to pay to the Agent Bank, for the account of the Banks, to be distributed to the Banks pro rata in accordance with their respective Commitments, a letter of credit fee on the Stated Amount of each outstanding Letter of Credit.
(b) In addition to the fees set forth in (a) above, the Company shall pay to (x) the Agent Bank for the account of each Letter of Credit Bank (i) a fronting fee on the Stated Amount of each Letter of Credit issued by such Letter of Credit Bank at a per annum rate of 0.125%, such fee to be calculated on the Stated Amount from the date of issuance to the earlier of (x) the date of expiration or termination of such Letter of Credit or (y) the date of the final Drawing with respect to such Letter of Credit, based on a year of 360 days and an actual day month, and payable quarterly in arrears on the last day of each March, June, September and December during the term of this Agreement and on the expiration date or date of final Drawing of each such Letter of Credit, and (ii) all out-of-pocket fees and disbursements incurred by such Letter of Credit Bank in connection with the issuance or amendment of a Letter of Credit and any administrative fee normally charged by the International Department of such Letter of Credit Bank in connection with the issuance or amendment by such department of letters of credit, and (y) each Letter of Credit Bank such other fees as may be agreed to by the Company and such Letter of Credit Bank from time to time.

SECTION 4.4. LETTER OF CREDIT REIMBURSEMENT.

(a) Notice of Drawing. The applicable Letter of Credit Bank shall promptly notify the Company, the Agent Bank and each Bank by telephone, telex, telex or other telecommunication of any Drawing under a Letter of Credit it has issued and of the anticipated payment date. On the payment date, the Letter of Credit Bank shall confirm to the Company, the Agent Bank and each Bank by telephone or telexcopy that payment of the Drawing is to be made by the Letter of Credit Bank on such date.

(b) Payments. The Company hereby agrees absolutely and unconditionally to pay to the Agent Bank on behalf of the applicable Letter of Credit Bank, in the manner provided in Section 4.4.(c):

(i) On each date a Drawing is paid, an amount equal to the amount paid by such Letter of Credit Bank under any Letter of Credit plus associated fees and charges; and

(ii) If any Drawing shall be reimbursed to the Agent Bank after 2:00 p.m. (Atlanta time) on the payment date, interest on any and all amounts required to be paid pursuant to clause (i) of this Section 4.4.(b) from and after the due date...
thereof until payment in full, payable on demand, at an annual rate of interest equal to the Base Rate.

(c) Method of Reimbursement. The Company shall reimburse the Agent Bank (which shall immediately forward such funds, in the form received, to the applicable Letter of Credit Bank) for each Drawing under any Letter of Credit in the following manner:

(i) the Company shall immediately reimburse the Agent Bank in accordance with Section 3.6. hereof; or

(ii) (A) if the Company has not reimbursed the Agent Bank pursuant to subparagraph (i) above and (B) the conditions set forth in Section 5.2. hereof have been fulfilled and (C) sufficient funds are available within the limits of the amount of Loans that may be borrowed as provided in Article 2. hereof, with the proceeds of a Loan; or

(iii) the Agent Bank may debit any deposit account of the Company maintained with the Agent Bank and appropriate and apply an amount of funds in such account equal to the Reimbursement Obligations outstanding at such time in satisfaction of the Company's obligations set forth in subparagraph (i) above.

(d) Syndicated Loans to Fund Drawings. Upon any Drawing, the Agent Bank shall notify the Banks if the Company has elected to reimburse the applicable Letter of Credit Bank using the proceeds of Syndicated Loans. Upon receipt of such notice and if the conditions set forth in subparagraph (c)(ii) above have been satisfied, each Bank agrees to deliver to the Agent Bank its pro rata share of the amount of Syndicated Loans necessary to reimburse such Letter of Credit Bank for any payment made by such Letter of Credit Bank pursuant to such Drawing not later than one Business Day after receipt of such notice. Any funds delivered to the Agent Bank under this paragraph (d) shall be delivered in the manner set forth in the fourth sentence of Section 3.2. hereof. The parties agree that the notice provisions for making Syndicated Loans as provided in Section 3.2. hereof shall apply to the making of Syndicated Loans as contemplated by this paragraph (d).

(e) Obligations Absolute. The obligations of the Company under this Article 4. (and, if applicable in the event of the failure of the Company to so reimburse a Letter of Credit Bank, the obligations of the Banks under this Article 4,) shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(i) any lack of validity or enforceability of all or any of this Agreement, the Notes, the letter of credit applications and other related documents and any other agreements relating to the Letters of Credit (the "Related Documents");
(ii) any amendment or waiver of or any consent to or departure from the terms of the Related Documents;

(iii) the existence of any claim, set-off, defense or other rights which the Company may have at any time against any direct or indirect beneficiary of any Letter of Credit, any Bank, the Agent Bank or any other Person, whether in connection with the Related Documents or any unrelated transaction;

(iv) any statement or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(v) payment by the applicable Letter of Credit Bank under any Letter of Credit against presentation of a sight draft or certificate which does not comply with the terms of such Letter of Credit, provided that such payment shall not have constituted gross negligence or willful misconduct of such Letter of Credit Bank; and

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, provided that such other circumstance or happening shall not have been the result of gross negligence or willful misconduct of the applicable Letter of Credit Bank.

SECTION 4.5. LETTER OF CREDIT BANKS.

(a) Liability of Letter of Credit Banks to Other Banks. No Letter of Credit Bank shall be liable to any Bank or to any other participant in the Letters of Credit for any error in judgment or for any action taken or omitted to be taken by such Letter of Credit Bank except for actions of such Letter of Credit Bank constituting gross negligence or willful misconduct.

(b) Liability of the Letter of Credit Banks to Company/Banks. The Company assumes all risks of the acts or omissions of any beneficiary of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Letter of Credit Bank nor any of its officers or directors shall be liable or responsible to the Company or the Banks for:

(i) the use which may be made of any Letter of Credit or for any acts or omissions of any beneficiary in connection therewith;

(ii) the validity, sufficiency or genuineness of documents presented under any Letter of Credit even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged;

(iii) payment by the applicable Letter of Credit Bank against presentation of documents which do not comply with the terms of the Letter of Credit Bank.
Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or

(iv) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit;

except only that the Company (and, if applicable, the Banks) shall have a claim against the applicable Letter of Credit Bank to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Company which were caused by (i) the applicable Letter of Credit Bank's willful misconduct or gross negligence in determining whether documents presented under any Letter of Credit comply with the terms of such Letter of Credit or (ii) the applicable Letter of Credit Bank's willful misconduct or gross negligence in failing to pay under any Letter of Credit after the presentation to it by the beneficiary of such Letter of Credit of a sight draft and certificate strictly complying with the terms and conditions of such Letter of Credit.

ARTICLE 5. CONDITIONS TO EFFECTIVENESS OF AGREEMENT, FOR BORROWINGS AND ISSUANCE OF LETTERS OF CREDIT

SECTION 5.1. EFFECTIVENESS, INITIAL BORROWING AND ISSUANCE OF LETTERS OF CREDIT

This Agreement shall not become effective, the Banks shall not be obligated to make the initial Loans and the applicable Letter of Credit Bank shall not be obligated to issue the initial Letter of Credit hereunder until the Company shall have furnished to the Agent Bank the following, each dated (unless otherwise indicated) the date of this Agreement, in form and substance satisfactory to the Agent Bank:

(a) The Notes, payable to the order of each of the Banks in the amounts of their respective Commitments, duly executed and delivered by the Company; and

(b) An Officer's Certificate stating that: (i) the representations and warranties contained in Article 6. hereof are true on and as of such date, except to the extent of changes caused by the transactions herein contemplated; and (ii) the Company has received a certificate of independent certified public accountants of national standing selected by the Company, stating that such accountants have reviewed the federal income tax returns of the Company for the fiscal years ended June 30, 1988 to 1996, inclusive, and the provisions for payment of federal income taxes for such fiscal years, as reflected in the financial statements of the Company certified by an independent certified public accountant for those years, and that in the opinion of such certifying accountants either such returns properly reflect the Company's federal income taxes for the periods covered thereby or the Company has paid, or made adequate provision for the payment of, all federal income taxes for such fiscal years; and
(c) An incumbency certificate for the Chairman of the Board, the President, the principal financial officers, and other persons who will sign the Notes pursuant to this Agreement on behalf of the Company; and

(d) A copy of the Company's Board of Directors' resolutions authorizing the borrowings under this Agreement, certified by the Secretary or an Assistant Secretary of the Company as being in full force and effect as of the date of the Effective Date; and

(e) a favorable opinion from counsel for the Company stating that:

(i) The Company is a corporation duly organized, existing and in good standing under the laws of the State of Delaware, and the execution, delivery and performance of this Agreement and the Notes are within the Company's corporate powers;

(ii) The Company has the necessary corporate power to carry on its business as then being conducted;

(iii) The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification necessary;

(iv) The Company is a duly certificated air carrier and there are in force all permanent or temporary certificates or other appropriate legal authority issued by appropriate governmental authorities to authorize the Company to engage in intrastate, interstate, overseas and foreign air transportation of persons, property and mail over the routes then operated by the Company;

(v) The Company has title to all of the flight equipment which it owns free and clear of all liens and encumbrances except as permitted by this Agreement;

(vi) All leases of flight equipment to which the Company is a party are valid and binding upon the lessors;

(vii) No consent of stockholders of the Company to the chattel mortgage or mortgages referred to in Section 7.6. hereof is required by law or by the Certificate of Incorporation or Bylaws of the Company or otherwise;

(viii) All corporate steps necessary to authorize the execution and delivery of this Agreement and the Notes and the Company's performance thereunder have been taken and no consent, approval, authorization, permit or license from any federal, state or other regulatory authority is required in connection therewith;
(ix) The borrowings hereunder, or the giving of the Notes, will not violate any provision of the Delaware Corporation Law or the Company's Certificate of Incorporation or Bylaws or any agreement, indenture, note or other instrument evidencing any material indebtedness for money borrowed to which the Company is a party or by which the Company or its assets is bound; and

(x) This Agreement and the Notes being issued to evidence such borrowings are legal, valid and binding obligations of the Company enforceable in accordance with their respective terms, subject, however, to limitations imposed by law in connection with bankruptcy and similar proceedings.

(f) A letter in the form of Exhibit G attached hereto duly executed by the Company.

SECTION 5.2. ALL BORROWINGS.

The Banks shall not be obligated to make any advance under the Notes, including the initial advance, and any Letter of Credit Bank shall not be obligated to issue any Letter of Credit, including the initial Letter of Credit, unless at the time thereof the Company shall have furnished to the Agent Bank an Officer's Certificate bearing that date, and stating that:

(a) There exists on that date no Default or Event of Default;

(b) There exists on that date no Event of Default or default under any instrument evidencing or any agreement given in connection with Funded Debt of the Company;

(c) Such borrowing or issuance of such Letter of Credit will not contravene any agreement, indenture or instrument to which the Company is a party or by which it may be bound and which is material to the financial condition of the Company; and

(d) The representations and warranties contained in Sections 6.1., 6.3., 6.4., 6.7.(a), 6.7.(c), 6.8., 6.9., 6.10., 6.11., 6.13., and 6.14. hereof are true on and as of such date, except to the extent of changes caused by the transactions herein contemplated.

(e) The extension(s) of credit being made on such date are legal, valid and binding obligations of the Company, the resolutions of the Board of Directors of the Company referred to in Section 5.1.(d) hereof remain in full force and effect, and the officers of the Company requesting such advances are duly authorized and empowered to do so.

Further, any conversion of a Syndicated Loan from one type to another as contemplated by Section 3.9. hereof shall be deemed to be a representation by the
ARTICLE 6. REPRESENTATIONS AND WARRANTIES

The Company hereby represents, covenants and warrants to the Agent Bank, the Letter of Credit Banks and each of the Banks as follows:

SECTION 6.1. ORGANIZATION; STANDING, ETC.

The Company is a corporation duly organized and existing under the laws of the State of Delaware, has the corporate power to own its property and carry on its business as being conducted, and is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction in which the nature of the business conducted by it makes such qualification necessary.

SECTION 6.2. FINANCIAL STATEMENTS.

The Company has furnished the Banks with the following financial statements, identified by the certificate of a principal financial officer of the Company: balance sheets of the Company as at June 30, 1995 and June 30, 1996, and income and reinvested earnings statements of the Company for the years ended on such dates, respectively, all certified by Arthur Andersen LLP. Such financial statements are true and correct and have been prepared in accordance with generally accepted accounting principles consistently followed throughout the periods involved. The balance sheets and their accompanying notes present fairly the condition of the Company as of the dates thereof, and the income and reinvested earnings statements present fairly the results of the operations of the Company for the periods indicated. There has been no material adverse change in the condition or operation of the Company since December 31, 1996.

SECTION 6.3. LITIGATION.

There is no action or proceeding pending or threatened against the Company before any court or administrative agency which, in the reasonable opinion of the Company, is likely to be determined in a manner which would result in any material adverse change in the condition or operation of the Company and the Company is not in default with respect to any order, writ, injunction or decree of any court or administrative agency, which would have a material adverse effect on the Company.

SECTION 6.4. BUSINESS; STATUS AS AIR CARRIER.

(a) The Company is a duly certificated air carrier and there are in force any certificates or other appropriate authority issued by appropriate governmental authorities necessary to authorize the Company to engage in intrastate, interstate, overseas and
foreign air transportation of persons, property and mail over the routes operated by the Company; and

(b) no proceedings are pending or threatened, by or before any public body, agency or authority, domestic or foreign, including but not limited to proceedings to alter, amend, modify, suspend or revoke such certificates in whole or in part, which might seriously affect adversely the income from, title to, or possession of, any of the properties of the Company, to an extent which would constitute a material adverse change in the business or condition of the Company.

SECTION 6.5. FUNDED DEBT.

The Company does not have outstanding any Funded Debt except as set forth on Schedule I to this Agreement; and there exists no default under the provisions of any instrument evidencing such indebtedness or agreement relating thereto.

SECTION 6.6. TITLE TO PROPERTIES, ETC.

The Company and its Subsidiaries have good and marketable title to their properties and assets, including the properties and assets reflected in the balance sheets described in Section 6.2. hereof, subject to no mortgage, pledge, encumbrance, lien or charge of any kind except mortgages, pledges, encumbrances, liens or charges permitted by Section 8.1. hereof.

SECTION 6.7. TAX RETURNS AND PAYMENTS.

(a) The Company has filed all federal income tax returns which are required to be filed, and has paid all taxes as shown on said returns and on all assessments received by it to the extent that such taxes (other than those which the Company is contesting in good faith by appropriate proceedings being diligently conducted) have become due;

(b) The federal income tax liability of the Company has been finally determined by the Internal Revenue Service and satisfied for all fiscal years prior to and including the fiscal year ended June 30, 1992, except for a pending refund claim filed by the Company with the Internal Revenue Service with respect to the fiscal year ended June 30, 1984;

(c) All other tax returns and reports of the Company which are required to be filed have been duly filed, and all taxes and government charges (other than those for which payment may be withheld without penalty or those which the Company is contesting in good faith by appropriate proceedings being diligently conducted) upon the Company, its assets, income or franchises which are due and payable have been paid.

SECTION 6.8. COMPLIANCE WITH OTHER INSTRUMENTS.

The Company is not a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects its business, property

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or assets, or financial condition; neither the execution nor delivery of this Agreement nor the Notes herein described, nor fulfillment of nor compliance with the terms and provisions hereof and of the Notes will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, the Certificate of Incorporation or Bylaws of the Company or of any agreement or instrument to which the Company is now a party, which breach would have a material adverse effect on the condition or operation of the Company.

SECTION 6.9. OFFERING OF NOTES.

Neither the Company nor any agent acting on its behalf has offered the Notes to be issued hereunder for sale to, or solicited any offers to buy the said Notes from, any Person other than the Banks signatory to this Agreement, and neither the Company nor any agent acting on its behalf will take any action which would subject the issuance or sale of the said Notes to the provisions of Section 5 of the Securities Act of 1933, as amended.

SECTION 6.10. USE OF PROCEEDS.

The Company is not engaged, principally or as one of the Company's important activities, in the business of purchasing or carrying any "margin stock" as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System and no part of the proceeds of any advance hereunder will be used to purchase or to carry any such stock or to extend credit to others for the purpose of purchasing or carrying any such stock.

SECTION 6.11. GOVERNMENTAL REGULATION.

No consent, approval, authorization, permit or license from any federal, state or other regulatory authority is required in connection with the making, delivery or performance of this Agreement or the Notes by the Company.

SECTION 6.12. SUBSIDIARIES.

Schedule II is a complete and correct list of all present Subsidiaries, all of which are corporations duly incorporated, in good standing and with corporate power to transact the business presently conducted by them. Except as disclosed in Schedule II, the Company owns, directly or indirectly through one or more Subsidiaries, all the shares of each of the Subsidiaries (except directors' qualifying shares, if any), and all such shares are validly issued, fully paid and non-assessable and are free and clear of all liens and rights of others whatsoever.

SECTION 6.13. ERISA.

The Company and each Subsidiary have met their minimum funding requirements under the Employee Retirement Income Security Act of 1974, as amended from time to time, with respect to all their employee benefit plans covered by the minimum funding
requirements of said Act, and have not incurred any material liability to the Pension Benefit Guaranty Corporation (or any entity succeeding to any or all of said Corporation's functions under said Act) under said Act in connection with any such plan.

SECTION 6.14. ENVIRONMENTAL MATTERS.

The Company and its Subsidiaries are in substantial compliance with all applicable federal, state and local environmental laws, regulations and ordinances governing their respective business, properties or assets with respect to discharges into the ground and surface water, emissions into the ambient air and generation, storage, transportation and disposal of waste materials or process by-products, except such noncompliances as are not likely to have a material adverse effect on the property, assets, business, operations or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole. All licenses, permits or registrations required for the business of the Company and its Subsidiaries under any federal, state or local environmental laws, regulations or ordinances have been secured, and the Company and each Subsidiary are in substantial compliance therewith, except such licenses, permits or registrations the failure to secure or to comply therewith are not likely to have a material adverse effect on the property, assets, business, operations or condition (financial or otherwise) of the Company and its Subsidiaries taken as a whole.

ARTICLE 7. AFFIRMATIVE COVENANTS

The Company covenants and agrees that until all of its obligations hereunder have been discharged and the obligations of the Banks to make advances terminated, it will:

SECTION 7.1. INSURANCE.

Keep adequately insured, by financially sound and reputable insurers, all property of the character usually insured by corporations engaged in the same or similar businesses similarly situated, against loss or damage of the kind customarily insured against by such corporations, and carry adequate liability insurance and other insurance of a kind generally carried by corporations engaged in the same or similar businesses similarly situated; provided, however, that nothing herein contained shall be construed to mean that a deductibility clause in any such insurance, which, in effect, results in self-insurance of a level or portion of losses considered reasonable by the Company's management, shall render such insurance inadequate; and provided further, that in the case of a lease to the United States Government or an agency thereof of any aircraft or other property, indemnity therefrom by the United States Government will be considered adequate insurance against the risks that are the subject of any such indemnity.

SECTION 7.2. PAYMENT OF TAXES.

Duly file all federal income tax returns and all other tax returns and reports which, to the knowledge of the officers of the Company are required to be filed and pay when due

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all taxes and governmental charges assessed against it, its assets, income or franchises, except to the extent and so long as contested in good faith.

SECTION 7.3. FINANCIAL STATEMENTS.

Deliver to each Bank, so long as such Bank shall hold any Note issued hereunder or is committed to lend hereunder:

(a) As soon as practicable and in any event within two (2) months after the end of each quarterly period (other than the last quarterly period in each fiscal year) an income statement of the Company for the period from the beginning of the current fiscal year to the end of such quarterly period, and a balance sheet of the Company as at the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by a principal financial officer of the Company, subject to changes resulting from year-end adjustments; and a statement as of the end of such quarterly period of the calculations made by the Company establishing its compliance with the provisions of Sections 8.1., 8.2. and 8.4. hereof, in sufficient detail to permit the Banks to determine how the conclusions on such statement were arrived at, certified by a principal financial officer of the Company as accurate in all material respects;

(b) As soon as practicable and in any event within three (3) months after the end of each fiscal year, an income statement and a statement of reinvested earnings of the Company for such year, and a balance sheet of the Company as at the end of such year, setting forth in each case in comparative form corresponding figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to the Banks and certified by independent certified public accountants of national standing selected by the Company; and a statement as of the end of such fiscal year of the calculations made by the Company establishing its compliance with the provisions of Sections 8.1., 8.2. and 8.4. hereof, in sufficient detail to permit the Banks to determine how the conclusions on such statement were arrived at, certified by a principal financial officer of the Company as accurate in all material respects;

(c) Copies of all financial statements, reports and returns which it shall send to its stockholders;

(d) Promptly after the sending or filing thereof, copies of all periodic reports, if any, which the Company shall have filed with the Securities and Exchange Commission (or any governmental agency or agencies substituted therefor) under ss.13 or ss.15(d) of the Securities Exchange Act of 1934, as amended, or with any national securities exchange; and

(e) With reasonable promptness such other financial data as any Bank may reasonably request through the Agent Bank.
SECTION 7.4. MAINTENANCE OF EQUIPMENT.

Maintain substantially all of its equipment (except surplus or obsolete equipment) in good operating order.

SECTION 7.5. INSPECTION.

 Permit any Person designated by any Bank in writing, to visit and inspect any of the properties, corporate books and financial records of the Company and its Subsidiaries at the Bank's expense, and to discuss the affairs, finances, and accounts of any such corporation with the principal officers of the Company, all at such reasonable times and as often as such Bank may reasonably request. This covenant shall be subject to applicable governmental and industrial security regulations.

SECTION 7.6. SECURITY FOR NOTES.

In the event the Company secures by mortgage, pledge, encumbrance, lien or other charge any debt other than as permitted by Section 8.1. hereof, the Company shall secure equally and ratably the indebtedness incurred hereunder.

SECTION 7.7. NOTICE OF ANY DEFAULT OR EVENT OF DEFAULT.

As soon as practicable (but in any event not more than five (5) days after the Chairman of the Board, the President, or a principal financial officer of the Company obtains knowledge of a Default or an Event of Default as specified in Article 9. hereof), the Company will deliver to each Bank an Officer's Certificate specifying the nature thereof, the period of existence thereof and what action the Company has taken or proposes to take with respect thereto.

SECTION 7.8. ERISA REPORTING REQUIREMENTS.

With respect to any employee benefit plan subject to Title IV of ERISA, the Company shall, if requested by the Agent Bank, provide the Agent Bank with copies of the most recent annual reports or returns (IRS Form 5500), audited or unaudited financial statements and actuarial valuations with respect to such plans. In addition, the Company shall provide the Agent Bank copies of any notice filed with the Pension Benefit Guaranty Corporation with respect to any "Reportable Event" as defined in Section 4043 of ERISA, and the Agent Bank shall forward copies of any such notice to the Banks.

ARTICLE 8. NEGATIVE COVENANTS

Until all of its obligations hereunder have been discharged and the obligations of the Banks to make advances terminated, the Company covenants that it will not and will not permit any Subsidiary to:

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SECTION 8.1. LIENS.

Create, assume or suffer to exist any mortgage, pledge, encumbrance, lien or charge of any kind upon any of its property or assets, whether now owned or hereafter acquired, except: (i) mortgages, pledges, encumbrances, liens or charges where the aggregate indebtedness secured by such mortgages, pledges, encumbrances, liens or charges at any time does not exceed the sum of (a) the greater of $1,000,000,000 or fifteen percent (15%) of Equity plus (b) the amount outstanding under the obligations described on Schedule I hereof as "Secured"; (ii) liens for taxes not yet due or which are being contested in good faith; (iii) other liens, charges and encumbrances incidental to the conduct of its business or the ownership of its property and assets which were not incurred to secure the repayment of borrowed money or other advances or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business; (iv) liens imposed by law, such as carriers', warehousemen's, mechanics', materialmen's and vendors' liens, for sums not yet due or already due but the validity of which is being contested in good faith; (v) mortgages, pledges, encumbrances, liens or other charges on property or assets of a Subsidiary to secure obligations of such Subsidiary to the Company or another Subsidiary; and (vi) any mortgage, pledge, encumbrance, lien or other charge required by Section 7.6. hereof.

SECTION 8.2. DEBT.

Create, incur, assume or suffer to exist, for the Company and the Subsidiaries taken together, (a) Current Debt in an aggregate principal amount at any one time outstanding in excess of 100% of all accounts receivable of the Company and its Subsidiaries outstanding as of the last day of the second calendar month next preceding the month in which such calculation of Current Debt is made, all computed in accordance with generally accepted accounting principles as in effect from time to time; or (b) Convertible Subordinated Debt in excess of 33.3% of Equity; or (c) Funded Debt, Current Debt (other than Convertible Subordinated Debt) and all Guaranty Liabilities (as defined below) in an amount at any one time which exceeds 150% of Equity at such time. For purposes of this Section 8.2., "Guaranty Liabilities" shall mean all liabilities of the Company and any Subsidiary of the Company as guarantor, surety, accommodation endorser or other accommodation party on behalf of any Person where the underlying obligation of such Person covered by, or the subject of, such guaranty or contingent undertaking would constitute Current Debt or Funded Debt, as defined herein, if such Person were the Company; provided, however, that (x) guarantees or other contingent undertakings by the Company on behalf of any Subsidiary, by any Subsidiary on behalf of any other Subsidiary, or by any Subsidiary on behalf of the Company and (y) the contingent undertakings as set forth on Schedule III hereto, shall not constitute Guaranty Liabilities.
SECTION 8.3. MERGERS; DISPOSITION OF ASSETS.

Merge or consolidate with any corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets in any transaction or series of related transactions, except that (i) any Subsidiary may merge or consolidate with the Company or any one or more other Subsidiaries; (ii) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or another Subsidiary; (iii) any Subsidiary may sell or otherwise dispose of all or substantially all of its assets, provided that (a) such sale or other disposition is for a consideration which represents fair value (as determined in good faith by the Company) at the time of such sale or disposition, and (b) the assets so disposed of do not constitute a substantial part of the aggregate assets of the Company and the Subsidiaries; (iv) the Company may dispose of aircraft in the ordinary course of its business, provided that such sale or other disposition is for a consideration which represents fair value (as determined in good faith by the Company) at the time of such sale or disposition; and (v) the Company may merge or consolidate with another corporation, provided that (a) the Company shall be the continuing or surviving corporation, (b) a majority of the board of directors of the Company for a period of six (6) months after the effective date of such merger consists of individuals who were directors of the Company twelve (12) months prior to such effective date, and (c) immediately after such merger or consolidation there shall exist no Event of Default as defined in Article 9. hereof.

SECTION 8.4. LEASES.

Enter into or permit to remain in effect any flight equipment lease agreements which, as of the close of any fiscal year, cause the Company's consolidated flight equipment rental expense for such fiscal year to exceed eight percent (8%) of the Company's consolidated operating revenues for such fiscal year, provided that any such lease agreements as may be necessary in connection with interchange agreements between the Company and other airline related businesses shall not be included in such calculation.

ARTICLE 9. DEFAULTS

SECTION 9.1. EVENTS OF DEFAULT.

Upon the occurrence of any one of the following Events of Default:

(a) Default in any interest payment or principal payment or mandatory prepayment on any Note or any Reimbursement Obligation when due and the continuance thereof for five (5) days; or

(b) Default in the payment of any Commitment Fee or any fee or charge to be paid pursuant to Article 4. hereof, when the same is due hereunder and the continuance thereof for ten (10) days; or

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(c) The Company shall institute a voluntary case seeking liquidation or reorganization under Chapter 7 or Chapter 11, respectively, of the United States Bankruptcy Code, or shall consent to the institution of an involuntary case thereunder against it; or the Company shall otherwise institute any similar proceeding under any other applicable federal or state law, or shall consent thereto; or the Company shall apply for, or by consent or acquiescence there shall be an appointment of, a custodian, receiver, liquidator, sequestrator, trustee or other officer with similar powers, for the Company, or for all or a material part of its properties; or the Company shall make an assignment for the benefit of creditors; or the Company shall have ceased to pay its debts generally as they become due; or if an involuntary case shall be commenced seeking the liquidation or reorganization of the Company under Chapter 7 or Chapter 11, respectively, of the United States Bankruptcy Code or any similar proceeding shall be commenced against the Company under any other applicable federal or state law and (i) the petition commencing the involuntary case is not timely controverted, (ii) the petition commencing the involuntary case is not dismissed within forty-five (45) days of its filing, (iii) an interim trustee is appointed to take possession of all or a portion of the property and/or to operate all or any part of the business of the Company, or (iv) an order for relief (other than the petition itself) shall have been issued or entered therein; or a decree or order of a court having jurisdiction in the premises for the appointment of a custodian, receiver, liquidator, sequestrator, trustee or other officer having similar powers for the Company or for all or a part of its properties, shall have been entered; or any other similar relief shall be granted against the Company under any applicable federal or state law; or

(d) Default in the observance or performance of any of the affirmative or negative covenants of the Company hereunder and, where there has been a default in an affirmative covenant of the Company, such default shall not have been remedied within thirty (30) days after written notice thereof shall have been given the Company by any Bank; or

(e) Any representation or warranty made by the Company herein or in any certificate furnished to the Banks hereunder proves to have been false or breached in any material respect on the date as of which made or on the date of any extension of credit hereunder, or any statement or certificate furnished by the Company pursuant hereto shall prove to have been false in any material respect at any date as of which the facts therein set forth were stated or certified; or

(f) Seizure under any legal process of a substantial share of the assets of the Company if release is not obtained within thirty (30) days of such seizure; or

(g) Default in any payment of principal or interest on any other obligation for borrowed money or the deferred purchase price of property beyond any period of grace provided with respect thereto, or in the payment of any capital leases, or in the performance or observance of any other agreement, term or condition contained in any agreement under which any such obligation is created, if the effect of such default is to cause, or permit the holder or holders of such obligation (or a trustee acting on behalf of
such holder or holders) to cause, such obligation to become due prior to its stated maturity, provided such obligations or agreements have aggregate outstanding amounts of $25,000,000 or more; or

(h) The Company shall have failed to meet its minimum funding requirements under the Employee Retirement Income Security Act of 1974, as amended from time to time (including any rules or regulations promulgated thereunder) with respect to any of its employee benefit plans which are covered by Title IV of said Act (or to which ss.412 of the Internal Revenue Code of 1986, as amended, applies), which failure has resulted in a material liability for excise tax under ss.4971 of said Code; or any of its plans aforesaid shall be the subject of voluntary or involuntary termination proceedings which may result in an uninsured payment or repayment liability of the respective corporation to the Pension Benefit Guaranty Corporation (or any entity succeeding to any or all of its functions under said Act) in an amount which is material in relation to the net worth of the Company;

then, in the event that an Event of Default under (a) or (b) above should occur, any Bank may, at its option, by a written notice to the Company with copies to each other Bank, if such Event of Default be continuing at the time such notice is received by the Company, either: (i) declare the obligation of such Bank to extend credit to the Company hereunder to be immediately terminated, whereupon such obligation shall terminate; or (ii) declare any Note held by it to be forthwith due and payable whereupon such Note(s), with accrued interest thereon, shall become forthwith due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Company; or (iii) demand that the Company immediately deposit as cash collateral with the Agent Bank, for such Bank's account, an amount equal to such Bank's pro rata share of the Stated Amount of all outstanding Letters of Credit; or (iv) all of the foregoing. In the event that an Event of Default under (a), (b), or (d) through (h) above should occur, if such Event of Default be continuing, the Majority Banks may, at their option, by written notice to the Company, exercise the remedies listed in (i), (ii), (iii) and (iv) above on behalf of all the Banks. In the event that an Event of Default under (c) above should occur, the Total Commitments of the Banks shall automatically terminate and the principal of and accrued interest on any Notes then outstanding, all unpaid Reimbursement Obligations and any accrued fees, together with an amount equal to the Stated Amount of all outstanding Letters of Credit (without regard to whether a draft has been presented under any of such Letters of Credit), to be held as cash collateral by the Agent Bank for the Reimbursement Obligations of the Company with respect to such outstanding Letters of Credit, shall automatically become due and payable, without protest, presentment, notice or demand, all of which are expressly waived by the Company.
ARTICLE 10. YIELD PROTECTION

SECTION 10.1. INCREASED COST OF EURODOLLAR RATE LOANS.

(a) If, as a result of any change after the date of this Agreement in (including the introduction of any new) applicable United States, state or foreign laws or regulations or the adoption or making of any interpretations, directives or requests thereof or thereunder by any court or governmental authority charged with the interpretation or administration thereof, one or more of the following events occur (herein called "Increased Cost Changes"):

(i) the basis of taxation of payments to any Bank of the principal of or interest on any Eurodollar Rate Loan or any other amounts payable under this Agreement in respect thereof (other than taxes imposed on the aggregate net income of such Bank or of its Eurodollar Lending Office by the jurisdiction in which the Bank has its principal office or such Eurodollar Lending Office) is changed; or

(ii) any reserve, special deposit or similar requirements against the assets of, deposits with or for the account of, or credit extended by, any Bank are imposed, modified or deemed applicable; or

(iii) any other condition affecting this Agreement or any Eurodollar Rate Loan is imposed on any Bank or (in the case of Eurodollar Rate Loans) the London interbank market;

and a Bank determines that, by reason thereof, the cost to such Bank of making or maintaining any of the Eurodollar Rate Loans is increased by an amount reasonably determined by such Bank, or any amount receivable by such Bank hereunder in respect of any of the Eurodollar Rate Loans is reduced by an amount reasonably determined by such Bank (such increases in cost and reductions in amounts receivable being herein called "Increased Costs"), then the Company shall pay to such Bank on the next interest payment date for the affected Eurodollar Rate Loans such additional amount or amounts (which shall be set forth in a notice from such Bank to the Company stating the cause and amount of such Increased Costs) as will compensate such Bank for such Increased Costs. Each Bank will immediately notify the Company of any event of which such Bank has knowledge that will entitle such Bank to compensation pursuant to this Section 10.1.(a) and will exercise reasonable diligence to designate a different Eurodollar Lending Office, and/or take other measures which will avoid the need for such compensation for Increased Costs and will not result in material cost to such Bank, or be otherwise disadvantageous (in such Bank’s sole determination) to such Bank.

(b) Without limiting the effect of the foregoing, the Company shall pay (without duplication as to amounts paid under Section 10.1.(a) hereof) to any Bank on each interest payment date as to Eurodollar Rate Loans so long as such Bank may be
required to maintain reserves against "Eurocurrency liabilities" under Regulation D of the Board of Governors of the Federal Reserve System an additional amount (determined by such Bank and notified to the Company through Agent Bank) equal to the sum of the products of the following for each Eurodollar Rate Loan for each day on which such Bank is required to maintain such reserves during the Interest Period for such Loan for which interest is being paid:

(i) the principal amount of such Eurodollar Rate Loan outstanding on such day; times

(ii) the remainder of (x) a fraction the numerator of which is LIBOR (expressed as a decimal) used to determine the Eurodollar Rate for such Eurodollar Rate Loan for such Interest Period as provided in this Agreement and the denominator of which is one minus the effective rate (expressed as a decimal) at which such reserve requirements are imposed on such Bank on such day minus (y) such numerator; times

(iii) 1/360.

(c) Determinations by any Bank for purposes of this Section 10.1. of the effect of any Increased Cost Change on such Bank's costs of making or maintaining Eurodollar Rate Loans or on amounts receivable by it in respect of Eurodollar Rate Loans, and of the additional amounts required to compensate such Bank in respect thereof, shall be conclusive, provided that such determinations are made reasonably and in good faith.

(d) If the Company is required to pay additional amounts to any Bank under paragraph (a) or (b) of this Section 10.1., the Company may (in addition to paying such additional amounts to such Bank) at the Company's option at any time, subject to the provisions of Section 10.3. hereof, convert all of the Eurodollar Rate Loans of such Bank which are affected by such Increased Costs to Base Rate Loans in accordance with this Agreement.

SECTION 10.2. CHANGE OF LAW.

Notwithstanding any other provision herein, in the event that any change in applicable law, rule or regulation or in the interpretation or administration thereof (including the issuance of any new law, rule, regulation or interpretation, or any new administration thereof), of or in any jurisdiction whatsoever, shall make it unlawful for any Bank to make or maintain a Eurodollar Rate Loan (or to convert Base Rate Loans into Eurodollar Rate Loans), or shall materially restrict the authority of any Bank to purchase or sell, or to take deposits of Eurodollars, then the obligation of such Bank to make Eurodollar Rate Loans (and the right of the Company to convert Base Rate Loans into Eurodollar Rate Loans) shall be suspended for the duration of such illegality or restriction and the Company shall forthwith convert all Eurodollar Rate Loans of such Bank then outstanding to Base Rate Loans in accordance with the terms of this Agreement.
SECTION 10.3. FUNDING LOSSES.

The Company shall indemnify a Bank against, and reimburse such Bank on demand for, any loss or expense incurred or sustained by such Bank, as reasonably determined by such Bank, as a result of any payment or prepayment (whether by reason of a voluntary prepayment by the Company or by reason of a mandatory prepayment of the Loans by reason of an Event of Default, pursuant to Section 3.16. hereof or other mandatory prepayment provision relating to all outstanding Loans set forth herein) or conversion of a Eurodollar Rate Loan or Competitive Bid Loan made by such Bank on a day other than the last day of an Interest Period for such Loan.

SECTION 10.4. INCREASED COST OF MAINTAINING LETTERS OF CREDIT.

(a) If, as a result of any change after the date of this Agreement in (including the introduction of any new) applicable United States, state or foreign laws or regulations or the adoption or making of any interpretations, directives or requests thereof or thereunder by any court or governmental authority charged with the interpretation or administration thereof, one or more of the following events occur (herein called "Increased Letter of Credit Cost Changes"):

(i) any reserve, special deposit or similar requirements against the Letters of Credit are imposed, modified or deemed applicable; or

(ii) any other condition regarding the issuance, maintenance of, or participation in the Letters of Credit are imposed upon any Letter of Credit Bank or any other Bank, and the result of any such event shall be to increase the cost to such Letter of Credit Bank or such other Bank of issuing, maintaining, or participating in the Letters of Credit;

and such Letter of Credit Bank or such other Bank determines that, by reason thereof, the cost to such Letter of Credit Bank or such Bank of issuing, maintaining, or participating in any of the Letters of Credit is increased by an amount reasonably determined by such Letter of Credit Bank or such Bank, then, within fifteen (15) days of such Letter of Credit Bank or such Bank obtaining knowledge of such change in law, regulation or interpretation thereof, such Letter of Credit Bank or such Bank shall so notify the Company, and upon receipt of such notice from such Letter of Credit Bank or such Bank, the Company shall promptly pay to such Letter of Credit Bank or such Bank, from time to time as specified by such Letter of Credit Bank or such Bank, additional amounts which shall be sufficient to compensate such Letter of Credit Bank or such Bank for such increased cost.

(b) Determinations by a Letter of Credit Bank or any Bank for purposes of this Section 10.4. of the effect of any Increased Letter of Credit Cost Change, and of the additional amounts required to compensate such Letter of Credit Bank or such Bank in
SECTION 10.5. MANDATORY REPAYMENT OR CONVERSION ON CERTAIN EVENTS.

On the last day of an Interest Period during which any Orderly Replacement Event occurs (which relates to all Banks) and no later than four Eurodollar Business Days after any Immediate Replacement Event relating to one or more Banks, all outstanding Eurodollar Rate Loans of such Banks shall, at the option of the Company, be either: (a) prepaid in full by the Company, together with any accrued and unpaid interest thereon, or (b) converted to Base Rate Loans. Each Bank shall promptly notify the Company and Agent Bank of any Immediate Replacement Event and any Orderly Replacement Event known to such Bank.

SECTION 10.6. SURVIVAL.

The obligations of the Company under Sections 10.1. through 10.4. of this Agreement shall survive the repayment of the Loans and all Reimbursement Obligations and the cancellation of the Notes.

ARTICLE 11. THE AGENT BANK

SECTION 11.1. AUTHORIZATION AND ACTION.

Each Bank hereby appoints and authorizes the Agent Bank to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to it as Agent Bank by the terms hereof and thereof, together with such powers as are reasonably incidental thereto, and the Agent Bank hereby accepts such authorization and appointment. As to any matters not expressly provided for by this Agreement and the Notes or provided for with specific reference to this Section 11.1. (including, without limitation, enforcement or collection of the Notes), the Agent Bank shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from action) upon the instructions of the Majority Banks and such instructions shall be binding upon all Banks and all holders of the Notes; provided, however, that the Agent Bank shall not be required to take any action which exposes the Agent Bank to liability or which is contrary to this Agreement or the Notes or applicable law. As to any provisions of this Agreement under which action may be taken or approval given by the Majority Banks, and except for the provisions contained herein relating to the increase in the Commitments as such increase relates to a given Bank, the action taken or approval given by the Majority Banks shall be binding upon all Banks to the same extent and with the same effect as if each Bank had joined therein. The Agent Bank shall be entitled to rely upon any note, notice, consent, certificate, affidavit, letter, telegram, teletype message, facsimile transmission, statement, order or other document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons and, in respect of legal
matters, upon the opinion of counsel selected by the Agent Bank. The Agent Bank may deem and treat the payee of any Note as the owner thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent Bank. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any note or notes issued in exchange therefor.

SECTION 11.2. AGENT BANK’S RELIANCE, ETC.

Neither the Agent Bank nor any of its directors, officers, agents or employees shall be liable to any Bank for any action taken or omitted to be taken by it or by such directors, officers, agents or employees under or in connection with this Agreement or the Notes, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent Bank: (i) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable to any Bank for any action taken or omitted to be taken in good faith by it in accordance with the advice of such experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations made in or in connection with this Agreement or the Notes; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the Notes on the part of the Company or to inspect the property (including the books and records) of the Company; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the Notes, or any other instrument or document furnished pursuant thereto; and (v) shall incur no liability under or in respect to this Agreement or the Notes by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, facsimile transmission, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 11.3. AGENT BANK AND AFFILIATES.

With respect to its Commitment, the Loans made by it and the Notes issued to it, the Agent Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent Bank; and the term “Bank” or “Banks” shall, unless otherwise expressly indicated, include the Agent Bank in its individual capacity. Unrelated to its role as Agent Bank as set forth herein, the Agent Bank and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with, the Company, and any Person who may do business with or own securities of the Company, all as if it were not the Agent Bank and without any duty to account therefor to the Banks.

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SECTION 11.4. REPRESENTATIONS OF THE BANKS.

Each Bank acknowledges that it has, independently and without reliance upon the Agent Bank, or any affiliate or subsidiary of the Agent Bank, or any other Bank and based on the financial statements referred to in Section 6.2. hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement; and that each Bank has actively engaged in the negotiation of all of the terms of this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement or the Notes. The Agent Bank has no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect to the Company whether coming into its possession as of the date of this Agreement or at any time thereafter, or to notify any Bank of any Event of Default except as provided in Section 11.5. hereof. This Agreement and all instruments or documents delivered in connection with this Agreement have been reviewed and approved by each Bank and the Banks have not relied on the Agent Bank as to any legal or factual matter in connection therewith or in connection with the transactions contemplated thereunder.

SECTION 11.5. EVENTS OF DEFAULT.

In the event of the occurrence of any Default or Event of Default, any Bank knowing of such event may (but shall have no duty to), or the Company pursuant to Section 7.7. hereof shall, give the Agent Bank written notice specifying such Event of Default or other event and expressly stating that such notice is a "notice of default". The Agent Bank shall not be deemed to have knowledge of such events unless the Agent Bank has received such notice, or unless the Agent Bank has actual notice of such Default or Event of Default or other event in its capacity as one of the Banks or unless the Event of Default consists of a failure of payment of principal or interest on any of the Notes. In the event that the Agent Bank receives such a notice of the occurrence of an Event of Default, or has actual knowledge thereof, the Agent Bank shall give written notice thereof to the Banks. The Agent Bank shall take such action with respect to such Default or Event of Default as shall be reasonably directed in writing by the Majority Banks; provided, however, that, unless and until the Agent Bank shall have received such directions, the Agent Bank may take such action, or refrain from taking such action, with respect to such Event of Default as it shall deem advisable and in the best interest of the Banks.

SECTION 11.6. RIGHT TO INDEMNITY.

Except for action expressly required of the Agent Bank hereunder, the Agent Bank shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

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SECTION 11.7. INDEMNIFICATION.

The Banks hereby agree to indemnify the Agent Bank and the Letter of Credit Banks (to the extent not reimbursed by the Company), ratably according to their respective Commitments, as set forth in Section 2.2. hereof, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent Bank and/or such Letter of Credit Bank in any way relating to or arising out of this Agreement, the Notes and/or the Letters of Credit issued by such Letter of Credit Bank or any action taken or omitted by the Agent Bank and/or such Letter of Credit Bank under this Agreement, the Notes and/or such Letters of Credit; provided, however, that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent Bank's or such Letter of Credit Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent Bank and/or the applicable Letter of Credit Bank promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent Bank and/or such Letter of Credit Banks in connection with the administration, or enforcement of, or the preservation of any rights under, this Agreement, the Notes and/or the Letters of Credit, to the extent that the Agent Bank or such Letter of Credit Bank is not reimbursed for such expenses by the Company.

SECTION 11.8. SUCCESSOR AGENT BANK.

The Agent Bank may resign at any time by giving written notice thereof to the Banks and the Company and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Company shall have the right to appoint a successor Agent Bank, subject to confirmation by the Majority Banks. If no successor Agent Bank shall have accepted such appointment within 30 days after the retiring Agent Bank's giving of notice of resignation or the Majority Banks' removal of the Agent Bank the Agent Bank may, on behalf of the Banks, appoint a successor Agent Bank who shall be willing to accept such appointment. In any event such successor Agent Bank shall be a commercial bank organized under the laws of the United States of America or of any State thereof and shall have a combined capital and surplus of at least $1,000,000,000. Upon the acceptance of any appointment as Agent Bank hereunder by a successor Agent Bank, such successor Agent Bank shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Agent Bank, and the retiring or removed Agent Bank shall be discharged from its duties and obligations as agent under this Agreement. After any Agent Bank's resignation or removal hereunder as Agent Bank, the provisions of this Article 11. shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent Bank under this Agreement.
ARTICLE 12. MISCELLANEOUS

SECTION 12.1. RIGHTS AND REMEDIES.

No delay or failure of the Banks, the Letter of Credit Banks or the Agent Bank or any one of them or of the Company in exercising any rights, powers or privileges hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof preclude any further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies of the Banks, the Letter of Credit Banks and the Agent Bank or any one of them and of the Company under this Agreement are cumulative and not exclusive of any rights or remedies which they would otherwise have. Failure on the part of any Bank, the Letter of Credit Banks, the Agent Bank or the Company to exercise any right, power or privilege given it hereunder shall not be the breach of any obligation of the Bank or the Company to any other party to this Agreement or to any other Person.

SECTION 12.2. NOTICES.

Except as otherwise expressly provided for herein, notices, which may be given or are required to be given hereunder, shall be in writing and may be mailed, postage prepaid, addressed as follows or sent by telex or facsimile:

(a) If to the Company, both to:

"Delta Air Lines, Inc. Attention: Thomas J. Roeck, Jr., Senior Vice President-Finance and Chief Financial Officer Hartsfield Atlanta International Airport Atlanta, Georgia 30320" Facsimile: (404) 715-5042

And to:

"Delta Air Lines, Inc. Attention: James G. Mathews Treasurer Administrative Center Hartsfield Atlanta International Airport Atlanta, Georgia 30320." Facsimile: (404) 715-5042

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(b) If to Agent Bank:

"NationsBank, N.A. (South) Attention: Douglas J. Wallace Vice President
P. O. Box 4899
Atlanta, Georgia 30302-4899" Facsimile: (404) 607-6467

(c) If to any Bank or Letter of Credit Bank other than Agent Bank at that address, telex number or facsimile number designated in writing to the Company and the Agent Bank from time to time.

A party may specify a different address or facsimile number by furnishing such change in writing to all other parties hereto. Additionally, notice may, in lieu of being given by mail or facsimile, be delivered personally to any officer of any party to whose attention it could have been addressed.

SECTION 12.3. EXPENSES, INDEMNIFICATION, ETC.

(a) The Company shall pay all reasonable costs, expenses, taxes and fees (i) incurred by the Agent Bank in connection with the preparation, execution and delivery of this Agreement, the Notes and all other documents incident hereto or thereto (collectively, the "Loan Documents") including, without limitation, the costs and professional fees of Alston & Bird, Atlanta, Georgia, whether or not any transaction contemplated hereby shall be consummated, and any and all stamp, intangible or other taxes that may be payable or determined in the future to be payable in connection therewith, (ii) incurred by the Agent Bank in connection with the administration of the Loans and the Loan Documents in accordance with the provisions thereof and the preparation, execution and delivery of any waiver, amendment or consent by the Banks, the Letter of Credit Banks or the Agent Bank relating to the Loan Documents including, without limitation, costs and professional fees of counsel for the Agent Bank; and (iii) actually incurred by the Agent Bank, the Letter of Credit Banks or any of the Banks in enforcing the Loan Documents including, without limitation, reasonable attorneys' fees of counsel for the Agent Bank, the Letter of Credit Banks or the Banks.

(b) The Company shall indemnify the Agent Bank, the Letter of Credit Banks and each Bank and hold the Agent Bank, the Letter of Credit Banks and each Bank (and all directors, officers, employees and agents of any of the foregoing (the Agent Bank, the Letter of Credit Banks, the Banks and such directors, officers, employees and agents each referred to as an "Indemnified Party")) harmless against, any and all costs, losses, liabilities, claims, damages or expenses incurred by an Indemnified Party, whether jointly or severally, and whether or not such Indemnified Party is designated a party thereto, arising out of or by reason of, or relating directly or indirectly to, (i) any investigation,
litigation or other proceeding, pending or threatened, regarding any actions or failure to act by the Company involving this Agreement or any transaction contemplated hereby, (ii) any actual or proposed use by the Company or any of its Subsidiaries of the proceeds from any borrowing hereunder or any Letter of Credit, or (iii) the Agent Bank's, any Bank's, any Letter of Credit Bank's or the Company's entering into and complying with this Agreement or in issuing or delivering the Notes or any Letters of Credit and including, without limitation, the reasonable fees and disbursements of such Indemnified Party's separate counsel incurred in connection with any such investigation, litigation or other proceeding (which shall be advanced by the Company on request notwithstanding any claim or assertion that the Indemnified Party is not entitled to indemnification hereunder upon receipt of an undertaking to reimburse the Company if it is actually and finally determined by a court of competent jurisdiction that the party is not so entitled). However, the indemnity of the Company set forth herein shall not cover the costs, losses, liabilities, claims, damages or expenses (x) incurred by an Indemnified Party arising out of the bad faith or willful misconduct of such Indemnified Party (as actually and finally determined by a court of competent jurisdiction) or (y) incurred by the Agent Bank in connection with a suit, claim or cause of action brought against the Agent Bank by a Bank pursuant to which such Bank alleges that the Agent Bank has failed to perform the ministerial duties of the Agent Bank as expressly set forth herein (such as administering the funding and collection of Loans, determining interest rates and the like).

(c) The Agent Bank, each Letter of Credit Bank and each Bank agree that in the event that any investigation, litigation, suit, action or proceeding is asserted or threatened in writing or instituted against it or any other Indemnified Party for which the Agent Bank, any Letter of Credit Bank or any Bank may desire indemnity or defense hereunder, the Agent Bank, such Letter of Credit Bank or such Bank shall promptly notify the Company thereof in writing and agree, to the extent appropriate, to consult with the Company with a view to minimizing the cost to the Company of its obligations under this Section 12.3.

(d) No action taken by legal counsel chosen by an Indemnified Party in defending against any such investigation, litigation, suit, action or proceeding or requested remedial, removal or response action shall vitiate or in any way impair the obligations and duties of the Company hereunder to indemnify and hold harmless each Indemnified Party; provided, however, that if the Company is required to indemnify any Indemnified Party pursuant hereto, such Indemnified Party shall not settle or compromise any such investigation, litigation, suit, action or proceeding without the prior written consent of the Company (which consent shall not be unreasonably withheld or delayed) so long as the Company has provided evidence reasonably satisfactory to such Indemnified Party that the Equity of the Company and its Subsidiaries on a consolidated basis is not less than zero.

(e) The obligations of the Company under this Section 12.3. shall survive transfer, payment or satisfaction of any Note and any amendment, supplementation, modification or termination of this Agreement.
SECTION 12.4. AMENDMENTS TO THIS AGREEMENT AND THE NOTES.

Any provisions of this Agreement and the Notes may be amended, terminated, waived or otherwise modified in writing by the Company and the Majority Banks, and any such amendment, termination, waiver or other modification shall be binding upon all of the Banks to the same extent and with the same effect as if each Bank had joined therein; provided, however, that, notwithstanding the foregoing: (a) any provisions of this Agreement and the Notes with respect to any change in (i) the expressed maturity date of the whole or any principal or interest payable under any Note, (ii) the rate of interest payable under any Note or on the Reimbursement Obligations (other than any change in the rate of interest pursuant to the next to last paragraph of the definition of Applicable Margin), (iii) the amount of any Commitment (except as permitted in Sections 2.3, 3.14 and 12.6), (iv) the amount or due date of any fees payable hereunder (other than any change in the amount of Commitment Fee pursuant to the next to last paragraph of Section 3.11 hereof), or (v) the due date of any principal of, or interest on, any Loan, or the date on which any Reimbursement Obligation is due and payable, or (vi) Section 12.4., may be amended or otherwise modified only in a writing signed by the Company and all of the Banks; (b) any Event of Default described in Sections 9.1.(a), 9.1.(b) or 9.1.(c) may be waived only in a writing signed by all of the Banks; (c) no provisions of Article 11. shall be amended, modified, or waived without the consent of the Agent Bank; and (d) no provisions of Article 4. shall be amended, modified or waived without the consent of each Letter of Credit Bank; provided, however, that the consent of any Letter of Credit Bank that has no outstanding or unreimbursed Letters of Credit and no obligation to issue Letters of Credit shall not be required. The definition of “Majority Banks” as set forth herein shall not be changed without the unanimous written consent of the Banks.

SECTION 12.5. AGREEMENT AS TO RIGHT OF SET-OFF, SHARING OF LOSSES.

So long as any Syndicated Note is outstanding, each Bank agrees that, if it has payment made to it on any Syndicated Note, whether by set-off or otherwise, including, but not limited to, any payment received by such Bank under any applicable bankruptcy, insolvency or similar laws, in a greater proportion than payments made on Syndicated Notes held by any other Bank, the Bank so receiving such greater proportionate payment agrees to purchase a portion of the Syndicated Notes held by the other Banks, so that after such purchase each Bank will hold an unpaid balance on its Syndicated Note bearing the same proportion to the then outstanding aggregate principal amount of the Syndicated Notes as such Bank's Commitment bears to the Banks' aggregate Commitments; provided that if any amount so received by any Bank in payment of the Syndicated Note held by it shall be, as a result of the reversal of the exercise of any such right (whether by court order or voluntary action on the part of such Bank), returned to the Company or the Subsidiary or paid as directed by such court order by such Bank, then each other Bank which shall have theretofore received its share of any such payment pursuant to this Section 12.5. shall, upon demand, promptly repay, without interest, the amount of such share to such Bank, or, if the Bank exercising such right shall not have made the purchases provided for in this Section 12.5. prior to such reversal, the other Banks shall have no
further rights under this Section 12.5. in respect to such amount. Except as provided in this Section and in Sections 11.6. and 11.7., no Bank shall be responsible to any other Bank for losses or claims which such Bank may incur in connection with the transactions contemplated by this Agreement. The Company agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 12.5. may exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation.

SECTION 12.6. SUCCESSORS AND ASSIGNS.

This Agreement shall be binding upon the Company and the Banks and their respective successors and assigns, and shall inure to the benefit of the Company and the Banks and their respective successors and assigns. The Company may not assign its rights or obligations hereunder, except as permitted by Section 8.3. hereof. Other than by virtue of operation of law, no Bank shall assign any portion of its Commitment hereunder unless (a) the portion of the Bank's Commitment to be assigned is equal to or greater than $25,000,000 (or such lesser amount as the Company may approve in its sole discretion), and the assigning Bank retains a Commitment in an amount equal to at least 50% of its Commitment at the Effective Date; (b) the assigning Bank has received the prior written approval of the Company and the Agent Bank to the proposed assignment; (c) the Agent Bank has been paid an assignment fee of $2,500 by the assigning Bank; and (d) the bank which has received the assignment of the Commitment, the assigning Bank, the Company and the Agent Bank shall have executed the Form of Assignment as set forth on Exhibit D hereto. Upon compliance with the provisions set forth above, such financial institution shall thereupon and thereafter be deemed to be a Bank for all purposes hereunder, and the Agent Bank shall give notice to all of the Banks of the assignment. There shall be no sale by any Bank of any participation in its Commitment; provided, however, any Bank may (x) pledge its Loans and/or Notes hereunder to a Federal Reserve Bank in support of borrowings made by such Bank from such Federal Reserve Bank or (y) participate all or a portion of its Commitment and related outstandings hereunder to its parent company and/or any affiliate of such Bank which is at least fifty percent owned by such Bank or its parent company.

SECTION 12.7. HOLIDAYS.

When any payment hereunder falls due on a day that is not a Business Day, such payment shall be made as herein provided on the next succeeding Business Day. Interest shall continue to accrue on the principal to be paid until it is paid.

SECTION 12.8. LAW GOVERNING.

This Agreement shall be construed and performance thereof shall be determined according to the laws of the State of Georgia.

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SECTION 12.9. DISCLOSURE TO OTHER PERSONS.

The Company acknowledges that any Bank may deliver copies of any financial statements and other documents delivered to such Bank, and disclose any other information disclosed to such Bank, by or on behalf of the Company or any Subsidiary in connection with or pursuant to this Agreement to (i) such of the Bank's directors, officers, employees, agents and professional consultants as may require such information in the performance of their respective duties, (ii) any Person to which such Bank offers to assign any Note or any part thereof if (a) such disclosure has been previously approved by the Company, or (b) such disclosure is not of information previously designated by the Company as "privileged" or "confidential", (iii) any federal or state regulatory authority having jurisdiction over such Bank, or (iv) any other Person to which such delivery or disclosure may be necessary or appropriate (a) in compliance with any law, rule, regulation or order applicable to such Bank, (b) in response to any subpoena or other legal process or (c) in connection with any litigation to which such Bank is a party; provided, however, that such Bank, to the extent legally permitted to do so, will use its best efforts to notify the Company prior to any disclosure of information contemplated by this subparagraph (iv) and will use its best efforts to give the Company the opportunity to object to any such disclosure; provided, further, that the foregoing proviso shall not require such Bank to withhold such information where such withholding would subject such Bank to civil or criminal liabilities or penalties, as determined by such Bank in its discretion.

SECTION 12.10. EXECUTION AND EFFECTIVE DATE.

This Agreement may be executed in any number of counterparts, and any party hereto may execute the said Agreement by signing any such counterpart. The Company shall deliver one such executed counterpart to Agent Bank and each Bank shall deliver one such executed counterpart to the Agent Bank for further delivery to the Company. This Agreement shall be effective as of the Effective Date.

SECTION 12.11. REPRESENTATION OF BANKS.

Each Bank represents for itself only that it is acquiring the Notes to be acquired by it hereunder for its own account in the ordinary course of extending credit as a banking institution and not with a view to the distribution or resale thereof, subject, nevertheless, to any requirement of law that the disposition of the property of a Bank shall at all times be within its control.

SECTION 12.12. SEVERABILITY.

Any provision of this Agreement or of the Notes which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

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SECTION 12.13. ENTIRE AGREEMENT.

This Agreement and the Notes express the entire understanding of the parties with respect to the transactions contemplated hereby. Neither this Agreement, the Notes nor any term hereof or thereof may be changed, waived, discharged or terminated orally or in writing, except as provided in Section 12.4. hereof.

[SIGNATURES ON FOLLOWING PAGES]

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IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed.

THE COMPANY:

DELTA AIR LINES, INC.

By:

Title:

Attest:

By:

Title:

THE AGENT BANK:

NATIONSBank, N.A. (SOUTH),
as Agent Bank and individually as a Bank

By:

Title:

THE BANKS:

MANAGING AGENTS

BANK OF AMERICA, NATIONAL
TRUST AND SAVINGS ASSOCIATION

By:

Title:
THE CHASE MANHATTAN BANK
Title:
By:

CITICORP. USA, INC.
Title:
By:

ROYAL BANK OF CANADA
Title:
By:

CO-MANAGING AGENTS
THE MITSUBISHI TRUST AND BANKING CORPORATION
Title:
By:

SUNTRUST BANK, ATLANTA
Title:
By:

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WACHOVIA BANK OF GEORGIA, N.A.

By:

Title:

CO-AGENTS

THE BANK OF TOKYO-MITSUBISHI,
LTD., NEW YORK BRANCH

By:

Title:

CIBC INC.

By:

Title:

THE INDUSTRIAL BANK OF JAPAN,
LIMITED, ATLANTA AGENCY

By:

Title:

THE NORTHERN TRUST COMPANY

By:

Title:

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PARTICIPANTS

BANK OF MONTREAL

By:

Title:

THE BANK OF NEW YORK

By:

Title:

BAYERISCHE VEREINSBANK AG
NEW YORK BRANCH

By:

Title:

By:
Title:

THE DAI-ICHI KANGYO BANK,
LIMITED, ATLANTA AGENCY

By:

Title:

THE FIRST NATIONAL BANK OF CHICAGO

By:

Title:

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[SIGNATURE PAGE TO DELTA CREDIT AGREEMENT
DATED AS OF MAY 2, 1997]

KREDIETBANK N.V., GRAND CAYMAN BRANCH

By:

Title:

PNC BANK, NATIONAL ASSOCIATION

By:

Title:

THE SANWA BANK, LIMITED,
ATLANTA AGENCY

By:

Title:

THE TOYO TRUST & BANKING CO., LTD.

By:

Title:

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By:

Title:

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THE FUJI BANK, LIMITED
By:
Title:

CREDIT LYONNAIS NEW YORK BRANCH
By:
Title:

STAR BANK, N.A.
By:
Title:

THE SUMITOMO BANK, LIMITED
By:
Title:

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FOR VALUE RECEIVED, DELTA AIR LINES, INC., a Delaware corporation (the "Maker"), promises to pay to the order of (together with any successor and assign thereof or any subsequent holder hereof referred to herein as the "Holder") the lesser of (a) ________ Dollars in lawful money of the United States or (b) the aggregate unpaid principal amount of all Syndicated Loans which are still outstanding and which were made to the Maker by the Holder pursuant to that certain Credit Agreement dated as of May 2, 1997 (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"; terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement) by and among the Maker, the Banks set forth therein and NationsBank, N.A. (South), as Agent Bank, at the Main Office of the Agent Bank, or at such other place as is otherwise specified in the Credit Agreement. The Company shall repay the principal amount of this Note on the Termination Date. The outstanding principal amount hereof shall bear interest at the rates and shall be payable at the times set forth in the Credit Agreement.

Any payment of principal or interest which is not paid when due, as herein provided, shall bear interest (to the extent permitted by law) at that rate which is one-quarter of one percent (1/4%) above the Base Rate in effect on each respective day thereafter until paid in full and such interest shall be payable on demand.

This Note is one of the Syndicated Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement. To the extent provided in the Credit Agreement, this Note is subject to voluntary prepayment, in whole or in part, without premium or penalty.

Upon the occurrence of an Event of Default, the aggregate unpaid principal amount of all Syndicated Loans evidenced hereby which are still outstanding and accrued interest thereon may become due and payable in the manner and with the effect provided in the Credit Agreement.

Time is of the essence of this Note, and in case this Note is not paid when due, and is subsequently collected by law or through an attorney at law, or under advice therefrom, the Maker agrees to pay all costs of collection incurred by the Holder including, without limitation, the reasonable fees and disbursements of counsel to the Holder.

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The undersigned and all endorsers or other parties to this Note hereby waive presentment, demand for payment, protest and notice of nonpayment.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the date first written above.

DELTA AIR LINES, INC.

(CORPORATE SEAL)

By:
Title:

[Reverse of Note]

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<th>Loan Amount</th>
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<th>Payment Interest</th>
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A-1-2
EXHIBIT A-2

FORM OF COMPETITIVE BID NOTE

____________, ____

FOR VALUE RECEIVED, DELTA AIR LINES, INC., a Delaware corporation (the "Maker"), promises to pay to the order of _____________ (together with any successor and assign thereof or any subsequent holder hereof referred to herein as the "Holder") the aggregate unpaid principal amount of all Competitive Bid Loans which are still outstanding and which were made to the Maker by the Holder pursuant to that certain Credit Agreement dated as of May 2, 1997 (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"; terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement) by and among the Maker, the Banks set forth therein and NationsBank, N.A. (South), as Agent Bank, at the Main Office of the Agent Bank, or at such other place as is otherwise specified in the Credit Agreement on the Termination Date or such earlier date as may be required pursuant to the terms of the Credit Agreement. The Company agrees to pay interest on the unpaid principal amount hereof on the dates and at the rates as agreed to by the Maker and the Holder pursuant to the terms of the Credit Agreement.

Any payment of principal or interest which is not paid when due, as herein provided, shall bear interest (to the extent permitted by law) at that rate which is one-quarter of one percent (1/4%) above the Base Rate in effect on each respective day thereafter until paid in full and such interest shall be payable on demand.

This Note is one of the Competitive Bid Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement.

Upon the occurrence of an Event of Default, the aggregate unpaid principal amount of all Competitive Bid Loans evidenced hereby which are still outstanding and accrued interest thereon may become due and payable in the manner and with the effect provided in the Credit Agreement.

Time is of the essence of this Note, and in case this Note is not paid when due, and is subsequently collected by law or through an attorney at law, or under advice therefrom, the Maker agrees to pay all costs of collection incurred by the Holder including, without limitation, the reasonable fees and disbursements of counsel to the Holder.

The undersigned and all endorsers or other parties to this Note hereby waive presentment, demand for payment, protest and notice of nonpayment.

A-2-1
DELTA AIR LINES, INC.

(CORPORATE SEAL)

By:
Title:

[Reverse of Note]

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A-2-2
EXHIBIT B

FORM OF NOTICE OF INCREASED COMMITMENT

[Date]

NationsBank, N.A. (South), as Agent Bank
600 Peachtree Street, 21st Floor
Atlanta, Georgia 30303

Attention: Douglas J. Wallace

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 2, 1997 (the "Credit Agreement") by and among Delta Air Lines, Inc. (the "Company"), the Banks party thereto and NationsBank, N.A. (South), as Agent Bank. Terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement.

1. Pursuant to Section 2.3.(b)(i) of the Credit Agreement, the Company and the undersigned Bank hereby notify the Agent Bank that the Company and such Bank propose to increase such Bank's Commitment under the Credit Agreement from $_______ to $___________. Such proposed increase shall be effective on the later of (a) the date the Agent Bank and, if applicable, the Majority Banks, consent to such increase and (b) ______________, ____.

[If proposed increase results in an increase of the Total Commitments of the Banks from that which exists on the Effective Date of $250,000,000 or less - Pursuant to Section 2.3(a) of the Credit Agreement, the consent of the Agent Bank is necessary for the proposed increase in such Bank's Commitment. If the Agent Bank so consents, kindly indicate such consent by signing at the space provided below.]

[If proposed increase results in an increase of the Total Commitments of the Banks from that which exists on the Effective Date of between $250,000,000 and $500,000,000 - Pursuant to Section 2.3(a) of the Credit Agreement, the consent of the Agent Bank and Majority Banks is necessary for the proposed increase in such Bank's Commitment. The Company and the undersigned Bank request that: (a) the Agent Bank consent to such]

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proposed increase and (b) the Agent Bank promptly poll the other Banks to determine whether the Majority Banks consent to such increase.]

Very truly yours.

DELTA AIR LINES, INC.

By:

Title:

[RELEVANT BANK]

By:

Title:

The Agent Bank hereby consents to the above-described increase in the Commitment of [Insert Bank] under the Credit Agreement [and confirms that the Majority Banks also consent thereto].

NATIONSBANK, N.A. (SOUTH), as Agent Bank

By:

Title:

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FORM OF NOTICE AND AGREEMENT REGARDING ADDITION OF BANK

[Date]

NationsBank, N.A. (South), as Agent Bank 600 Peachtree Street, 21st Floor
Atlanta, Georgia 30303
Attention: Douglas J. Wallace

Delta Air Lines, Inc.
Administrative Center
Hartsfield Atlanta International Airport Atlanta, Georgia 30320
Attention: James G. Mathews, Treasurer

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 2, 1997 (the "Credit Agreement") by and among Delta Air Lines, Inc. (the "Company"), the Banks party thereto and NationsBank, N.A. (South), as Agent Bank. Terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement.

1. Pursuant to Section [2.3.(c)] [3.14.3] of the Credit Agreement, the undersigned hereby requests that it become a Bank under the Credit Agreement. The proposed Commitment of the undersigned as a Bank under the Credit Agreement would equal $ __________. [For 2.3.(c) additions only - The undersigned proposes that the undersigned shall become a Bank under the Credit Agreement on the later of (a) the date the Agent Bank and the Company and, if applicable, the Majority Banks consent to such increase and (b) __________. ____ (the "Effective Date").] [For 3.14.3 additions only - later of consent by the Company and the Agent Bank and (the "Effective Date").]

2. Upon the Effective Date, the undersigned hereby assumes all of the obligations of a Bank having a Commitment of $ __________ under the Credit Agreement as if the undersigned were an original Bank and signatory under the Credit Agreement including, but not limited to, the obligation of a Bank to make advances to the Company thereunder and to reimburse the Agent Bank, for the account of the Letter of Credit Banks, for Drawings under Letters of Credit to the extent of its Commitment, and to indemnify the Agent Bank as provided therein. In this connection, the undersigned hereby represents that it has received and reviewed a copy of the Credit Agreement and hereby ratifies and approves all of the terms and conditions of the Credit Agreement and the other documents executed and delivered in connection therewith.
3. For purposes of delivering any notice to the undersigned as a Bank under the Credit Agreement, the following sets forth the address of the undersigned for such purpose:

________________________________________________________________________

________________________________________________________________________

Telecopy No. _____________________ Attention: _____________________

4. The undersigned acknowledges that it has, independently and without reliance upon the Agent Bank, or on any affiliate or subsidiary thereof, or any other Bank and based on the financial statements supplied by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to become a Bank under the Credit Agreement. The undersigned also acknowledges that it will, independently and without reliance upon the Agent Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or its respective Note. The Agent Bank shall have no duty or responsibility, either initially or on a continuing basis, to provide the undersigned with any credit or other information with respect to the Company or to notify the undersigned of any Event of Default except as provided in Section 11.5. of the Credit Agreement. The undersigned has not relied on the Agent Bank as to any legal or factual matter in connection therewith or in connection with the transactions contemplated thereunder.

5. This letter agreement shall not be binding against the undersigned unless and until the Company and the Agent Bank have executed their consent to the foregoing at the space provided below.

6. THIS LETTER AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA.

7. This letter agreement may be executed in any number of counterparts each of which, when taken together, shall constitute one and the same agreement.

8. [For 2.3(c) additions only - If proposed addition of Bank results in an increase of the Total Commitments of the Banks from that which exists on the Effective Date of $250,000,000 or less - Pursuant to Section 2.3(a) and (c) of the Credit Agreement, the consent of the Agent Bank and the Company is necessary for the undersigned to become a Bank under the Credit Agreement. If the Agent Bank and the Company so consent, kindly indicate such consent by signing at the spaces provided below.]

[If proposed addition of Bank results in an increase of the Total Commitments of the Banks from that which exists on the Effective Date of between $250,000,000 and $500,000,000 - Pursuant to Section 2.3(a) and (c) of the Credit Agreement, the consent of the Agent Bank, the Company and Majority Banks is necessary for the undersigned to become a Bank under the Credit Agreement. The undersigned requests that: (a) the Agent Bank and the Company consent to the undersigned becoming a Bank under the Credit Agreement and (b) the Agent Bank promptly poll the other Banks]
to determine whether the Majority Banks consent to the undersigned becoming a Bank under the Credit Agreement. If the Company and the Agent Bank so consent, kindly indicate such consent by signing at the spaces provided below.

Very truly yours,

[FINANCIAL INSTITUTION]

By:

Title:

The Company hereby agrees that, on the Effective Date, _____________ ("_______________") shall be a Bank under the Credit Agreement having a Commitment equal to $________________ pursuant to the terms and conditions set forth above. The Company agrees that _________________ shall have all of the rights and remedies of a Bank under the Credit Agreement as if _________________ were an original Bank and signatory under the Credit Agreement including, but not limited to, the right of a Bank to receive payments of principal and interest with respect to the Loans made by the Banks and to receive the commitment and other fees payable to the Banks as provided in the Credit Agreement. Further, _________________ shall be entitled to the indemnification provisions from the Company in favor of the Banks as provided in the Credit Agreement. The Company further agrees, on the Effective Date, to execute in favor of _________________ a promissory note in substantially the form of Exhibit A-1 to the Credit Agreement in the face amount of _________________'s Commitment.

DELTA AIR LINES, INC.

By:

Title:

The Agent Bank hereby consents to _________________ becoming a Bank under the Credit Agreement pursuant to the foregoing terms and conditions [and confirms that the Majority Banks also consent thereto.]

NATIONS BANK, N.A. (SOUTH), as Agent Bank

By:

Title:

C-1-3
FORM OF AGREEMENT OF EXISTING BANK
TO REPLACE REPLACED BANK

NationsBank, N.A. (South), as Agent Bank 600 Peachtree Street, 21st Floor
Atlanta, Georgia 30303

Attention: Douglas J. Wallace

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of May 2, 1997 (the "Credit Agreement") by and among Delta Air Lines, Inc. (the "Company"), the Banks party thereto and NationsBank, N.A. (South), as Agent Bank. Terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement.

Pursuant to Section 3.14.3 of the Credit Agreement, the undersigned Bank (the "Existing Bank") hereby agrees to assume [$___________] of the obligations and Commitment of _________________ ___________ (the "Replaced Bank") under the Credit Agreement. Accordingly, the Commitment of the Existing Bank shall be increased from $_______________ to $________________. Except for the increase in the Commitment contemplated hereby, the Existing Bank shall continue to have all of the rights, remedies, duties and obligations of a Bank under the Credit Agreement.

Very truly yours,

[EXISTING BANK]

By:

Title:

The Agent Bank hereby consents to the above-described increase in the Commitment of [Insert Bank] under the Credit Agreement.

NATIONS BANK, N.A. (SOUTH), as Agent Bank

By:

Title:

C-2-1
EXHIBIT D

FORM OF ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT dated as of __________, ____ by and among __________________ (the "Assignor"), ____________ (the "Assignee"), DELTA AIR LINES, INC. (the "Company") and NATIONS BANK, N.A. (SOUTH), as Agent Bank.

WHEREAS, the Assignor is a Bank under that certain Credit Agreement dated as of May 2, 1997 (the "Credit Agreement"; terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement) by and among the Company, the Banks named therein and the Agent Bank;

WHEREAS, the Assignor desires to assign to the Assignee (a) [all] [a portion] of the Loans made by the Assignor to the Company under the Credit Agreement, (b) [all] [a portion] of the Assignor's obligation to reimburse the Agent Bank, for the account of the Letter of Credit Banks, for drawings under Letters of Credit, and (c) [all] [a portion] of the Assignor's Commitment under the Credit Agreement, all on the terms and conditions set forth herein;

WHEREAS, the Company and the Agent Bank consent to such assignment on the terms and conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

1. Subject to the terms and conditions of this Agreement, the Assignor hereby irrevocably transfers and assigns to the Assignee, without recourse, [all of the Assignor's right title and interest in and to] [an undivided ______ percent interest in] all Loans made by the Assignor to the Company under the Credit Agreement] [a principal amount of Syndicated Loans made by the Assignor to the Company under the Credit Agreement equal to $______________] [and a principal amount of Competitive Bid Loans made by the Assignor to the Company under the Credit Agreement equal to $______________] (such Loans herein referred to as the "Assigned Loans") together with all rights of the Assignor to receive all payments of principal and interest from the Company with respect to such Assigned Loans and all rights of collection and enforcement the Assignor may have against the Company with respect to such Assigned Loans. Further, subject to the terms and conditions set forth herein, the Assignor hereby irrevocably transfers and assigns to the Assignee [all of the Assignor's] [$_____ of the Assignor's] Commitment under the Credit Agreement (the "Assigned Commitment") including all voting rights of the Assignor associated with such amount of Assigned Commitment, all rights to receive all commitment and other fees with respect to such Assigned Commitment and other rights of the Assignor under the Credit Agreement with respect to such amount of Assigned Commitment, all as if the Assignee were an original Bank and signatory under the Credit Agreement having a Commitment equal to the Assigned Commitment. The Assignee, subject to the terms and conditions hereof, hereby assumes all obligations of the Assignor with respect to
the Assigned Commitment as if the Assignee were an original Bank and signatory under the Credit Agreement having a Commitment equal to
the Assigned Commitment including, but not limited to, the obligation of the Assignor to make advances to the Company with respect to the
Assigned Commitment, to reimburse the Agent Bank, for the account of the Letter of Credit Banks, for drawings under any Letter of Credit and
to indemnify the Agent Bank as provided therein. The Assignor shall have no further duties or obligations with respect to, and shall have no
further interest in, the Assigned Loans or the Assigned Commitment.

2. The Assignor hereby represents and warrants to the Assignee that:
(a) the Assignor is a Bank under the Credit Agreement having a Commitment under the Credit Agreement immediately prior to the
effectiveness of this Agreement equal to $_______ and that the Assignor is not in default of its obligations under the Credit Agreement; (b)
immediately prior to the effectiveness of this Agreement, the Assignor held $__________ in principal amount of Syndicated Loans and
$_____________ in principal amount of Competitive Bid Loans outstanding and owing by the Company to the Assignor; and (c)
immediately prior to the effectiveness of this Agreement, there was $____________ aggregate face amount of Letters of Credit outstanding
under the Credit Agreement.

3. The Assigned Loans and Reimbursement Obligations shall be without recourse to the Assignor. The Assignee acknowledges and agrees that,
except as provided in paragraph 2 above, the Assignor is making no representations or warranties with respect to, and the Assignee hereby
releases and discharges the Assignor for any responsibility or liability for: (i) the present or future solvency or financial condition of the
Company, (ii) any representations, warranties, statements or information made or furnished by the Company in connection with the Credit
Agreement or otherwise, (iii) the validity, efficacy, sufficiency, or enforceability of the Credit Agreement or any document or instrument
executed in connection therewith, or the collectibility of the Assigned Loans and Reimbursement Obligations, (iv) the perfection, priority or
validity of any lien, security interest or pledge with respect to any collateral at any time securing the obligations of the Company under the
Credit Agreement or the Assigned Loans under the Notes or the Credit Agreement and (v) the performance or failure to perform by the
Company of any obligation under the Credit Agreement or any document or instrument executed in connection therewith.

Further, the Assignee acknowledges that it has, independently and without reliance upon the Agent Bank, or on any affiliate or subsidiary
thereof, the Assignor or any other Bank and based on the financial statements supplied by the Company and such other documents and
information as it has deemed appropriate, made its own credit analysis and decision to become a Bank under the Credit Agreement. The
undersigned also acknowledges that it will, independently and without reliance upon the Agent Bank, the Assignor or any other Bank and
based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not
taking action under the Credit Agreement or its respective Note(s). The Agent Bank shall have no duty or responsibility, either initially or on a
continuing basis, to provide the Assignee with any credit or other information with respect to the Company or to notify the Assignee of any
Event of Default except as provided in Section 11.5. of the Credit Agreement. The Assignee has not relied on the Agent Bank, the Assignor or
any

D-2
other Bank as to any legal or factual matter in connection therewith or in connection with the transactions contemplated thereunder.

4. Upon the execution and delivery of this Agreement, the Assignee shall deliver to the Assignor by wire transfer of immediately available funds $_____________. [Insert amounts owing with respect to assigned Loans, etc.]
[Other consideration/adjustments].

5. The Company hereby agrees that the Assignee shall be a Bank under the Credit Agreement having a Commitment equal to the Assigned Commitment. The Company agrees that the Assignee shall have all of the rights and remedies of a Bank under the Credit Agreement as if the Assignee were an original Bank and signatory under the Credit Agreement including, but not limited to, the right of a Bank to receive payments of principal and interest with respect to the Assigned Loans, if any, and to the Syndicated Loans made by the Banks after the date hereof and to receive the commitment and other fees payable to the Banks as provided in the Credit Agreement. Further, the Assignee shall be entitled to the indemnification provisions from the Company in favor of the Banks as provided in the Credit Agreement. The Company further agrees, upon the execution and delivery of this Agreement, to execute in favor of the Assignee a promissory note in substantially the form of Exhibit A-1 to the Credit Agreement in the face amount of the Assigned Commitment and a promissory note in substantially the form of Exhibit A-2 to the Credit Agreement to evidence any Competitive Bid Loans. Further, the Company agrees that, upon the execution and delivery of this Agreement, the Company shall owe the Assigned Loans to the Assignee as if the Assignee were the Bank originally making such Loans.

6. For purposes of delivering any notice to the Assignee as a Bank under the Credit Agreement, the following sets forth the address of the Assignee for such purpose:

   ___________________________________________________________________________
   ___________________________________________________________________________
   ___________________________________________________________________________

   Telex/Teletype No. ___________________ Attention: ___________________

7. The Agent Bank hereby consents to the assignment and assumption contemplated herein and agrees to notify the Banks of such assignment.

8. The Assignor agrees to pay the Agent Bank a servicing fee equal to $2,500 immediately upon the execution and delivery of this Agreement.

9. This Agreement, and the assignment and assumption contemplated herein, shall not be effective until (a) this Agreement is signed by each of the Assignor, the Assignee, the Company and the Agent Bank; (b) the payment to the Assignor of the amounts owing by the Assignee pursuant to paragraph 4 hereof; and (c) the payment to the Agent Bank of the fee owing to the Agent Bank pursuant to paragraph 8 hereof.
10. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA.

11. This Agreement may be executed in any number of counterparts each of which, when taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment and Assumption Agreement as of the date and year first written above.

THE ASSIGNOR:

By: 
Title: 

THE ASSIGNEE:

By: 
Title: 

THE COMPANY:

DELTA AIR LINES, INC.

By: 
Title: 

THE AGENT BANK:

NATIONS BANK, N.A. (SOUTH), as Agent Bank

By: 
Title: 

D-4
TO: Delta Air Lines, Inc.

ATTENTION: ________________________

RE: Competitive Bid Quote to Delta Air Lines, Inc. (the "Company")

This Competitive Bid Quote is given in accordance with Section 3.3.(c) of that certain Credit Agreement dated as of May 2, 1997 (as modified and supplemented and in effect from time to time, the "Credit Agreement") by and among the Company, the Banks named therein and NationsBank, N.A. (South), as Agent Bank. Terms used herein and not defined herein have their respective defined meanings as set forth in the Credit Agreement.

In response to the Company's request for offers to make Competitive Bid Loans dated _____________, ____, we hereby make the following Competitive Bid Quote(s) on the following terms:

1. Quoting Bank:___________________________________

2. Person to contact at Quoting Bank:____________

3. We hereby offer to make Competitive Bid Loans(s) in the following principal amount(s), for the following Interest Period(s) and at the following rate(s):

   ____________________________________________
   ____________________________________________
   ____________________________________________

   E-1
We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement, irrevocably obligate(s) us to make the Competitive Bid Loan(s) for which any offer(s) (is/are) accepted, in whole or in part.

Very truly yours,

[NAME OF BANK]

By:

Dated: _____________, ____

(1) As specified in the related Competitive Bid Quote Request.

(2) The principal amount bid for each Interest Period may not exceed the principal amount requested. Bids must be made for at least $10,000,000 or a larger multiple of $1,000,000.

(3) A period of up to 180 days after the making of such Competitive Bid Loan, as specified in the related Competitive Bid Quote Request.

E-2
DELTA AIR LINES, INC.

<table>
<thead>
<tr>
<th>NAME OF BANK</th>
<th>RATE QUOTE</th>
<th>AMOUNT ALLOCATED</th>
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</table>

DELTA AIR LINES, INC.

By: ____________________________
Title: _________________________

F-1
EXHIBIT G

FORM OF LETTER ACKNOWLEDGING TERMINATION
OF EXISTING CREDIT AGREEMENT

May 2, 1997

NationsBank, N.A. (South), as Agent Bank
600 Peachtree Street, 21st Floor
Atlanta, Georgia 30308

Ladies and Gentlemen:

Reference is hereby made to that certain Second Amended and Restated Credit Agreement dated as of September 27, 1995 (as amended, the "Existing Credit Agreement") by and among Delta Air Lines, Inc. (the "Company"), each of the financial institutions a signatory thereto, together with their permitted assignees pursuant to Section 12.6 thereof and NationsBank, N.A. (South), formerly known as NationsBank of Georgia, National Association, as Agent Bank.

The Company hereby acknowledges and agrees that, as of the date hereof, the Existing Credit Agreement is terminated and of no force and effect.

Very truly yours,

DELTA AIR LINES, INC.

By:

Title:

III-1
SCHEDULE I

FUNDED DEBT*

1. 7.55-9.15% Notes with maturities ranging from 1997 to 2007
2. 9.875% Notes due January 1, 1998
3. 9.875% Notes due May 15, 2000
4. 8.50% Notes due March 15, 2002
5. 8.10% Guaranteed Serial ESOP Notes, payable in installments between 2002 and 2009
6. 10.125% Debentures due May 15, 2010
7. 10.375% Debentures due February 1, 2011
8. 9.00% Debentures due May 15, 2016
9. 9.75% Debentures due May 15, 2021
10. 9.25% Debentures due March 15, 2022
11. 10.375% Debentures due December 15, 2022
12. Development Authority of Fulton County Loan Agreement dated September 1, 1992
13. Development Authority of Clayton County Loan Agreement dated January 1, 1988
14. Capital Leases:
   (a) Forty-One B737-200 Aircraft Leases
   (b) Nine Western Aircraft Leases (4 B737-200; 3 B737-300 and 2 B727-200)

*ALL OF WHICH IS UNSECURED EXCEPT ITEM 14(b).
SECURED OBLIGATIONS

1. $96,500,000 The Port Authority of NY and NJ Special Projects Bonds, Series I (Delta Air Lines, Inc. Project)

2. Nine Western Air Lines Capital Leases (4 B737-200; 3 B737-300 and 2 B727-200)

3. SATO Guaranty (pledge of Company's government receivables to provide collateral for SATO credit agreement)
SCHEDULE II

SUBSIDIARIES OF DELTA AIR LINES, INC.

Aero Assurance Ltd.

Crown Rooms, Inc.

Crown Rooms of Texas, Inc.

DAL Foreign Sales, Inc.

DAL Moscow, Inc.

Delta Air Lines and Pan American World Airways Unterstuzungskasse GmbH

Delta Air Lines Funding Corporation

Delta Air Lines Holdings, Inc.

DeltaTel, Inc.

Delta Staffing Services, Inc.

Delta Ventures III, Inc.

Delta U.K. Investments Limited

Epsilon Trading, Inc.

Lesteris Limited

TransQuest, Inc.

TransQuest Holding Limited

TransQuest (UK) Limited

Jaison Vermogensuervalttnngs GmbH
SCHEDULE III

GUARANTY LIABILITIES

$88,000,000 Regional Airports Improvement Corporation 6.35% Facilities Sublease Revenue Bonds, Issue of 1996 Delta Air Lines, Inc. (Los Angeles International Airport)

SATO Guaranty (Company’s allocable share of $25 million SATO revolving credit facility; used by SATO to advance payments to participating airlines on government receivables)
AGREEMENT

AGREEMENT made as of the 31st day of July, 1997, between DELTA AIR LINES, INC., a Delaware corporation (hereinafter referred to as the "Corporation"), with its general offices located at Hartsfield Atlanta International Airport, Atlanta, Georgia 30320, and RONALD W. ALLEN, residing at 60 Finch Forest Trail, NW, Atlanta, Georgia 30327 (hereinafter referred to as "Executive").

WITNESSETH:

WHEREAS, Executive is employed by the Corporation pursuant to an Employment Agreement dated July 29, 1987, as amended by Amendments to Employment Agreements dated: September 1, 1988, September 1, 1989, February 1, 1992, August 15, 1992, October 28, 1993 and August 16, 1996 (hereinafter referred to collectively as the "Employment Agreement"); and

WHEREAS, Executive will retire as Chairman of the Board, President and Chief Executive Officer of the Corporation, and on May 9, 1997 resigned as a Director of the Corporation and from all other official positions with the Corporation and its subsidiaries, effective July 31, 1997; and
WHEREAS, the parties desire to supersede and replace the Employment Agreement in connection with Executive's retirement from employment by the Corporation, upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter contained, the parties hereto hereby agree as follows:

1. Replacement of Employment Agreement.

Upon execution and delivery hereof by the parties, unless and until revoked as permitted by Section 14 hereof, this Agreement shall supersede and replace the Employment Agreement and the agreement in principle relating to Executive's retirement, dated as of May 9, 1997, between Executive and the Corporation (the "Agreement in Principle").

2. Retirement; Effective Date of Retirement.

Executive's retirement as Chairman of the Board, President and Chief Executive Officer of the Corporation, and resignation as a Director of the Corporation and from all other positions with the Corporation and its subsidiaries, will become effective at the close of business on July 31, 1997. Since submitting his resignation and until his retirement from employment with the Corporation is effective in accordance herewith, Executive has been receiving, and
shall continue to be entitled to receive, salary payments at the same salary rate and on the same basis, and employment benefits and reimbursement of business expenses incurred through July 31, 1997 on the same basis, as in effect on May 9, 1997, including continued entitlement to the life insurance, survivor, medical and dental benefit coverage or benefits to which he was entitled on May 9, 1997 under the Corporation's employee benefit plans and programs.

3. Payments and Benefits to Be Provided Executive.

Upon his retirement in accordance with Section 2 hereof Executive shall be entitled to the following payments and benefits on the terms and conditions herein provided:

(a) The Corporation shall on the Payment Date (as hereinafter defined) make to Executive a lump-sum cash payment of $4,501,000 which amount represents (i) $701,000 in lieu of an award for fiscal year 1997 under the Corporation's Incentive Compensation Plan and (ii) a severance payment of $3,800,000. It is understood and agreed that Executive shall not be entitled to any other severance pay under any plan, policy or program of the Corporation or any of its subsidiaries in respect of Executive's retirement from the Corporation, or in respect of the Employment Agreement, or otherwise relating to the termination of his employment with the Corporation, and
shall not be entitled to any award under any executive incentive program of the Corporation in respect of fiscal 1997 or fiscal 1998.

(b) Executive's existing stock options covering a total of 298,000 shares of common stock of the Corporation, and his restricted stock award, each under the Corporation's 1989 Stock Incentive Plan (as amended through January 26, 1995) (the "Stock Incentive Plan") and the award agreements issued to Executive thereunder, as specified on Schedule 3B attached hereto, shall continue in accordance with their terms as applicable to Executive's retirement; provided, however, that for all purposes of the Stock Incentive Plan and the award agreements thereunder Executive's retirement in accordance with this Agreement shall be deemed retirement at Executive's normal retirement date (as defined under the Stock Incentive Plan and the award agreements), with the result that as of July 31, 1997 (i) the restrictions on Executive's restricted stock award shall lapse and his ownership of such stock will become nonforfeitable and (ii) Executive's rights in respect of his existing stock options will become nonforfeitable and shall expire on August 1, 2000, and the non-competition provisions applicable to option holders and holders of restricted stock under the Stock Incentive Plan and Executive's award agreements
thereunder in the case of early retirement will be inapplicable.

(c) On the terms and conditions herein provided, the Corporation shall pay Executive monthly supplemental retirement payments ("supplemental payments"), effective with the monthly period commencing as of August 1, 1997, in the amount of $25,754.04, which amount, when combined with the retirement payments that he is otherwise entitled to receive under the Corporation's existing qualified and non-qualified retirement plans (which plans are identified further on Schedule 3C hereof), will produce for Executive a total annual retirement payment at a rate of $765,600 per year, subject to the payments to third parties, offsets or other adjustments described in the next sentence and Section 8(b) hereof and subject to the forfeiture provisions hereinafter in this paragraph 3(c) provided. Executive's total annual retirement payment (after giving effect to the supplemental payments) of $765,600 is subject to reduction on account of (i) payments required to be made under any Qualified Domestic Relations Order, (ii) any social security benefits to which Executive is entitled and (iii) any applicable pre-retirement survivor election and similar adjustment that may be made in determining retirement payments under the Corporation's existing qualified and
non-qualified retirement plans. The supplemental payments from the Corporation hereunder shall not be increased to counteract (or otherwise on account of) such payments, offsets or adjustments, which are intended to be given effect in determining Executive's total annual retirement payments, including the supplemental payments. Executive's right to the supplemental payments shall be in the nature of a single life annuity, payable for the remainder of Executive's life. Alternatively, Executive may elect in writing no later than the Payment Date to receive the supplemental payments in the form of a joint and 50% survivor benefit under which a reduced monthly benefit will be paid to the Executive for his lifetime and, upon his death, a monthly survivor benefit will be paid to his spouse for such spouse's lifetime equal to 50% of the monthly amount that would have been payable to the Executive, but for his death. The identity of the Executive's spouse for purposes of this joint and survivor annuity shall be fixed as of the date the supplemental payments begin and thereafter shall not be changed for any reason whatsoever. The actuarial factors used to determine the amount of Executive's joint and 50% survivor annuity shall be the same factors as are provided in the Corporation's qualified retirement plan for purposes of determining the amount of
the joint and 50% survivor annuity provided to a terminated vested employee. Except as otherwise provided by this paragraph 3(c), all of the terms of the Corporation's qualified retirement plan relating to the time and manner of payment of retirement benefits shall apply to the supplemental payments. Notwithstanding the foregoing provisions of this paragraph 3(c), the Corporation hereby waives any forfeiture of benefit provision that may be applicable to Executive under the terms of the Corporation's non-qualified retirement plans, but, in lieu thereof, the Corporation's payment of retirement benefits under the Corporation's 1991 Excess Benefit Plan and Supplemental Excess Benefit Plan and of the supplemental payments shall be subject to Executive's compliance with the obligations on Executive's part contained in Section 7 hereof until August 1, 1999, such that Executive shall not be entitled to any such payment, commencing with the month subsequent to the month in which Executive first breaches such restriction and continuing for so long as Executive does not comply with such restriction (but not after August 1, 1999), and there shall be no obligation of Executive to return any such payment received before he ceased to comply with such obligations. It is understood and agreed that the monthly retirement payment subject to forfeiture under the
immediately preceding sentence shall be $58,597.36, subject to adjustments to account for any changes after the date hereof in required payments to third parties, the offset for social security benefits and any similar adjustments.

(d) The Corporation shall, in a manner determined by it, provide Executive and eligible members of his family, commencing as of August 1, 1997, with life insurance, survivor, medical and dental benefit coverage or benefits on terms substantially equivalent to those to which he and the eligible members of his family, respectively, would have been entitled under the Corporation's existing benefits plans and programs had he been age 65 or older upon retiring. These benefit plans and programs are identified on Schedule 3D attached hereto. With respect to the provision of such medical and dental benefit coverage, the Corporation shall make a lump-sum cash payment to Executive on the Payment Date of $85,515, representing the present value of the monthly premiums chargeable to Executive for such coverage with respect to the period prior to Executive attaining age 65 and Executive shall be responsible to pay all applicable premiums under the Corporation's Family-Care Medical Plan (as the same may be amended or replaced) to keep such coverage in effect. If Executive fails to pay such premiums, the Corporation shall have no further
obligation with respect to providing such coverage. Notwithstanding the foregoing provisions of this paragraph 3(d), for purposes of determining the survivor benefits applicable to eligible survivors under the Corporation's Family-Care Disability and Survivorship Plan, Executive's monthly final average earnings as calculated for purposes of such plan shall be deemed to be $106,333.33.

(e) As soon as practicable after the Payment Date, the Corporation shall deliver to Executive ownership of the car owned by the Corporation which Executive currently uses.

(f) Unless and until Executive provides any management or executive services (whether as a consultant, advisor, officer or director) to any company that is at the time he commences providing such services in direct and substantial competition with the Corporation, Executive (i) upon his retirement will be elected and continue on a life-time basis as an Advisory Director of the Corporation (which will entitle him to a $25,000 a year fee and such other benefits as are from time to time generally provided to Advisory Directors, including, to the extent so generally provided, "positive space" flight benefits), (ii) will be provided such additional "positive space" flight benefits (if any and without duplication to those which he receives
as an Advisory Director as provided above), for the benefit of Executive and members of his family, as are generally provided by the Corporation from time to time to its former chief executive officer and/or former executive vice presidents and members of their families, respectively, upon the normal retirement thereof, and (iii) until the tenth anniversary of this Agreement will be provided, (A) at the Corporation's arrangement and expense, the office space provided for by the lease attached hereto as Schedule 3F or, in the event such lease is terminated prior to the end of such ten-year period (other than by reason of actions of Executive), comparable office space reasonably acceptable to Executive and the Corporation for the balance of such ten-year period, and associated office equipment and furnishings, (B) full-time secretarial support, through Delta Staffing Services, Inc. or another staffing agency, reasonably acceptable to Executive, (C) payment by the Corporation of the dues regularly payable by Executive as a member of the Commerce Club of Atlanta, and (D) use of the East Lake Golf Club pursuant to the Corporation's membership as long as the Corporation maintains that membership during such ten-year period (provided, however, that Executive will not continue as one of the Corporation's representative.
members after his retirement pursuant hereto and shall pay the fees and charges resulting from his use).

(g) Except as provided by the foregoing paragraphs (a) through (f) of this Section 3, it is agreed that upon his retirement in accordance with Section 2 hereof Executive shall be entitled to no other payment, benefits or perquisites from the Corporation or any of its subsidiaries on account of his former employment by, or his retirement from, the Corporation and its subsidiaries, other than those benefits described in Schedule 3G hereof (but Executive shall be entitled to the consulting payments provided by Section 6 hereof in accordance with the terms thereof) and except that Executive shall be entitled to indemnification from the Corporation in respect of his service as an officer and director of the Corporation or its subsidiaries as provided in the Corporation's certificate of incorporation and by-laws.

(h) For purposes of this Agreement, "Payment Date" shall mean the business day next following the seventh day after the date on which this Agreement has been executed and delivered by both parties hereto, provided that Executive has not revoked this Agreement within such seven day period as permitted by Section 14 hereof.
(i) For purposes of this Agreement, payment from a trust (qualified or nonqualified) established by the Corporation shall be considered as payment from the Corporation.

4. Publicity.

(a) Neither Executive nor the Corporation (including, without limitation, any member of the Board) shall comment on the circumstances surrounding Executive's resignation from the Corporation beyond the substance of the comments contained in the public press release annexed hereto issued on May 12, 1997, except as otherwise required by applicable law.

(b) The Corporation (including, without limitation, any member of the Board) shall not knowingly make any statement, written or oral, or take any other action relating to the circumstances surrounding Executive's retirement or relating to his performance as a senior executive of the Corporation that would tend to disparage either his personal or business reputation. Executive shall not knowingly make any statement, written or oral, or take any other action relating to the Corporation or its directors or officers that would tend to disparage the Corporation's business or the personal or business reputation of such individuals.
Paragraphs 4(a) and 4(b) hereof are essential elements of the parties' agreement as expressed herein, and the agreement of the Corporation (including, without limitation, any member of the Board), on the one hand, or of Executive, on the other hand, under paragraphs 4(a) and 4(b) hereof is a material inducement for the other party to enter into this agreement and the breach thereof would be a material breach of this Agreement.

5. Cooperation. Executive agrees that notwithstanding his retirement in accordance with Section 2 hereof he shall, from and after the date hereof, without any additional cost to the Corporation except for reimbursement of his direct out-of-pocket expenses reasonably incurred: (i) cooperate and consult with the Corporation and its subsidiaries, and advise the Corporation and its subsidiaries, with respect to any pending or threatened litigation or investigation to which the Corporation or a subsidiary of the Corporation may become party or subject arising out of activities in which he was involved (or of which he has any knowledge) during his employment with the Corporation, (ii) appear, if requested upon reasonable notice, in court proceedings relating thereto to assist the Corporation and its subsidiaries, and (iii) in his activities in connection with any such dispute or litiga-
6. Consultancy.

(a) Commencing August 1, 1997, Executive shall, upon reasonable request of the Corporation, at any time during the following seven years (through July 31, 2004), provide his services to the Corporation as a consultant, and receive payments at an annual rate of $500,000 for such consulting services rendered and his availability to provide such services, payable quarterly in advance commencing as of the Payment Date. Executive may be asked to provide his consulting services to the Corporation with respect to any matter within the general area of Executive's expertise as developed during his employment with the Corporation that may from time to time arise during the consulting period but Executive shall be required to act only in an advisory capacity to the officers of the Corporation; it being understood that such services shall include initially consultation on transitional matters. It is, however, understood and agreed that Executive shall not be called upon to devote a major portion of his business time to the performance of services as a consultant to the Corporation and that Executive shall only be required to perform his consulting services at such times, and at such places and
for such periods, as will result in the least inconvenience to Executive in relation to such other commitments as he may have from time to time (including, without limitation, any full-time employment). It is further understood and agreed that Executive may provide his consulting services in person at the office to be provided to him by the Corporation as required by Section 3(f) hereof or at other locations reasonably requested by the Corporation or by correspondence or telecommunications from his residence or elsewhere as Executive may determine. Regardless of how performed, all of Executive's consulting services shall be provided to the best of his ability. Executive's obligation to render consulting services to the Corporation pursuant hereto shall be suspended (but not his right to receive the consulting payments provided hereby) for such periods during which Executive may be physically or mentally incapacitated. In the event of Executive's death before the end of the period during which he is to provide consulting services to the Corporation pursuant hereto (assuming none of the contingencies referred to in the penultimate sentence of this paragraph 6(a) has occurred), the consulting payments to which Executive is entitled pursuant to this Section 6 shall be payable to such beneficiary or beneficiaries as may be designated by Executive in a written designation received
by the Corporation or, if no such designation is received by the Corporation or any previous designation is revoked in writing and such revocation is received by the Corporation prior to Executive's death, to Executive's estate, in either such case on such periodic basis as may be convenient to the Corporation (but not less often than monthly). Executive shall be reimbursed by the Corporation for his reasonable out-of-pocket business expenses incurred in connection with the performance of his consultancy services for the Corporation, upon receipt by the Corporation of reasonable evidence thereof, provided that such expenses were incurred with the prior, written authorization of the Corporation. Notwithstanding the foregoing provisions of this paragraph 6(a), the Corporation's obligation to make consulting payments to Executive is contingent upon (i) Executive not having breached his duty to provide consulting services as provided by this paragraph 6(a) or his confidentiality, non-competition and non-solicitation obligations as provided by Section 7 hereof and (ii) Executive not having provided management or executive services (whether as a consultant, adviser, officer, or director) to any company (whether or not referred to in paragraph 7(b)(ii) hereof) which is in direct and substantial competition with the air transportation business of the Corporation.
and its subsidiaries as that business is conducted on July 31, 1997, without the prior, express, written consent of the Corporation; provided, however, that the provisions of clause (ii) of this sentence shall not prevent Executive from owning any debt securities of, or less than 5% of any class of equity security of, any company if such security is registered under Section 12 of the Securities Exchange Act of 1934, as amended. In view of the worldwide air transportation business of the Corporation and the detailed involvement of Executive in all aspects of that worldwide business, it is understood and agreed that the restrictions agreed to in clause (ii) of the immediately preceding sentence are intended to extend to management or executive services which are directly related to the provision of air transportation services into, within or from the United States, as no smaller geographical restriction will adequately protect the legitimate business interests of the Corporation.

(b) The period during which Executive shall provide consulting services to the Corporation as provided by paragraph 6(a) hereof shall be automatically extended, beginning August 1, 2004, for an additional year (until July 31, 2005), even in the event of Executive's incapacity or death prior thereto, and Executive (or his beneficiaries)
or estate, as the case may be) accordingly shall be entitled to receive on the terms and subject to the conditions therein provided additional consulting payments in respect of such year at an annual rate of $500,000, in quarterly installments, payable in advance, unless Executive at any time during the previous seven-year period has provided management or executive services (as an employee, consultant, advisor, officer or director or in any other capacity) for compensation either (i) to a non-governmental third party (whether or not a competitor of the Corporation) or (ii) to a governmental entity (other than on a part-time, consulting basis), unless Executive has provided such services with the prior, express, written consent of the Corporation; provided, however, that, notwithstanding the foregoing provisions of this sentence, Executive may provide his services (i) as a non-officer director of any company that does not directly or indirectly conduct business which is in direct and substantial competition with the air transportation business of the Corporation as that business is conducted on July 31, 1997 or (ii) to a business owned by Executive and/or his family which is not in direct and substantial competition with the air transportation business of the Corporation as that business is conducted on July 31, 1997.
(a) Acknowledgements. Executive acknowledges that the Corporation has separately bargained for and paid additional consideration for the restrictive covenants provided for herein, and that the Corporation will provide certain benefits to Executive hereunder in reliance upon such covenants, in view of the unique and essential nature of the services Executive has performed on behalf of the Corporation, the unique and strategically critical knowledge and information Executive has accumulated during his service to the Corporation, and the irreparable injury that would befall the Corporation should Executive breach such covenants. Executive's services have been of a special, unique and extraordinary character, and his position with the Corporation has placed him in a position of confidence and trust with employees of the Corporation and its subsidiaries and with the Corporation's other constituencies and has allowed him access to confidential and proprietary information concerning the Corporation and its subsidiaries. Moreover, the business of the Corporation under the leadership of Executive has expanded into and now includes air transportation services to and from major markets throughout the world. All such markets are either now
actively served by the Corporation or are under active and ongoing study with respect to possible expansion, an ongoing process of expansion in which Executive was thoroughly and intimately involved. Accordingly, the types, periods and geographic scope of the restrictions imposed by the covenants in this Section 7 are fair and reasonable in light of Executive's positions as recited above and the character of Executive's services, and such restrictions will not prevent Executive from earning a livelihood, especially in view of the substantial compensation to be paid hereunder for these covenants.

(b) Covenants. Having acknowledged the foregoing, Executive covenants and agrees with the Corporation as follows:

(i) Commencing upon Executive's retirement pursuant to Section 2 hereof and continuing until August 1, 2004 or, if the term of Executive's consulting services to the Corporation pursuant to Section 6 hereof is extended as provided in paragraph 6(b) hereof, until August 1, 2005, Executive, without the express written consent of the Corporation, will not divulge, furnish or make accessible to anyone any Confidential Information (as hereinafter provided) with respect to any aspect of the business of the Corporation or any of its subsidiary or
affiliated companies (including, without limitation, information concerning employees, suppliers or competitors of the Corporation obtained by Executive in the course of providing his duties to the Corporation), or any other information obtained by Executive in the course of his employment under a duty of confidentiality (applicable either to Executive or the Corporation or both). For purposes of this Agreement, the term "Confidential Information" means any and all data and information relating to the air transportation business of the Corporation that has been disclosed to Executive (or that will be disclosed hereafter pursuant to the consulting provisions hereof) or of which Executive became or becomes aware as a consequence of or through his relationship with the Corporation, and that has economic value to the Corporation and is not generally known by its competitors, including, without limitation, information relating to the Corporation's financial affairs, products, services, customers, employees or employees' compensation, research, purchasing, accounting, marketing, fleet plan, strategic plans, operation or global and other alliances. Confidential Information shall also include information that constitutes a trade secret. Notwithstanding the foregoing, no information will be deemed to be Confidential Information
unless such information is treated by the Corporation as confidential and shall not include any data or information that has been voluntarily disclosed to the public by the Corporation (except where such public disclosure has been made without authorization by the Corporation), or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means. The restrictions on disclosure imposed by this provision shall not apply with respect to any statement or testimony required to be made by Executive pursuant to subpoena or other legal requirement, but Executive shall advise the Corporation of any legal process reasonably likely to require the disclosure of any such information so as to permit the Corporation to seek an appropriate protective order or other protection of the confidentiality thereof and shall cooperate with the Corporation in respect to any such legal proceedings as provided by Section 5 hereof.

(ii) Commencing upon Executive's retirement pursuant to Section 2 hereof and continuing until August 1, 2000, Executive shall not, directly or indirectly, provide management or executive services (whether as a consultant, adviser, officer or director) to any of the following companies or their majority-owned subsidiaries or affiliates
(or any successor to the air transportation business thereof): AMR Corporation, Continental Airlines, Inc., Northwest Airlines Corporation, Southwest Airlines Co., Trans World Airlines, Inc., UAL Corporation and US Airways Group, Inc.; it being understood that each of the foregoing companies or their majority-owned subsidiaries or affiliates participates in the air transportation business in direct and substantial competition with the Corporation; provided, however, that the provisions of this paragraph 7(b)(ii) shall not prevent Executive from owning any debt securities of, or less than 5% of any class of equity security of, any such company if such security is registered under Section 12 of the Securities Exchange Act of 1934, as amended.

(iii) Commencing with Executive's retirement pursuant to Section 2 hereof and continuing until August 1, 2004 or, if the term of Executive's consulting services to the Corporation pursuant to Section 6 hereof is extended as provided in paragraph 6(b) hereof, until August 1, 2005, Executive shall not solicit or advise any person who is at the time an employee of the Corporation or any of its subsidiaries at the management or executive level to accept employment with or to provide his services to any other company or enterprise (including, without limitation, any non-profit or governmental enterprise or body).
(c) In addition to any other remedies that may be available to the Corporation under applicable law, in the event of a breach by Executive of any of his obligations under paragraphs 7(b)(i), 7(b)(ii) or 7(b)(iii) hereof, the Corporation shall be entitled to injunctive and other equitable relief to restrain any future breach of such obligations and to remedy the consequences of a breach. The right of the Corporation, as stated in the last sentence of paragraph 3(c) and the penultimate sentence of paragraph 6(a) hereof, to cease making payments to Executive under such paragraphs in the event of a breach of Executive's obligations under paragraphs 7(b)(i), 7(b)(ii) or 7(b)(iii) hereof shall not be exclusive of any other right or remedy to which the Corporation shall be entitled under applicable law in respect of any breach by Executive of any of his obligations under this Agreement.

8. Withholding Taxes; Third-Party Payees.

(a) Notwithstanding any other provision of this Agreement, the Corporation may withhold from any and all payments required to be made to Executive pursuant to this Agreement, all federal, state, local and/or other taxes which the Corporation determines in good faith are required to be withheld in accordance with the applicable statutes and/or regulations from time to time in effect. Upon his
retirement, Executive's relationship with the Corporation shall be as an independent contractor and Executive shall be responsible for any taxes applicable to payments and benefits provided to him hereunder, except for withholding required by law.

(b) Notwithstanding any other provision of this Agreement, the payments to be made by the Corporation pursuant hereto may be made to such other person as shall be entitled to receive such payments pursuant to any applicable law or court order (including, without limitation, any Qualified Domestic Relations Order) and such third party payment shall for purposes hereof be deemed a payment to Executive.

9. Transitional Matters; Relationship After Retirement.

Prior to July 31, 1997, Executive will carry out his duties in good faith and cooperate with the Corporation and its Board in all transitional matters. After July 31, 1997, Executive shall no longer occupy any official position with the Corporation or any of its subsidiaries (other than as an Advisory Director of the Corporation as provided in Section 3 hereof) and he shall represent the Corporation only as specifically provided in this Agreement or as specifically requested in writing by the Board. Except as specifically provided herein, the
Corporation shall have no responsibility for expenses, fees or obligations incurred by the Executive for any activities occurring after July 31, 1997.

10. Mutual Releases.

The parties hereto hereby release and forever discharge each other (and in the case of the Corporation the subsidiaries thereof and the past and present directors, officers, employees and agents of the Corporation and its subsidiaries) from any and all claims, liabilities, obligations or causes of action, existing as of the date hereof, known or unknown and whether or not accrued or matured, arising out of or relating to Executive's retirement from the Corporation, or his employment by the Corporation or his services as a director or officer of the Corporation or its subsidiaries, or otherwise relating to the termination of such employment or services as provided herein, including but not limited to any claim against the Corporation based on, relating to or arising under wrongful discharge, breach of contract, tort, fraud, Title VII of the Civil Rights Act of 1964, as amended, any other civil or human rights law, the Age Discrimination in Employment Act, Americans with Disabilities Act, Employee Retirement Income Security Act of 1974, as amended, or any other federal, state or local law relating to employment or discrimination.
in employment, or otherwise, but such general release will not limit either (i) the rights or obligations under this Agreement of the Corporation (including, without limitation, the members of the Board) or Executive or (ii) Executive's rights to indemnification from the Corporation in respect of his services as an officer or director of the Corporation or any of its subsidiaries as provided by law or the certificates of incorporation or bylaws (or like constitutive documents) of the Corporation or any subsidiary thereof.

11. Entire Agreement.

This Agreement sets forth the entire understanding or agreement of the parties hereto and no statement, representation, warranty or covenant has been made by either party except as expressly set forth herein. This Agreement shall not be changed or terminated orally. The obligation of Executive hereunder to provide his services to the Corporation is personal to Executive and may not be assigned. All of the provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs and personal representatives of Executive and the successors and assigns of the Corporation.

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All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given to a party hereto if personally delivered to or (except in the case of the notice referred to in Section 14 hereof) five days after having been mailed, postage prepaid, by certified or registered mail, return receipt requested, to the party at its or his address as set forth at the beginning hereof (in the case of the Corporation, marked to the attention of the Secretary) or to such other address as the party may designate by notice given in conformity with the foregoing.


This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles, policies or provisions thereof concerning conflict or choice of laws.

14. Executive's Acknowledgments; Review and Revocation Rights.

Executive acknowledges that before entering into this Agreement he has had the opportunity to consult with any attorney or other advisor of his choice, and has done so, and has not relied in connection herewith on legal counsel for the Corporation. Executive acknowledges that he has entered into this Agreement of his own free will, that
no promises or representations have been made to him by any person to induce him to enter into this Agreement other than the terms expressly set forth herein, that he has been provided up to 21 days to consider, sign and return this Agreement and that, after signing and returning it, he may nevertheless revoke this Agreement by delivering a signed revocation notice to the Corporation (addressed as provided in Section 12 hereof) within seven days after he executes and delivers to the Corporation this Agreement. Upon timely delivery of such a revocation notice by Executive, this Agreement shall cease to be of any force and effect as to either party as of the time of the execution and delivery thereof.

15. Attorney's Fees.

As soon as practicable after the Payment Date, the Corporation shall pay Executive's legal counsel, Dow, Lohnes & Albertson PLC, its reasonable fees and expenses for its services in connection with the preparation of the Agreement in Principle and this Agreement.


The Corporation represents and warrants to Executive that (i) it has the corporate power and authority to enter into this Agreement and to carry out its respective obligations hereunder; (ii) the execution, delivery and
performance of this Agreement by the Corporation and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Corporation; and (iii) this Agreement is a valid and binding obligation of the Corporation, enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, and other laws now or hereafter in effect relating to the enforcement of creditors' rights generally.

17. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which, together shall constitute one and the same instrument. Any counterpart of this Agreement that has attached to it separate signature pages which together contain the signature of all parties hereto shall for all purposes be deemed a fully executed original. Facsimile signatures shall constitute original signatures.

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed in its corporate name by a
director thereof thereunto duly authorized, and Executive has hereunto set his hand, as of the day and year first above written.

DELTA AIR LINES, INC.

By: /s/ Gerald Grinstein
---------------------------------
Gerald Grinstein,
CHAIRMAN, PERSONNEL,
COMPENSATION &
NOMINATING COMMITTEE OF
THE BOARD OF DIRECTORS

/s/ Ronald W. Allen
------------------------------------
RONALD W. ALLEN

Date Signed: August 14, 1997
SCHEDULE 3B

1. OUTSTANDING NONQUALIFIED STOCK OPTIONS AS OF JULY 22, 1997

<table>
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298,000

2. RESTRICTED STOCK AWARD

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<tr>
<td>January 26, 1995</td>
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* plus 50.47 shares from reinvested dividends as of June 30, 1997
SCHEDULE 3C

DELTA'S EXISTING QUALIFIED AND NONQUALIFIED RETIREMENT PLANS
(All AS AMENDED THROUGH JULY 31, 1997)

1. Delta Family-Care Retirement Plan.


1. Delta Family-Care Disability and Survivorship Plan.

2. Delta Family-Care Medical Plan.

3. Officers Life Insurance Program.

4. $40,000 Supplemental Lump Sum Death Benefit.


LEASE AGREEMENT
by and between

KNICKERBOCKER MONARCH ASSOCIATES, L.P.

("Landlord")

and

DELTA AIR LINES, INC.

("Tenant")

dated

July __, 1997

for

Suite Number 1745

containing

2,090 square feet of Rentable Floor Area

Term: 120 months
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**Rules and Regulations**

Exhibit "A" - Legal Description  
Exhibit "B" - Floor Plan  
Exhibit "C" - Supplemental Notice  
Exhibit "D" - Landlord's Construction  
Exhibit "E" - Building Standard Services  
Exhibit "F" - Guaranty  
Exhibit "G" - Special Stipulations
LEASE AGREEMENT

THIS LEASE AGREEMENT ("Lease") is made and entered into this ___ day of July, 1997, by and between Landlord and Tenant.

WITNESSETH:

1. CERTAIN DEFINITIONS. For purposes of this Lease, the following terms shall have the meanings hereinafter ascribed thereto:

(a) LANDLORD: KNICKERBOCKER MONARCH ASSOCIATES, L.P.

(b) LANDLORD’S ADDRESS:

ERE Yarmouth
3424 Peachtree Road
Suite 800
Atlanta, Georgia 30326

(c) TENANT: DELTA AIR LINES, INC.

(d) TENANT’S ADDRESS:

(e) BUILDING ADDRESS:

3424 Peachtree Road, N.E.

Atlanta, Georgia 30326

(f) SUITE NUMBER: 1745

(g) RENTABLE FLOOR AREA OF DEMISED PREMISES:

2,090 square feet. Landlord and Tenant agree that when the tenant improvements to the Demised Premises are completed, Landlord or Tenant may have the same remeasured by a firm reasonably acceptable to Landlord. If the measurement proves the Demised Premises contain more or less than 2,090 rentable square feet, Landlord and Tenant agree to modify this Lease to reflect the accurate amount of rentable square feet and correct the associated calculations hereunder which are based on rentable square feet provided that such remeasurement shall not affect or impact the conversion factor used to calculate usable square feet within the Demised Premises or the Building.

(h) RENTABLE FLOOR AREA OF BUILDING:

Approximately 521,408 rentable square feet, subject to final determination by Landlord.

(i) LEASE TERM: 120 months.

(j) BASE RENTAL RATE: $32.50 per square foot of Rentable Floor Area of Demised Premises per year for years 1-5. $37.50 per square foot of Rentable Floor Area of Demised Premises per year for years 6-10.

(k) RENTAL COMMENCEMENT DATE: The earlier of (x) September 1, 1997, or (y) the date upon which Tenant takes possession and occupies the Demised Premises; provided that if the Demised Premises are not ready for occupancy on the date set forth in (x) above due to delays not caused by Tenant or its employees, agents or contractors, then the date set forth in (x) above shall be postponed to the date on which the Demised Premises are ready for occupancy.

(l) TENANT IMPROVEMENT ALLOWANCE: $62,700.00.

(m) SECURITY DEPOSITS:

(i) $5,660.42 [Article 42(a)].
2. LEASE OF PREMISES. Landlord, in consideration of the covenants and agreements to be performed by Tenant, and upon the terms and conditions hereinafter stated, does hereby rent and lease unto Tenant, and Tenant does hereby rent and lease from Landlord, certain premises (the "Demised Premises") in the building (the "Building") located on that certain tract of land (the "Land") more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof, which Demised Premises are outlined in red or cross-hatched on the floor plan attached hereto as Exhibit "B" and by this reference made a part hereof, with no easement for light, view or air included in the Demised Premises or being granted hereunder. The
"Project" is comprised of the Building, the Land, the Building's parking facilities, any walkways, covered walkways, tunnels or other means of access to the Building and the Building's parking facilities, all common areas, including any lobbies or plazas, and any other improvements or landscaping on the Land.

3. TERM. The term of this Lease (the "Lease Term") shall commence on the date first hereinabove set forth (the "Term Commencement Date"), and, unless sooner terminated as provided in this Lease, shall end on the expiration of the period designated in Article 1(i) above, which period shall commence on the Rental Commencement Date, unless the Rental Commencement Date shall be other than the first day of a calendar month, in which event such period shall commence on the first day of the calendar month following the month in which the Rental Commencement Date occurs. Promptly after the Rental Commencement Date, Landlord or Landlord's agent shall send to Tenant a Supplemental Notice in the form of Exhibit "C" attached hereto and by this reference made a part hereof, specifying the Rental Commencement Date, the date of expiration of the Lease Term in accordance with Article 1(i) above and certain other matters as therein set forth.

4. POSSESSION. The obligations of Landlord and Tenant with respect to the initial leasehold improvements to the Demised Premises are set forth in Exhibit "D" attached hereto and by this reference made a part hereof. Taking of possession by Tenant shall be deemed conclusively to establish that Landlord's construction obligations with respect to the Demised Premises have been completed in accordance with the plans and specifications approved by Landlord and Tenant and that the Demised Premises, to the extent of Landlord's construction obligations with respect thereto, are in good and satisfactory condition.

5. RENTAL PAYMENTS.

(a) Commencing on the Rental Commencement Date, and continuing thereafter throughout the Lease Term, Tenant hereby agrees to pay all Rent due and payable under this Lease. As used in this Lease, the Term "Rent" shall mean the Base Rental, Rental Adjustment, Tenant's Forecast Additional Rental, Tenant's Additional Rental, and any other amounts that Tenant assumes or agrees to pay under the provisions of this Lease that are owed to Landlord, including, without limitation, any and all other sums that may become due by reason of any default of Tenant or failure on Tenant's part to comply with the agreements, terms, covenants and conditions of this Lease to be performed by Tenant. Base Rental, together with Tenant's Forecast Additional Rental, shall be due and payable in twelve (12) equal installments on the first day of each calendar month, commencing on the Rental Commencement Date and continuing thereafter throughout the Lease Term and any extensions or renewals thereof. Tenant hereby agrees to pay such Rent to Landlord at Landlord's address as provided herein (or such other address as may be designated by Landlord from time to time) monthly in advance. Tenant shall pay all Rent and other sums of money as shall become due from and payable by Tenant to Landlord under this Lease at the times and in the manner provided in this Lease, without demand, set-off or counterclaim.

(b) If the Rental Commencement Date is other than the first day of a calendar month or if this Lease terminates on a day other than the last day of a calendar month, then the installments of Base Rental and Tenant's Forecast Additional Rental for such month or months shall be prorated on a daily basis and the installment or installments so prorated shall be paid in advance. Also, if the Rental Commencement Date occurs on a day other than the first day of a calendar year, or if this Lease expires or is terminated on a day other than the last day of a calendar year, Tenant's Additional Rental shall be prorated for such commencement or termination year, as the case may be, by multiplying such Tenant's Additional Rental by a fraction, the numerator of which shall be the number of days of the Lease Term (from and after the Rental Commencement Date) during the commencement or expiration or termination year, as the case may be, and the denominator of which shall be 365, and the calculation described in Article 8 hereof shall be made as soon as possible after the expiration or termination of this Lease, Landlord and Tenant hereby agreeing that the provisions relating to said calculation shall survive the expiration or termination of this Lease.

6. BASE RENTAL. From and after the Rental Commencement Date, Tenant shall pay to Landlord a base annual rental (herein called "Base Rental") equal to the Base Rental Rate set forth in Article 1(j) above multiplied by the Rentable Floor Area of the Demised Premises as set forth in Article 1(g) above.

7. RENTAL ADJUSTMENT.

(a) Tenant shall pay to Landlord as additional rental a rental adjustment (the "Rental Adjustment") which shall be determined as of the first anniversary of the Rental Commencement Date and as of each January 1 thereafter during the Lease Term in the manner hereinafter provided (each such date being hereinafter in this Article 7 called an "Adjustment Date", and each period of time from any given Adjustment Date through the day before the next succeeding Adjustment Date being herein called an "Adjustment Period"). Each such Rental Adjustment shall be payable in monthly installments in advance on the first day of every such calendar month during the Adjustment Period for which such Rental Adjustment was determined. A prorated monthly installment, based on the number of days in the partial month, shall be paid for any fraction of a month if the Rental Commencement Date falls on any day other than the first day of a calendar month, or if the Lease Term is terminated or expires on any other day than the last day of a calendar month. Landlord shall use reasonable efforts to notify Tenant in writing of the monthly amount of the Rental Adjustment for each Adjustment Period at least ten (10) days prior to the date on which the first installment of such Rental Adjustment is due and payable, or as soon thereafter as is practicable. Failure by Landlord to notify Tenant of the monthly amount of such Rental Adjustment shall not prejudice Landlord's right to collect the full amount of such Rental Adjustment, nor shall Landlord be deemed to have forfeited or surrendered its rights to collect such Rental Adjustment which may have become due pursuant to this Article 7, and Tenant agrees to pay upon demand all accrued but unpaid Rental Adjustment.

(b) For each Adjustment Period, each monthly installment of the Rental Adjustment shall be an amount equal to one-twelfth (1/12th) of the product of: (i) the annual Base Rental set forth in Article 6 hereof, multiplied by (ii) the "percentage increase" (as hereinafter defined), if any, in the "Index" (as hereinafter defined), as such percentage increase is determined with respect to the Adjustment Date beginning such
Adjustment Period.

(c) For purposes of Articles 7(a) and (b) above, the "percentage increase," if any, in the Index for each Adjustment Date shall mean and equal the quotient (expressed as a decimal) determined by dividing (i) the difference obtained by subtracting the Index for the calendar month in which the Rental Commencement Date falls from the Index for the calendar month of October immediately preceding the Adjustment Date in question [if the difference so obtained is negative, then this factor (i) shall be deemed to be zero], by (ii) the Index for the calendar month in which the Rental Commencement Date falls.
(d) The term "Index" as used in Articles 7(b) and (c) above shall mean the Consumer Price Index for All Urban Consumers, U.S. City Average, All Items (1982-84=100), published by the Bureau of Labor Statistics of the United States Department of Labor. If the Bureau of Labor Statistics should discontinue the publication of the Index, or publish the same less frequently, or alter the same in some manner, then Landlord shall adopt a substitute Index or substitute procedure which reasonably reflects and monitors consumer prices.

(e) Nothing contained in this Article 7 shall be construed at any time so to reduce the monthly installments of Base Rental payable hereunder below the amount set forth in Article 6 of this Lease. Notwithstanding anything contained in this Lease to the contrary, it is agreed that (i) the Rental Adjustment for any given Adjustment Period shall not be less than the Rental Adjustment for the immediately preceding Adjustment Period, and (ii) Tenant's payments pursuant to this Article 7 shall not be deemed payments of rent as that term is construed relative to governmental wage and price controls or analogous governmental actions affecting the amount of rent which Landlord may charge Tenant.

8. ADDITIONAL RENTAL.

(a) For purposes of this Lease, "Tenant's Forecast Additional Rental" shall mean Landlord's reasonable estimate of Tenant's Additional Rental for each calendar year or portion thereof during the Lease Term. If at any time it appears to Landlord that Tenant's Additional Rental for the current calendar year then at hand will vary from Landlord's estimate, Landlord shall have the right to revise, by notice to Tenant, its estimate for such year, and subsequent payments by Tenant for such year shall be based upon such revised estimate of Tenant's Additional Rental. Failure to make a revision contemplated by the immediately preceding sentence shall not prejudice Landlord's right to collect the full amount of Tenant's Additional Rental. Prior to the first day of January immediately following the expiration of the Base Year, and thereafter prior to the beginning of each calendar year during the Lease Term, including any extensions or renewals thereof, Landlord shall present to Tenant a statement of Tenant's Forecast Additional Rental for such calendar year; provided, however, that if such statement is not given prior to the beginning of any calendar year as aforesaid, Tenant shall continue to pay during the next ensuing calendar year on the basis of the amount of Tenant's Forecast Additional Rental payable during the calendar year just ended until the month after such statement is delivered to Tenant.

(b) For purposes of this Lease, "Tenant's Additional Rental" shall mean for each calendar year (or portion thereof) during the Lease Term the excess of (x) the Operating Expense Amount (defined below) multiplied by the number of square feet of Rentable Floor Area of the Demised Premises, over (y) the Base Operating Expenses (defined below) multiplied by the number of square feet of Rentable Floor Area of the Demised Premises. As used herein, "Operating Expense Amount" shall mean the amount of Operating Expenses (as defined below) for such calendar year divided by the greater of (i) ninety-five percent (95%) of the number of square feet of Rentable Floor Area of the Building, or (ii) the total number of square feet of Rentable Floor Area occupied in the Building for such calendar year on an average annualized basis; provided, however, if the amount is calculated under (i) above, the Operating Expenses actually incurred with respect to such calendar year shall be adjusted to reflect the amount of Operating Expenses which would have been incurred if the Building were ninety-five percent (95%) occupied throughout such calendar year. As used herein, the term "Base Operating Expenses" shall mean the Operating Expenses paid or incurred by Landlord in the Base Year (as hereinafter defined) as if the Building was ninety-five percent (95%) occupied throughout the Base Year, divided by ninety-five (95%) of the number of square feet of Rentable Floor Area of the Building. If the Building was not ninety-five percent (95%) occupied throughout the Base Year, then the Base Operating Expenses shall be an amount which fairly reflects what the Operating Expenses would have been in the Base Year had the Building been ninety-five percent (95%) occupied throughout the Base Year, as determined by Landlord in its reasonable opinion. As used herein, "Base Year" shall mean calendar year 1997.

(c) Within one hundred fifty (150) days after the end of the calendar year in which the Rental Commencement Date occurs and of each calendar year thereafter during the Lease Term, or as soon thereafter as practicable, Landlord shall provide Tenant a statement showing the Operating Expenses for said calendar year, as prepared by an authorized representative of Landlord, and a statement prepared by Landlord comparing Tenant's Forecast Additional Rental with Tenant's Additional Rental. In the event Tenant's Forecast Additional Rental exceeds Tenant's Additional Rental for said calendar year, Landlord shall credit such amount against the Forecast Additional Rental next due hereunder or, if the Lease Term has expired or is about to expire, refund such excess to Tenant if Tenant is not in default under this Lease (in the instance of a default, such excess shall be held as additional security for Tenant's performance, may be applied by Landlord to cure any such default, and shall not be refunded until any such default is cured). In the event that the Tenant's Additional Rental exceeds Tenant's Forecast Additional Rental for said calendar year, Tenant shall pay Landlord, within thirty (30) days of receipt of the statement, an amount equal to such difference. The provisions of this Lease concerning the payment of Tenant's Additional Rental shall survive the expiration or earlier termination of this Lease.

(d) Landlord's books and records pertaining to the calculation of Operating Expenses for any calendar year within the Lease Term may be audited by Tenant or its representatives at Landlord's office where Operating Expense records are kept, at Tenant's expense, at any time within ninety (90) days after the Landlord's annual statement is delivered to Tenant for such calendar year; provided that Tenant shall give Landlord not less than thirty (30) days prior written notice of any such audit. If Landlord's calculations of Tenant's Additional Rental for the audited calendar year was incorrect, then Tenant shall be entitled to a prompt refund of any overpayment or Tenant shall promptly pay to Landlord the amount of any underpayment, as the case may be.

9. OPERATING EXPENSES.

(a) For the purposes of this Lease, "Operating Expenses" shall mean all expenses, costs and disbursements (but not specific costs billed to specific tenants of the Building) of every kind and nature, computed on an accrual basis, relating to or incurred or paid in connection with the ownership, management, operation, repair and maintenance of the Project, including, but not limited to, the following:

(1) wages, salaries and other costs of all on-site and off-site employees engaged either in full or part time in the operation, management,
maintenance or access control of the Project, including taxes, insurance and benefits relating to such employees, allocated based upon the time such employees are engaged directly in providing services;

(2) the cost of all supplies, tools, equipment and materials used in the operation, management, maintenance and access control of the Project:
(3) the cost of all utilities for the Project, including but not limited to the cost of electricity, gas, water, sewer services and power for heating, lighting, air conditioning and ventilating;

(4) the cost of all maintenance and service agreements for the Project and the equipment therein, including, but not limited to, security service, garage operators, window cleaning, elevator maintenance, HVAC maintenance, janitorial service, landscaping maintenance and customary landscaping replacement;

(5) the cost of inspections, repairs and general maintenance of the Project;

(6) amortization (together with reasonable financing charges, whether or not actually incurred) of the cost of acquisition and/or installation of capital investment items (including security equipment), amortized over their respective useful lives, which are installed for the purpose of reducing operating expenses, promoting safety, complying with governmental requirements, or maintaining the first-class nature of the Project;

(7) the cost of casualty, rental loss, liability and other insurance applicable to the Project and Landlord's personal property used in connection therewith;

(8) the cost of trash and garbage removal, vermin extermination, and snow, ice and debris removal;

(9) the cost of legal and accounting services incurred by Landlord in connection with the management, maintenance, operation and repair of the Project, excluding the owner's or Landlord's general accounting, such as partnership statements and tax returns, and excluding services described in Article 9(b)(14) below;

(10) all taxes, assessments and governmental charges, whether or not directly paid by Landlord, whether federal, state, county or municipal and whether they be by taxing districts or authorities presently taxing the Project or by others subsequently created or otherwise, and any other taxes and assessments attributable to the Project or its operation (and the costs of monitoring and contesting any of the same), including business license taxes and fees (all of the foregoing are herein sometimes collectively referred to as "Taxes"), excluding, however, taxes and assessments imposed on the personal property of the tenants of the Project, federal and state taxes on income, death taxes, franchise taxes, and any taxes (other than business license taxes and fees) imposed or measured on or by the income of Landlord from the operation of the Project; provided, however, that if any time during the Lease Term, the present method of taxation or assessment shall be so changed that the whole or any part of the taxes, assessments, levies, impositions or charges now levied, assessed or imposed on real estate and the improvements thereon shall be discontinued and as a substitute thereof, or in lieu of or in addition thereto, taxes, assessments, levies, impositions or charges shall be levied, assessed and/or imposed wholly or partially as a capital levy or otherwise on the rents received from the Project or the rents reserved herein or any part thereof, then such substitute or additional taxes, assessments, levies, impositions or charges, to the extent so levied, assessed or imposed, shall be deemed to be included within the Operating Expenses to the extent that such substitute or additional tax would be payable if the Project were the only property of the Landlord subject to such tax; and it is agreed that Tenant will be responsible for ad valorem taxes on its personal property and on the value of the leasehold improvements in the Demised Premises to the extent that the same exceed building standard allowances, if said taxes are based upon a standard allowances, if said taxes are based upon a standard (and if the taxing authorities do not separately assess Tenant’s leasehold improvements, Landlord may make an appropriate allocation of the ad valorem taxes allocated to the Project to give effect to this sentence);

(11) the cost of operating the management office for the Project, including cost of office supplies, telephone expenses and non-capital investment equipment and amortization (together with reasonable financing charges) of the cost of capital investment equipment; and

(12) management fees.

Tenant acknowledges that the Project is part of a development, which will or may include other improvements and that certain of the costs of management, operation and maintenance of the development shall, from time to time, be allocated among and shared by two or more of the improvements in the development (including the Project). The determination of such costs and their allocation shall be made by Landlord in its sole but reasonable discretion. In addition, Landlord reserves the right to recompute and adjust the base year of any component of Operating Expenses at any time during the Lease Term as a result of any reallocation within the Project. Accordingly, the term "Operating Expenses" as used in this Lease shall, from time to time, include some costs, expenses and taxes enumerated above which were incurred with respect to other improvements in the development but which were allocated to and share by the Project in accordance with the foregoing. Notwithstanding the foregoing, Tenant understands and agrees that its right to use other portions of the development of which the Project is a part are those available to the general public and that this Lease does not grant to Tenant additional rights of use.

(b) For purposes of this Lease, and notwithstanding anything in any other provision of this Lease to the contrary, "Operating Expenses" shall not include the following:

(1) the cost of any special work or service performed for any tenant (including Tenant) at such tenant's cost;

(2) the cost of installing, operating and maintaining any specialty service, such as an observatory, broadcasting facility, luncheon club, restaurant, cafeteria, retail store, sundry shop, newsstand, or concession, but only to the extent such costs exceed those which would normally be expected to be incurred had such space been general office space.
(3) the cost of correcting defects in construction;
(4) compensation paid to officers and executives of Landlord (but it is understood that the on-site general manager and other on-site employees below the grade of general manager may carry a title such as vice president and the salaries and related benefits of these officers/employees of Landlord would be allowable Operating Expenses under Article 9[a][1] above);

(5) the cost of any items for which Landlord is reimbursed by insurance, condemnation or otherwise, except for costs reimbursed pursuant to the provisions similar to Articles 8 and 9 hereof;

(6) the cost of any additions, changes, replacements and other items which are made in order to prepare for a new tenant's occupancy;

(7) the cost of repairs incurred by reason of fire or other casualty;

(8) insurance premiums to the extent Landlord may be directly reimbursed therefor, except for premiums reimbursed pursuant to provisions similar to Articles 8 and 9 hereof;

(9) interest on debt or amortization payments on any mortgage or deed to secure debt (except to the extent specifically permitted by Article 9[a]) and rental under any ground lease or other underlying lease;

(10) any real estate brokerage commissions or other costs incurred in procuring tenants or any fee in lieu of such commission;

(11) any advertising expenses incurred in connection with the marketing of any rentable space;

(12) rental payments for base building equipment such as HVAC equipment and elevators;

(13) any expenses for repairs or maintenance which are covered by warranties and service contracts, to the extent that such maintenance and repairs are made at no cost to the Landlord; and

(14) legal expenses arising out of the construction of the improvements on the Land or the enforcement of the provisions of any lease affecting the Land or Building, including without limitation this Lease.

10. TENANT TAXES. Tenant shall pay promptly when due all taxes directly or indirectly imposed or assessed upon Tenant's gross sales, business operations, machinery, equipment, trade fixtures and other personal property or assets, whether such taxes are assessed against Tenant, Landlord or the Building. In the event that such taxes are imposed or assessed against Landlord or the Building, Landlord shall furnish Tenant with all applicable tax bills, public charges and other assessments or impositions and Tenant shall forthwith pay the same either directly to the taxing authority or, at Landlord's option, to Landlord.

11. PAYMENTS. All payments of Rent and other payments to be made to Landlord shall be made on a timely basis and shall be payable to Landlord or as Landlord may otherwise designate. All such payment shall be mailed or delivered to Landlord's Address designated in Article 1 (b) above or at such other place as Landlord may designate from time to time in writing. If mailed, all payments shall be mailed in sufficient time and with adequate postage thereon to be received in Landlord's account by no later than the due date for such payment. Tenant agrees to pay to Landlord Fifty Dollars ($50.00) for each check presented to Landlord in payment of any obligation of Tenant which is not paid by the bank on which it is drawn, together with interest from and after the due date for such payment at the rate of eighteen percent (18%) per annum on amount due.

12. LATE CHARGES. Any rent or other amounts payable to Landlord under this Lease, if not paid by the fifth day of the month for which such Rent is due, or by the due date specified on any invoices from Landlord for any other amounts payable hereunder, shall incur a late charge of Fifty Dollars ($50.00) for Landlord's administrative expense in processing such delinquent payment and in addition thereto shall bear interest at the rate of eighteen percent (18%) per annum from and after the due date for such payment. Notwithstanding anything to the contrary contained in this Lease, in no event shall the rate of interest payable on any amount due under this Lease exceed the legal limits for such interest enforceable under applicable law.

13. USE RULES. The Demised Premises shall be used for executive, general administrative and office space purposes and no other purposes and in accordance with all applicable laws, ordinances, rules and regulations of governmental authorities and the Rules and Regulations attached hereto and made a part hereof. Tenant covenants and agrees that it will, at its expense, comply with all laws, ordinances, orders, directions, requirements, rules and regulations of all governmental authorities (including Federal, State, county and municipal authorities), now in force or which may hereafter be in force, which shall impose any duty upon Landlord or Tenant with respect to the use, occupancy or alteration of the Demised Premises, and of all insurance bodies applicable to the Demised Premises or to the Tenant's use or occupancy thereof. Tenant covenants and agrees to abide by the Rules and Regulations in all respects as now set forth and attached hereto or as hereafter promulgated by Landlord. Landlord shall have the right at all times during the Lease Term to publish and promulgate and thereafter enforce such rules and regulations or changes in the existing Rules and Regulations as it my reasonably deem necessary in its sole discretion to protect the tenantability, safety, operation, and welfare of the Demised Premises and the Project.

14. ALTERATIONS. Except for any initial improvement of the Demised pursuant to Exhibit "D", which shall be governed by the provisions of
said Exhibit "D", Tenant shall not make, suffer or permit to be made any alterations, additions or improvements to or of the Demised Premises or any party thereof, or any fixtures or equipment thereto, without first obtaining Landlord's written consent. With respect to any alteration, addition or improvement which does not affect the structure of the Building, does not affect any of the Building's systems (e.g., mechanical, electrical or plumbing), does not diminish the capacity of such Building systems available to other portions of the Building, is not visible from the common areas or exterior of the Building, and is in full compliance with all laws, orders, ordinances, directions, requirements, rules and regulations of all governmental authorities. Landlord's consent shall not be unreasonably withheld. Any such alterations, additions or improvements to the Demised Premises consented to by Landlord shall be made by Landlord or under Landlord's supervision for Tenant's account and Tenant shall reimburse Landlord for all costs thereof (including a reasonable charge for Landlord's overhead), as Rent, within ten (10) days after receipt of a statement. All such alterations, additions, and improvements shall become Landlord's property at the expiration or earlier termination of the Lease Term and shall remain on the Demised Premises without compensation to Tenant unless Landlord elects by notice to Tenant to have Tenant remove such alterations, additions and improvements, in which event,
15. REPAIRS.

(a) Landlord shall maintain in good order and repair, subject to normal wear and tear and subject to casualty and condemnation, the Building (excluding the Demised Premises and other portions of the Building leased to other tenants), the Building parking facilities, the public areas and the landscaped areas. Notwithstanding the foregoing obligation, the cost of any repairs or maintenance to the foregoing necessitated by the intentional acts or negligence of Tenant or its agents, contractors, employees, invitees, licensees, tenants or assigns, shall be borne solely by Tenant and shall be deemed Rent hereunder and shall be reimbursed by Tenant to Landlord upon demand. Landlord shall not be required to make any repairs or improvements to the Demised Premises except structural repairs necessary for safety and tenantability.

(b) Tenant covenants and agrees that it will take good care of the Demised Premises and all alterations, additions and improvements thereto and will keep and maintain the same in good condition and repair, except for normal wear and tear. Tenant shall at once report, in writing, to Landlord any defective or dangerous condition known to Tenant. To the fullest extent permitted by law, Tenant hereby waives all rights to make repairs at the expense of Landlord or in lieu thereof to vacate the Demised Premises as may be provided by any law, statute or ordinance now or hereafter in effect. Landlord has no obligation and has made no promise to alter, remodel, repair, decorate or paint the Demised Premises or any part thereof, except as specifically and expressly herein set forth.

16. LANDLORD'S RIGHT OF ENTRY. Landlord shall retain duplicate keys to all doors of the Demised Premises and Landlord and its agents, employees and independent contractors shall have the right to enter the Demised Premises at reasonable hours to inspect and examine same, to make repairs, additions, alterations and improvements, to exhibit the Demised Premises to mortgagees, prospective mortgagees, purchasers or tenants, and to inspect the Demised Premises to ascertain that Tenant is complying with all of its covenants and obligations hereunder, all without being liable to Tenant in any manner whatsoever for any damages arising therefrom; provided, however, that Landlord shall, except in case of emergency, afford Tenant such prior notification of an entry into the Demised Premises as shall be reasonably practicable under the circumstances. Landlord shall be allowed to take into and through the Demised Premises any and all materials that may be required to make such repairs, additions, alterations or improvements. During such time as such work is being carried on, in or about the Demised Premises, the Rent provided herein shall not abate, and Tenant waives any claim or cause of action against Landlord for damages by reason of interruption of Tenant's business or loss of profits therefrom because of the prosecution of any such work or any part thereof.

17. INSURANCE. Tenant shall procure at its expense and maintain throughout the Lease Term a policy or policies of commercial property insurance, issued on an "all risks" basis insuring the full replacement cost of its furniture, equipment, supplies and other property owned, leased, held or possessed by it and contained in the Demised Premises, together with the excess value of the improvements to the Demised Premises over the Tenant Improvement Allowance (with a replacement cost endorsement sufficient to prevent Tenant from becoming a co-insurer), and workmen's compensation insurance as required by applicable law. Tenant shall also procure at its expense and maintain throughout the Lease Term a policy or policies of commercial general liability insurance, written on an occurrence basis and insuring Tenant, Landlord and any other person designated by Landlord, against any and all liability for injury to or death of a person or persons and for damage to property occasioned by or arising out of any construction work being done on the Demised Premises, or arising out of the condition, use or occupancy of the Demised Premises, or in any way occasioned by or arising out of the activities of Tenant, its agents, contractors, employees, guests or licensees in the Demised Premises, or other portions of the Building or the Project, the limits of such policy or policies to be in combined single limits for both damage to property and personal injury and in amounts not less than Three Million Dollars ($3,000,000.00) for each occurrence. Such insurance shall, in addition, extend to any liability of Tenant arising out of the indemnities provided for in this Lease. Tenant shall also carry such other types of insurance in form and amount which Landlord shall reasonably deem to be prudent for Tenant to carry, should the circumstances or conditions so merit Tenant carrying such type of insurance. All insurance policies procured and maintained by Tenant pursuant to this Article 17 shall name Landlord and any additional parties designated by Landlord as additional insureds, shall be carried with companies licensed to do business in the State of Georgia reasonably satisfactory to Landlord and shall be non-cancelable and not subject to material change except after twenty (20) days' written notice to Landlord. Such policies or duly executed certificates of insurance with respect thereto, accompanied by proof of payment of the premium therefor, shall be delivered to Landlord prior to the Rental Commencement Date, and renewals of such policies shall be delivered to Landlord at least thirty (30) days prior to the expiration of each respective policy term.

18. WAIVER OF SUBROGATION. Landlord and Tenant shall each have included in all policies of commercial property insurance, commercial general liability insurance, and business interruption and other insurance respectively obtained by them covering the Demised Premises, the Building and contents therein, a waiver by the insurer of all right of subrogation against the other in connection with any loss or damage thereby insured against. Any additional premium for such waiver shall be paid by the primary insured. To the full extent permitted by law, Landlord and Tenant each waives all right of recovery against the other for, and agrees to release the other from liability for, loss or damage to the extent such loss or damage is covered by valid and collectible insurance in effect at the time of such loss or damage or, in the event of self-insurance or a failure to insure, would be covered by the insurance required to be maintained under this Lease by the party seeking recovery.

19. DEFAULT.

(a) The following events shall be deemed to be events of default by Tenant under this Lease: (i) Tenant shall fail to pay any installment of Rent or any other charge or assessment against Tenant pursuant to the terms hereof and such failure shall continue for five (5) days after written
notice of such failure or payment; provided, however, such notice and such grace period shall be required to be provided by Landlord and shall be accorded Tenant, if necessary, only two (2) times during any calendar year of the Lease Term, and an event of default shall be deemed to have immediately occurred upon the third (3rd) failure by Tenant to make a timely payment as aforesaid within any calendar of the Lease Term; (ii) Tenant shall fail to comply with any term, provision, covenant or warranty made under this Lease by Tenant, other than the payment of the Rent or any other charge or assessment payable by Tenant, and shall not cure such failure within thirty (30) days after notice thereof to Tenant; (iii) Tenant or any guarantor of this Lease shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a petition in bankruptcy, or shall be adjudicated as bankrupt or insolvent, or shall file a petition in any proceeding seeking any reorganization, arrangement,
composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or failing timely to contest the material allegations of a petition filed against it in any such proceeding; (iv) a proceeding is commenced against Tenant or any guarantor of this Lease seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, and such proceeding shall not have been dismissed within forty-five (45) days after the commencement thereof; (v) a receiver or trustee shall be appointed for the Demised Premises or for all or substantially all of the assets of Tenant or of any guarantor of this Lease; (vi) Tenant shall abandon or vacate all or any portion of the Demised Premises or fail to take possession thereof as provided in this Lease; (vii) Tenant shall do or permit to be done anything which creates a lien upon the Demised Premises or the Project and such lien is not removed or discharged within fifteen (15) days after the filing thereof; (viii) Tenant shall fail to return a properly executed instrument to Landlord in accordance with the provisions of Article 27 hereof within the time period provided for such return following Landlord's request for same as provided in Article 27; or (ix) Tenant shall fail to return a properly executed estoppel certificate to Landlord in accordance with the provisions of Article 28 hereof within the time period provided for such return following Landlord's request for same as provided in Article 28, provided, however, if any non-monetary default is not subject to cure within the allotted time period and Tenant is diligently pursuing the cure of such default, then Tenant shall have such time (not to exceed forty-five (45) days) as is reasonably necessary to cure such default.

(b) Upon the occurrence of any of the aforesaid events of default, Landlord shall have the option to pursue any one or more of the following remedies without any notice or demand whatsoever: (i) terminate this Lease, in which event Tenant shall immediately surrender the Demised Premises to Landlord and if Tenant fails to do so, Landlord may without prejudice to any other remedy which it may have for possession or arrearages in Rent, enter upon and take possession of the Demised Premises and expel or remove Tenant and any other person who may be occupying said Demised Premises or any part thereof, by force, if necessary, without being liable for prosecution or any claim of damages therefor; Tenant hereby agreeing to pay to Landlord on demand the amount of all loss and damage which Landlord may suffer by reason of such termination, whether through inability to relet the Demised Premises on satisfactory terms or otherwise; (ii) terminate Tenant's right of possession (but not this Lease) and enter upon and take possession of the Demised Premises and expel or remove Tenant and any other person who may be occupying said Demised Premises or any part thereof, by entry (including the use of force, if necessary), dispossession suit or otherwise, without thereby releasing Tenant from any liability hereunder, without terminating this Lease, and without being liable for prosecution or any claim of damages therefor and, if Landlord so elects, make such alterations, redecorations and repairs as, in Landlord's judgment, may be necessary to relet the Demised Premises, and Landlord may, but shall be under no obligation to do so, relet the Demised Premises or any portion thereof in Landlord's or Tenant's name, but for the account of Tenant, for such term or terms (which may be for a term extending beyond the Lease Term) and at such rental or rentals and upon such other terms as Landlord may deem advisable, with or without advertisement, and by private negotiations, and receive the rent therefor, Tenant hereby agreeing to pay to Landlord the deficiency, if any, between all Rent reserved hereunder and the total rental applicable to the Lease Term hereof obtained by Landlord re-letting, and Tenant shall be liable for Landlord's expenses in redecorating and restoring the Demised Premises and all costs incident to such re-letting, including broker's commissions and lease assumptions, and in no event shall Tenant be entitled to any rentals received by Landlord in excess of the amounts due by Tenant hereunder; or (iii) enter upon the Demised Premises by force, if necessary, without being liable for prosecution or any claim of damages therefor, and do whatever Tenant is obligated to do under the terms of this Lease; and Tenant agrees to reimburse Landlord on demand for any expenses including, without limitation, reasonable attorneys' fees which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, whether caused by negligence of Landlord or otherwise. If this Lease is terminated by Landlord as a result of the occurrence of an event of default, Landlord may declare due and payable immediately an amount determined as follows: (x) the entire amount of Rent and other charges and assessments which would have become due and payable during the remainder of the Lease Term (including, without limitation, increases in Rent pursuant to Article 7 hereof), discounted to present value by using a discount factor of eight percent (8%) per annum, plus (y) all of Landlord's costs and expenses (including, without limitation, Landlord's expenses in redecorating and restoring the Demised Premises and all costs relating to such reletting, including broker's commissions and lease assumptions) reasonably incurred in connection with or related to the reletting of the Demised Premises, minus (z) the market rental value of the Demised Premises for the remainder of the Lease Term, based on Landlord's reasonable determination of both future rental value and the probability of reletting the Demised Premises for all or part of the remaining Term, discounted to present value by using a discount factor of eight percent (8%) per annum. Such payment shall not constitute a penalty or forfeiture but shall constitute liquidated damages for Tenant's failure to comply with the terms and provisions of this Lease (Landlord and Tenant agreeing that Landlord's exact damages in such event are impossible to ascertain and that the amount set forth above is a reasonable estimate thereof). For purposes of determining what could be collected by Landlord by re-letting under this subsection, Landlord is not required to relet when other comparable space in the Building is available. The term "remaining Lease Term" as used in this subsection shall mean the period which otherwise would have existed (but for the termination of this Lease) constituted the balance of the Lease Term from the date of the termination of this Lease.

(c) Pursuit of any of the foregoing remedies shall not preclude pursuit of any other remedy herein provided or any other remedy provided by law or at equity, nor shall pursuit of any remedy herein provided constitute an election of remedies thereby excluding the later election of an alternate remedy, or a forfeiture or waiver of any Rent or other charges and assessments payable by Tenant and due to Landlord hereunder or of any damages accruing to Landlord by reason of violation of any of the terms, covenants, warranties and provisions herein contained. No reentry or taking possession of the Demised Premises by Landlord or any other action taken by or on behalf of Landlord shall be construed to be an acceptance of a surrender of this Lease or an election by Landlord to terminate this Lease unless written notice of such intention is given to Tenant. Forbearance by Landlord to enforce one or more of the remedies herein provided upon an event of default shall not be deemed or construed to constitute a waiver of such default. In determining the amount of loss or damage which Landlord may suffer by reason of termination of this Lease or the deficiency arising by reason or any reletting of the Demised Premises by Landlord as above provided, allowance shall be made for the expense of repossession. Tenant agrees to pay to Landlord all costs and expenses incurred by Landlord in the enforcement of this Lease, including, without limitation, the fees of Landlord's attorneys as provided in Article 25 hereof.

20. WAIVER OF BREACH. No waiver of any breach of the covenants, warranties, agreements, provisions, or conditions contained in this
Lease shall be construed as a waiver of said covenant, warranty, provision, agreement or condition or of any subsequent breach thereof, and if any breach shall occur and afterwards be compromised, settled or adjusted, this Lease shall continue in full force and effect as if no breach had occurred.

21. ASSIGNMENT AND SUBLETTING. Tenant shall not, without the prior written consent of Landlord, assign this Lease or any interest herein or in the Demised Premises, or mortgage, pledge, encumber, hypothecate or otherwise transfer or sublet the Demised Premises or any part thereof or permit the use of the Demised Premises by any party other than Tenant. Consent to one or more such transfers or subleases shall not destroy or waive this provision, and all subsequent transfers and subleases shall likewise be made only upon obtaining the prior written consent of Landlord. Without limiting
the foregoing prohibition, in no event shall Tenant assign this Lease or any interest therein whether directly, indirectly or by operation of law, or sublet the Demised Premises or any part thereof or permit the use of the Demised Premises or any part thereof by any party if such proposed assignment, subletting or use would contravene any restrictive covenant (including any exclusive use) granted to any other tenant of the Building or would contravene the provisions of Article 13 of this Lease. Sublessees or transferees of the Demised Premises for the balance of the Lease Term shall become directly liable to Landlord for all obligations of Tenant hereunder, without relieving Tenant (or any guarantor of Tenant's obligations hereunder) of any liability therefor, and Tenant shall remain obligated for all liability to Landlord arising under this Lease during the entire remaining Lease Term including any extensions thereof, whether or not authorized herein. If Tenant is a partnership, a withdrawal or change, whether voluntary, involuntary or by operation of law, of partners owning a controlling interest in the Tenant shall be deemed a voluntary assignment of this Lease and subject to the foregoing provisions. If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, or the sale or transfer of a controlling interest in the capital stock of Tenant, whether in a single transaction or in a series of transactions, shall be deemed a voluntary assignment of this Lease and subject to the foregoing provisions. Landlord may, as a prior condition to considering any request for consent to an assignment or sublease, require Tenant to obtain and submit current financial statements of any proposed subtenant or assignee and such other financial documentation relative to the proposed subtenant or assignee as Landlord may reasonably require. In the event Landlord consents to an assignment or sublease, Tenant shall pay to Landlord a fee to cover Landlord's accounting costs plus any legal fees incurred by Landlord as a result of the assignment or sublease. The consent of Landlord to any proposed assignment or sublease may be withheld by Landlord in its sole and absolute discretion. Landlord may require an additional security deposit from the assignee or subtenant as a condition of its consent. Any consideration, in excess of the Rent and other charges and sums due and payable by Tenant under this Lease, paid to Tenant by any assignee of this Lease for its assignment, or by any sublessee under or in connection with its sublease, or otherwise paid to Tenant by another party for use and occupancy of the Demised Premises or any portion thereof, shall be promptly remitted by Tenant to Landlord as additional rent hereunder and Tenant shall have no right or claim therefor as against Landlord. No assignment of this Lease consented to by Landlord shall be effective unless and until Landlord shall receive an original assignment and assumption agreement, in form and substance satisfactory to Landlord, signed by Tenant and Tenant's proposed assignee, whereby the assignee assumes due performance of this Lease to be done and performed for the balance of the then remaining Lease Term of this Lease. No subletting of the Demised Premises, or any part thereof, shall be effective unless and until there shall have been delivered to Landlord an agreement, in form and substance satisfactory to Landlord, signed by Tenant and the proposed sublessee, whereby the sublessee acknowledges the right of Landlord to continue or terminate any sublease, in Landlord's sole discretion, upon termination of this Lease, and such sublessee agrees to recognize and attorn to Landlord in the event that Landlord elects under such circumstances to continue such sublease. Upon Landlord's receipt of a request by Tenant to assign this Lease or any interest therein or in the Demised Premises or to transfer or sublet the Demised Premises or any part thereof or permit the use of the Demised Premises by any party other than Tenant, Landlord shall have the right, at Landlord's option, to exercise in writing any of the following options: (a) To terminate this Lease as to the portion of the Demised Premises proposed to be assigned or sublet; (b) to consent to the proposed assignment or sublease, subject to the other terms and conditions set forth in this Article 21; or (c) to refuse to consent to the proposed assignment or sublease, which refusal shall be deemed to have been exercised unless Landlord gives Tenant written notice providing otherwise.

22. DESTRUCTION.

(a) If the Demised Premises are damaged by fire or other casualty, the same shall be repaired or rebuilt as speedily as practical under the circumstances at the expense of Landlord, unless this Lease is terminated as provided in this Article 22, and during the period required for restoration a just and proportionate part of Base Rental shall be abated until the Demised Premises are repaired or rebuilt.

(b) If the Demised Premises are (i) damaged to such an extent that repairs cannot, in Landlord's judgment, be completed within one hundred eighty (180) days after the date of the commencement of repair of the casualty, or (ii) damaged or destroyed as a result of a risk which is not insured under the insurance policies required hereunder, or (iii) damaged or destroyed during the last eighteen (18) months of the Lease Term, or (iv) if the Building is damaged in whole or in part (whether or not the Demised Premises are damaged) to such an extent that the Building cannot, in Landlord's judgment, be operated economically as an integral unit, then and in any such event Landlord may at its option terminate this Lease by notice in writing to Tenant within sixty (60) days after the date of such occurrence. If the Demised Premises are damaged to such an extent that repairs cannot, in Landlord's judgment, be completed within one hundred eighty (180) days after the date of the commencement of repair of the casualty or if the Demised Premises are substantially damaged during the last eighteen (18) months of the Lease Term, then in either such event Tenant may elect to terminate this Lease by notice in writing to Landlord within fifteen (15) days after the date of such occurrence. Unless Landlord or Tenant elects to terminate this Lease as hereinabove provided, this Lease will remain in full force and effect and Landlord shall repair such damage at its expense to the extent required under subparagraph (c) below as expeditiously as possible under the circumstances.

(c) If Landlord should elect or be obligated pursuant to subparagraph (a) above to repair or rebuild because of any damage or destruction, Landlord's obligation shall be limited to the original Building and any other work or improvements which were originally performed or installed at Landlord's expense as described in Exhibit "D" hereto or with the proceed of the Tenant Improvement Allowance. If the cost of performing such repairs exceeds the accrual proceeds of insurance paid or payable to Landlord on account of such casualty, or it Landlord's mortgagee or the lessor under a ground or underlying lease shall require that any insurance proceeds from a casualty loss be paid to it, Landlord may terminate this Lease unless Tenant, within fifteen (15) days after demand therefor, deposits with Landlord a sum of money sufficient to pay the difference between the cost of repair and the proceeds of the insurance available to Landlord for such purpose.

(d) In no event shall Landlord be liable for any loss or damage sustained by Tenant by reason of casualties mentioned hereinabove or any other accidental casualty.

23. LANDLORD'S LIEN. Landlord shall at all times have a valid first lien upon all of the personal property of Tenant situated in the Demised
Premises to secure payment of Rent and other sums and charges due hereunder from Tenant to Landlord and to secure the performance by Tenant of each and all of the covenants, warranties, agreements and conditions hereof. Said personal property shall not be removed from the Demised Premises without the consent of Landlord until all arrearage in Rent and other charges as well as any and all other sums of money due hereunder shall first have been paid and discharged and until this Lease and all of the covenants, conditions, agreements and provisions hereof have been fully performed by Tenant. Tenant shall from time to time execute any financing statements and other instruments necessary to perfect the security interest granted herein. The lien herein granted may be foreclosed in the manner and form provided by law for the foreclosure of security instruments or chattel mortgages, or in any other manner.
provided by law. This Lease is intended as and constitutes a security agreement within the meaning of the Uniform Commercial Code of the State of Georgia.

24. SERVICES BY LANDLORD. Landlord shall provide the Building Standard Services described on Exhibit "E" attached hereto and by this reference made a part hereof.

25. ATTORNEYS’ FEES AND HOMESTEAD. If any Rent or other debt owing by Tenant to Landlord hereunder is collected by or through an attorney-at-law, Tenant agrees to pay an additional amount equal to fifteen percent (15%) of such sum as attorneys' fees. If Landlord uses the services of any attorney in order to secure compliance with any other provisions of this Lease to recover damages for any breach or default of any other provisions of this Lease, or to terminate this Lease or evict Tenant, Tenant shall reimburse Landlord upon demand for any and all attorneys’ fees and expenses so incurred by Landlord. Tenant waives all homestead rights and exemptions which it may have under any law as against any obligation owing under this Lease, and assigns to Landlord its homestead and exemptions to the extent necessary to secure payment and performance of its covenants and agreements hereunder.

26. TIME. Time is of the essence of this Lease and whenever a certain day is stated for payment or performance of any obligation of Tenant or Landlord, the same enters into and becomes a part of the consideration hereof.

27. SUBORDINATION AND ATTORNMENT.

(a) Tenant agrees that this Lease and all rights of Tenant hereunder are and shall be subject and subordinate to any ground or underlying lease which may now or hereafter be in effect regarding the Project or any component thereof, to any mortgage now or hereafter encumbering the Demised Premises or the Project or any component thereof, to all advances made or hereafter to be made upon the security of such mortgage, to all amendments, modifications, renewals, consolidations, extensions and restatements of such mortgage, and to any replacements and substitutions for such mortgage. The terms of this provision shall be self-operative and no further instrument of subordination shall be required. Tenant, however, upon request of any party in interest, shall execute promptly such instrument or certificates as may be reasonably required to carry out the intent hereof, whether said requirement is that of Landlord or any other party in interest, including, without limitation, any mortgagee. Landlord is hereby irrevocably vested with full power and authority as attorney-in-fact for Tenant and in Tenant's name, place and stead, to subordinate Tenant's interest under this Lease to the lien or security title of any mortgage and to any future instrument amending, modifying, renewing, consolidating, extending, restating, replacing or substituting any such mortgage.

(b) If any mortgagee or lessee under a ground or underlying lease elects to have this Lease superior to its mortgage or lease and signifies its election in the instrument creating its lien or lease or by separate recorded instrument, then this Lease shall be superior to such mortgage or lease, as the case may be. The term "mortgage", as used in this Lease, includes any deed to secure debt, deed of trust or security deed and any other instrument creating a lien in connection with any other method of financing or refinancing. The term "mortgagee", as used in this Lease, refers to the holder(s) of the indebtedness secured by a mortgage.

(c) In the event any proceedings are brought for the foreclosure of, or in the event of exercise of the power of sale under, any mortgage covering the Demised Premises or the Project, or in the event the interests of Landlord under this Lease shall be transferred by reason of deed in lieu of foreclosure or other legal proceedings, or in the event of termination or any lease under which Landlord may hold title, Tenant shall, at the option of the transferee or purchaser at foreclosure or under power of sale, or the lessor of the landlord upon such lease termination, as the case may be (sometimes hereinafter called "such person"), attorn to such person and shall recognize and be bound and obligated hereunder to such person as the Landlord under this Lease; provided, however, that no such person shall be (i) bound by any payment of Rent for more than one (1) month in advance, except prepayment in the nature of security for the performance by Tenant of its obligations under this Lease (and then only if such prepayments have been deposited with and are under the control of such person); (ii) bound by any amendment or modification of this Lease made without the express written consent of the mortgagee or lessor of the Landlord, as the case may be; (iii) obligated to cure any defaults under this Lease of any prior landlord (including Landlord); (iv) liable for any act or omission of any prior landlord (including Landlord); (v) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord); or (vi) bound by any warranty or representation of any prior landlord (including Landlord) relating to work performed by any prior landlord (including Landlord) under this Lease. Tenant agrees to execute any attornment agreement not in conflict herewith requested by Landlord, the mortgagee or such person. Tenant’s obligation to attorn to such person shall survive the exercise of any such power of sale, foreclosure or other proceeding. Tenant agrees that the institution of any suit, action or other proceeding by any mortgagee to realize on Landlord's interest in the Demised Premises or the Building pursuant to the powers granted to a mortgagee under its mortgage, shall not, by operation of law or otherwise, result in the cancellation or termination of the obligations of Tenant hereunder. Landlord and Tenant agree that notwithstanding that this Lease is expressly subject and subordinate to any mortgages, any mortgagee, its successors and assigns, or other holder of a mortgage or of a note secured thereby, may sell the Demised Premises or the Building, in the manner provided in the mortgage and may, at the option of such mortgagee, its successors and assigns, or other holder of the mortgage or note secured thereby, make such sale of this Demised Premises or Building subject to this Lease.

28. ESTOPPEL CERTIFICATES. Within ten (10) days after request thereto by Landlord, Tenant agrees to execute and deliver to Landlord in recordable form an estoppel certificate addressed to Landlord, any mortgagee or assignee of Landlord's interest in, or purchaser of, the Demised Premises or the Building or any part thereof, certifying (if such be the case) that this Lease is unmodified and is in full force and effect (and if there base been modifications, that the same is in full force and effect as modified and stating said modifications); that there are no defenses or offsets against the enforcement thereof or stating those claimed by Tenant, and stating the date to which Rent and other charges have been paid. Such certificate shall also induce such other information as may reasonably be required by such mortgagee, proposed mortgagee, assignee, purchaser or Landlord. Any such certificate may be relied upon by Landlord, any mortgagee, proposed mortgagee, assignee, purchaser and any
other party to whom such certificate is addressed.

29. NO ESTATE. This Lease shall create the relationship of landlord and tenant only between Landlord and Tenant and no estate shall pass out of Landlord. Tenant shall have only an usufruct, not subject to levy and sale and not assignable in whole or in part by Tenant except as herein provided.
30. CUMULATIVE RIGHTS. All rights, powers and privileges conferred hereunder upon the parties hereto shall be cumulative to, but not restrictive of, or in lieu of those conferred by law.

31. HOLDING OVER. If Tenant remains in possession after expiration or termination of the Lease Term with or without Landlord's written consent, Tenant shall become a tenant-at-sufferance, and there shall be no renewal of this Lease by operation of law. During the period of any such holding over, all provisions of this Lease shall be and remain in effect except that the monthly rental shall be double the amount of Rent (including any adjustments as provided herein) payable for the last full calendar month of the Lease Term including renewals or extensions. The inclusion of the preceding sentence in this Lease shall not be construed as Landlord's consent for Tenant to hold over.

32. SURRENDER OF PREMISES. Upon the expiration or other termination of this Lease, Tenant shall quit and surrender to Landlord the Demised Premises and every part thereof and all alterations, additions and improvements thereto, broom clean and in good condition and state of repair, reasonable wear and tear excepted. If Tenant is not then in default, Tenant shall remove all personalty and equipment not attached to the Demised Premises which it has placed upon the Demised Premises, and Tenant shall restore the Demised Premises to the condition immediately preceding the time of placement thereof. If Tenant shall fail or refuse to remove all of Tenant's effects, personalty and equipment from the Demised Premises upon the expiration or termination of this Lease for any cause whatsoever or upon Tenant being dispossessed by process of law or otherwise, such effects, personalty and equipment shall be deemed conclusively to be abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without written notice to Tenant or any other party and without obligation to account for them. Tenant shall pay Landlord on demand any and all expenses incurred by Landlord in the removal of such property, including, without limitation, the cost of repairing any damage to the Building or Project caused by the removal of such property and storage charges (if Landlord elects to store such property). The covenants and conditions of this Article 32 shall survive any expiration or termination of this Lease.

33. NOTICES. All notices required or permitted to be given hereunder shall be in writing and shall be deemed to have been fully given, whether actually received or not, when deposited, postage prepaid, in the United States Mail, certified, return receipt requested, and addressed to Landlord or Tenant at their respective address set forth hereinafore or at such other address as either party shall have theretofore given to the other by notice as herein provided. Tenant hereby designates and appoints as its agent to receive notice of all distraint proceedings and all other notices required under this Lease, the person in charge of the Demised Premises at the time said notice is given or occupying said Demised Premises at said time; and, if no person is in charge of or occupying the said Demised Premises, then such service or notice may be made by attaching the same, in lieu of mailing, on the main entrance to the Demised Premises.

34. DAMAGE OR THEFT OF PERSONAL PROPERTY. All personal property brought into the Demised Premises by Tenant, or Tenant's employees, agents, or business visitors, shall be at the risk of Tenant only, and Landlord shall not be liable for theft thereof or any damage thereto occasioned by any act of co-tenants, occupants, invitees or other users of the Building or any other person. Landlord shall not at any time be liable for damage to any property in or upon the Demised Premises, which results from gas, smoke, water, rain, ice or snow which issues or leaks from or forms upon any part of the Building or from the pipes or plumbing work of the same, or from any other place whatsoever.

35. EMINENT DOMAIN.

(a) If all or part of the Demised Premises shall be taken for any public or quasi-public use by virtue of the exercise of the power of eminent domain or by private purchase in lieu thereof, this Lease shall terminate as to the part so taken as of the date of taking, and, in the case of a partial taking, either Landlord or Tenant shall have the right to terminate this Lease as to the balance of the Demised Premises by written notice to the other within thirty (30) days after such date; provided, however, that a condition to the exercise by Tenant of such right to terminate shall be that the portion of the Demised Premises taken shall be of such extent and nature as substantially to handicap, impede or impair Tenant's use of the balance of the Demised Premises. If title to so much of the Project is taken that a reasonable amount of reconstruction thereof will not in Landlord's sole discretion result in the Building being a practical improvement and reasonably suitable for use for the purpose for which it is designed, then this Lease shall terminate on the date that the condemning authority actually takes possession of the part so condemned or purchased.

(b) If this Lease is terminated under the provisions of this Article 35, Rent shall be apportioned and adjusted as of the date of termination. Tenant shall have no claim against Landlord or against the condemning authority for the value of any leasehold estate or for the value of the unexpired Lease Term provided that the foregoing shall not preclude any claim that Tenant may have against the condemning authority for the unamortized cost of leasehold improvements, to the extent the same were installed at Tenant's expense (and not with the proceeds of the Tenant Improvement Allowance), or for loss of business, moving expenses or other consequential damages, in accordance with subparagraph (d) below.

(c) If there is a partial taking of the Project and this Lease is not thereupon terminated under the provisions of this Article 35, then this Lease shall remain in full force and effect, and Landlord shall, within a reasonable time thereafter, repair or reconstruct the remaining portion of the Building to the extent necessary to make the same a complete architectural unit; provided, that in complying with its obligations hereunder, Landlord shall not be required to expend more than the net proceeds of the condemnation award which are paid to Landlord. Upon any such partial taking, Landlord shall have the right to reduce the figure described in Article 8(b)(y) hereof by an amount equal to the product of (x) the amount of tax savings arising from such partial taking, as determined by Landlord in its sole but reasonable discretion, divided by the number of square feet of Rentable Floor Area of the Building, multiplied by (y) the number of square feet of Rentable Floor Area of the Demised Premises.
(d) All compensation awarded or paid to Landlord upon a total or partial taking of the Demised Premises or the Project shall belong to and be the property of Landlord without any participation by Tenant. Nothing herein shall be construed to preclude Tenant from prosecuting any claim directly against the condemning authority for loss of business, for damage to, and cost of removal of, trade fixtures, furniture and other personal property belonging to Tenant, and for the unamortized cost of leasehold improvements to the extent the same were installed at Tenant's expense (and not with the proceeds of the Tenant Improvement Allowance); provided, however, that no such claim shall diminish or adversely affect Landlord's award.

(e) Notwithstanding anything to the contrary contained in this Article 35, if, during the Lease Term, the use or occupancy of any part of the Project or the Demised Premises shall be taken or appropriated temporarily for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, this Lease shall be and remain unaffected by such taking or appropriation and Tenant shall
continue to pay in full all Rent payable hereunder by Tenant during the Lease Term. In the event of any such temporary appropriation or taking, Tenant shall be entitled to receive that portion of any award which represents compensation for the loss of use or occupancy of the Demised Premises during the Lease Term, and Landlord shall be entitled to receive that portion of any award which represents the cost of restoration and compensation for the loss of use or occupancy of the Demised Premises after the end of the Lease Term.

36. PARTIES. The term "Landlord", as used in this Lease, shall include Landlord and its successors and assigns. It is hereby covenanted and agreed by Tenant that should Landlord's interest in the Demised Premises cease to exist for any reason during the Lease Term, then notwithstanding the happening of such event, this Lease nevertheless shall remain in full force and effect, and Tenant hereby agrees to attorn to the then owner of the Demised Premises. The term "Tenant" shall include Tenant and its heirs, legal representatives and successors, and shall also include Tenant's assignees and sublessees, if this Lease shall be validly assigned or the Demised Premises sublet for the balance of the Lease Term or any renewals or extensions thereof. In addition, Landlord and Tenant covenant and agree that Landlord's right to transfer or assign Landlord's interest in and to the Demised Premises, or any part or parts thereof, shall be unrestricted, and that in the event of any such transfer or assignment by Landlord which includes the Demised Premises, Landlord's obligations to Tenant hereunder shall cease and terminate, and Tenant shall look only and solely to Landlord's assignee or transferee for performance thereof.

37. LIABILITY OF TENANT. Tenant hereby indemnifies Landlord from and agrees to hold Landlord harmless against, any and all liability, loss, cost, damage or expense, including, without limitation, court costs and reasonably attorneys' fees, imposed on Landlord by any person whomsoever, caused in whole or in part by any act or omission of Tenant, or any of its employees, contractors, servants, agents, subtenants, assignees, representatives or invitees, or otherwise occurring in connection with any default of Tenant hereunder. The provisions of this Article 37 shall survive any termination of this Lease.

38. RELOCATION OF THE PREMISES.

(a) In the event the Demised Premises leased to Tenant contain less than one-half (1/2) of the total square feet of Rentable Floor Area on the floor on which the Demised Premises are located, Landlord reserves the right at any time or from time to time, at its option and upon giving not less than thirty (30) days' prior written notice to Tenant, to transfer and remove Tenant from the Demised Premises herein specified to any other available rooms and offices of substantially equal size and area in the Building (or other building in the development of which the Building is a part) and at an equivalent Base Rental, provided that, if the size of the relocated space is larger than the Demised Premises by more than ten (10%) percent, the Base Rental shall not increase by more than ten (10%) percent. Landlord shall bear the expense of said removal together with the reasonable expense of replacement business cards and stationery and the expense of any renovation or alterations to said substituted space necessary to make the same substantially conform in arrangement, layout and level of tenant improvements (not to exceed $50.00 per rentable square foot of the substituted space, reduced pro rata on a straight-time basis relative to the remaining portion of the Term) to the original space described in this Lease. If the substituted space is unacceptable to Tenant, Tenant may (within five (5) days of Landlord's notice of relocation) terminate this Lease for the remainder of the Term, in which event neither Landlord nor Tenant shall have any further obligations hereunder. If Landlord exercises such option, then the substituted space shall for all purposes hereof be deemed to be and to constitute the Demised Premises under this Lease and all terms, conditions, covenants, warranties, agreements and provisions of this Lease including but not limited to the same Base Rental Rate per square foot of Rentable Floor Area shall continue in full force and effect and shall apply to the substituted space. Tenant agrees to vacate the Demised Premises herein specified and relocate to said substituted space promptly after the substituted space is ready for Tenant's occupancy as provided herein, and Tenant's failure to do so shall constitute an event of default by Tenant under this Lease.

(b) In the event the Demised Premises leased to Tenant contain less than one-half (1/2) of the total square feet of Rentable Floor Area on the floor on which the Demised Premises are located, Landlord shall have the right to terminate this Lease effective at any time during the final twelve (12) months of the Lease Term upon giving written notice of such election to Tenant at least ninety (90) days prior to the effective date of such termination. In the event Landlord shall exercise such option to terminate this Lease, Landlord shall bear the cost of moving Tenant's furniture, files and other personal property from the Demised Premises to other office space in the Metropolitan Atlanta, Georgia area selected by Tenant, and in addition, the Base Rental for the last month of Tenant's occupancy of the Demised Premises shall be waived.

39. FORCE MAJEURE. In the event of strike, lockout, labor trouble, civil commotion, Act of God, or any other cause beyond a party's control (collectively, "force majeure") resulting in Landlord's inability to supply the services or perform the other obligations required of Landlord hereunder, this Lease shall not terminate and Tenant's obligation to pay Rent and all other charges and sums due and payable by Tenant shall not be affected or excused and Landlord shall not be considered to be in default under this Lease. If, as a result of force majeure, Tenant is delayed in performing any of its obligations under this Lease, other than Tenant's obligation to take possession of the Demised Premises on or before the Rental Commencement Date and to pay Rent and all other charges and sums payable by Tenant hereunder, Tenant's performance shall be excused for a period equal to such delay and Tenant shall not during such period be considered to be in default under this Lease with respect to the obligation, performance of which has thus been delayed.

40. LANDLORD'S LIABILITY. Landlord shall have no personal liability with respect to any of the provisions of this Lease. If Landlord is in default with respect to its obligations under this Lease, Tenant shall look solely to the equity of Landlord in and to the Building and the Land for satisfaction of Tenant's remedies, if any. It is expressly understood and agreed that Landlord's liability under the terms of this Lease shall in no event exceed the amount of its interest in and to said Land and Building. In no event shall any partner of Landlord nor any joint venturer in Landlord, nor any officer, director or shareholder of Landlord or any such partner or joint venturer of Landlord be personally liable with respect to any of the provisions of this Lease.

41. LANDLORD'S COVENANT OF QUIET ENJOYMENT. Provided Tenant performs the terms, conditions and covenants of this Lease, and
subject to the terms and provisions hereof, Landlord covenants and agrees to take all necessary steps to secure and to maintain for the benefit of Tenant the quite and peaceful possession of the Demised Premises, for the Lease Term, without hindrance, claim or molestation by Landlord or any other person lawfully claiming under Landlord.
42. SECURITY DEPOSITS.

(a) As security for Tenant's obligations to take possession of the Demised Premises in accordance with the terms of this Lease and to comply with all of Tenant's covenants, warranties and agreements hereunder, Tenant shall deposit with Landlord the sum set forth in Article 1(m)(i) above on the date Tenant executes and delivers this Lease to Landlord. Such amount shall be applied by Landlord, without interest, to the first monthly installment(s) of Base Rental as they become due hereunder. In the event Tenant fails to take possession of the Demised Premises as aforesaid, said sum shall be retained by Landlord for application in reduction, but not in satisfaction, of damages suffered by Landlord as a result of such breach by Tenant.

(b) As additional security for the faithful performance by Tenant throughout the Lease Term, and any extensions or renewals thereof, of all of the terms and conditions of the Lease on the part of Tenant to be performed, Tenant shall deposit with COMPASS Management and Leasing, Inc., as agent for Landlord, the sum set forth in Article 1(m)(ii) above on the date Tenant executes and delivers this Lease to Landlord. Such amount shall be returned to Tenant, without interest, within twenty (20) days after the day set for the expiration of the Lease Term, or any extension or renewal thereof, provided Tenant has fully and faithfully observed and performed all of the terms, covenants, agreements, warranties and conditions hereof on its part to be observed and performed. Landlord shall have the right to apply all or any part of said deposit toward the cure of any default of Tenant. If all or any part of said security deposit is so applied by Landlord, then Tenant shall immediately pay to Landlord an amount sufficient to return said security deposit to the balance on deposit with Landlord prior to said application.

(c) In the event of a sale or transfer of Landlord's interest in the Demised Premises or the Building or a lease by Landlord of the Building, Landlord shall have the right to transfer the within described security deposits to the purchaser or lessor, as the case may be, and Landlord shall be relieved of all liability to Tenant for the return of such security deposits. Tenant shall look solely to the new owner or lessor for the return of said security deposits. The security deposits shall not be mortgaged, assigned or encumbered by Tenant. In the event of a permitted assignment under this Lease by Tenant, the security deposits shall be held by Landlord as a deposit made by the permitted assignee and Landlord shall have no further liability with respect to the return of said security deposits to the original Tenant.

(d) Neither Landlord nor its agents shall be required to keep the security deposits separate from their general accounts, it being agreed that the security deposits may be commingled with other funds of Landlord or of its agents. It is further agreed and acknowledged by Tenant that Landlord or its agents shall have the right to deposit the security deposits in an interest-bearing account, and all interest accrued on the security deposits shall belong to Landlord and will be retained by Landlord as its property.

43. HAZARDOUS SUBSTANCES. Tenant hereby covenants and agrees that Tenant shall not cause or permit any "Hazardous Substances" (as hereinafter defined) to be generated, placed, held, stored, used, located or disposed of at the Project or any part thereof, except for Hazardous Substances as are commonly and legally used or stored as a consequence of using the Demised Premises for general office and administrative purposes, but only so long as the quantities thereof do not pose a threat to public health or to the environment or would necessitate a "response action", as that term is defined in CERCLA (as hereinafter defined), and so long as Tenant strictly complies or causes compliance with all applicable governmental rules and regulations concerning the use or production of such Hazardous Substances. For purposes of this Article 43, "Hazardous Substances" shall mean and include those elements or compounds which are contained in the list of Hazardous Substances adopted by the United States Environmental Protection Agency (EPA) or the list of toxic pollutants designated by Congress or the EPA which are defined as hazardous, toxic, pollutant, infectious or radioactive by any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability (including, without limitation, strict liability) or standards of conduct concerning, any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereinafter in effect (collectively "Environmental Laws"). Tenant hereby agrees to indemnify Landlord and hold Landlord harmless from and against any and all losses, liabilities, including strict liability, damages, injuries, expenses, including reasonable attorneys' fees, costs of settlement or judgment and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against, Landlord by any person, entity or governmental agency for, with respect to, or as a direct or indirect result of, the presence in, or the escape, leakage, spillage, discharge, emission or release from, the Demised Premises of any Hazardous Substances (including, without limitation, any losses, liabilities, including strict liability, damages, injuries, expenses, including reasonable attorneys' fees, costs of any settlement or judgment or claims asserted or arising under the Comprehensive Environmental Response, Compensation and Liability Act ["CERCLA"], any so-called federal, state or local "Superfund" or "Superlien" laws or any other Environmental Law); provided, however, that the foregoing indemnity is limited to matters arising solely from Tenant's violation of the covenant contained in this Article. The obligations of Tenant under this Article shall survive any expiration or termination of this Lease.

44. SUBMISSION OF LEASE. The submission of this Lease for examination does not constitute an offer to lease and this Lease shall be effective only upon execution hereof by Landlord and Tenant and upon execution of any required Guaranty Agreement annexed hereto and incorporated herein as Exhibit "F".

45. SEVERABILITY. If any clause or provision of the Lease is illegal, invalid or unenforceable under present or future laws, the remainder of this Lease shall not be affected thereby, and in lieu of each clause or provision of this Lease which is illegal, invalid or unenforceable, there shall be added as a part of this Lease a clause or provision as nearly identical to the said clause or provision as may be legal, valid and enforceable.

46. ENTIRE AGREEMENT. This Lease contains the entire agreement of the parties and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. No failure of Landlord to exercise any power given Landlord hereunder, or to insist upon strict compliance by Tenant with any obligation of Tenant hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Landlord's right to demand exact compliance with the terms hereof. This Lease may not be altered, waived, amended or extended except by an instrument in writing signed by Landlord and Tenant. This
Lease is not in recordable form, and Tenant agrees not to record or cause to be recorded this Lease or any short form or memorandum thereof.

47. HEADINGS. The use of headings herein is solely for the convenience of indexing the various paragraphs hereof and shall in no event be considered in construing or interpreting any provision of this Lease.

48. BROKER. Broker(s) [as defined in Article 1(n)] is (are) entitled to a leasing commission from Landlord by virtue of this Lease, which leasing commission shall be paid by Landlord to Broker(s) in accordance with the terms of a separate agreement between Landlord and Broker(s). Tenant hereby
authorizes Broker(s) and Landlord to identify Tenant as a tenant of the Building and to state the amount of space leased by Tenant in advertisements and promotional materials relating to the Building. Tenant represents and warrants to Landlord that [except with respect to any Broker(s) identified in Article 1(n) hereinafter, which has (have) acted as agent for Tenant (and not for Landlord) in this transaction] no broker, agent, commission salesperson, or other person has represented Tenant in the negotiations for and procurement of this Lease and of the Demised Premises and that [except with respect to any Broker(s) identified in Article 1(n) hereinafter] no commissions, fees or compensation of any kind are due and payable in connection herewith to any broker, agent, commission salesperson or other person as a result of any act or agreement of Tenant. Tenant agrees to indemnify and hold Landlord harmless from all loss, liability, damage, claim, judgment, cost or expense (including reasonable attorneys' fees and court costs) suffered or incurred by Landlord as a result of a breach by Tenant of the representation and warranty contained in the immediately preceding sentence or as a result of Tenant's failure to pay commissions, fees or compensation due to any broker who represented Tenant, whether or not disclosed, or as a result of any claim for any fee, commission or similar compensation with respect to this Lease made by any broker, agent or finder [other than the Broker(s) identified in Article 1(n) hereinafter] claiming to have dealt with Tenant, whether or not such claim is meritorious. The parties hereto do hereby acknowledge and agree that COMPASS Management and Leasing, Inc., a subsidiary of Equitable Real Estate Investment Management, Inc., has acted as agent for Landlord in this transaction and shall be paid a commission by Landlord in connection with this transaction pursuant to the terms of a separate written commission agreement. COMPASS Management and Leasing, Inc. has not acted as agent for Tenant in this transaction. Landlord hereby warrants and represents to Tenant that Landlord has not dealt with any broker, agent or finder other than COMPASS Management and Leasing, Inc. in connection with this Lease, and, and, Landlord hereby agrees to indemnify and hold Tenant harmless from and against any and all loss, damage, liability, claim, judgment, cost or expense (including, but not limited to, reasonable attorneys' fees and court costs) that may be incurred or suffered by Tenant because of any claim for any fee, commission or similar compensation with respect to this Lease made by any broker, agent or finder claiming to have represented Landlord.

49. GOVERNING LAW. The laws of the State of Georgia shall govern the validity, performance and enforcement of this Lease.

50. AUTHORITY. If Tenant executes this Lease as a corporation, each of the persons executing this Lease on behalf of Tenant does hereby personally represent and warrant that Tenant is a duly incorporated or a duly qualified (if a foreign corporation) corporation and is fully authorized and qualified to do business in the State in which the Demised Premises are located, that the corporation has full right and authority to enter into this Lease, and that each person signing on behalf of the corporation is an officer of the corporation and is authorized to sign on behalf of the corporation. If Tenant signs as a partnership, joint venture or sole proprietorship or other business entity (each being herein called "Entity"), each of the persons executing on behalf of Tenant does hereby covenant and warrant that Tenant is a duly authorized and existing Entity, that Tenant has full right and authority to enter into this Lease, and that all persons executing this Lease on behalf of the Entity are authorized to do so on behalf of the Entity, and that such execution is fully binding upon the Entity and its partners, joint venturers or principal, as the case may be. Upon the request of Landlord, Tenant shall deliver to Landlord documentation satisfactory to Landlord evidencing Tenant's compliance with this Article, and Tenant agrees to promptly execute all necessary and reasonable applications or documents as reasonably requested by Landlord, required by the jurisdiction in which the Demised Premises is located, to permit the issuance of necessary permits and certificates for Tenant's use and occupancy of the Demised Premises.

51. JOINT AND SEVERAL LIABILITY. If Tenant comprises more than one person, corporation, partnership or other entity, the liability hereunder of all such persons, corporations, partnerships or other entities shall be joint and several.

52. SPECIAL STIPULATIONS. The special stipulations attached hereto as Exhibit "G" are hereby incorporated herein by this reference as though fully set forth (if none, so state). To the extent the special stipulations conflict with or are inconsistent with the foregoing provisions of this Lease or any exhibit to this Lease, the special stipulations shall control.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals as of the day, month and year first above written.

"LANDLORD":

KNICKERBOCKER MONARCH ASSOCIATES, L.P.

By: Knickerbocker Properties, Inc., XVIII, its general partner

Date executed by Landlord

By: 

Title: 

[CORPORATE SEAL]

"TENANT":

DELTA AIR LINES, INC., a Delaware corporation

Date executed by Tenant

By: /s/ 

Title: Vice President Properties, Facilities
RULES AND REGULATIONS

1. No sign, picture, advertisement or notice visible from the exterior of the Demised Premises shall be installed, affixed, inscribed, painted or otherwise displayed by Tenant on any part of the Demised Premises or the Building unless the same is first approved by Landlord. Any such sign, picture, advertisement or notice approved by Landlord shall be painted or installed for Tenant at Tenant’s cost by Landlord or by a party approved by Landlord. No awnings, curtains, blinds, shades or screen doors shall be attached to or hung in, or used in connection with any window or door of the Demised Premises without the prior consent of Landlord, including approval by Landlord of the quality, type, design, color and manner of attachment.

2. Tenant agrees that its use of electrical current shall never exceed the capacity of existing feeders, risers or wiring installation.

3. The Demised Premises shall not be used for storage of merchandise held for sale to the general public. Tenant shall not do or permit to be done in or on the Demised Premises or Building anything which shall increase the rate of insurance on said Building or obstruct or interfere with the rights of other lessees of Landlord or annoy them in any way, including, but not limited to, using any musical instrument, making loud or unseemly noises, or singing, etc. The Demised Premises shall not be used for sleeping or lodging. No cooking or related activities shall be done or permitted by Tenant in the Demised Premises except with permission of Landlord. Tenant will be permitted to use for its own employees within the Demised Premises a small microwave oven and Underwriters’ Laboratory approved equipment for brewing coffee, tea, hot chocolate and similar beverages, provided that such use is in accordance with all applicable federal, state, county and city laws, codes, ordinances, rules and regulations. No vending machines of any kind will be installed, permitted or used on any part of the Demised Premises without the prior consent of Landlord. No part of said Building or Demised Premises shall be used for gambling, immoral or other unlawful purposes. No intoxicating beverages shall be sold in said Building or Demised Premises without the prior written consent of Landlord. No area outside of the Demised Premises shall be used for storage purposes at any time.

4. No birds or animals of any kind shall be brought into the Building (other than trained seeing-eye dogs required to be used by the visually impaired). No bicycles, motorcycles or other motorized vehicles shall be brought into the Building.

5. The sidewalks, entrances, passages, corridors, halls, elevators and stairways in the Building shall not be obstructed by Tenant or used for any purposes other than those for which same were intended as ingress and egress. No windows, floors or skylights that reflect or admit light into the Building shall be covered or obstructed by Tenant. Toilets, wash basins and sinks shall not be used for any purpose other than those for which they were constructed, and no sweeping, rubbish or other obstructing or improper substances shall be thrown therein. Any damage resulting to them, or to heating apparatus, from misuse by Tenant or its employees, shall be borne by Tenant.

6. Only one (1) key for the Demised Premises will be furnished to Tenant without charge. Landlord may make a reasonable charge for any additional keys. No additional lock, latch or bolt of any kind shall be placed upon any door nor shall any changes be made in existing locks without written consent of Landlord and Tenant shall in each such case furnish Landlord with a key for any such lock. At the termination of the Lease, Tenant shall return to Landlord all keys furnished to Tenant by Landlord, or otherwise procured by Tenant, and in the event of loss of any keys so furnished, Tenants shall pay to Landlord the cost thereof.

7. Landlord shall have the right to prescribe the weight, position and manner of installation of heavy articles such as safes, machines and other equipment brought into the Building. No safes, furniture, boxes, large parcels or other kind of freight shall be taken to or from the Demised Premises or allowed in any elevator, hall or corridor except at times allowed by Landlord. No deliveries shall be made in passenger elevators. Tenants shall make prior arrangements with Landlord for the purpose of transporting such articles and such articles may be taken in or out of said Building only between or during such hours as may be arranged with and designated by Landlord. The persons employed to move the same must be approved by Landlord. No hand trucks, except those equipped with rubber tires and side guards, shall be permitted in the Building. No hand trucks shall be permitted in any passenger elevator. In no event shall any weight be placed upon any floor by Tenant so as to exceed the design conditions of the floors at the applicable locations.

8. No furniture, fixtures, equipment or other personal property may be placed in or on the common areas of the Building, including without limitation any balconies or patios adjacent to the Demised Premises, without the prior written consent of Landlord. In responding to any such request, Landlord may also specify (as a condition of any approval) the specific types of personal property which are acceptable and the required method(s) of securing such personal property in order to prevent injury or damage to persons or property.

9. Tenant shall not cause or permit any gases, liquids or odors to be produced upon or permeate from the Demised Premises, and no flammable, combustible or explosive fluid, chemical, substance or item (including, without limitation, natural Christmas trees) shall be brought into the Building.

10. Every person, including Tenant, its employees and visitors, entering and leaving the Building may be questioned by a watchman as to that person’s business therein and may be required to sign such person’s name on a form provided by Landlord for registering such person; provided that, except for emergencies or other extraordinary circumstances, such procedures shall not be required between the hours of 7:00 a.m. and 6:00 p.m., on all days except Saturdays, Sundays and Holidays. Landlord may also implement a card access security system to control access during such other times. Landlord shall not be liable for excluding any person from the Building during such other times, or for admission of any person to the Building at any time, or for damages or loss for theft resulting therefrom to any person, including Tenant.

11. Unless agreed to in writing by Landlord, Tenant shall not employ any person other than Landlord’s contractors for the purpose of cleaning and taking care of Demised Premises. Cleaning service will not be furnished on nights when rooms are occupied after 6:30 p.m., unless, by
agreement in writing, service is extended to a later hour for specifically designated rooms. Landlord shall not be responsible for any loss, theft, mysterious disappearance of or damage to, any property, however occurring. Only persons authorized by Landlord may furnished ice, drinking water, towels, and other similar services within the Building and only at hours and under regulations fixed by Landlord.

12. No connection shall be made to the electric wires or gas or electric fixtures, without the consent in writing on each occasion of Landlord. All glass, locks and trimmings in or upon the doors and windows of the Demised Premises shall be kept whole and in good repair. Tenant shall not injure, overload or deface the Building, the woodwork or the walls of the Demised Premises, not permit any noisome, noxious, noisy or offensive business.

13. If Tenant requires wiring for a bell or buzzer system, such wiring shall be done by the electrician of landlord only, and no outside wiring persons shall be allowed to do work of this kind unless by the written permission of Landlord or its representatives. If telegraph or telephonic service is desired, the wiring for same shall be approved by Landlord, and no boring or cutting for wiring shall be done unless approved by Landlord or its representatives, as stated. The electric current shall not be used for power or heating unless written permission to do so shall first have been obtained from Landlord or its representatives in writing, and at an agreed cost to Tenant.

14. Tenant and its employees and invitees shall observe and obey all parking and traffic regulations as imposed by Landlord. All vehicles shall be parked only in areas designated therefor by Landlord.

15. Canvassing, peddling, soliciting and distribution of handbills or any other written materials in the Building are prohibited, and Tenant shall cooperate to prevent the same.

16. Landlord shall have the right to change the name of the Building and to change the street address of the Building, provided that in the case of a change in the street address, Landlord shall give Tenant not less than 180 days' prior notice of the change, unless the change is required by governmental authority.

17. The directory of the Building will be provided for the display of the name and location of the tenants. Any additional name which Tenant shall desire to place upon said directory must first be approved by Landlord, and if so approved, a reasonable charge will be made therefor.

18. Tenant, in order to obtain maximum effectiveness of the cooling system, shall lower and close the blinds (at not less than a 45(degree) angle) or drapes when the sun's rays are directly in windows of the Demised Premises. Tenant shall not remove the standard blinds installed in the Demised Premises. Tenant shall not place items on window sills in the Demised Premises.

19. Smoking is prohibited in the main building lobby, public corridors, elevator lobbies, service elevator vestibules, stairwells, restrooms and other common areas within the Building.

20. The employees, licensees and guests of Tenant shall wear appropriate attire at all times in or about the Demised Premises and the Building. This shall not prevent Tenant from having "casual days," but any such casual dress shall be appropriate for an office environment and shall not disrupt the decorum and professional atmosphere of the Building.

21. Landlord may waive any one or more of these Rules and Regulations for the benefit of any particular lessee, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of any other lessee, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the other lessees of the Building.

22. These Rules and Regulations are supplemental to, and shall not be construed to in any way modify or amend, in whole or in part, the terms, covenants, agreements and conditions of any lease of any premises in the Building.

23. Landlord reserves the right to make such other and reasonable Rules and Regulations as in its judgment may from time to time be needed for the safety, care and cleanliness of the Building and the Land, and for the preservation of good order therein.

24. Landlord reserves the right to require Tenant to temporarily evacuate the Demised Premises and the Project, or temporarily restrict Tenant's access thereto, if Landlord, in its sole discretion, deems such action necessary to protect or otherwise safeguard the health or safety of Tenant, any other Building tenant, or any other Building occupant from any threat or perceived threat of any kind made upon the Building, the Project or any tenant of Landlord. Any such action taken by Landlord shall not be deemed an actual or constructive eviction of Tenant, a breach of the covenant of quiet enjoyment or an interruption of Tenant's business, and Tenant not shall be entitled to any abatement of rent, loss or profits or damages for any injury or inconvenience occasioned thereby.

Rules and Regulations
EXHIBIT "A"

LEGAL DESCRIPTION

MONARCH TOWER

All that tract or parcel of land lying and being in Land Lot 45 of the 17th District of Fulton County, Georgia and being more particularly described as follows:

To locate the point of beginning commence at a point on the northwest line of the right of way of Peachtree Road 755.5 feet northeasterly, as measured along the northwesterly line of the right of way of Peachtree Road from the corner formed by the intersection of the northwesterly line of the right of way Peachtree Road with the northeasterly line of the right of way of Stratford Road, run thence north 30 degrees 00 minutes 00 seconds west 300.11 feet to an iron pin; run thence north 23 degrees 57 minutes 46 seconds west 386.11 feet to a point marked by an iron pin being the POINT OF BEGINNING; from said POINT OF BEGINNING run thence south 66 degrees 00 minutes 55 seconds west 70.00 feet to a reinforcing bar set; thence north 23 degrees 57 minutes 46 seconds west 385.62 feet to a reinforcing bar set; thence along an arc with a curve to the left an arc distance of 154.87 feet to a point located on the right-of-way line of Lenox Road (formerly the Buckhead Loop), said arc being subtended by a chord bearing north 39 degrees 00 minutes 32 seconds east a distance of 154.29 feet; thence along the southwesterly, southerly and southeasterly right-of-way line of Lenox Road the following courses and distances: along an arc of a curve to the left an arc distance of 89.02 feet to a point, said arc being subtended by a chord bearing north 26 degrees 26 minutes 08 seconds east 88.91 feet in length; north 48 degrees 06 minutes 00 seconds east 76.95 feet to a point; thence leaving said right-of-way line and running south 41 degrees 53 minutes 43 seconds west 5.00 feet to a point; thence south 18 degrees 04 minutes 43 seconds east 49.69 feet to a point; thence south 63 degrees 49 minutes 17 seconds west 1.60 feet to a point; thence south 24 degrees 04 minutes 05 seconds west 49.00 feet to a point; thence north 65 degrees 56 minutes 42 seconds east 1.51 feet to a point; thence south 69 degrees 43 minutes 22 seconds east 28.95 feet to a point; thence south 87 degrees 14 minutes 54 seconds west 17.51 feet to a point; thence south 66 degrees 00 minutes 55 seconds west 423.68 to the Point of Beginning, as depicted upon composite survey prepared for The Equitable Life Assurance Society of the United States, Laing Dunwoody, Inc. and Chicago Title Insurance Company prepared by W.L. Jordan & Co., Inc. dated March 15, 1995.
Picture of the MONARCH TOWER 17th FLOOR PLAN
EXHIBIT "C"

SUPPLEMENTAL NOTICE

RE: Lease dated as of _______________________, 19______, by and between KNICKERBOCKER MONARCH ASSOCIATES, L.P., as Landlord, and _________________________________, as Tenant.

Dear Sirs:

Pursuant to Article 3 of the captioned Lease, please be advised as follows:

1. The Rental Commencement Date is the __________ day of __________________, 19_____, and the expiration date of the Lease Term is the ______ day of ________, _____, subject however to the terms and provisions of the Lease.

2. The Rentable Floor Area of the Demised Premises is ___________ square feet.

3. Terms denoted herein by initial capitalizations shall have the meanings ascribed thereto in the Lease.

"LANDLORD":

KNICKERBOCKER MONARCH ASSOCIATES, L.P.

By:

Title:
1. Landlord and Tenant, at Tenant's sole cost and expense, shall cause to be prepared by Landlord's architect and/or designer the following:

(a) Based upon Tenant's requirements, one (1) schematic partition layout to scale sufficient to detail for Tenant's approval of the location of partitions.

(b) One (1) modification of the schematic partition plan noted above.

2. Landlord and Tenant, at Tenant's sole cost and expense, shall cause to be prepared by Landlord's architect and/or designer and/or engineer the following:

(a) Any additional modification requested by Tenant to the schematic partition plan described in Paragraph 1 above.

(b) At Tenant's option, a preliminary pricing drawing in sufficient detail to obtain competitive bids for the work to be done by Landlord's contractor under Paragraph 4 hereof.

(c) Complete, finished, detailed construction documents and specifications for Tenant's partition layout, reflected ceiling and other installations for the work to be done by Landlord's contractor under Paragraphs 3 and 4 hereof, which shall be prepared by Landlord's architect and/or designer.

(d) Complete mechanical and electrical plans and specifications where necessary for installation of air conditioning system and ductwork, heating, electrical, plumbing and other engineering plans for the work to be done by Landlord's contractor under Paragraph 4 hereof, which shall be prepared by Landlord's architect and/or designer.

(e) Any subsequent modifications to the construction documents and specifications requested by Tenant.

All such plans and specifications are expressly subject to Landlord's approval and shall comply with all applicable laws, rules and regulations. Tenant covenants and agrees to cause said plans and specifications to be delivered to Landlord by (a) approved by Tenant and Tenant's architect (if applicable) and (b) in a form acceptable for issuance of a building permit and sufficient to be released for construction. Any delay by Tenant in delivering the plans and specifications as required by the previous sentence shall cause a delay in the completion of Landlord's construction. Upon approval by Landlord, Landlord will cause said plans to be filed, if necessary, at Tenant's sole cost and expense with the appropriate governmental agencies in such form (building permit, alteration or other form) as Landlord may direct. The Demised Premises shall be deemed "ready for occupancy" [as that term is used in Article 1(k) of the Lease] when Landlord's construction, as provided in Paragraphs 3 and 4 hereof, is substantially completed and when a certificate of occupancy is issued with respect to the Demised Premises. In the event of any dispute as to when Landlord's construction has been substantially completed as aforesaid, the determination of Landlord's architect and/or designer shall be final and binding upon the parties.

3. Landlord agrees, at its sole expense and without charge to Tenant, to supply and install (except where indicated to the contrary) the following work in the Demised Premises in accordance with Landlord's standard specifications (the following describes the scope of the "building standard" work):

(a) Air Conditioning. An air conditioning system, including diffusers and returns, capable of maintaining 74\(^\circ\) F when outside temperature is 92\(^\circ\) F and 70\(^\circ\) F when outside temperature is 14\(^\circ\) F. Air conditioning design basis is 7 watts per rentable square foot of total electrical design consumption for both low (120/208 volts) and high voltage (277/480 volts) electrical power, based upon an occupancy rate of not more than one (1) person per 100 rentable square feet and venetian blinds drawn with slats tilted against the sun at not less than 45\(^\circ\) from horizontal. Landlord will provide a partially completed air conditioning system to include the supply ductwork in place for all zones, one (1) calibrated thermostat and/or sensor (uninstalled), air distribution ductwork in place on the downstream side of the mixing boxes, and stacked on the floor (for Tenant's installation) spin-ins, flex, interior supply diffusers and return air grills with slot diffusers installed at the perimeter for each zone.

(b) Electrical. An electrical capacity of 3.5 watts per square foot of rentable area for low voltage electrical consumption (120/208 volts) and 3.5 watts per square foot of rentable area for high voltage lighting and HVAC (277/480 volts) will be provided at a location on each floor. Landlord will provide (but not install) up to one (1) two foot x four foot fluorescent lighting fixture per one hundred (100) usable square feet of the Demised Premises.

(c) Sprinkler System. A complete sprinkler system at a rate of not more than one (1) sprinkler head per 225 square feet of usable area installed in accordance with Landlord's standard grid pattern.
(d) Ceiling System. A two foot x two foot suspended ceiling system with uninstalled acoustical ceiling tiles stacked on floor.

(e) Venetian Blinds. Venetian blinds on all exterior windows in accordance with Landlord's standard specifications.

(f) Building Directory. Incorporation of Tenant's name into the main building directory at First (1st) Floor and Concourse levels.

Exhibit "D"
4. Landlord agrees, at Tenant's sole cost and expense and in conformance with construction documents and specifications approved by Landlord, to provide and install the following material, equipment and work:

(a) Air Conditioning. Any modifications to or deviations from building standard air conditioning system including, but not limited to, capacity beyond design standards, provisions for supplying air conditioning beyond Building Operating Hours as stated in this Lease and/or providing non-standard equipment such as acoustical lined ductwork, dampers, special diffusers and returns, direct equipment connection or special thermostats/sensors. Tenant shall pay for the installation of the thermostats, spin-ins, flex, interior supply diffusers and return air grilles supplied by Landlord.

(b) Electrical.

(1) Electrical distribution system on each floor from the electrical panel location on each floor.

(2) All light switches.

(3) All electrical receptacles.

(4) All telephone and data communication outlets (roughed-in).

(5) All light fixtures and related circuitry, panel boards in excess of those supplied by Landlord per paragraph 3 above.

(6) All wiring of emergency light fixtures and furnishing and installation of all extra exit signs.

(c) Ceiling System. Tenant's ceiling construction (in excess of that supplied by Landlord per paragraph 3 above) and installation of acoustical ceiling tile.

(d) Sprinkler System. Any modification to or deviation from the building standard sprinkler system including relocation of or additions to the number of sprinkler heads provided or the provision of a non-standard sprinkler head.

(e) Plumbing. All plumbing work for facilities such as toilets and lavatory in the Demised Premises.

(f) Partitions. All partition types including finish, the tenant side of the main corridor walls which are within the Demised Premises.

(g) Doors. All doors and frames.

(h) Hardware. All hardware.

(i) Floors. All floor finish including base.

(j) Special Construction. Any special construction as shown on the construction documents and specifications approved by Landlord (including but not limited to design, engineering, fabrication and installation of custom millwork, computer rooms, equipment rooms, special use rooms, security systems, data and voice cabling, etc.).

(k) Signage. Tenant's identification sign conforming to Landlord's standards, at entrances to Demised Premises.

(l) Fire Alarm System. All fire alarm devices, including speakers and strobes, required within the Demised Premises by applicable building code.

(m) Fire Extinguisher Cabinets. At locations not exceeding 75 feet apart.

5. Prior to commencing any work, Landlord or Landlord's contractor will submit to Tenant written estimates of the cost of the work described in Paragraphs 2 and 4 hereof. If Tenant shall fail to approve any such estimate within five (5) business days, the same shall be deemed disapproved in all respects by Tenant and Landlord shall not be authorized to proceed thereon.

6. Tenant agrees to pay Landlord promptly upon being billed therefor the cost of the work described in Paragraphs 2 and 4 hereof, less the amount of the Tenant Improvement Allowance, if any, stated in Article 1(1) of the Lease. Tenant agrees that the same shall be collectible as additional rent and in default of payment thereof Landlord shall (in addition to all other remedies) have the same rights as in the event of default of payment of Base Rental. Tenant further agrees to pay to a construction manager designated by Landlord, a fee for construction management in an amount equal to five percent (5%) of the first $500,000.00, plus four percent (4%) of the amount in excess of $500,000.00.
but less than $1,500,000.00, plus three percent (3%) of the amount in excess of $1,500,000.00 of the cost of the work described in Paragraphs 1.2 and 4 hereof. The construction management fee shall be paid on a monthly basis during the course of performing such duties in the same portion as the percentage of work completed to date. The failure to pay such fee promptly after being billed therefor shall constitute a default under this Lease.

7. If (a) Tenant shall fail to furnish approved plans and specifications in accordance with Paragraph 2 hereof, or (b) Landlord shall be delayed in substantially completing Landlord's construction as a result of (i) Tenant's request for materials, finishes or installations other than Landlord's standard; or (ii) Tenant's changes in said plans; or (iii) the performance of work by a person, firm or corporation employed by Tenant and delays in the completion of said work by said person, firm or corporation, Tenant agrees to pay to Landlord, in addition to any sum due under Paragraph 6 above, a sum equal to any additional cost to Landlord in completing Landlord's construction resulting from any of the foregoing failures, acts

Exhibit "D"
or omissions by Tenant. Any such sums shall be in addition to any sums payable pursuant to Paragraph 2 and 4 hereof and may be collected by Landlord as additional rent from time to time, upon demand, and in default of payment thereof, Landlord shall (in addition to all other remedies) have the same rights as in the event of default of payment of Base Rental.

8. As provided for in Paragraph 3, the Demised Premises are delivered to Tenant "as is" without any warranty or representation whatsoever. Any alterations, additions or improvements requested by Tenant and approved by Landlord shall be performed (i) by Landlord's contractor or another contractor approved by Landlord, (ii) in a good and workmanlike manner, and (iii) in accordance with all applicable laws, ordinances, rules and regulations of governmental authorities having jurisdiction over the Demised Premises.

9. Any approval by Landlord of or consent by Landlord to any plans, specifications or other items to be submitted to and/or reviewed by Landlord pursuant to this Lease shall be deemed to be strictly limited to an acknowledgement of approval or consent by Landlord thereto and, whether or not the work is performed by Landlord or by Tenant's contractor, such approval or consent shall not constitute the assumption by Landlord of any responsibility for the accuracy, sufficiency or feasibility of any plans, specifications or other such items and shall not imply any acknowledgement, representation or warranty by Landlord that the design is safe, feasible, structurally sound or will comply with any legal or governmental requirements, and Tenant shall be responsible for all of the same.

Exhibit "D"
**EXHIBIT "E"**

**BUILDING STANDARD SERVICES**

Landlord shall furnish the following services to Tenant during the Lease Term (the "Building Standard Services"): 

(a) Hot and cold domestic water and common-use restrooms and toilets at locations provided for general use and as reasonably deemed by Landlord to be in keeping with the first-class standards of the Building.

(b) Subject to curtailment as required by governmental laws, rules or mandatory regulations and subject to the design conditions set forth in Paragraph 3(a) of Exhibit "D" attached hereto, central heat and air conditioning in season, at such temperatures and in such amounts as are reasonably deemed by Landlord to be in keeping with the first-class standards of the Building. Such heating and air conditioning shall be furnished between 8:00 a.m. and 6:00 p.m. on weekdays (from Monday through Friday, inclusive) and between 8:00 a.m. and 1:00 p.m. on Saturdays, all exclusive of Holidays, as defined below (the "Building Operating Hours").

(c) Electric lighting service for all public areas and special service areas of the Building in the manner and to the extent reasonably deemed by Landlord to be in keeping with the first-class standards of the Building.

(d) Janitor service shall be provided five (5) days per week, exclusive of Holidays (as hereinbelow defined), in a manner that Landlord reasonably deems to be consistent with the first-class standards of the Building.

(e) Security services for the Building comparable as to coverage, control and responsiveness (but not necessarily as to means for accomplishing same) to other similarly situated first-class, multi-tenant office buildings in Atlanta, Georgia; provided, however, Landlord shall have no responsibility to prevent, and shall not be liable to Tenant for, any liability or loss to Tenant, its agents, employees and visitors arising out of losses due to theft, burglary, or damage or injury to persons or property caused by persons gaining access to the Demised Premises, and Tenant hereby releases Landlord from all liability for such losses, damages or injury.

(f) Sufficient electrical capacity to operate (i) incandescent lights, typewriters, calculating machines, photocopying machines and other machines of the same low voltage electrical consumption (120/208 volts), provided that the total rated electrical design load for said lighting and machines of low voltage electrical voltage shall not exceed 3.5 watts per square foot of rentable area; and (ii) lighting (277/480 volts), provided that the total rated electrical design load for said lighting shall not exceed 3.5 watts per square foot of rentable area (each such rated electrical design load to be hereinafter referred to as the "Building Standard Rated Electrical Design Load").

Should Tenant's total rated electrical design load for the entire Premises or any portion thereof (including, but not limited to, computer or telephone rooms) exceed the Building Standard Rated Electrical Design Load for either low or high voltage electrical consumption, or if Tenant's electrical design requires low voltage or high voltage circuits in excess of Tenant's share of the building standard circuits, Landlord will (at Tenant's expense) install such additional circuits and associated high voltage panels and/or additional low voltage panels with associated transformers (which additional circuits, panels and transformers shall be hereinafter referred to as the "Additional Electrical Equipment"). If the Additional Electrical Equipment is installed because Tenant's low voltage or high voltage rated electrical design load exceeds the applicable Building Standard Rated Electrical Design Loan, then a meter shall also be added (at Tenant's expense) to measure the electricity used through the Additional Electrical Equipment.

The design and installation of any Additional Electrical Equipment (or any related meter) required by Tenant shall be subject to the prior approval of Landlord (which approval shall not be unreasonably withheld). All expenses incurred by Landlord in connection with the review and approval of any Additional Electrical Equipment shall also be reimbursed to Landlord by Tenant. Tenant shall also pay on demand the actual metered cost of electricity consumed through the Additional Electrical Equipment (if applicable), plus any actual accounting expenses incurred by Landlord in connection with the metering thereof.

If any of Tenant's electrical equipment requires conditioned air in excess of building standard air conditioning, the same shall be installed by Landlord (on Tenant's behalf), and Tenant shall pay all design, installation, meeting, operating and maintenance costs relating thereto.

If Tenant requires that certain areas within Tenant's Demised Premises must operate in excess of the normal Building Operating Hours (as hereinabove defined), the electrical service to such areas shall be separately circuited and metered (at Tenant's expense) such that Tenant shall be billed the costs associated with electricity consumed during the hours other than Building Operating Hours.

(g) All building standard fluorescent bulb replacement in all areas and all incandescent bulb replacement in public areas, toilet and restroom areas, and stairwells.

(h) Non-exclusive multiple cab passenger service to the Demised Premises during Building Operating Hours (as hereinabove defined) and at least one (1) cab passenger service to the floor(s) on which the Demised Premises are located twenty-four (24) hours per day and non-exclusive freight elevator service during Building Operating Hours (all subject to temporary cessation for ordinary repair and maintenance and during times when life safety systems override normal Building operating systems) with such freight elevator service available at other times upon reasonable prior notice and the payment by Tenant to Landlord of any additional expense actually incurred by Landlord in connection therewith.
To the extent the services described above require electricity and water supplied by public utilities, Landlord's covenants thereunder shall only impose on Landlord the obligation to use its reasonable efforts to cause the applicable public utilities to furnish same. Except for deliberate and willful acts of Landlord, failure by Landlord to furnish the services described herein, or any cessation thereof, shall not render Landlord liable for damages to either person or property, nor be construed as an eviction of Tenant, nor work an abatement of rent, nor relieve Tenant from fulfillment of any covenant.
or agreement hereof. In addition to the foregoing, should any of the equipment or machinery, for any cause, fail to operate or function properly, Tenant shall have no claim for rebate of rent or damages on account of an interruption in service occasioned thereby or resulting therefrom; provided, however, Landlord agrees to use reasonable efforts to promptly repair said equipment or machinery and to restore said services during normal business hours.

The following dates shall constitute "Holidays", as that term is used in this Lease: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas, and any other holiday generally recognized as such by landlords of office space in the metropolitan Atlanta office market, as determined by Landlord in good faith. If, in the case of any specific holiday mentioned in the preceding sentence, a different day shall be observed than the respective day mentioned, then that day which constitutes the day observed by national banks in Atlanta, Georgia on account of said holiday shall constitute the Holiday under this Lease.

Exhibit "E"
EXHIBIT "G"

SPECIAL STIPULATIONS

1. AMERICANS WITH DISABILITIES ACT.

If and to the extent Landlord is required to comply with the provisions of Title III of the Americans With Disabilities Act (the "ADA") with respect to the common areas of the Project, Landlord agrees that it will use reasonable efforts to comply in every material respect with the applicable provisions of the ADA concerning the common areas of the Project: provided, however, Landlord shall not be required to comply with the provisions of the ADA if and to the extent the requirement of compliance therewith arises from or extends to (a) the use or occupancy of the Project, or any portion thereof, by any lessee, tenant, sublessee, subtenant, licensee or occupant (including Tenant), or (b) any alteration, improvement, addition, remodeling or renovation made, or proposed to be made, to any space in the Project leased or available for lease (including the Demised Premises). All costs, expenses and disbursements of every kind and nature in connection with the Landlord's obligations under this Section shall be included in Operating Expenses. Tenant hereby agrees that Tenant's sole remedy against Landlord for any claim that Landlord has breached its obligations under this Section shall be a suit for specific performance and Tenant hereby waives any claim against Landlord for damages, whether actual, consequential or otherwise.

2. PARKING.

For use by Tenant's officers, employees, agents, and invitees, Landlord shall provide in the parking garage which is located on the Land one (1) unassigned, non-exclusive parking space and one (1) reserved parking space. The cost of such parking will be at the normal monthly rates established from time to time by Landlord, which rate is currently Fifty-Five and No/100 Dollars ($55.00) per month per space for unassigned parking spaces and Seventy-Five and No/100 Dollars ($75.00) per month per space for reserved parking spaces.

3. LANDLORD'S CONSENT TO ASSIGNMENT AND SUBLETTING REQUESTS.

(a) Notwithstanding anything contained in Article 21 to the contrary, provided (a) Tenant is not in default hereunder, and (b) Tenant's request to assign or sublease does not occur during the last twenty-five (25%) percent of the Lease Term and relate to more than twenty (20%) percent of the rentable square feet of the Demised Premises, Landlord shall not unreasonably withhold its consent to Tenant's request to assign this Lease or to sublease the Demised Premises. In determining the reasonableness of Landlord's approval of or failure to consent to Tenant's assignment of this Lease or the subleasing of the Demised Premises, Landlord may take into consideration all relevant factors surrounding the proposed sublease and assignment, including without limitation, the following:

(i) the business reputation of the proposed assignee or subtenant and its partners, officers, directors, and stockholders;

(ii) the nature of the business and the proposed use of the Demised Premises by the proposed assignee or subtenant;

(iii) the financial condition of the proposed assignee or subtenant;

(iv) the effect that the proposed assignee or subtenant would have on the operations and maintenance of the Building and Landlord's investment therein;

(v) whether or not the proposed assignee or subtenant is reputable and of a kind customarily found in a "Class A" office building;

(vi) whether or not the proposed assignee or subtenant is presently a tenant (or subsidiary, affiliate or parent of a tenant) in the Building;

(vii) restrictions, if any, contained in other leases or agreements affecting the Building;

(viii) the extent to which the proposed subtenant or assignee and Tenant provide Landlord with assurances reasonably satisfactory to Landlord as to the satisfaction of Tenant's obligations hereunder, including the payment of rent;

(ix) restrictions, if any, imposed by the holder of any mortgage encumbering the Building or any portion thereof; and

(x) whether or not the proposed assignee or subtenant is willing to agree in the assignment of lease agreement or sublease agreement, as the case may be, to comply at its expense, with all laws, ordinances, orders, directions, requirements, rules and regulations of all governmental authorities, then in force and which may thereafter be in force, which impose any duty on Landlord or the assignee or subtenant, as the case may be, with respect to the use, occupancy or alteration of the Demised Premises or any portion thereof.

(b) Notwithstanding anything contained in Article 21 to the contrary, provided Tenant is not in default hereunder, Tenant shall have the right, upon at least ten (10) days' prior written notice to Landlord and the delivery of the executed copy of the proposed assignment agreement or sublease as provided below, to assign this Lease or to sublet all or any portion of the Demised Premises to an Affiliate (as hereinafter defined) having a net worth and credit rating which is equal to or greater than the net worth and credit rating of Tenant on the date of execution hereof (or, if then greater, on the date such approval is requested); provided, however, no such assignment or subletting shall relieve Tenant of its
obligations to Landlord hereunder. The term

Exhibit "G"
"Affiliate" shall mean any parent corporation or any subsidiary which controls or is controlled by Tenant, or any corporation in which or with which Tenant is merged or consolidated provided that by operation of law or by effective provisions contained in the instruments of merger or consolidation the liabilities of the corporations participating in such merger or consolidation are assumed by the corporation surviving such merger or created by such consolidation. The term "control" shall mean ownership of not less than fifty-one percent of the voting rights attributable to the shares of the controlled corporation. Contemporaneously with any such notice to Landlord, Tenant shall deliver a counterpart executed copy of such assignment agreement or sublease, as the case may be. Any such assignment or sublease agreement shall provide, inter alia, that it is subject to all of the terms and provisions of this Lease and that the Lease may not be further assigned without the prior written consent of Landlord, and any such sublease shall specify that such sublease shall not be assigned or the Demised Premises further sublet, without the prior written consent of Landlord. In addition, no such subletting shall be for a term which shall extend beyond one (1) day prior to the expiration of this Lease.

(c) Tenant hereby agrees that Tenant's sole remedy against Landlord for any claim that Landlord has acted unreasonably in withholding its consent to Tenant's request to assign this Lease or sublet the Demised Premises shall be a suit for specific performance and Tenant hereby waives any claim against Landlord for damages, whether actual or consequential or otherwise.

Exhibit "G"
SCHEDULE 3G

OTHER BENEFITS

1. Continued membership in Delta Employees' Credit Union on same terms and conditions as other retirees.

2. Continued opportunity to purchase certain additional group insurance, including dependent life, group life insurance and group accident insurance on same terms and conditions as other retirees.

3. Continued participation in the Directors' Charitable Award Program, as the program exists from time to time.

EXECUTIVE RETENTION PROTECTION AGREEMENT

EXECUTIVE RETENTION PROTECTION AGREEMENT ("Agreement") dated as of August 1, 1997 (the "Effective Date") by and between Delta Air Lines, Inc., a Delaware corporation (the "Company"), and [NAME] ("Executive").

WHEREAS, Executive is presently employed by the Company in a key management capacity; and

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders that appropriate steps be taken to reinforce and encourage the continued attention of key management personnel, including Executive, to their assigned duties without the distraction that may arise from personal uncertainties associated with any pending or threatened change in control of the Company; and

WHEREAS, the Board has also determined that it is in the best interests of the Company and its stockholders to encourage Executive's continued availability to the Company in the event of a change in control.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration including, but not limited to, Executive's continuing employment with the Company, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1

TERM OF AGREEMENT

SECTION 1.01. Initial Term. The term of this Agreement shall commence on the Effective Date and shall expire December 31, 1998 (the "Initial Term"), subject to Sections 1.02 and 1.03.

SECTION 1.02. Extensions. As of each December 31 after the Effective Date, the term of this Agreement shall automatically be extended by one year (each such additional one-year period following the Initial Term a "Successive Period") unless, at least sixty days prior to such December 31, (i) either party has provided the other with written notice of such party’s intent that the term of this Agreement not be so extended or (ii) there occurs a termination of Executive's employment with the Company.

1
SECTION 1.03. Automatic Extension Upon Change in Control. In the event that a Change in Control occurs during the Initial Term or any Successive Period, upon the effective date of such Change in Control the term of this Agreement shall automatically be extended for a period of 36 months from the effective date of such Change in Control. The 36-month extension described in this Section 1.03 shall take effect regardless of whether, before or after the effective date of a Change in Control, Executive or the Company has given written notice of intent not to extend the term of the Agreement pursuant to Section 1.02 or there has occurred a termination of Executive's employment, provided the term of the Agreement has not yet expired as of such effective date.

ARTICLE 2

OBLIGATIONS OF COMPANY ON CHANGE IN CONTROL

SECTION 2.01. Deferred Compensation. (a) In the event that a Change in Control occurs during the term of this Agreement, the Company shall promptly thereafter cause to be irrevocably deposited in trust for the benefit of Executive and his or her beneficiaries, on the terms set forth in Section 2.01(c), an amount equal to the balance as of the date of such deposit of Executive's accounts under the Deferred Compensation Plan. (Such trust is hereinafter referred to as the "Deferred Compensation Trust.") From and after the date of such Change in Control, the Company shall cause to be irrevocably deposited in the Deferred Compensation Trust any additional amounts that may be deferred from time to time by Executive under the Deferred Compensation Plan. Each such subsequent deposit shall be made on the date the applicable deferred amount would otherwise have been received by Executive, but for Executive's election to defer such receipt under the Deferred Compensation Plan.

(b) The trustee of the Deferred Compensation Trust shall be a bank that is organized under the laws of the United States of America, has assets exceeding $500,000,000, and may validly exercise trustee powers under Georgia state law. All trustee's fees and other expenses of administering the Deferred Compensation Trust shall be borne by the Company.

(c) The instrument governing the Deferred Compensation Trust (the "Trust Instrument") shall, to the extent reasonably necessary to assure that the Deferred Compensation Plan will continue to be treated as "unfunded" for purposes of ERISA and the Code, provide that upon insolvency of the Company the assets of the Trust will be subject to the claims of the Company's general creditors. The Trust Instrument shall provide that in all other respects the assets of the Deferred Compensation Trust will be maintained for the exclusive benefit of Executive and his or her beneficiaries, and will otherwise be subject to all fiduciary and other requirements of applicable state trust law. The Trust Instrument shall require that
the trustee invest the assets of the Trust in a manner calculated to match as closely as the trustee deems reasonably possible the investment elections made from time to time by Executive under the Deferred Compensation Plan, and shall provide for payment of benefits in accordance with the terms of Executive's applicable payment elections as in effect from time to time under the Deferred Compensation Plan.

(d) After the date of a Change in Control, the Company shall not (other than pursuant to Section 3.03(i) hereof) take any steps to disturb or alter Executive's (or Executive's beneficiaries') rights to receive amounts deferred under the Deferred Compensation Plan in accordance with such Executive's applicable payment elections as in effect from time to time. Nothing herein or in the Trust Instrument shall relieve the Company of its obligation to pay benefits under the Deferred Compensation Plan in accordance with the terms of such Plan, to the extent such benefits are not paid from the Deferred Compensation Trust.

SECTION 2.02. Payment of Performance-Based Awards. In the event that a Change in Control occurs during the term of this Agreement and while Executive is employed by the Company, the Company shall promptly thereafter pay Executive the sum of (i) the Reference Incentive Compensation Award, prorated to reflect the portion of the fiscal year elapsed through the date of the Change in Control, and (ii) the Reference Long-Term Award, for each performance period that includes the date of the Change in Control under any long-term incentive plan maintained by the Company, prorated to reflect the portion of such performance period elapsed through the date of the Change in Control. The amounts referred to in clauses (i) and (ii) above shall be paid in the form of cash or shares of Company stock, in accordance with the terms of the applicable award agreements. The payment under this Section 2.02 shall discharge all liabilities of the Company to Executive under the Company's annual and long-term incentive plans and programs, and under this Agreement, with respect to performance-based incentive compensation (other than stock options and stock appreciation rights) for the periods referred to in clauses (i) and (ii) above.

SECTION 2.03. Stock Options, Stock Appreciation Rights and Non-Performance-Based Award. In the event that a Change in Control occurs during the term of this Agreement and while Executive is employed by the Company, all outstanding stock options, stock appreciation rights, restricted stock (if not performance-based), or other non-performance-based awards held by Executive pursuant to the provisions of the Company's 1989 Stock Incentive Plan or any successor plan shall become immediately vested, nonforfeitable and exercisable as of the date of the Change in Control.

SECTION 2.04. Gross-Up Payment. In the event that a Change in Control occurs during the term of this Agreement, if any payment or acceleration of vesting
or exercisability under this Article 2 would result in the imposition of excise tax under Section 4999 of the Code, or of any interest or penalties with respect to such excise tax, then Executive shall be entitled to a Gross-Up Payment with respect to such excise tax, interest or penalties. Such Gross-Up Payment shall be determined in the manner set forth in Article 4 (excluding Paragraph A and the last sentence of Paragraph B of Section 4.01), substituting the term "Change in Control" for the term "Qualifying Event" in Section 4.02. In addition, such Gross-Up Payment shall be subject to the provisions of Section 4.03 in the same manner as if such Gross-Up Payment had been paid under Article 4. The Company shall pay Executive the Gross-Up Payment described in this Section 2.04 as soon as practicable following the Change in Control, but in no event later than 30 days from such Change in Control.

ARTICLE 3

SEVERANCE BENEFITS

SECTION 3.01. Right to Severance Benefits. In the event that a Qualifying Event occurs during the term of this Agreement, Executive shall be entitled to receive from the Company Severance Benefits as described in Section 3.03 and the Gross-Up Payment described in Section 4.01. The Severance Benefits described in Sections 3.03(a), 3.03(b), 3.03(c), 3.03(d), 3.03(e), 3.03(f), 3.03(h) and 3.03(i), as well as the Gross-Up Payment, shall be paid or provided to Executive as soon as practicable following the Qualifying Event, but in no event later than 30 days from such Qualifying Event.

SECTION 3.02. Qualifying Event. A "Qualifying Event" means any of the following events:

(a) The involuntary termination of Executive's employment by the Company during the 36-month period following a Change in Control, other than (i) for Cause, or (ii) by reason of Executive's death or Disability;

(b) Executive's voluntary termination of employment for Good Reason during the 36-month period following a Change in Control; or

(c) The occurrence of a Change in Control within one year after (i) the involuntary termination of Executive's employment by the Company other than (A) for Cause, or (B) by reason of Executive's death or Disability; or (ii) Executive's voluntary termination of employment for Good Reason; if, in the case of either clause (i) or (ii), the involuntary termination or actions giving rise to the existence of Good Reason, as the case may be, were undertaken by the Company in anticipation of a Change in Control.
SECTION 3.03. Severance Benefits. Executive shall be entitled to the following benefits (the “Severance Benefits”) under the circumstances described in Section 3.01:

(a) The Company shall pay Executive a lump sum, in cash, equal to Executive's earned but unpaid Base Salary and other earned but unpaid cash entitlements for the period through and including the date of termination of Executive's employment, including unused earned and accrued vacation pay and unreimbursed business expenses. In addition, Executive shall be entitled to any other benefits earned or accrued by Executive for the period through and including the date of termination of Executive's employment under any other employee benefit plans and arrangements maintained by the Company, in accordance with the terms of such plans and arrangements, except as modified herein.

(b) In the case of a Qualifying Event described in Section 3.02(c), the Company shall pay Executive the amount that would have been payable to Executive under Section 2.02, had the Change in Control occurred as of the date of termination of Executive's employment. The payment under this Section 3.03(b) shall be reduced by any payments previously made to Executive under the Company's annual and long-term incentive plans and programs, and under this Agreement, with respect to performance-based incentive compensation (other than stock options and stock appreciation rights) for the periods referred to in clauses (i) and (ii) of Section 2.02.

(c) The Company shall pay Executive a lump sum, in cash, equal to three times the sum of Executive's Reference Salary and Reference Incentive Compensation Award.

(d) The Company shall pay Executive a lump sum, in cash, equal to the actuarial present value of the difference between the retirement benefits described in clauses (i) and (ii) below:

(i) The retirement benefits described in this clause shall be the total benefits that would be payable to Executive and his or her spouse under the Qualified Pension Plan and the Nonqualified Pension Plans in the form of a monthly annuity commencing as of Executive's Earliest Retirement Date, calculated in accordance with the terms of such plans as in effect on the date of termination of Executive's employment (or, if greater, as in effect immediately prior to the Change in Control), and assuming:

(A) Executive is fully vested in his or her benefits under such plans;
(B) The number of years of Executive’s credited service for purposes of benefit accrual under such plans is equal to three plus the number of such years of service credited under such plans without regard to this Section 3.03(d)(i)(B);

(C) Executive’s age as of the Earliest Retirement Date is equal to Executive’s actual age as of such date plus three years, for purposes of calculating any reduction under such plans for early commencement of benefits; and

(D) As of Executive’s annuity starting date, Executive has a spouse who meets the requirements set forth in the Qualified Pension Plan for entitlement to automatic joint and survivor annuity benefits.

(ii) The retirement benefits described in this clause shall be the benefits that would be payable to Executive and his or her spouse under the Qualified Pension Plan in the form of a monthly annuity commencing as of Executive’s Earliest Retirement Date, calculated in accordance with the terms of such Plan, assuming that as of Executive’s annuity starting date Executive has a spouse who meets the requirements set forth in the Qualified Pension Plan for entitlement to automatic joint and survivor annuity benefits.

For purposes of this Section 3.03(d), “actuarial present value” shall be calculated using the assumptions in effect, immediately prior to the Change in Control, for purposes of calculating actuarial equivalence under the Qualified Pension Plan. The payment under this Section 3.03(d) shall be reduced, in the case of a Qualifying Event described in Section 3.02(c), by the total amount of payments (if any) made to Executive and his or her spouse under the Nonqualified Pension Plans between the date of termination of Executive’s employment and the date of payment under this Section 3.03(d). The payment under this Section 3.03(d) shall discharge all liabilities of the Company with respect to retirement benefits of Executive under the Nonqualified Pension Plans.

(e) (i) If Executive has attained age 52 as of the date of termination of his or her employment, Executive shall be entitled to retiree medical and monthly survivor benefits from the Company commencing as of the date of the Qualifying Event. Such benefits shall be provided at a level of coverage no less generous, and at the same cost to Executive, as the retiree medical and monthly survivor benefits for which Executive would have been eligible upon retirement under the retiree benefits program maintained by the Company as in effect immediately prior to the Change in Control, provided, that if Executive has earned at least ten years of Continuous Service under the Qualified Pension Plan as of the date of termination of
employment (taking into account the assumption set forth in Section 3.03(d)(i)(B)), the Company shall pay Executive a lump sum, in cash, equal to the present value (as of the date of the Qualifying Event) of any premium imposed solely because of early retirement. The assumption set forth in Section 3.03(d)(i)(B) shall be taken into account in determining the level of any service-related premium to which Executive becomes subject at any time with respect to retiree medical benefits provided by the Company.

(ii) If, after taking into account the assumption set forth in Section 3.03(d)(i)(C), Executive has attained age 52 as of the date of termination of his or her employment, the Company shall, at its election, provide to Executive either: (A) retiree medical and monthly survivor benefits described in (i) above; or (B) a lump sum, in cash, equal to the present value (as of the date of the Qualifying Event) of the retiree medical and monthly survivor benefits described in (i) above.

(iii) If, after taking into account the assumption set forth in Section 3.03(d)(i)(C), Executive has not attained age 52 as of the date of termination of his or her employment, the Company shall pay Executive a lump sum, in cash, equal to the present value (as of the date of the Qualifying Event) of medical, disability and monthly survivor coverage (as provided to active nonpilot personnel) of Executive and Executive's eligible dependents under the Medical Plans and Disability Plan for 36 months from the date of the Qualifying Event.

(iv) In determining present value under clauses (i), (ii) and (iii) above, all terms applicable to Executive under the Medical Plans and Disability Plan immediately prior to the date of the Change in Control (including the level of premiums payable by Executive) shall be taken into account. The amount of such present value shall be determined by Northern Trust Retirement Consulting Inc. (the "Actuarial Firm") on the basis of such assumptions as the Actuarial Firm determines to be reasonable. In the event that the Actuarial Firm is serving as actuary for the Person effecting the Change in Control or is otherwise unavailable, Executive may appoint another nationally recognized actuarial firm to make the determinations required hereunder (which actuarial firm shall then be referred to as the Actuarial Firm hereunder). The Actuarial Firm shall provide its determination and detailed supporting calculations both to the Company and Executive within fifteen business days of the receipt of notice from Executive that there has been a Qualifying Event, or such earlier time as is requested by the Company. All fees and expenses of the Actuarial Firm shall be borne solely by the Company.
(f) The Company shall provide Executive with a fully paid-up term life insurance policy (with premiums pre-paid for the remainder of Executive's life) on Executive's life, providing Executive's beneficiaries with a death benefit of $50,000. In addition, if Executive is eligible for early or normal retirement benefits under the Qualified Pension Plan as of the date of termination of Executive's employment, the Company shall provide Executive a fully paid-up term life insurance policy (with premiums pre-paid for the remainder of Executive's life) on Executive's life, providing Executive's beneficiaries with a death benefit of two times Executive's Reference Salary. For purposes of determining Executive's entitlement to the life insurance policy described in the preceding sentence, the assumptions set forth in Sections 3.03(d)(i)(B) and 3.03(d)(i)(C) shall be taken into account.

(g) Executive and Executive's spouse, for the remainder of their respective lives, and Executive's dependent children, for so long as they are under age 18 (or under age 23 if a full-time student), shall be entitled to free system-wide flight privileges on Company flights to any location which the Company serves. Such privileges shall entitle Executive, Executive's spouse and Executive's dependent children to unlimited positive space (or space available, at Executive's option) first-class tickets, but Executive's dependent children shall not be entitled to first-class privileges if under age 8; provided further that all of such flight privileges shall otherwise be subject to the same conditions and restrictions as pertain from time to time to the flight privileges generally provided by the Company to its retirees. Nothing herein shall be deemed as a limitation upon any retiree flight privileges for which Executive may otherwise qualify.

(h) In the case of a Qualifying Event described in Section 3.02(c), all outstanding stock options, stock appreciation rights, restricted stock (if not performance-based), or other non-performance-based awards held by Executive pursuant to the provisions of the Company's 1989 Stock Incentive Plan or any successor plan shall become immediately vested, nonforfeitable and exercisable as of the date of the Change in Control. In addition, in the case of such a Qualifying Event, the Company shall, with respect to any such stock option, stock appreciation right, restricted stock or other nonperformance-based award forfeited by Executive on or after the date of termination of Executive's employment (except where such forfeiture occurs solely by reason of expiration of the term of such award), pay to Executive a lump sum, in cash, equal to the fair market value such award would have had as of the date of the Change in Control, taking into account the exercise price, if any, associated with such award and treating such award as fully vested and exercisable.

(i) The Company shall pay (or cause the Deferred Compensation Trust to pay) to Executive a lump sum, in cash, equal to the balance of Executive's accounts under the Deferred Compensation Plan.
(j) The Company shall indemnify Executive (and Executive's legal representatives or other successors) to the fullest extent permitted by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time or on the Effective Date, or by the terms of any indemnification agreement between the Company and Executive, whichever affords or afforded greater protection to Executive, and Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by Executive or Executive's legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which Executive (or Executive's legal representatives or other successors) may be made a party by reason of Executive's being or having been a director, officer or employee of the Company, or any Subsidiary or Executive's serving or having served any other enterprise as a director, officer, employee or fiduciary at the request of the Company.

ARTICLE 4

CERTAIN TAX PAYMENTS

SECTION 4.01. Gross-Up Payment. The Company shall pay to Executive an additional lump sum payment (the "Gross-Up Payment"), in cash, equal to the sum of the amounts described in Paragraphs A and B (if any), below:

A. Executive shall be entitled under this paragraph to the sum of
(i) the present value of all of Executive's applicable Federal, state and local taxes arising due to payments or coverage provided under Section 3.03(e), and (ii) an additional amount such that after payment by Executive of all of Executive's applicable Federal, state and local taxes on such additional amount, Executive will retain an amount equal to the total of Executive's applicable Federal, state and local taxes arising due to the payment required pursuant to clause (i) above. For purposes of clause (i) above, present value shall be determined using the appropriate "applicable federal rate" promulgated by the Treasury Department under Code Section 1274(d) for the month in which the Gross-Up Payment is made, assuming that all taxes will be paid on the due date therefor (without regard to extensions).

B. If any portion of the Severance Benefits or any other payment under this Agreement, or under any other agreement with, or plan of the Company, including but not limited to stock options and other long-term
incentives (in the aggregate "Total Payments") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled under this paragraph to an additional amount such that after payment by Executive of all of Executive's applicable Federal, state and local taxes, including any Excise Tax, imposed upon such additional amount, Executive will retain an amount equal to the Excise Tax imposed on the Total Payments. The amount determined under this Paragraph B upon the occurrence of a Qualifying Event shall be reduced by the amount of any Gross-Up Payment previously paid to Executive under Section 2.04.

For purposes of Paragraphs A and B above, Executive's applicable Federal, state and local taxes shall be computed at the maximum marginal rates, taking into account the effect of any loss of personal exemptions resulting from receipt of the Gross-Up Payment.

SECTION 4.02. Determinations. All determinations required to be made under this Article 4, including the amount of the Gross-Up Payment, whether a payment is required under Paragraph B of Section 4.01, and the assumptions to be used in determining the Gross-Up Payment, shall be made by Arthur Andersen LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within twenty business days of the receipt of notice from Executive that there has been a Qualifying Event, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the Person effecting the Change in Control or is otherwise unavailable, Executive may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

SECTION 4.03. Subsequent Redetermination. Executive agrees (unless requested otherwise by the Company) to use reasonable efforts to contest in good faith any subsequent determination by the Internal Revenue Service that Executive owes an amount of Excise Tax greater than the amount determined pursuant to Section 4.02; provided, that Executive shall be entitled to reimbursement by the Company of all fees and expenses reasonably incurred by Executive in contesting such determination. In the event the Internal Revenue Service or any court of competent jurisdiction determines that Executive owes an amount of Excise Tax that is either greater or less than the amount previously taken into account and paid under this Article 4, the Company shall promptly pay to Executive, or Executive shall promptly repay to the Company, as the case may be, the amount of such excess or shortfall. In the case of any payment that the Company is required
the Company shall also pay to Executive an additional amount such that after payment by Executive of all of Executive's applicable Federal, state and local taxes on such additional amount, Executive will retain an amount equal to the total of Executive's applicable Federal, state and local taxes arising due to the Later Payment. In the case of any repayment of Excise Tax that Executive is required to make to the Company pursuant to the second sentence of this Section 4.03, Executive shall also repay to the Company the amount of any additional payment received by Executive from the Company in respect of applicable Federal, state and local taxes on such repaid Excise Tax, to the extent Executive is entitled to a refund of (or has not yet paid) such Federal, state or local taxes.

ARTICLE 5

SUCCESSORS AND ASSIGNMENTS

SECTION 5.01. Successors. The Company will require any successor (whether by reason of a Change in Control, direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

SECTION 5.02. Assignment by Executive. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Executive should die while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive's devisee, legatee, or other designee, or if there is no such designee, to Executive's estate. Executive's rights hereunder shall not otherwise be assignable.

ARTICLE 6

MISCELLANEOUS

SECTION 6.01. Notices. Any notice required to be delivered hereunder shall be in writing and shall be addressed

if to the Company, to:
Delta Air Lines, Inc.
Hartsfield Atlanta International Airport Post Office Box 20706
Atlanta, GA 30320-2534
Attn: General Counsel;
if to Executive, to Executive's last known address as reflected on the books and records of the Company

or such other address as such party may hereafter specify for the purpose by written notice to the other party hereto. Any such notice shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.

SECTION 6.02. Legal Fees and Expenses. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are reasonably incurred by Executive as a result of (i) the Company's refusal to provide Severance Benefits or other amounts in accordance herewith, (ii) the Company's (or any third party's) contesting the validity, enforceability, or interpretation of the Agreement, (iii) any conflict between the parties pertaining to this Agreement, (iv) Executive's contesting any determination by the Internal Revenue Service pursuant to Section 4.03, or (v) Executive's pursuing any claim under Section 6.16 hereof.

SECTION 6.03. Arbitration. Executive shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Executive within 50 miles from the location of his or her job with the Company, in accordance with the rules of the American Arbitration Association then in effect. Executive's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on the Company and Executive. Judgment may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration, including the fees and expenses reasonably incurred by Executive, shall be borne by the Company.

SECTION 6.04. Unfunded Agreement. Except to the extent otherwise provided in Article 2, the obligations of the Company under this Agreement represent an unsecured, unfunded promise to pay benefits to Executive and/or Executive's beneficiaries, and shall not entitle Executive or such beneficiaries to a preferential claim to any asset of the Company.

SECTION 6.05. Non-Exclusivity of Benefits. Unless specifically provided herein, neither the provisions of this Agreement nor the benefits provided hereunder shall reduce any amounts otherwise payable, or in any way diminish Executive's rights as an employee of the Company, whether existing now or hereafter, under any compensation and/or benefit plans (qualified or nonqualified).
programs, policies, or practices provided by the Company, for which Executive may qualify. Vested benefits or other amounts which Executive is otherwise entitled to receive under any plan, policy, practice, or program of the Company (i.e., including, but not limited to, vested benefits under the Qualified Pension Plan), at or subsequent to the date of termination of Executive's employment shall be payable in accordance with such plan, policy, practice, or program except as expressly modified by this Agreement.

SECTION 6.06. Compensation Taken Into Account. Severance Benefits provided hereunder (other than the Base Salary and Reference Incentive Compensation Award payable pursuant to Sections 3.03(a) or 3.03(b)) shall not be considered for purposes of determining Executive's benefits under any other plan or program of the Company (including without limitation the Qualified Pension Plan and the Nonqualified Pension Plans).

SECTION 6.07. Employment Status. Nothing herein contained shall interfere with the Company's right to terminate Executive's employment with the Company at any time, with or without Cause, subject to the Company's obligation to provide such Severance Benefits and other amounts as may be required hereunder.

SECTION 6.08. Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by Executive as a result of employment by another employer.

SECTION 6.09. No Set-Off. The Company's obligations to make all payments and honor all commitments under this Agreement shall be absolute and unconditional and shall not be affected by any circumstances including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against Executive.

SECTION 6.10. Entire Agreement. This Agreement represents the entire agreement between the parties with respect to Executive's employment and/or severance rights upon a Change in Control, and supersedes all prior discussions, negotiations, and agreements concerning such rights, including, but not limited to, any prior severance agreement made between Executive and the Company.

SECTION 6.11. Tax Withholding. Notwithstanding anything in this Agreement to the contrary, the Company shall withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as are legally required to be withheld.
SECTION 6.12. Waiver of Rights. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a continuing waiver or as a consent to or waiver of any subsequent breach hereof.

SECTION 6.13. Severability. In the event any provision of the Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

SECTION 6.14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia without reference to principles of conflict of laws.

SECTION 6.15. Counterparts. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were on the same instrument.

SECTION 6.16. Claim Review Procedure. If Executive is denied benefits under this Agreement, Executive may request, in writing, a review of the denial by the Company or its designee within 60 days of receiving written notice of the denial. The Company shall respond in writing to a written request for review within 90 days of receipt of such request. Neither the claim procedure set forth in this Section 6.16 nor Executive's failure to adhere to such procedure shall derogate from Executive's right to enforce this Agreement through legal action, including arbitration as provided in Section 6.03.

ARTICLE 7
DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings set forth below.

"Accounting Firm" has the meaning accorded such term in Section 4.02.

"Actuarial Firm" has the meaning accorded such term in Section 3.03(e)(iv).

"Affiliate" and "Associate" have the respective meanings accorded to such terms in Rule 12b-2 under the Exchange Act as in effect on the Effective Date.

"Base Salary" means, at any time, the then-regular annual rate of pay which Executive is receiving as annual salary.
"Beneficial Ownership." A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," securities pursuant to Rule 13d-3 under the Exchange Act as in effect on the Effective Date.

"Board" has the meaning accorded such term in the second "Whereas" clause of this Agreement.

"Cause" means the occurrence of any one or more of the following:

(a) A demonstrably willful and deliberate act or failure to act by Executive (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of the Company, and which act or inaction is not remedied within fifteen business days of written notice from the Company; or

(b) Executive's conviction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude.

Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of conduct set forth above in clauses (a) or (b) of this definition and specifying the particulars thereof in detail.

"Change in Control" means, and shall be deemed to have occurred upon, the first to occur of any of the following events:

(a) Any Person (other than an Excluded Person) acquires, together with all Affiliates and Associates of such Person, Beneficial Ownership of securities representing 20% or more of the combined voting power of the Voting Stock then outstanding, unless such Person acquires Beneficial Ownership of 20% or more of the combined voting power of the Voting Stock then outstanding solely as a result of an acquisition of Voting Stock by the Company which, by reducing the Voting Stock outstanding, increases the proportionate Voting Stock beneficially owned by such Person (together with all Affiliates and Associates of such Person) to 20% or more of the combined voting power of the Voting Stock then

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outstanding; provided, that if a Person shall become the Beneficial Owner of 20% or more of the combined voting power of the Voting Stock then outstanding by reason of such Voting Stock acquisition by the Company and shall thereafter become the Beneficial Owner of any additional Voting Stock which causes the proportionate voting power of Voting Stock beneficially owned by such Person to increase to 20% or more of the combined voting power of the Voting Stock then outstanding, such Person shall, upon becoming the Beneficial Owner of such additional Voting Stock, be deemed to have become the Beneficial Owner of 20% or more of the combined voting power of the Voting Stock then outstanding other than solely as a result of such Voting Stock acquisition by the Company;

(b) During any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new Director, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved), cease for any reason to constitute a majority of Directors then constituting the Board;

(c) A reorganization, merger or consolidation of the Company is consummated, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 50% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Voting Stock outstanding immediately prior to such reorganization, merger or consolidation, (ii) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the voting power of the outstanding Voting Stock) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in
the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) The shareholders of the Company approve (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to any corporation with respect to which, immediately following such sale or other disposition, (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Voting Stock outstanding immediately prior to such sale or other disposition of assets, (B) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the voting power of the outstanding Voting Stock) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of such corporation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were members of the Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

Notwithstanding the foregoing, in no event shall a "Change in Control" be deemed to have occurred (i) as a result of the formation of a Holding Company, or (ii) with respect to Executive, if Executive is part of a "group," within the meaning of Section 13(d)(3) of the Exchange Act as in effect on the Effective Date, which consummates the Change in Control transaction. In addition, for purposes of the definition of "Change in Control" a Person engaged in business as an underwriter of securities shall not be deemed to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

"Company" has the meaning accorded such term in the introductory paragraph of this Agreement.

"Deferred Compensation Plan" means the Company's Executive Deferred Compensation Plan (or any similar successor plan adopted by the Company), as in effect immediately prior to the Change in Control.

"Deferred Compensation Trust" has the meaning accorded such term in Section 2.01.

"Disability" means Long-Term Disability, as such term is defined in the Disability Plan.

"Disability Plan" means the Delta Family-Care Disability and Survivorship Plan (or any successor disability and/or survivorship plan adopted by the Company), as in effect immediately prior to the Change in Control (subject to changes in coverage levels applicable to all employees generally covered by such Plan).

"Earliest Retirement Date" means the earliest date, after the date of termination of Executive's employment, as of which Executive would be eligible to commence receiving retirement benefits under the Qualified Pension Plan.

"Effective Date" has the meaning accorded such term in the introductory paragraph of this Agreement.


"Excise Tax" has the meaning accorded such term in Section 4.01.

"Excluded Person" means (i) the Company; (ii) any of the Company's Subsidiaries; (iii) any Holding Company; (iv) any employee benefit plan of the Company, any of its Subsidiaries or a Holding Company; or (v) any Person organized, appointed or established by the Company, any of its Subsidiaries or a Holding Company for or pursuant to the terms of any plan described in clause (iv).

"Executive" has the meaning accorded such term in the introductory paragraph of this Agreement.
"Good Reason" means, without Executive's express written consent, the occurrence of any one or more of the following:

(a) The assignment to Executive of duties inconsistent with Executive's authorities, duties, responsibilities and status as an officer of the Company, or a reduction or alteration in the nature or status of Executive's authorities, duties, or responsibilities, from those in effect as of the Reference Date; other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by Executive;

(b) The Company's requiring Executive to be based at a location in excess of 50 miles from Executive's principal job location or office immediately prior to the Reference Date; except for required travel on the Company's business to an extent consistent with Executive's business travel obligations immediately prior to the Reference Date;

(c) A reduction by the Company of Executive's Base Salary as in effect on the Reference Date (other than pursuant to a reduction by a uniform percentage of the salary of all full-time domestic employees of the Company who are not subject to a collective bargaining agreement); or a reduction in Executive's short-term or long-term incentive compensation opportunities under the executive incentive compensation plans of the Company for which Executive is eligible as in effect on the Reference Date;

(d) The failure by the Company to keep in effect compensation, retirement, health and welfare benefits, or perquisite programs under which Executive receives benefits substantially similar, in the aggregate, to the benefits under such programs as exist immediately prior to the Reference Date (other than pursuant to an equivalent reduction in such benefits of all full-time domestic employees of the Company who are not subject to a collective bargaining agreement); or the failure of the Company to meet the funding requirements, if any, of any of such programs; or

(e) Any material breach by the Company of its obligations under this Agreement or any failure of a successor of the Company to assume and agree to perform the Company's entire obligations under this Agreement, as required by Article 5 herein, provided that such successor has received at least ten days written notice from the Company or Executive of the requirements of Article 5.
"Gross-Up Payment" has the meaning accorded such term in Section 4.01.

"Holding Company" means an entity that becomes a holding company for the Company or its businesses as a part of any reorganization, merger, consolidation or other transaction, provided that the outstanding shares of common stock of such entity and the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors is, immediately after such reorganization, merger, consolidation or other transaction, beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock outstanding immediately prior to such reorganization, merger, consolidation or other transaction in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or other transaction, of such outstanding Voting Stock.

"Initial Term" has the meaning accorded such term in Section 1.01.

"Later Payment" has the meaning accorded such term in Section 4.03.

"Medical Plans" means the DeltaFlex and the Delta Family-Care Medical Plans (or any successor medical plans adopted by the Company), as in effect immediately prior to the Change in Control (subject to changes in coverage levels applicable to all employees generally covered by such Plans).

"Nonqualified Pension Plans" means the 1991 Delta Excess Benefit Plan and the Delta Supplemental Excess Benefit Plan (or any successor nonqualified defined benefit retirement plans adopted by the Company).

"Person" means an individual, corporation, partnership, association, trust or any other entity or organization.

"Qualified Pension Plan" means the Delta Family-Care Retirement Plan (or any successor qualified defined benefit retirement plan adopted by the Company).

"Qualifying Event" has the meaning accorded such term in Section 3.02.
"Reference Date" means the earlier to occur of (i) a Change in Control and (ii) the date 90 days prior to the termination of Executive's employment.

"Reference Incentive Compensation Award" means:

(a) for purposes of Article 2 hereof, the greater of the target annual incentive compensation award or bonus (A) for the Company's most recently completed fiscal year prior to the Change in Control; and (B) for the Company's fiscal year that includes the Change in Control.

(b) for purposes of Article 3 hereof, the greater of the target annual incentive compensation award or bonus (A) for the Company's most recently completed fiscal year prior to the termination of Executive's employment; and (B) for the Company's fiscal year that includes Executive's termination of employment.

For purposes of both parts (a) and (b) of this definition, the "target annual incentive compensation award or bonus" with respect to any fiscal year shall be determined by multiplying the target salary percentage applicable to Executive for such year by the Reference Salary.

"Reference Long-Term Award" means, for each performance period that includes the date of a Change in Control under a long-term incentive plan maintained by the Company, the greater of (i) the actual award payable to Executive for such performance period, calculated as if such performance period had ended on the date of the Change in Control and (ii) the target award payable to Executive for such performance period.

"Reference Salary" means the greater of Executive's annual rate of Base Salary as in effect (i) upon the date of termination of Executive's employment, and (ii) immediately prior to the Change in Control.

"Severance Benefits" has the meaning accorded such term in Section 3.03.

"Subsidiary" of any Person means any other Person of which securities or other ownership interests having voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person.

"Successive Period" has the meaning accorded such term in Section 1.02.
"Total Payments" has the meaning accorded such term in Section 4.01.

"Trust Instrument" has the meaning accorded such term in Section 2.01.

"Voting Stock" means securities of the Company entitled to vote generally in the election of members of the Board.

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement, to be effective as of the day and year first written above.

EXECUTIVE

______________________

By:  _______ _____________

Name:

Title:

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EXECUTIVE RETENTION PROTECTION AGREEMENT

EXECUTIVE RETENTION PROTECTION AGREEMENT ("Agreement") dated as of August 1, 1997 (the "Effective Date") by and between Delta Air Lines, Inc., a Delaware corporation (the "Company"), and [NAME] ("Executive").

WHEREAS, Executive is presently employed by the Company in a key management capacity; and

WHEREAS, the Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its stockholders that appropriate steps be taken to reinforce and encourage the continued attention of key management personnel, including Executive, to their assigned duties without the distraction that may arise from personal uncertainties associated with any pending or threatened change in control of the Company; and

WHEREAS, the Board has also determined that it is in the best interests of the Company and its stockholders to encourage Executive's continued availability to the Company in the event of a change in control.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration including, but not limited to, Executive's continuing employment with the Company, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1

TERM OF AGREEMENT

SECTION 1.01. Initial Term. The term of this Agreement shall commence on the Effective Date and shall expire December 31, 1998 (the "Initial Term"), subject to Sections 1.02 and 1.03.

SECTION 1.02. Extensions. As of each December 31 after the Effective Date, the term of this Agreement shall automatically be extended by one year (each such additional one-year period following the Initial Term a "Successive Period") unless, at least sixty days prior to such December 31, (i) either party has provided the other with written notice of such party's intent that the term of this Agreement not be so extended or (ii) there occurs a termination of Executive's employment with the Company.
SECTION 1.03. Automatic Extension Upon Change in Control. In the event that a Change in Control occurs during the Initial Term or any Successive Period, upon the effective date of such Change in Control the term of this Agreement shall automatically be extended for a period of 24 months from the effective date of such Change in Control. The 24-month extension described in this Section 1.03 shall take effect regardless of whether, before or after the effective date of a Change in Control, Executive or the Company has given written notice of intent not to extend the term of the Agreement pursuant to Section 1.02 or there has occurred a termination of Executive's employment, provided the term of the Agreement has not yet expired as of such effective date.

ARTICLE 2

OBLIGATIONS OF COMPANY ON CHANGE IN CONTROL

SECTION 2.01. Deferred Compensation. (a) In the event that a Change in Control occurs during the term of this Agreement, the Company shall promptly thereafter cause to be irrevocably deposited in trust for the benefit of Executive and his or her beneficiaries, on the terms set forth in Section 2.01(c), an amount equal to the balance as of the date of such deposit of Executive's accounts under the Deferred Compensation Plan. (Such trust is hereinafter referred to as the "Deferred Compensation Trust.") From and after the date of such Change in Control, the Company shall cause to be irrevocably deposited in the Deferred Compensation Trust any additional amounts that may be deferred from time to time by Executive under the Deferred Compensation Plan. Each such subsequent deposit shall be made on the date the applicable deferred amount would otherwise have been received by Executive, but for Executive's election to defer such receipt under the Deferred Compensation Plan.

(b) The trustee of the Deferred Compensation Trust shall be a bank that is organized under the laws of the United States of America, has assets exceeding $500,000,000, and may validly exercise trustee powers under Georgia state law. All trustee's fees and other expenses of administering the Deferred Compensation Trust shall be borne by the Company.

(c) The instrument governing the Deferred Compensation Trust (the "Trust Instrument") shall, to the extent reasonably necessary to assure that the Deferred Compensation Plan will continue to be treated as "unfunded" for purposes of ERISA and the Code, provide that upon insolvency of the Company the assets of the Trust will be subject to the claims of the Company's general creditors. The Trust Instrument shall provide that in all other respects the assets of the Deferred Compensation Trust will be maintained for the exclusive benefit of Executive and his or her beneficiaries, and will otherwise be subject to all fiduciary and other requirements of applicable state trust law. The Trust Instrument shall
require that the trustee invest the assets of the Trust in a manner calculated to match as closely as the trustee deems reasonably possible the investment elections made from time to time by Executive under the Deferred Compensation Plan, and shall provide for payment of benefits in accordance with the terms of Executive's applicable payment elections as in effect from time to time under the Deferred Compensation Plan.

(d) After the date of a Change in Control, the Company shall not (other than pursuant to Section 3.03(i) hereof) take any steps to disturb or alter Executive's (or Executive's beneficiaries') rights to receive amounts deferred under the Deferred Compensation Plan in accordance with such Executive's applicable payment elections as in effect from time to time. Nothing herein or in the Trust Instrument shall relieve the Company of its obligation to pay benefits under the Deferred Compensation Plan in accordance with the terms of such Plan, to the extent such benefits are not paid from the Deferred Compensation Trust.

SECTION 2.02. Payment of Performance-Based Awards. In the event that a Change in Control occurs during the term of this Agreement and while Executive is employed by the Company, the Company shall promptly thereafter pay Executive the sum of (i) the Reference Incentive Compensation Award, prorated to reflect the portion of the fiscal year elapsed through the date of the Change in Control, and (ii) the Reference Long-Term Award, for each performance period that includes the date of the Change in Control under any long-term incentive plan maintained by the Company, prorated to reflect the portion of such performance period elapsed through the date of the Change in Control. The amounts referred to in clauses (i) and (ii) above shall be paid in the form of cash or shares of Company stock, in accordance with the terms of the applicable award agreements. The payment under this Section 2.02 shall discharge all liabilities of the Company to Executive under the Company's annual and long-term incentive plans and programs, and under this Agreement, with respect to performance-based incentive compensation (other than stock options and stock appreciation rights) for the periods referred to in clauses (i) and (ii) above.

SECTION 2.03. Stock Options, Stock Appreciation Rights and Non-Performance-Based Awards. In the event that a Change in Control occurs during the term of this Agreement and while Executive is employed by the Company, all outstanding stock options, stock appreciation rights, restricted stock (if not performance-based), or other non-performance-based awards held by Executive pursuant to the provisions of the Company's 1989 Stock Incentive Plan or any successor plan shall become immediately vested, nonforfeitable and exercisable as of the date of the Change in Control.
SECTION 2.04. Gross-Up Payment. In the event that a Change in Control occurs during the term of this Agreement, if any payment or acceleration of vesting or exercisability under this Article 2 would result in the imposition of excise tax under Section 4999 of the Code, or of any interest or penalties with respect to such excise tax, then Executive shall be entitled to a Gross-Up Payment with respect to such excise tax, interest or penalties. Such Gross-Up Payment shall be determined in the manner set forth in Article 4 (excluding Paragraph A and the last sentence of Paragraph B of Section 4.01), substituting the term "Change in Control" for the term "Qualifying Event" in Section 4.02. In addition, such Gross-Up Payment shall be subject to the provisions of Section 4.03 in the same manner as if such Gross-Up Payment had been paid under Article 4. The Company shall pay Executive the Gross-Up Payment described in this Section 2.04 as soon as practicable following the Change in Control, but in no event later than 30 days from such Change in Control.

ARTICLE 3
SEVERANCE BENEFITS

SECTION 3.01. Right to Severance Benefits. In the event that a Qualifying Event occurs during the term of this Agreement, Executive shall be entitled to receive from the Company Severance Benefits as described in Section 3.03 and the Gross-Up Payment described in Section 4.01. The Severance Benefits described in Sections 3.03(a), 3.03(b), 3.03(c), 3.03(d), 3.03(e), 3.03(f), 3.03(h) and 3.03(i), as well as the Gross-Up Payment, shall be paid or provided to Executive as soon as practicable following the Qualifying Event, but in no event later than 30 days from such Qualifying Event.

SECTION 3.02. Qualifying Event. A "Qualifying Event" means any of the following events:

(a) The involuntary termination of Executive's employment by the Company during the 24-month period following a Change in Control, other than (i) for Cause, or (ii) by reason of Executive's death or Disability;

(b) Executive's voluntary termination of employment for Good Reason during the 24-month period following a Change in Control; or
(c) The occurrence of a Change in Control within one year after (i) the involuntary termination of Executive's employment by the Company other than (A) for Cause, or (B) by reason of Executive's death or Disability; or (ii) Executive's voluntary termination of employment for Good Reason; if, in the case of either clause (i) or (ii), the involuntary termination or actions giving rise to the existence of Good Reason, as the case may be, were undertaken by the Company in anticipation of a Change in Control.

SECTION 3.03. Severance Benefits. Executive shall be entitled to the following benefits (the "Severance Benefits") under the circumstances described in Section 3.01:

(a) The Company shall pay Executive a lump sum, in cash, equal to Executive's earned but unpaid Base Salary and other earned but unpaid cash entitlements for the period through and including the date of termination of Executive's employment, including unused earned and accrued vacation pay and unreimbursed business expenses. In addition, Executive shall be entitled to any other benefits earned or accrued by Executive for the period through and including the date of termination of Executive's employment under any other employee benefit plans and arrangements maintained by the Company, in accordance with the terms of such plans and arrangements, except as modified herein.

(b) In the case of a Qualifying Event described in Section 3.02(c), the Company shall pay Executive the amount that would have been payable to Executive under Section 2.02, had the Change in Control occurred as of the date of termination of Executive's employment. The payment under this Section 3.03(b) shall be reduced by any payments previously made to Executive under the Company's annual and long-term incentive plans and programs, and under this Agreement, with respect to performance-based incentive compensation (other than stock options and stock appreciation rights) for the periods referred to in clauses (i) and (ii) of Section 2.02.

(c) The Company shall pay Executive a lump sum, in cash, equal to two times the sum of Executive's Reference Salary and Reference Incentive Compensation Award.

(d) The Company shall pay Executive a lump sum, in cash, equal to the actuarial present value of the difference between the retirement benefits described in clauses (i) and (ii) below:
The retirement benefits described in this clause shall be the total benefits that would be payable to Executive and his or her spouse under the Qualified Pension Plan and the Nonqualified Pension Plans in the form of a monthly annuity commencing as of Executive's Earliest Retirement Date, calculated in accordance with the terms of such plans as in effect on the date of termination of Executive's employment (or, if greater, as in effect immediately prior to the Change in Control), and assuming:

(A) Executive is fully vested in his or her benefits under such plans;

(B) The number of years of Executive's credited service for purposes of benefit accrual under such plans is equal to two plus the number of such years of service credited under such plans without regard to this Section 3.03(d)(i)(B);

(C) Executive's age as of the Earliest Retirement Date is equal to Executive's actual age as of such date plus two years, for purposes of calculating any reduction under such plans for early commencement of benefits; and

(D) As of Executive's annuity starting date, Executive has a spouse who meets the requirements set forth in the Qualified Pension Plan for entitlement to automatic joint and survivor annuity benefits.

The retirement benefits described in this clause shall be the benefits that would be payable to Executive and his or her spouse under the Qualified Pension Plan in the form of a monthly annuity commencing as of Executive's Earliest Retirement Date, calculated in accordance with the terms of such Plan, assuming that as of Executive's annuity starting date Executive has a spouse who meets the requirements set forth in the Qualified Pension Plan for entitlement to automatic joint and survivor annuity benefits.

For purposes of this Section 3.03(d), "actuarial present value" shall be calculated using the assumptions in effect, immediately prior to the Change in Control, for purposes of calculating actuarial equivalence under the Qualified Pension Plan. The payment under this Section 3.03(d) shall be reduced, in the case of a Qualifying Event described in Section 3.02(c), by the total amount of payments
(if any) made to Executive and his or her spouse under the Nonqualified Pension Plans between the date of termination of Executive's employment and the date of payment under this Section 3.03(d). The payment under this Section 3.03(d) shall discharge all liabilities of the Company with respect to retirement benefits of Executive under the Nonqualified Pension Plans.

(e) (i) If Executive has attained age 52 as of the date of termination of his or her employment, Executive shall be entitled to retiree medical and monthly survivor benefits from the Company commencing as of the date of the Qualifying Event. Such benefits shall be provided at a level of coverage no less generous, and at the same cost to Executive, as the retiree medical and monthly survivor benefits for which Executive would have been eligible upon retirement under the retiree benefits program maintained by the Company as in effect immediately prior to the Change in Control, provided, that if Executive has earned at least ten years of Continuous Service under the Qualified Pension Plan as of the date of termination of employment (taking into account the assumption set forth in Section 3.03(d)(i)(B)), the Company shall pay Executive a lump sum, in cash, equal to the present value (as of the date of the Qualifying Event) of any premium imposed solely because of early retirement. The assumption set forth in Section 3.03(d)(i)(B) shall be taken into account in determining the level of any service-related premium to which Executive becomes subject at any time with respect to retiree medical benefits provided by the Company.

(ii) If, after taking into account the assumption set forth in Section 3.03(d)(i)(C), Executive has attained age 52 as of the date of termination of his or her employment, the Company shall, at its election, provide to Executive either: (A) retiree medical and monthly survivor benefits described in (i) above; or (B) a lump sum, in cash, equal to the present value (as of the date of the Qualifying Event) of the retiree medical and monthly survivor benefits described in (i) above.

(iii) If, after taking into account the assumption set forth in Section 3.03(d)(i)(C), Executive has not attained age 52 as of the date of termination of his or her employment, the Company shall pay Executive a lump sum, in cash, equal to the present value (as of the date of the Qualifying Event) of medical, disability and monthly survivor coverage (as provided to active nonpilot personnel) of Executive and Executive's eligible dependents under the Medical Plans and Disability Plan for 24 months from the date of the Qualifying Event.
(iv) In determining present value under clauses (i), (ii) and (iii) above, all terms applicable to Executive under the Medical Plans and Disability Plan immediately prior to the date of the Change in Control (including the level of premiums payable by Executive) shall be taken into account. The amount of such present value shall be determined by Northern Trust Retirement Consulting Inc. (the "Actuarial Firm") on the basis of such assumptions as the Actuarial Firm determines to be reasonable. In the event that the Actuarial Firm is serving as actuary for the Person effecting the Change in Control or is otherwise unavailable, Executive may appoint another nationally recognized actuarial firm to make the determinations required hereunder (which actuarial firm shall then be referred to as the Actuarial Firm hereunder). The Actuarial Firm shall provide its determination and detailed supporting calculations both to the Company and Executive within fifteen business days of the receipt of notice from Executive that there has been a Qualifying Event, or such earlier time as is requested by the Company. All fees and expenses of the Actuarial Firm shall be borne solely by the Company.

(f) The Company shall provide Executive with a fully paid-up term life insurance policy (with premiums pre-paid for the remainder of Executive's life) on Executive's life, providing Executive's beneficiaries with a death benefit of $50,000. In addition, if Executive is eligible for early or normal retirement benefits under the Qualified Pension Plan as of the date of termination of Executive's employment, the Company shall provide Executive a fully paid-up term life insurance policy (with premiums pre-paid for the remainder of Executive's life) on Executive's life, providing Executive's beneficiaries with a death benefit of two times Executive's Reference Salary. For purposes of determining Executive's entitlement to the life insurance policy described in the preceding sentence, the assumptions set forth in Sections 3.03(d)(i)(B) and 3.03(d)(i)(C) shall be taken into account.

(g) Executive and Executive's spouse, for the remainder of their respective lives, and Executive's dependent children, for so long as they are under age 18 (or under age 23 if a full-time student), shall be entitled to free system-wide flight privileges on Company flights to any location which the Company serves. Such privileges shall entitle Executive, Executive's spouse and Executive's dependent children to unlimited space available first-class tickets, but Executive's dependent children shall not be entitled to first-class privileges if under age 8; provided further that all of such flight privileges shall otherwise be subject to the same conditions and restrictions as pertain from time to time to the flight privileges generally provided by the Company to its retirees. Nothing herein shall be deemed as a limitation upon any retiree flight privileges for which Executive may otherwise qualify.
(h) In the case of a Qualifying Event described in Section 3.02(c), all outstanding stock options, stock appreciation rights, restricted stock (if not performance-based), or other non-performance-based awards held by Executive pursuant to the provisions of the Company's 1989 Stock Incentive Plan or any successor plan shall become immediately vested, nonforfeitable and exercisable as of the date of the Change in Control. In addition, in the case of such a Qualifying Event, the Company shall, with respect to any such stock option, stock appreciation right, restricted stock or other nonperformance-based award forfeited by Executive on or after the date of termination of Executive's employment (except where such forfeiture occurs solely by reason of expiration of the term of such award), pay to Executive a lump sum, in cash, equal to the fair market value such award would have had as of the date of the Change in Control, taking into account the exercise price, if any, associated with such award and treating such award as fully vested and exercisable.

(i) The Company shall pay (or cause the Deferred Compensation Trust to pay) to Executive a lump sum, in cash, equal to the balance of Executive's accounts under the Deferred Compensation Plan.

(j) The Company shall indemnify Executive (and Executive's legal representatives or other successors) to the fullest extent permitted by the Certificate of Incorporation and By-Laws of the Company, as in effect at such time or on the Effective Date, or by the terms of any indemnification agreement between the Company and Executive, whichever affords or afforded greater protection to Executive, and Executive shall be entitled to the protection of any insurance policies the Company may elect to maintain generally for the benefit of its directors and officers (and to the extent the Company maintains such an insurance policy or policies, Executive shall be covered by such policy or policies, in accordance with its or their terms, to the maximum extent of the coverage available for any Company officer or director), against all costs, charges and expenses whatsoever incurred or sustained by Executive or Executive's legal representatives at the time such costs, charges and expenses are incurred or sustained, in connection with any action, suit or proceeding to which Executive (or Executive's legal representatives or other successors) may be made a party by reason of Executive's being or having been a director, officer or employee of the Company, or any Subsidiary or Executive's serving or having served any other enterprise as a director, officer, employee or fiduciary at the request of the Company.
ARTICLE 4

CERTAIN TAX PAYMENTS

SECTION 4.01. Gross-Up Payment. The Company shall pay to Executive an additional lump sum payment (the "Gross-Up Payment"), in cash, equal to the sum of the amounts described in Paragraphs A and B (if any), below:

A. Executive shall be entitled under this paragraph to the sum of
(i) the present value of all of Executive's applicable Federal, state and local taxes arising due to payments or coverage provided under Section 3.03(e), and (ii) an additional amount such that after payment by Executive of all of Executive's applicable Federal, state and local taxes on such additional amount, Executive will retain an amount equal to the total of Executive's applicable Federal, state and local taxes arising due to the payment required pursuant to clause (i) above. For purposes of clause (i) above, present value shall be determined using the appropriate "applicable federal rate" promulgated by the Treasury Department under Code Section 1274(d) for the month in which the Gross-Up Payment is made, assuming that all taxes will be paid on the due date therefor (without regard to extensions).

B. If any portion of the Severance Benefits or any other payment under this Agreement, or under any other agreement with, or plan of the Company, including but not limited to stock options and other long-term incentives (in the aggregate "Total Payments") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled under this paragraph to an additional amount such that after payment by Executive of all of Executive's applicable Federal, state and local taxes, including any Excise Tax, imposed upon such additional amount, Executive will retain an amount equal to the Excise Tax imposed on the Total Payments. The amount determined under this Paragraph B upon the occurrence of a Qualifying Event shall be reduced by the amount of any Gross-Up Payment previously paid to Executive under Section 2.04.

For purposes of Paragraphs A and B above, Executive's applicable Federal, state and local taxes shall be computed at the maximum marginal rates, taking into account the effect of any loss of personal exemptions resulting from receipt of the Gross-Up Payment.

SECTION 4.02. Determinations. All determinations required to be made under this Article 4, including the amount of the Gross-Up Payment, whether a
payment is required under Paragraph B of Section 4.01, and the assumptions to be used in determining the Gross-Up Payment, shall be made by Arthur Andersen LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within twenty business days of the receipt of notice from Executive that there has been a Qualifying Event, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the Person effecting the Change in Control or is otherwise unavailable, Executive may appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company.

SECTION 4.03. Subsequent Redeterminations. Executive agrees (unless requested otherwise by the Company) to use reasonable efforts to contest in good faith any subsequent determination by the Internal Revenue Service that Executive owes an amount of Excise Tax greater than the amount determined pursuant to Section 4.02; provided, that Executive shall be entitled to reimbursement by the Company of all fees and expenses reasonably incurred by Executive in contesting such determination. In the event the Internal Revenue Service or any court of competent jurisdiction determines that Executive owes an amount of Excise Tax that is either greater or less than the amount previously taken into account and paid under this Article 4, the Company shall promptly pay to Executive, or Executive shall promptly repay to the Company, as the case may be, the amount of such excess or shortfall. In the case of any payment that the Company is required to make to Executive pursuant to the preceding sentence (a "Later Payment"), the Company shall also pay to Executive an additional amount such that after payment by Executive of all of Executive's applicable Federal, state and local taxes on such additional amount, Executive will retain an amount equal to the total of Executive's applicable Federal, state and local taxes arising due to the Later Payment. In the case of any repayment of Excise Tax that Executive is required to make to the Company pursuant to the second sentence of this Section 4.03, Executive shall also repay to the Company the amount of any additional payment received by Executive from the Company in respect of applicable Federal, state and local taxes on such repaid Excise Tax, to the extent Executive is entitled to a refund of (or has not yet paid) such Federal, state or local taxes.
ARTICLE 5

SUCCESSORS AND ASSIGNMENTS

SECTION 5.01 Successors. The Company will require any successor (whether by reason of a Change in Control, direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

SECTION 5.02. Assignment by Executive. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If Executive should die while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive's devisee, legatee, or other designee, or if there is no such designee, to Executive's estate. Executive's rights hereunder shall not otherwise be assignable.

ARTICLE 6

MISCELLANEOUS

SECTION 6.01 Notices. Any notice required to be delivered hereunder shall be in writing and shall be addressed if to the Company, to:

Delta Air Lines, Inc.
Hartsfield Atlanta International Airport Post Office Box 20706
Atlanta, GA 30320-2534
Attn: General Counsel;

if to Executive, to Executive's last known address as reflected on the books and records of the Company

or such other address as such party may hereafter specify for the purpose by written notice to the other party hereto. Any such notice shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a business day in the place of receipt. Otherwise, any such notice shall be deemed not to have been received until the next succeeding business day in the place of receipt.
SECTION 6.02. Legal Fees and Expenses. The Company shall pay all legal fees, costs of litigation, prejudgment interest, and other expenses which are reasonably incurred by Executive as a result of (i) the Company's refusal to provide Severance Benefits or other amounts in accordance herewith, (ii) the Company's (or any third party's) contesting the validity, enforceability, or interpretation of the Agreement, (iii) any conflict between the parties pertaining to this Agreement, (iv) Executive's contesting any determination by the Internal Revenue Service pursuant to Section 4.03, or (v) Executive's pursuing any claim under Section 6.16 hereof.

SECTION 6.03. Arbitration. Executive shall have the right and option to elect (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Agreement settled by arbitration, conducted before a panel of three arbitrators sitting in a location selected by Executive within 50 miles from the location of his or her job with the Company, in accordance with the rules of the American Arbitration Association then in effect. Executive's election to arbitrate, as herein provided, and the decision of the arbitrators in that proceeding, shall be binding on the Company and Executive. Judgment may be entered on the award of the arbitrator in any court having jurisdiction. All expenses of such arbitration, including the fees and expenses reasonably incurred by Executive, shall be borne by the Company.

SECTION 6.04. Unfunded Agreement. Except to the extent otherwise provided in Article 2, the obligations of the Company under this Agreement represent an unsecured, unfunded promise to pay benefits to Executive and/or Executive's beneficiaries, and shall not entitle Executive or such beneficiaries to a preferential claim to any asset of the Company.

SECTION 6.05. Non-Exclusivity of Benefits. Unless specifically provided herein, neither the provisions of this Agreement nor the benefits provided hereunder shall reduce any amounts otherwise payable, or in any way diminish Executive's rights as an employee of the Company, whether existing now or hereafter, under any compensation and/or benefit plans (qualified or nonqualified), programs, policies, or practices provided by the Company, for which Executive may qualify. Vested benefits or other amounts which Executive is otherwise entitled to receive under any plan, policy, practice, or program of the Company (i.e., including, but not limited to, vested benefits under the Qualified Pension Plan), at or subsequent to the date of termination of Executive's employment shall be payable in accordance with such plan, policy, practice, or program except as expressly modified by this Agreement.

SECTION 6.06. Compensation Taken Into Account. Severance Benefits provided hereunder (other than the Base Salary and Reference Incentive
Compensation Award payable pursuant to Sections 3.03(a) or 3.03(b)) shall not be considered for purposes of determining Executive's benefits under any other plan or program of the Company (including without limitation the Qualified Pension Plan and the Nonqualified Pension Plans).

SECTION 6.07. Employment Status. Nothing herein contained shall interfere with the Company's right to terminate Executive's employment with the Company at any time, with or without Cause, subject to the Company's obligation to provide such Severance Benefits and other amounts as may be required hereunder.

SECTION 6.08 Mitigation. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement, nor shall the amount of any payment hereunder be reduced by any compensation earned by Executive as a result of employment by another employer.

SECTION 6.09. No Set-Off. The Company's obligations to make all payments and honor all commitments under this Agreement shall be absolute and unconditional and shall not be affected by any circumstances including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against Executive.

SECTION 6.10. Entire Agreement. This Agreement represents the entire agreement between the parties with respect to Executive's employment and/or severance rights upon a Change in Control, and supersedes all prior discussions, negotiations, and agreements concerning such rights, including, but not limited to, any prior severance agreement made between Executive and the Company.

SECTION 6.11. Tax Withholding. Notwithstanding anything in this Agreement to the contrary, the Company shall withhold from any amounts payable under this Agreement all federal, state, city, or other taxes as are legally required to be withheld.

SECTION 6.12. Waiver of Rights. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a continuing waiver or as a consent to or waiver of any subsequent breach hereof.
SECTION 6.13. Severability. In the event any provision of the Agreement shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Agreement, and the Agreement shall be construed and enforced as if the illegal or invalid provision had not been included.

SECTION 6.14. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia without reference to principles of conflict of laws.

SECTION 6.15. Counterparts. This Agreement may be signed in several counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were on the same instrument.

SECTION 6.16. Claim Review Procedure. If Executive is denied benefits under this Agreement, Executive may request, in writing, a review of the denial by the Company or its designee within 60 days of receiving written notice of the denial. The Company shall respond in writing to a written request for review within 90 days of receipt of such request. Neither the claim procedure set forth in this Section 6.16 nor Executive's failure to adhere to such procedure shall derogate from Executive's right to enforce this Agreement through legal action, including arbitration as provided in Section 6.03.

ARTICLE 7

DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings set forth below.

"Accounting Firm" has the meaning accorded such term in Section 4.02.

"Actuarial Firm" has the meaning accorded such term in Section 3.03(e)(iv).

"Affiliate" and "Associate" have the respective meanings accorded to such terms in Rule 12b-2 under the Exchange Act as in effect on the Effective Date.

"Base Salary" means, at any time, the then-regular annual rate of pay which Executive is receiving as annual salary.
"Beneficial Ownership." A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own," securities pursuant to Rule 13d-3 under the Exchange Act as in effect on the Effective Date.

"Board" has the meaning accorded such term in the second "Whereas" clause of this Agreement.

"Cause" means the occurrence of any one or more of the following:

(a) A demonstrably willful and deliberate act or failure to act by Executive (other than as a result of incapacity due to physical or mental illness) which is committed in bad faith, without reasonable belief that such action or inaction is in the best interests of the Company, and which act or inaction is not remedied within fifteen business days of written notice from the Company; or

(b) Executive's conviction for committing an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude.

Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to Executive a copy of a resolution duly adopted by the affirmative vote (which cannot be delegated) of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to Executive and an opportunity for Executive, together with Executive's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, Executive is guilty of conduct set forth above in clauses (a) or (b) of this definition and specifying the particulars thereof in detail.

"Change in Control" means, and shall be deemed to have occurred upon, the first to occur of any of the following events:

(a) Any Person (other than an Excluded Person) acquires, together with all Affiliates and Associates of such Person, Beneficial Ownership of securities representing 20% or more of the combined voting power of the Voting Stock then outstanding, unless such Person acquires Beneficial Ownership of 20% or more of the combined voting power of the Voting Stock then
outstanding solely as a result of an acquisition of Voting Stock by the Company which, by reducing the Voting Stock outstanding, increases the proportionate Voting Stock beneficially owned by such Person (together with all Affiliates and Associates of such Person) to 20% or more of the combined voting power of the Voting Stock then outstanding; provided, that if a Person shall become the Beneficial Owner of 20% or more of the combined voting power of the Voting Stock then outstanding by reason of such Voting Stock acquisition by the Company and shall thereafter become the Beneficial Owner of any additional Voting Stock which causes the proportionate voting power of Voting Stock beneficially owned by such Person to increase to 20% or more of the combined voting power of the Voting Stock then outstanding, such Person shall, upon becoming the Beneficial Owner of such additional Voting Stock, be deemed to have become the Beneficial Owner of 20% or more of the combined voting power of the Voting Stock then outstanding other than solely as a result of such Voting Stock acquisition by the Company;

(b) During any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board (and any new Director, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was so approved), cease for any reason to constitute a majority of Directors then constituting the Board;

(c) A reorganization, merger or consolidation of the Company is consummated, in each case, unless, immediately following such reorganization, merger or consolidation, (i) more than 50% of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Voting Stock outstanding immediately prior to such reorganization, merger or consolidation, (ii) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately
prior to such reorganization, merger or consolidation, directly or indirectly, 20% or more of the voting power of the outstanding Voting Stock) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (iii) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or

(d) The shareholders of the Company approve (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of all or substantially all of the assets of the Company, other than to any corporation with respect to which, immediately following such sale or other disposition, (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners of the Voting Stock outstanding immediately prior to such sale or other disposition of assets, (B) no Person (but excluding for this purpose any Excluded Person and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the voting power of the outstanding Voting Stock) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of such corporation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were members of the Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Company.

Notwithstanding the foregoing, in no event shall a "Change in Control" be deemed to have occurred (i) as a result of the formation of a Holding Company, or (ii) with respect to Executive, if Executive is part of a
"group," within the meaning of Section 13(d)(3) of the Exchange Act as in effect on the Effective Date, which consummates the Change in Control transaction. In addition, for purposes of the definition of "Change in Control" a Person engaged in business as an underwriter of securities shall not be deemed to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.


"Company" has the meaning accorded such term in the introductory paragraph of this Agreement.

"Deferred Compensation Plan" means the Company's Executive Deferred Compensation Plan (or any similar successor plan adopted by the Company), as in effect immediately prior to the Change in Control.

"Deferred Compensation Trust" has the meaning accorded such term in Section 2.01.

"Disability" means Long-Term Disability, as such term is defined in the Disability Plan.

"Disability Plan" means the Delta Family-Care Disability and Survivorship Plan (or any successor disability and/or survivorship plan adopted by the Company), as in effect immediately prior to the Change in Control (subject to changes in coverage levels applicable to all employees generally covered by such Plan).

"Earliest Retirement Date" means the earliest date, after the date of termination of Executive's employment, as of which Executive would be eligible to commence receiving retirement benefits under the Qualified Pension Plan.

"Effective Date" has the meaning accorded such term in the introductory paragraph of this Agreement.


"Excise Tax" has the meaning accorded such term in Section 4.01.

"Excluded Person" means (i) the Company; (ii) any of the Company's Subsidiaries; (iii) any Holding Company; (iv) any employee benefit plan of the Company, any of its Subsidiaries or a Holding Company; or (v) any Person organized, appointed or established by the Company, any of its Subsidiaries or a Holding Company for or pursuant to the terms of any plan described in clause (iv).

"Executive" has the meaning accorded such term in the introductory paragraph of this Agreement.

"Good Reason" means, without Executive's express written consent, the occurrence of any one or more of the following:

(a) The assignment to Executive of duties inconsistent with Executive's authorities, duties, responsibilities and status as an officer of the Company, or a reduction or alteration in the nature or status of Executive's authorities, duties, or responsibilities, from those in effect as of the Reference Date; other than an insubstantial and inadvertent act that is remedied by the Company promptly after receipt of notice thereof given by Executive;

(b) The Company's requiring Executive to be based at a location in excess of 50 miles from Executive's principal job location or office immediately prior to the Reference Date; except for required travel on the Company's business to an extent consistent with Executive's business travel obligations immediately prior to the Reference Date;

(c) A reduction by the Company of Executive's Base Salary as in effect on the Reference Date (other than pursuant to a reduction by a uniform percentage of the salary of all full-time domestic employees of the Company who are not subject to a collective bargaining agreement); or a reduction in Executive's short-term or long-term incentive compensation opportunities under the executive incentive compensation plans of the Company for which Executive is eligible as in effect on the Reference Date;
(d) The failure by the Company to keep in effect compensation, retirement, health and welfare benefits, or perquisite programs under which Executive receives benefits substantially similar, in the aggregate, to the benefits under such programs as exist immediately prior to the Reference Date (other than pursuant to an equivalent reduction in such benefits of all full-time domestic employees of the Company who are not subject to a collective bargaining agreement); or the failure of the Company to meet the funding requirements, if any, of any of such programs; or

(e) Any material breach by the Company of its obligations under this Agreement or any failure of a successor of the Company to assume and agree to perform the Company's entire obligations under this Agreement, as required by Article 5 herein, provided that such successor has received at least ten days written notice from the Company or Executive of the requirements of Article 5.

"Gross-Up Payment" has the meaning accorded such term in Section 4.01.

"Holding Company" means an entity that becomes a holding company for the Company or its businesses as a part of any reorganization, merger, consolidation or other transaction, provided that the outstanding shares of common stock of such entity and the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors is, immediately after such reorganization, merger, consolidation or other transaction, beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Voting Stock outstanding immediately prior to such reorganization, merger, consolidation or other transaction in substantially the same proportions as their ownership, immediately prior to such reorganization, merger, consolidation or other transaction, of such outstanding Voting Stock.

"Initial Term" has the meaning accorded such term in Section 1.01.

"Later Payment" has the meaning accorded such term in Section 4.03.

"Medical Plans" means the DeltaFlex and the Delta Family-Care Medical Plans (or any successor medical plans adopted by the Company),
as in effect immediately prior to the Change in Control (subject to changes in coverage levels applicable to all employees generally covered by such Plans).

"Nonqualified Pension Plans" means the 1991 Delta Excess Benefit Plan and the Delta Supplemental Excess Benefit Plan (or any successor nonqualified defined benefit retirement plans adopted by the Company).

"Person" means an individual, corporation, partnership, association, trust or any other entity or organization.

"Qualified Pension Plan" means the Delta Family-Care Retirement Plan (or any successor qualified defined benefit retirement plan adopted by the Company).

"Qualifying Event" has the meaning accorded such term in Section 3.02.

"Reference Date" means the earlier to occur of (i) a Change in Control and (ii) the date 90 days prior to the termination of Executive's employment.

"Reference Incentive Compensation Award" means:

(a) for purposes of Article 2 hereof, the greater of the target annual incentive compensation award or bonus (A) for the Company's most recently completed fiscal year prior to the Change in Control; and (B) for the Company's fiscal year that includes the Change in Control.

(b) for purposes of Article 3 hereof, the greater of the target annual incentive compensation award or bonus (A) for the Company's most recently completed fiscal year prior to the termination of Executive's employment; and (B) for the Company's fiscal year that includes Executive's termination of employment.

For purposes of both parts (a) and (b) of this definition, the "target annual incentive compensation award or bonus" with respect to any fiscal year shall be determined by multiplying the target salary percentage applicable to Executive for such year by the Reference Salary.
"Reference Long-Term Award" means, for each performance period that includes the date of a Change in Control under a long-term incentive plan maintained by the Company, the greater of (i) the actual award payable to Executive for such performance period, calculated as if such performance period had ended on the date of the Change in Control and (ii) the target award payable to Executive for such performance period.

"Reference Salary" means the greater of Executive's annual rate of Base Salary as in effect (i) upon the date of termination of Executive's employment, and (ii) immediately prior to the Change in Control.

"Severance Benefits" has the meaning accorded such term in Section 3.03.

"Subsidiary" of any Person means any other Person of which securities or other ownership interests having voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person.

"Successive Period" has the meaning accorded such term in Section 1.02.

"Total Payments" has the meaning accorded such term in Section 4.01.

"Trust Instrument" has the meaning accorded such term in Section 2.01.

"Voting Stock" means securities of the Company entitled to vote generally in the election of members of the Board.

IN WITNESS WHEREOF, the Company and Executive have executed this Agreement, to be effective as of the day and year first written above.

EXECUTIVE

By: ____________________________

Name: ___________________________

Title: ___________________________
# DELTA AIR LINES, INC.

## STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

FOR FISCAL YEARS ENDED JUNE 30, 1997, 1996 AND 1995 (In millions, except per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRIMARY:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average shares outstanding</td>
<td>74</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td>Additional shares assuming exercise of stock options</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Average shares outstanding as adjusted</td>
<td>75</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting change</td>
<td>$854</td>
<td>$156</td>
<td>294</td>
</tr>
<tr>
<td>Preferred dividends series C</td>
<td>-</td>
<td>(74)</td>
<td>(80)</td>
</tr>
<tr>
<td>Preferred dividends series B</td>
<td>(9)</td>
<td>(8)</td>
<td>(8)</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting change available to primary shares</td>
<td>$845</td>
<td>$74</td>
<td>320</td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td>-</td>
<td>-</td>
<td>114</td>
</tr>
<tr>
<td>Net income available to primary shares</td>
<td>$845</td>
<td>$74</td>
<td>320</td>
</tr>
<tr>
<td>Primary income per common share before cumulative effect of accounting change</td>
<td>$11.30</td>
<td>$1.42</td>
<td>4.07</td>
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<tr>
<td>Cumulative effect of accounting change</td>
<td>-</td>
<td>-</td>
<td>2.25</td>
</tr>
<tr>
<td>Fully diluted income per common share before cumulative effect of accounting change</td>
<td>$11.01</td>
<td>$2.21*</td>
<td>4.01</td>
</tr>
<tr>
<td><strong>FULLY DILUTED:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average shares outstanding</td>
<td>74</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td>Additional shares assuming conversion of series C convertible preferred stock</td>
<td>-</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Conversion of series B ESOP convertible preferred stock</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Conversion of 3.23% convertible subordinated notes</td>
<td>-</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Exercise of stock options</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Average shares outstanding as adjusted</td>
<td>80</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting change</td>
<td>$854</td>
<td>$156</td>
<td>294</td>
</tr>
<tr>
<td>Interest on 3.23% convertible subordinated notes, net of tax</td>
<td>-</td>
<td>26</td>
<td>32</td>
</tr>
<tr>
<td>Additional required ESOP contribution assuming conversion of series B ESOP convertible preferred stock, net of tax</td>
<td>(5)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>Income before cumulative effect of accounting change available to fully diluted shares</td>
<td>849</td>
<td>178</td>
<td>321</td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td>-</td>
<td>-</td>
<td>114</td>
</tr>
<tr>
<td>Net income available to fully diluted common shares</td>
<td>$849</td>
<td>$178</td>
<td>435</td>
</tr>
<tr>
<td>Fully diluted income per common share before cumulative effect of accounting change</td>
<td>$11.01</td>
<td>$2.21*</td>
<td>4.01</td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td>-</td>
<td>-</td>
<td>1.42</td>
</tr>
<tr>
<td>Fully diluted income per common share</td>
<td>$11.01</td>
<td>$2.21*</td>
<td>5.43</td>
</tr>
</tbody>
</table>

*Antidilutive*
DELTA AIR LINES, INC.
STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(In millions, except ratios)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings (loss):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings (loss) before income taxes and cumulative effect of accounting changes</td>
<td>$1,415</td>
<td>$ 276</td>
<td>$ 494</td>
<td>$(660)</td>
<td>$(651)</td>
</tr>
<tr>
<td>Add (deduct):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed charges from below</td>
<td>673</td>
<td>582</td>
<td>665</td>
<td>689</td>
<td>616</td>
</tr>
<tr>
<td>Interest capitalized</td>
<td>(33)</td>
<td>(26)</td>
<td>(30)</td>
<td>(33)</td>
<td>(62)</td>
</tr>
<tr>
<td>Interest offset on Guaranteed Serial ESOP Notes</td>
<td>-</td>
<td>(2)</td>
<td>(4)</td>
<td>(14)</td>
<td>(15)</td>
</tr>
<tr>
<td>Earnings (loss) as adjusted</td>
<td>$2,055</td>
<td>$ 830</td>
<td>$1,125</td>
<td>$(18)</td>
<td>$(112)</td>
</tr>
<tr>
<td>Fixed charges:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>$ 207</td>
<td>$ 269</td>
<td>$ 292</td>
<td>$ 304</td>
<td>$ 239</td>
</tr>
<tr>
<td>Portion of rental expense representative of the interest factor</td>
<td>466</td>
<td>311</td>
<td>369</td>
<td>371</td>
<td>362</td>
</tr>
<tr>
<td>Additional interest on Guaranteed Serial ESOP Notes</td>
<td>-</td>
<td>2</td>
<td>4</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Total fixed charges</td>
<td>$ 673</td>
<td>$ 582</td>
<td>$ 665</td>
<td>$ 689</td>
<td>$ 616</td>
</tr>
<tr>
<td>Ratio of earnings to fixed charges</td>
<td>3.05</td>
<td>1.43</td>
<td>1.69</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Earnings for the fiscal years ended June 30, 1994 and 1993 were inadequate to cover fixed charges. Additional earnings of $707 million for the fiscal year ended June 30, 1994, and of $728 million for the fiscal year ended June 30, 1993, would have been necessary to bring the ratio to 1.0.
Delta's aircraft fleet is a cornerstone of the Company's business. Delta has long maintained one of the youngest and most technologically advanced fleets in the U.S. airline industry. In March 1997, Delta reached an understanding with The Boeing Company for firm orders, options and rolling options to purchase certain aircraft. The understanding includes 106 firm aircraft orders through fiscal 2007, with an additional 124 options and 414 rolling options through fiscal 2018. Options have scheduled delivery slots while rolling options replace options and are assigned delivery slots as options expire or are exercised. The new Boeing understanding also contemplates the termination of existing options, the cancellation of Delta's remaining MD-90 orders and the advancement of certain of Delta's existing orders. The understanding is subject to certain conditions, including the negotiation of mutually acceptable
AIRCRAFT FLEET AT JUNE 30, 1997

AIRCRAFT DELIVERY SCHEDULES
Aircraft on Firm Order at June 30, 1997 (excludes new Boeing understanding)

In conjunction with the understanding, Delta announced a 20-year aircraft acquisition plan. This long-range plan supports Delta's goals for fleet replacement and rationalization and creates the opportunity for disciplined internal growth. Furthermore, it helps ensure the Company is ready with the right aircraft at the right time and at the right price to build on Delta's market strengths - even if the competitive landscape changes in unanticipated ways.

The Company's understanding with Boeing includes long-term price controls and risk sharing and gives Delta flexibility to adjust to changing circumstances. Subject to certain conditions, the Company will have the flexibility to adjust scheduled aircraft deliveries as well as to substitute between aircraft models and aircraft types. Delta's long-term plan is to simplify its fleet by reducing aircraft family types from six to three, while replacing older aircraft types with newer Boeing 767 and 737 aircraft over several years. The increased efficiencies are expected to result in significant long-term cost savings in areas such as maintenance, spare parts inventories, scheduling and training.

Structured to focus on shareholder value, the plan is intended to maintain Delta's ability to pay for the aircraft with internally generated funds, while enabling the Company to continue to make progress toward achieving financial goals for operating margin, return on investment and a

*Subject to definitive purchase agreements.

<table>
<thead>
<tr>
<th>Type of Aircraft</th>
<th>Average Age (Years)</th>
<th>Owned</th>
<th>Leased</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-727-200</td>
<td>20.3</td>
<td>115</td>
<td>14</td>
<td>129</td>
</tr>
<tr>
<td>B-737-200</td>
<td>12.6</td>
<td>1</td>
<td>53</td>
<td>54</td>
</tr>
<tr>
<td>B-737-300</td>
<td>11.3</td>
<td>-</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>B-757-200</td>
<td>8.5</td>
<td>50</td>
<td>41</td>
<td>91</td>
</tr>
<tr>
<td>B-767-200</td>
<td>14.1</td>
<td>15</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>B-767-300</td>
<td>8.1</td>
<td>2</td>
<td>24</td>
<td>26</td>
</tr>
<tr>
<td>B-767-300ER</td>
<td>4.6</td>
<td>20</td>
<td>7</td>
<td>27</td>
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<tr>
<td>L-1011-1</td>
<td>19.6</td>
<td>24</td>
<td>-</td>
<td>24</td>
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<tr>
<td>L-1011-200</td>
<td>19.0</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>L-1011-250</td>
<td>14.7</td>
<td>6</td>
<td>-</td>
<td>6</td>
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<tr>
<td>L-1011-500</td>
<td>16.4</td>
<td>17</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>MD-11</td>
<td>3.7</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>MD-88</td>
<td>7.0</td>
<td>63</td>
<td>57</td>
<td>120</td>
</tr>
<tr>
<td>MD-90</td>
<td>1.6</td>
<td>16</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11.8</strong></td>
<td><strong>337</strong></td>
<td><strong>216</strong></td>
<td><strong>553</strong></td>
</tr>
</tbody>
</table>

---

**AIRCRAFT DELIVERY SCHEDULES**

**Aircraft on Firm Order at June 30, 1997 (excludes new Boeing understanding)**

**Delivery in Year Ending June 30:**

<table>
<thead>
<tr>
<th>Orders</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>After 2001</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-757-200</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>B-767-300</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td></td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>B-767-300ER</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>MD-11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>MD-90</td>
<td>-</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>7</strong></td>
<td><strong>6</strong></td>
<td><strong>6</strong></td>
<td><strong>2</strong></td>
<td><strong>31</strong></td>
</tr>
</tbody>
</table>

**Aircraft on Firm Order Pursuant to New Boeing Understanding**

**Delivery in Year Ending June 30:**

<table>
<thead>
<tr>
<th>Orders*</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>After 2001</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-737-600/700/800</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>63</td>
<td>70</td>
</tr>
<tr>
<td>B-757-200</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>B-767-300ER</td>
<td>1</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>B-767-400</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>19</td>
<td>-</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1</strong></td>
<td><strong>21</strong></td>
<td><strong>2</strong></td>
<td><strong>19</strong></td>
<td><strong>63</strong></td>
<td><strong>106</strong></td>
</tr>
</tbody>
</table>

*Subject to definitive purchase agreements.

definitive purchase agreements with Boeing. See Note 9 of Notes to Consolidated Financial Statements.

The Company's understanding with Boeing includes long-term price controls and risk sharing and gives Delta flexibility to adjust to changing circumstances. Subject to certain conditions, the Company will have the flexibility to adjust scheduled aircraft deliveries as well as to substitute between aircraft models and aircraft types. Delta's long-term plan is to simplify its fleet by reducing aircraft family types from six to three, while replacing older aircraft types with newer Boeing 767 and 737 aircraft over several years. The increased efficiencies are expected to result in significant long-term cost savings in areas such as maintenance, spare parts inventories, scheduling and training.

Structured to focus on shareholder value, the plan is intended to maintain Delta's ability to pay for the aircraft with internally generated funds, while enabling the Company to continue to make progress toward achieving financial goals for operating margin, return on investment and a
return to investment grade status.

The majority of the aircraft under firm order in Delta's fleet plan will be used to replace older aircraft, primarily the L-1011 and B-727 aircraft. As previously announced, the Company plans to remove all L-1011 aircraft from transatlantic service by the end of fiscal 1998 and retire all L-1011 aircraft from the fleet within the next several years. The L-1011 aircraft will be replaced primarily with Boeing 767 aircraft. The B-727 aircraft eventually will be retired and replaced primarily with new generation Boeing 737 aircraft.
In addition to new aircraft deliveries in fiscal 1997, Delta announced its intent to acquire six B-767-300ER aircraft from another carrier. The Company took delivery of five of the aircraft during fiscal 1997, and the remaining aircraft was delivered during early fiscal 1998. Including these deliveries, Delta accepted delivery of 21 aircraft during fiscal 1997, comprising five B-757-200 aircraft, ten B-767-300ER aircraft, four MD-90 aircraft and two MD-11 aircraft.

With fleet refinement actions taken during the fiscal year and the recently announced long-term fleet plan, Delta continues to make progress toward its goals of improved operational flexibility, management of capital spending and simplification of the Company's aircraft fleet.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
DELTA AIR LINES, INC.

RESULTS OF OPERATIONS -
FISCAL 1997 COMPARED WITH FISCAL 1996

For fiscal 1997, Delta recorded net income of $854 million ($11.30 primary and $11.01 fully diluted income per common share) and operating income of $1.5 billion. In fiscal 1996, Delta recorded net income of $156 million ($1.42 primary and fully diluted income per common share), and operating income of $463 million.

FINANCIAL RESULTS SUMMARY

(In Millions, Except Share Amounts)  1997  1996  Change
-----------------------------------------------
Operating Revenues                   $13,590  $12,455  +9%
Operating Expenses                    12,060  11,992  +1
-----------------------------------------------
Operating Income                      1,530   463    *
Other Expense, Net                    115    187    -39
-----------------------------------------------
Income Before Income Taxes            1,415   276    *
Income Taxes Provided, Net            561   120    *
-----------------------------------------------
Net Income                           854   156    *
Preferred Stock Dividends             9     82    -89
-----------------------------------------------
Net Income Available to Common Shareholders  $845  $74    *
-----------------------------------------------
Primary Income Per Common Share:     $11.30  $1.42    *
          Fully Diluted Income Per Common Share:  $11.01  $1.42    *
-----------------------------------------------
Number of Shares Used to Compute Income Per Common Share:
          Primary                        74,786,517  52,101,152  N/A
          Fully Diluted                  77,087,619  52,101,152  N/A

* Exceeds 100%

Fiscal 1997 results include pretax restructuring and other non-recurring charges totaling $52 million ($32 million after-tax or $0.42 primary and $0.41 fully diluted income per common share) related to the realignment of the Company's transatlantic and European operations. Fiscal 1996 results include pretax restructuring and other non-recurring charges totaling $829 million ($506 million after-tax or $9.71 per common share) related to the write-down of Delta's L-1011 fleet and the continuation of the Company's Leadership 7.5 cost reduction program. See Note 16 of Notes to Consolidated Financial Statements.

Excluding the restructuring and other non-recurring charges in fiscal 1997 and 1996, net income for fiscal 1997 totaled $886 million ($11.72 primary and $11.42 fully diluted income per common share) and operating income was $1.6 billion, compared to net income of $662 million ($11.13 primary and $8.49 fully diluted income per common share) and operating income of $1.3 billion in fiscal 1996.

OPERATING REVENUE DETAIL

(In Millions)  1997  1996  Change
-----------------------------------------------
Passenger    $12,505  $11,616  + 8%
Cargo        554     521     + 6
Other, Net   531     318     +67
-----------------------------------------------
Total        $13,590  $12,455  + 9%

Operating revenues for fiscal 1997 were $13.6 billion, up 9% from $12.5 billion in fiscal 1996. Passenger revenue increased 8%, reflecting a 10% increase in revenue passenger miles, partially offset by a 2% decline in passenger mile yield. Domestic load factor increased four points to 70%, as domestic revenue passenger miles and domestic capacity rose 13% and 6%, respectively. The increase in domestic passenger traffic is due to the Company's realignment of its domestic route system on December 1, 1995, which increased the Company's operations at its Atlanta and Cincinnati hubs; improved asset utilization; reduced operations by a low-cost, low-fare competitor; and favorable economic conditions. Domestic passenger mile yield decreased 3%, reflecting the Company's use of more competitive pricing strategies; the continued presence of
low-cost, low-fare carriers in domestic markets served by Delta; and the March 7, 1997 reimposition of the U.S. transportation excise tax. International load factor increased three points to 76%, as international revenue passenger miles increased 3%, while operating capacity decreased 1%. The increase in international traffic is primarily due to improved asset utilization and favorable economic conditions, while the decline in international capacity is mainly due to the cancellation of service on certain international routes. The international passenger mile yield decreased 2%, due to the Company's use of more competitive pricing strategies.

Cargo revenues in fiscal 1997 increased 6% to $554 million. Cargo ton miles increased 12%, while the cargo ton mile yield declined 5%, primarily due to the Company's utilization of more competitive pricing strategies and an increase in the average stage length related to freight shipments.

All other revenues were up 67% to $531 million, mainly due to the expansion of joint marketing programs associated with the Company's SkyMiles(R) frequent flyer program and improved results from code-share arrangements.
REVENUE-RELATED STATISTICS

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Passengers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enplaned (Thousands)</td>
<td>101,147</td>
<td>91,341</td>
<td>+ 11%</td>
</tr>
<tr>
<td>Revenue Passenger Miles (Millions)</td>
<td>97,758</td>
<td>88,673</td>
<td>+ 10%</td>
</tr>
<tr>
<td>Passenger Load Factor</td>
<td>71.4%</td>
<td>67.8%</td>
<td>+ 3.6 pts.</td>
</tr>
<tr>
<td>Passenger Mile Yield (cent)</td>
<td>12.79</td>
<td>13.10</td>
<td>- 2%</td>
</tr>
<tr>
<td>Cargo Ton Miles (Millions)</td>
<td>1,532</td>
<td>1,368</td>
<td>+ 12%</td>
</tr>
<tr>
<td>Cargo Ton Mile Yield (cent)</td>
<td>36.14</td>
<td>38.08</td>
<td>- 5%</td>
</tr>
<tr>
<td>Operating Revenue Per Available Seat Mile</td>
<td>9.93(cent)</td>
<td>9.53(cent)</td>
<td>+ 4%</td>
</tr>
</tbody>
</table>

Operating expenses in fiscal 1997 totaled $12.1 billion, up 1% from $12.0 billion in fiscal 1996. Operating capacity increased 5% to 136.8 billion available seat miles, and operating cost per available seat mile decreased 4% to 8.81(cent). Excluding restructuring and other non-recurring charges in fiscal 1997 and 1996, operating expenses were up 8%, and operating cost per available seat mile increased 3%. The increase in operating expenses is primarily due to higher salaries and related costs, aircraft fuel expense and certain traffic-related costs.

OPERATING EXPENSE DETAIL

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Related Costs</td>
<td>$4,444</td>
<td>$4,206</td>
<td>+ 6%</td>
</tr>
<tr>
<td>Aircraft Fuel</td>
<td>1,723</td>
<td>1,464</td>
<td>+18</td>
</tr>
<tr>
<td>Passenger Commissions</td>
<td>1,016</td>
<td>1,042</td>
<td>- 2</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>751</td>
<td>704</td>
<td>+ 7</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>710</td>
<td>634</td>
<td>+12</td>
</tr>
<tr>
<td>Other Selling Expenses</td>
<td>677</td>
<td>594</td>
<td>+14</td>
</tr>
<tr>
<td>Aircraft Rent</td>
<td>547</td>
<td>555</td>
<td>- 1</td>
</tr>
<tr>
<td>Aircraft Maintenance Materials and Outside Repairs</td>
<td>434</td>
<td>376</td>
<td>+15</td>
</tr>
<tr>
<td>Passenger Service</td>
<td>389</td>
<td>368</td>
<td>+ 6</td>
</tr>
<tr>
<td>Facilities and Other Rent</td>
<td>386</td>
<td>379</td>
<td>+ 2</td>
</tr>
<tr>
<td>Landing Fees</td>
<td>256</td>
<td>248</td>
<td>+ 3</td>
</tr>
<tr>
<td>Restructuring and Other Non-Recurring Charges</td>
<td>52</td>
<td>829</td>
<td>*</td>
</tr>
<tr>
<td>Other Operating</td>
<td>675</td>
<td>593</td>
<td>+14</td>
</tr>
<tr>
<td>Total</td>
<td>$12,060</td>
<td>$11,992</td>
<td>+ 1%</td>
</tr>
</tbody>
</table>

* Exceeds 100%

Salaries and related costs increased 6%, primarily due to a 5% increase in full-time equivalent employees to handle higher passenger traffic and improve customer service, as well as higher costs associated with certain employee compensation plans. Aircraft fuel expense increased 18%, as the average fuel price per gallon rose 13% to 66.28(cent), and fuel gallons consumed increased 4%. Passenger commissions expense decreased 2%, reflecting lower expenses for certain travel agent incentive programs which were partially offset by higher commission costs associated with increased passenger traffic. Contracted services expense rose 7%, the result of increased outsourcing of certain airport functions and higher information technology costs. Depreciation and amortization expense increased 12%, due to the acquisition of 12 new aircraft and 18 used aircraft, including the purchase of nine B-727-200 aircraft which the Company had previously been operating under operating leases, additional ground equipment acquisitions and the amortization of software development costs. Other selling expenses increased 14%, due to higher booking fee payments to computer reservation system providers related to higher passenger traffic, higher credit card processing charges and increased advertising costs. Aircraft maintenance materials and outside repairs expense increased 15%, reflecting higher usage of airframe and engine materials related to increased scheduled maintenance visits and non-recurring credits received from certain engine and brake manufacturers in fiscal 1996. Passenger service expense increased 6% due to increased passenger traffic. Other operating expenses increased 14%, due to higher insurance expense, higher frequent flyer expense related to the expansion of the Company's joint marketing programs, increased usage of miscellaneous supplies and higher fuel taxes resulting from the October 1, 1995 expiration of the exemption from the 4.3 cents per gallon federal tax on commercial aviation jet fuel used in domestic operations, partially offset by increased services provided to outside parties.
<table>
<thead>
<tr>
<th></th>
<th>Including Restructuring and Other Non-Recurring Charges</th>
<th>Excluding Restructuring and Other Non-Recurring Charges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Fuel Price Per Gallon</td>
<td>66.28(cent)</td>
<td>58.53(cent)</td>
</tr>
<tr>
<td>Breakeven Passenger Load Factor</td>
<td>62.7%</td>
<td>65.1%</td>
</tr>
<tr>
<td>operating Cost Per Available Seat Mile:</td>
<td>8.81(cent)</td>
<td>9.17(cent)</td>
</tr>
<tr>
<td>Excluding Restructuring and Other Non-Recurring Charges</td>
<td>8.78(cent)</td>
<td>8.54(cent)</td>
</tr>
</tbody>
</table>

+ 13%                                                      
-2.4 pts.                                                  
+2.1 pts.                                                  
- 4%                                                      
+ 3%
Nonoperating expense for fiscal 1997 totaled $115 million, compared to $187 million in fiscal 1996. Interest expense decreased 23%, due to a lower average level of debt outstanding. Interest capitalized on funds advanced for the purchase of flight equipment and construction of facilities increased 24%, primarily resulting from a higher average balance of outstanding advance payments for equipment. Interest income declined 29% to $61 million, due to a lower average level of short-term investments and a slight decline in interest rates during fiscal 1997. Miscellaneous expense, net decreased 93% to $2 million due to increased income from associated companies and reduced voluntary debt retirement and foreign exchange losses, partially offset by Delta's $20 million payment to settle certain class action antitrust lawsuits filed by travel agents.

RESULTS OF OPERATIONS -
FISCAL 1996 COMPARED WITH FISCAL 1995

For fiscal 1996, Delta recorded net income of $156 million ($1.42 primary and fully diluted income per common share) and operating income of $463 million. In fiscal 1995, Delta recorded net income of $408 million ($6.32 primary and $5.43 fully diluted income per common share) and operating income of $661 million.

Fiscal 1996 results include pretax restructuring and other non-recurring charges totaling $829 million ($506 million after-tax or $9.71 per common share) as discussed above. See Note 16 of Notes to Consolidated Financial Statements. Fiscal 1995 results include a one-time $114 million after-tax benefit ($2.25 primary and $1.42 fully diluted benefit per common share) related to the adoption of Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (SFAS 112). See Note 10 of Notes to Consolidated Financial Statements.

Excluding the restructuring and other non-recurring charges in fiscal 1996 and the cumulative effect of the adoption of SFAS 112 in fiscal 1995, net income for fiscal 1996 totaled $662 million ($11.13 primary and $8.49 fully diluted income per common share) and operating income was $1.3 billion, compared to net income of $294 million ($4.07 primary and $4.01 fully diluted income per common share) and operating income of $661 million in fiscal 1995.

The improvement in financial results for fiscal 1996 (excluding restructuring and other non-recurring charges) as compared to fiscal 1995 primarily reflects cost reductions in most operating expense categories under the Company's Leadership 7.5 program. These reductions resulted in a $370 million, or 3%, decline in operating expenses, excluding restructuring and other non-recurring charges in fiscal 1996.

Operating revenues for fiscal 1996 were $12.5 billion, up 2% from $12.2 billion in fiscal 1995. Passenger revenue increased $297 million, or 3%, due to increased traffic stimulated by competitive pricing actions, the expiration of the U.S. transportation excise tax and general improvements in economies worldwide. The passenger mile yield was virtually unchanged. Domestic load factor increased two points to 66%, as domestic revenue passenger miles and domestic capacity rose 6% and 3%, respectively. The domestic passenger mile yield decreased 1%, the result of discount fare promotions and the continued presence of low-cost, low-fare carriers in markets served by Delta. International load factor increased one point to 73%, as international revenue passenger miles decreased 7% while operating capacity decreased 8%. The decline in international capacity is mainly due to the cancellation of service on certain international routes. The international passenger mile yield increased 2%, primarily due to higher average fare levels in certain international markets.

Cargo revenues in fiscal 1996 decreased 8% to $521 million, the result of a 9% decline in cargo ton miles, partially offset by a 1% increase in the ton mile yield. The decrease in cargo ton miles was primarily due to the cancellation of service on certain international routes and the resulting decrease in the average cargo trip length. All other revenues were up 3% to $318 million, mainly due to increased revenues from joint marketing programs associated with the Company's SkyMiles(R) frequent flyer program.

Operating expenses in fiscal 1996 totaled $12.0 billion, up 4% from $11.5 billion in fiscal 1995. Operating capacity increased less than 1% to 130.8 billion available seat miles, and operating cost per available seat mile increased 4% to 9.17(cent). Excluding restructuring and other non-recurring charges in fiscal 1996, operating expenses were down 3%, and operating cost per available seat mile decreased 3%.

Nonoperating expense for fiscal 1996 totaled $187 million, compared to $167 million in fiscal 1995. Interest expense decreased 8%, primarily due to a lower average level of outstanding debt, partially offset by an increase in interest related to the extension and reclassification of 40 B-737-200 aircraft leases. Interest capitalized on funds advanced for the purchase of flight equipment and construction of facilities decreased 13%, primarily resulting from a lower average balance of outstanding advance payments for equipment. Interest income declined 9% to $86 million, primarily due to a lower average level of short-term investments and lower interest rates during the year. Miscellaneous expense, net rose to $30 million for fiscal 1996 compared to less than $1 million for fiscal 1995.
1995 primarily due to costs associated with the repurchase and retirement of long-term debt and foreign exchange losses.

**CAPITALIZATION, FINANCING AND LIQUIDITY - FISCAL YEAR 1997**

Cash and cash equivalents and short-term investments totaled $1.2 billion at June 30, 1997, compared to $1.7 billion at June 30, 1996. The principal source of funds during fiscal 1997 was $2.0 billion of cash from operations.

During fiscal 1997, Delta invested $1.6 billion in flight equipment and $350 million in ground property and equipment. The Company also made payments of $196 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $88 million principal amount of long-term debt. The Company also paid $379 million to repurchase 5,378,700 common shares under its Common Stock repurchase program discussed in the Other Matters section below. In addition, the Company paid cash dividends of $29 million on its Series B ESOP Convertible Preferred Stock and $15 million on its Common Stock. The Company may repurchase additional long-term debt and Common Stock from time to time.

As of June 30, 1997, the Company had negative working capital of $1.2 billion, compared to negative working capital of $356 million at June 30, 1996. A negative working capital position is normal for Delta and does not indicate a lack of liquidity. The Company expects to meet its current obligations as they become due through available cash, short-term investments and internally generated funds, supplemented as necessary by debt financing and proceeds from sale and leaseback transactions. At August 15, 1997, the Company had $1.25 billion of credit available under its 1997 Bank Credit Agreement, subject to compliance with certain conditions. See Note 7 of Notes to Consolidated Financial Statements.

Long-term debt and capital lease obligations, including current maturities, totaled $2.1 billion at June 30, 1997, compared to $2.3 billion at June 30, 1996. Shareholders' equity was $3.0 billion at June 30, 1997, compared to $2.5 billion at June 30, 1996. The Company's debt-to-equity position, including current maturities, was 41% debt and 59% equity at June 30, 1997, compared to 47% debt and 53% equity at June 30, 1996.

At August 15, 1997, there was outstanding $290 million principal amount of the Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes), which are guaranteed by Delta. The Series C ESOP Notes currently have the benefit of a credit enhancement in the form of a letter of credit in the amount of $450 million under Delta's credit agreement with a group of banks. Delta is required to purchase the Series C ESOP Notes in certain circumstances. See Note 7 of Notes to Consolidated Financial Statements.

**FISCAL YEAR 1996**

In fiscal 1996, the principal sources of funds were $1.4 billion of cash from operations, $35 million from the issuance of Common Stock, and $26 million from the sale of flight equipment. During fiscal 1996, Delta invested $639 million in flight equipment and $297 million in ground property and equipment. The Company also made payments of $440 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $224 million principal amount of long-term debt. The Company paid cash dividends of $80 million on its Series C Convertible Preferred Stock, $30 million on its Series B ESOP Convertible Preferred Stock, and $10 million on its Common Stock. In addition, Delta paid $66 million to repurchase 821,300 common shares under its Common Stock repurchase program.

**FISCAL YEAR 1995**

In fiscal 1995, the principal sources of funds were $1.1 billion of cash from operations; $139 million from the repayment to Delta of certain debtor-in-possession financing (including $24 million recorded in cash from operations representing accrued interest, net of the settlement of certain other claims); and $137 million from the sale of flight equipment. During fiscal 1995, Delta invested $458 million in flight equipment and $168 million in ground property and equipment. The Company also made payments of $572 million on long-term debt and capital lease obligations, including Delta's voluntary repurchase and retirement of $534 million principal amount of long-term debt. In addition, the Company paid cash dividends of $80 million on its Series C Convertible Preferred Stock, $30 million on its Series B ESOP Convertible Preferred Stock, and $10 million on its Common Stock.

**COMMITMENTS**

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 are estimated to be $1.6 billion.

In March 1997, Delta and The Boeing Company (Boeing) reached an understanding which provides for Delta placing orders to purchase, and obtaining options and rolling options to purchase, certain aircraft. This understanding, which would also accelerate the delivery dates for certain of Delta's existing orders, terminate all of Delta's existing options and cancel
Delta's remaining MD-90 orders, is subject to certain conditions, including the negotiation of mutually acceptable definitive purchase agreements between Delta and Boeing.

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 (as modified by the accelerated delivery dates for, and the cancellation of, certain of these orders as provided for under Delta's understanding with Boeing), and the aircraft orders provided for under Delta's understanding with Boeing, are estimated to be $5.9 billion.

The Company expects to finance its commitments using available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions. The Company also has certain commitments related to its code-sharing arrangements. See Notes 8 and 9 of Notes to Consolidated Financial Statements for additional information on the Company's commitments.

MARKET RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Company's results of operations are significantly impacted by the price of jet fuel. Based on the Company's jet fuel consumption for fiscal 1997, a one-cent change in the average annual price per gallon of jet fuel will impact Delta's aircraft fuel expense by approximately $26 million. The following table shows Delta's jet fuel consumption and costs for fiscal 1997, 1996 and 1995.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gallons Consumed (in Millions)</th>
<th>Aircraft Fuel Expense (in Millions)</th>
<th>Average Price Per Gallon</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>2,599</td>
<td>$1,723</td>
<td>66.28 (cent)</td>
</tr>
<tr>
<td>1996</td>
<td>2,500</td>
<td>1,464</td>
<td>58.53 (cent)</td>
</tr>
<tr>
<td>1995</td>
<td>2,533</td>
<td>1,370</td>
<td>54.09 (cent)</td>
</tr>
</tbody>
</table>

During fiscal 1996, Delta initiated a fuel hedging program under which the Company may enter into certain contracts with counterparties, not to exceed one year in duration, to manage the Company's exposure to jet fuel price volatility. Gains and losses resulting from fuel hedging transactions are recognized as a component of fuel expense when the underlying fuel being hedged is used. Gains resulting from the fuel hedging program for fiscal 1997 and 1996 were immaterial to Delta's total aircraft fuel expense. See Note 4 of Notes to Consolidated Financial Statements.

Delta's equity investments in Singapore Airlines and Swissair are considered "available for sale" for accounting purposes, and any unrealized gain or loss is deferred as a component of shareholders' equity. See Note 2 of Notes to Consolidated Financial Statements. The following table summarizes the cost basis and fair value of these investments at June 30, 1997, together with the high, low and average fair values (in millions) of each investment based on valuations performed at each month end during the past three fiscal years.

<table>
<thead>
<tr>
<th>Investee</th>
<th>Historical Cost Basis</th>
<th>Fair Value at June 30, 1997</th>
<th>Fiscal 1995 Through 1997 Fair Value Data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>High</td>
</tr>
<tr>
<td>Singapore</td>
<td>$181</td>
<td>$315</td>
<td>$373</td>
</tr>
<tr>
<td>Swissair</td>
<td>$5</td>
<td>117</td>
<td>117</td>
</tr>
<tr>
<td>Total</td>
<td>$266</td>
<td>$432</td>
<td></td>
</tr>
</tbody>
</table>

OTHER MATTERS

CHANGE IN MANAGEMENT

Effective July 31, 1997, Ronald W. Allen retired as the Company's Chairman of the Board, President and Chief Executive Officer, and resigned from the Board of Directors.

Effective August 14, 1997, the Board of Directors (Board) elected Leo F. Mullin as the Company's President and Chief Executive Officer and a member of the Board. Mr. Mullin comes to Delta from Unicom Corporation and Commonwealth Edison Company, where he most recently served as Vice Chairman. The Board also elected Gerald Grinstein, a current member of the Board and former Chairman of Burlington Northern Santa Fe Corporation and Western Air Lines, Inc., as Non-Executive Chairman of the Board; Maurice W. Worth, a Delta veteran of 36 years, as Chief Operating Officer; and Mary Johnston Evans, who had been serving as Non-Executive Acting Chairman of the Board since Mr. Allen's resignation, as Chairman of the Executive Committee of the Board.

DEFERRED TAX ASSETS

At June 30, 1997, Delta had net cumulative deferred tax assets of $516 million, which consisted of $2.133 billion of deferred tax assets, offset by $1.617 billion of deferred tax liabilities. Included in the deferred tax assets are, among other items, $741 million related to obligations for postretirement benefits and $216 million related to alternative minimum tax (AMT) credit carryforwards. The AMT credit carryforwards do not
expire.

Management believes that a significant portion of the deferred tax assets will be realized through reversals of existing taxable temporary differences with similar reversal patterns. To realize the benefits of the remaining deferred tax assets,
excluding AMT credits, Delta needs to generate approximately $800 million in future taxable income.

Following is a summary of Delta's pretax book income and taxable income for the last three fiscal years, prior to net operating loss carrybacks:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pretax Book Income</td>
<td>$1,415</td>
<td>$276</td>
<td>$494</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>$1,246</td>
<td>$635</td>
<td>$282</td>
</tr>
</tbody>
</table>

Delta's ability to generate sufficient future taxable income to fully utilize its existing deferred tax assets is dependent upon various factors, many of which are beyond management's control. Accordingly, there can be no assurance that Delta will meet its expectations of future taxable income. However, based on Delta's earnings history, expectations of future taxable income, the extended period over which postretirement benefits will be recognized, and the fact that AMT credits do not expire, management believes that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets which existed at June 30, 1997. See Note 6 of Notes to Consolidated Financial Statements.

BROAD-BASED STOCK OPTION PLANS

During fiscal 1997, the Company's shareholders approved two plans providing for the issuance of non-qualified stock options to substantially all of Delta's non-officer personnel in their individual capacity to purchase a total of 24.7 million shares of Common Stock. The plans provide for grants in three equal annual installments at an exercise price equal to the opening price of the Common Stock on the New York Stock Exchange on the grant date. On October 30, 1996, Delta granted eligible personnel non-qualified stock options to purchase a total of 8.2 million shares of Common Stock at an exercise price of $69 per share. The second and third grant dates under the plans are scheduled to occur on October 30, 1997 and 1998, respectively. For additional information, see Note 14 of Notes to Consolidated Financial Statements.

STOCK REPURCHASE AUTHORIZATION

Delta's Board of Directors has authorized the Company to repurchase up to 24.7 million shares of Common Stock and Common Stock equivalents. Under this authorization, the Company may repurchase up to 6.2 million of these shares before October 30, 1997 -- the date the initial stock option grants under the broad-based stock option plans become exercisable -- and repurchase the remaining shares as Delta personnel exercise their stock options under these plans. Repurchases are subject to market conditions and may be made on the open market or in privately negotiated transactions. Through June 30, 1997, the Company repurchased 6.2 million shares of Common Stock for $445 million under this authorization. For additional information, see Note 15 of Notes to Consolidated Financial Statements.

COMPENSATION AND BENEFITS ENHANCEMENT

The Company has announced compensation and benefit enhancements for its non-contract domestic employees, effective July 1, 1997. These changes are expected to increase Delta's salary and related expense by approximately $180 million in fiscal 1998. This estimate is a forward-looking statement that involves a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. See Forward-Looking Information below.

YEAR 2000 COMPUTER ISSUE

Many computer systems in use today were designed and developed using two digits, rather than four, to specify the year. As a result, such systems will recognize the year 2000 as "00." This could cause many computer applications to fail completely or to create erroneous results unless corrective measures are taken.

The Company utilizes software and related computer technologies essential to its operations that will be affected by the Year 2000 issue. Delta is studying what actions will be necessary to make its computer systems Year 2000 compliant. The expense associated with these actions cannot presently be determined, but could be material.

COMPETITIVE ENVIRONMENT

Delta expects that low-fare competition is likely to continue in domestic and international markets. If price reductions are not offset by increases in traffic or changes in the mix of traffic that improve the passenger mile yield, Delta's operating results will be adversely affected.

TRANSPORTATION EXCISE TAXES

Effective October 1, 1997, the Taxpayer Relief Act imposes certain new taxes and modifies certain existing taxes on the aviation industry.
Among other things, the new law (1) imposes a new $1 per passenger per domestic flight segment tax, which increases in stages to $3 by January 1, 2002 and is indexed to changes in the Consumer Price Index beginning January 1, 2003; (2) increases the existing $6 per passenger international departure tax to $12 per passenger (which is indexed to changes in the Consumer Price Index beginning January 1, 1999) for each international arrival and departure;
(3) imposes a new 7.5% tax on payments to air carriers for frequent flyer miles; and (4) reduces the passenger ticket tax on domestic air transportation from the current 10% to 9%, which declines to 7.5% by October 1, 1999. The impact of these modifications on Delta cannot presently be determined.

ENVIRONMENTAL AND LEGAL CONTINGENCIES

The Company is a defendant in certain legal actions relating to alleged employment discrimination practices, antitrust matters, environmental issues and other matters concerning the Company's business. Although the ultimate outcome of these matters cannot be predicted with certainty and could have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity, management presently believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity. For additional information, see Note 12 of Notes to Consolidated Financial Statements.

REALIGNMENT OF DELTA'S TRANSATLANTIC AND EUROPEAN OPERATIONS

During fiscal 1997, the Company implemented a series of actions to strengthen its transatlantic and European operations. These actions included increasing the Company's operations at New York-Kennedy International Airport and decreasing its operations at Frankfurt, Germany. The Company recorded pretax restructuring and other non-recurring charges of $52 million during the March 1997 quarter related to this realignment. See Note 16 of Notes to Consolidated Financial Statements. Delta expects these actions will improve its system operating income by approximately $62 million a year. The projected improvement in system operating income is a forward-looking statement that involves a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. See Forward-Looking Information below.

FORWARD-LOOKING INFORMATION

Delta and its representatives may make forward-looking statements about the Company and its business from time to time, either orally or in writing. These forward-looking statements involve a number of risks and uncertainties that could cause the actual results to differ materially from the projected results. It is not possible to list all of the many factors and events that could cause the actual results to differ materially from the projected results. Such factors and events may include, but are not limited to, (1) competitive factors such as the airline pricing environment and the capacity decisions of other airlines; (2) general economic conditions; (3) changes in jet fuel prices; (4) fluctuations in foreign currency exchange rates; (5) actions by the United States and foreign governments; and (6) the willingness of customers to travel.

NEW ACCOUNTING STANDARDS

Effective July 1, 1996, Delta adopted the disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages, but does not require, the use of a fair value based method of accounting for stock-based compensation plans under which the fair value of stock options is determined on the date of grant and expensed over the vesting period. Delta has elected to continue to measure compensation expense for stock-based compensation plans as prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Companies that continue to apply APB 25 are required to include in the notes to financial statements pro forma disclosure of net income and income per share as if the fair value method prescribed under SFAS 123 had been applied. See Note 14 of Notes to Consolidated Financial Statements.

In March 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS 128), which establishes new standards for computing and presenting income per share data. SFAS 128, which is effective for financial statements issued for periods ending after December 15, 1997, requires restatement of all prior-period income per share data presented. The adoption of SFAS 128 is not expected to have a material impact on the Company's income per share data.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130), which establishes standards for displaying comprehensive income and its components in a full set of general-purpose financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997.

Also in June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and requires reporting selected information about operating segments in interim financial reports issued to shareholders. SFAS 131 is effective for fiscal years beginning after December 15, 1997.
## Assets

### CURRENT ASSETS:

<table>
<thead>
<tr>
<th>Asset</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$662</td>
<td>$1,145</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>$508</td>
<td>$507</td>
</tr>
<tr>
<td>Accounts receivable, net of allowance for uncollectible accounts of $48 at June 30, 1997 and $44 at June 30, 1996</td>
<td>$943</td>
<td>$968</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>$413</td>
<td>$352</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>$341</td>
<td>$310</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>2,867</td>
<td>3,282</td>
</tr>
</tbody>
</table>

### PROPERTY AND EQUIPMENT:

<table>
<thead>
<tr>
<th>Asset</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flight equipment</td>
<td>$9,619</td>
<td>$8,202</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>$3,510</td>
<td>$3,235</td>
</tr>
<tr>
<td><strong>Flight equipment</strong></td>
<td>6,109</td>
<td>4,967</td>
</tr>
<tr>
<td>Flight equipment under capital leases</td>
<td>$523</td>
<td>$515</td>
</tr>
<tr>
<td>Less: Accumulated amortization</td>
<td>$176</td>
<td>$127</td>
</tr>
<tr>
<td><strong>Flight equipment under capital leases</strong></td>
<td>347</td>
<td>388</td>
</tr>
<tr>
<td>Ground property and equipment</td>
<td>$3,032</td>
<td>$2,697</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>$1,758</td>
<td>$1,532</td>
</tr>
<tr>
<td><strong>Ground property and equipment</strong></td>
<td>1,274</td>
<td>1,165</td>
</tr>
<tr>
<td>Advance payments for equipment</td>
<td>$312</td>
<td>$275</td>
</tr>
<tr>
<td><strong>Total property and equipment</strong></td>
<td>8,042</td>
<td>6,795</td>
</tr>
</tbody>
</table>

### OTHER ASSETS:

<table>
<thead>
<tr>
<th>Asset</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable equity securities</td>
<td>$432</td>
<td>$473</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>$103</td>
<td>$415</td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>$317</td>
<td>$266</td>
</tr>
<tr>
<td>Cost in excess of net assets acquired, net of accumulated amortization of $92 at June 30, 1997 and $84 at June 30, 1996</td>
<td>$257</td>
<td>$265</td>
</tr>
<tr>
<td>Leasehold and operating rights, net of accumulated amortization of $199 at June 30, 1997 and $183 at June 30, 1996</td>
<td>$134</td>
<td>$140</td>
</tr>
<tr>
<td>Other</td>
<td>$589</td>
<td>$590</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td>1,832</td>
<td>2,149</td>
</tr>
</tbody>
</table>

**Total assets**                                  | $12,741| $12,226|
The accompanying notes are an integral part of these Consolidated Balance Sheets.
CONSOLIDATED STATEMENTS OF OPERATIONS
DELTA AIR LINES, INC.

(In Millions, Except Per Share Data)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger</td>
<td>$12,505</td>
<td>$11,616</td>
<td>$11,319</td>
</tr>
<tr>
<td>Cargo</td>
<td>554</td>
<td>521</td>
<td>565</td>
</tr>
<tr>
<td>Other, net</td>
<td>531</td>
<td>318</td>
<td>310</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>13,590</strong></td>
<td><strong>12,455</strong></td>
<td><strong>12,194</strong></td>
</tr>
</tbody>
</table>

Operating Expenses:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related costs</td>
<td>4,444</td>
<td>4,206</td>
<td>4,354</td>
</tr>
<tr>
<td>Aircraft fuel</td>
<td>1,723</td>
<td>1,464</td>
<td>1,370</td>
</tr>
<tr>
<td>Passenger commissions</td>
<td>1,016</td>
<td>1,042</td>
<td>1,195</td>
</tr>
<tr>
<td>Contracted services</td>
<td>751</td>
<td>704</td>
<td>556</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>710</td>
<td>634</td>
<td>622</td>
</tr>
<tr>
<td>Other selling expenses</td>
<td>677</td>
<td>594</td>
<td>618</td>
</tr>
<tr>
<td>Aircraft rent</td>
<td>547</td>
<td>555</td>
<td>671</td>
</tr>
<tr>
<td>Aircraft maintenance materials and outside repairs</td>
<td>434</td>
<td>376</td>
<td>430</td>
</tr>
<tr>
<td>Passenger service</td>
<td>369</td>
<td>368</td>
<td>443</td>
</tr>
<tr>
<td>Facilities and other rent</td>
<td>386</td>
<td>379</td>
<td>436</td>
</tr>
<tr>
<td>Landing fees</td>
<td>256</td>
<td>248</td>
<td>266</td>
</tr>
<tr>
<td>Restructuring and other non-recurring charges</td>
<td>52</td>
<td>829</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>675</td>
<td>593</td>
<td>572</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>12,060</strong></td>
<td><strong>11,992</strong></td>
<td><strong>11,533</strong></td>
</tr>
</tbody>
</table>

Interest expense: (207) (269) (292)

Primary Income Per Common Share:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Line</td>
<td><strong>$11.30</strong></td>
<td><strong>$1.42</strong></td>
<td><strong>$4.07</strong></td>
</tr>
<tr>
<td>2nd Line (Cumulative effect)</td>
<td>-</td>
<td>-</td>
<td>2.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11.30</strong></td>
<td><strong>$1.42</strong></td>
<td><strong>$6.32</strong></td>
</tr>
</tbody>
</table>

Fully Diluted Income Per Common Share:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Line (Before effect)</td>
<td><strong>$11.01</strong></td>
<td><strong>$1.42</strong></td>
<td><strong>$4.01</strong></td>
</tr>
<tr>
<td>2nd Line (Cumulative effect)</td>
<td>-</td>
<td>-</td>
<td>1.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11.01</strong></td>
<td><strong>$1.42</strong></td>
<td><strong>$5.43</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated statements.
### CONSOLIDATED STATEMENTS OF CASH FLOWS
DELTA AIR LINES, INC.

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>$854</td>
<td>$156</td>
<td>$408</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td>-</td>
<td>-</td>
<td>(114)</td>
</tr>
<tr>
<td>Restructuring and other non-recurring charges</td>
<td>52</td>
<td>829</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>710</td>
<td>634</td>
<td>622</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>240</td>
<td>(57)</td>
<td>96</td>
</tr>
<tr>
<td>Rental expense less than rent payments</td>
<td>58</td>
<td>32</td>
<td>(9)</td>
</tr>
<tr>
<td>Pension, postretirement and postemployment expense in excess of (less than) payments</td>
<td>92</td>
<td>(67)</td>
<td>-</td>
</tr>
<tr>
<td>Changes in certain current assets and liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>25</td>
<td>(213)</td>
<td>131</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses and other current assets</td>
<td>(31)</td>
<td>(47)</td>
<td>28</td>
</tr>
<tr>
<td>Increase (decrease) in air traffic liability</td>
<td>4</td>
<td>271</td>
<td>(104)</td>
</tr>
<tr>
<td>Increase (decrease) in other payables and accrued expenses</td>
<td>186</td>
<td>(91)</td>
<td>(20)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(35)</td>
<td>8</td>
<td>76</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>$2,039</td>
<td>$1,391</td>
<td>$1,114</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES:** |        |        |        |
| Property and equipment additions: |        |        |        |
| Flight equipment, including advance payments | (1,598) | (639)  | (458)  |
| Ground property and equipment | (350)  | (297)  | (168)  |
| Decrease (increase) in short-term investments, net | (1)    | 22     | (121)  |
| Proceeds from sale of flight equipment | 8      | 26     | 137    |
| Debtor-in-possession loan repayment | -      | -      | 115    |
| **Net cash used in investing activities** | (1,941)| (888)  | (495)  |

| **CASH FLOWS FROM FINANCING ACTIVITIES:** |        |        |        |
| Payments on long-term debt and capital lease obligations | (196)  | (440)  | (572)  |
| Cash dividends | (44)   | (120)  | (120)  |
| Issuance of Common Stock | 38     | 35     | 4      |
| Repurchase of Common Stock | (379)  | (66)   | -      |
| **Net cash used in financing activities** | (581)  | (591)  | (688)  |

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of fiscal year</td>
<td>1,145</td>
<td>1,233</td>
<td>1,302</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of fiscal year</td>
<td>$662</td>
<td>$1,145</td>
<td>$1,233</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated statements.

Delta Air Lines, Inc.

The accompanying notes are an integral part of these consolidated statements.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Balance at June 30, 1994</th>
<th>Common Stock</th>
<th>Paid-In Capital</th>
<th>Retained Earnings (Deficit)</th>
<th>Unrealized Gain (Loss) on Equity Securities</th>
<th>Treasury Stock</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year 1995:</td>
<td></td>
<td>$163</td>
<td>$2,013</td>
<td>$(490)</td>
<td>53</td>
<td>$(272)</td>
<td>$1,467</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td>Dividends on Series C Convertible Preferred Stock</td>
<td>-</td>
<td>-</td>
<td>408</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(80)</td>
</tr>
<tr>
<td>Dividends on Common Stock ($0.20 per share)</td>
<td>-</td>
<td>-</td>
<td>(80)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(10)</td>
</tr>
<tr>
<td>Dividends on Series B ESOP Convertible Preferred Stock allocated shares</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td>Issuance of 67,612 shares of Common Stock under dividend reinvestment and stock purchase plan, stock options and Series C Preferred Stock conversions ($56.13 per share)</td>
<td>1</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Transfer of 295,126 net shares of Common Stock from treasury under ESOP and stock incentive plan ($56.75 per share)</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>-</td>
<td>-</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Net unrealized gain on marketable equity securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Fiscal Year 1996:</td>
<td></td>
<td>164</td>
<td>2,016</td>
<td>$(184)</td>
<td>83</td>
<td>$(252)</td>
<td>1,827</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>156</td>
<td>156</td>
</tr>
<tr>
<td>Dividends on Series C Convertible Preferred Stock</td>
<td>-</td>
<td>-</td>
<td>156</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(74)</td>
</tr>
<tr>
<td>Dividends on Common Stock ($0.20 per share)</td>
<td>-</td>
<td>-</td>
<td>(74)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(10)</td>
</tr>
<tr>
<td>Dividends on Series B ESOP Convertible Preferred Stock allocated shares</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(8)</td>
</tr>
<tr>
<td>Issuance of 719,562 shares of Common Stock under dividend reinvestment and stock purchase plan and stock options ($58.15 per share)</td>
<td>2</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Issuance of 6,861,377 shares of Common Stock on conversions of Series C Preferred Stock ($64.37 per share)</td>
<td>21</td>
<td>(21)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net unrealized gain on marketable equity securities and other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>43</td>
<td>43</td>
</tr>
<tr>
<td>Fiscal Year 1997:</td>
<td></td>
<td>217</td>
<td>2,627</td>
<td>$(119)</td>
<td>126</td>
<td>$(311)</td>
<td>2,540</td>
</tr>
<tr>
<td>Net income</td>
<td>-</td>
<td>-</td>
<td>854</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>854</td>
</tr>
<tr>
<td>Dividends on Common Stock ($0.20 per share)</td>
<td>-</td>
<td>-</td>
<td>(15)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(15)</td>
</tr>
<tr>
<td>Dividends on Series B ESOP Convertible Preferred Stock allocated shares</td>
<td>-</td>
<td>-</td>
<td>(9)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(9)</td>
</tr>
<tr>
<td>Issuance of 748,492 shares of Common Stock under dividend reinvestment and stock purchase plan and stock options ($65.22 per share)</td>
<td>2</td>
<td>47</td>
<td>-</td>
<td>-</td>
<td>(7)</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Issuance of 10,629,465 shares of Common Stock on conversions of Series C Preferred Stock ($64.38 per share)</td>
<td>32</td>
<td>(32)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net unrealized loss on marketable equity securities and other</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>(25)</td>
<td>(4)</td>
<td>-</td>
<td>(26)</td>
</tr>
<tr>
<td>Fiscal Year 1998:</td>
<td></td>
<td>251</td>
<td>2,645</td>
<td>$711</td>
<td>101</td>
<td>$(701)</td>
<td>3,007</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated statements.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DELTA AIR LINES, INC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS - Delta Air Lines, Inc. (a Delaware corporation) is a major air carrier providing scheduled air transportation for passengers, freight and mail over a network of routes throughout the United States and abroad. At August 15, 1997, Delta served 149 domestic cities in 42 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, as well as 41 cities in 25 foreign countries.

BASIS OF PRESENTATION - The consolidated financial statements include the accounts of Delta Air Lines, Inc. and its wholly owned subsidiaries (Delta or the Company). All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.

USE OF ESTIMATES - The Company follows generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

INVESTMENTS IN ASSOCIATED COMPANIES - The Company's investments in the following companies are accounted for under the equity method: WORLDSPAN, L.P. (WORLDSPAN), a computer reservations system partnership; ASA Holdings, Inc. (ASA), the parent of Atlantic Southeast Airlines, Inc.; Comair Holdings, Inc. (Comair), the parent of Comair, Inc.; and SkyWest, Inc. (SkyWest), the parent of SkyWest Airlines, Inc. Atlantic Southeast Airlines, Inc., Comair, Inc., and SkyWest Airlines, Inc. are participants in the Delta Connection program. (See Note 3.)


CASH AND CASH EQUIVALENTS - Investments with an original maturity of three months or less are classified as cash and cash equivalents. These investments are stated at cost, which approximates fair value.

SHORT-TERM INVESTMENTS - Cash in excess of operating requirements is invested in short-term, highly liquid investments. These investments are classified as available-for-sale under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), and are stated at fair value. (See Note 2.)

COST IN EXCESS OF NET ASSETS ACQUIRED - The cost in excess of net assets acquired (goodwill), which is being amortized over 40 years, is related to the Company's acquisition of Western Air Lines, Inc. in December 1986. The Company periodically reviews the value assigned to goodwill to determine whether there exists any impairment, as defined by SFAS 121. Management believes that goodwill is appropriately valued.

LEASEHOLD AND OPERATING RIGHTS - Costs assigned to the purchase of leasehold rights and landing slots are amortized over the lives of the respective leases at the associated airports. Purchased international route authorities are amortized over the lives of the authorities as determined by their expiration dates. Permanent route authorities with no stated expiration dates are amortized over 40 years. The Company periodically reviews the value assigned to leasehold rights, landing slots and route authorities to determine if there exists any impairment, as defined by SFAS 121. Management believes that leasehold rights, landing slots and route authorities are appropriately valued.

DEFERRED GAINS ON SALE AND LEASEBACK TRANSACTIONS - Gains on the sale and leaseback of property and equipment under operating leases are deferred and amortized over the lives of the respective leases as a reduction in rent expense. Gains on the sale and leaseback of property under capital leases are credited directly to the carrying value of the related asset.
MANUFACTURERS' CREDITS - In connection with the acquisition of certain aircraft and engines, the Company receives certain credits. These credits are deferred until the aircraft and engines are delivered, at which time the credits are applied on a pro rata basis as a reduction of the acquisition cost of the related flight equipment.

FREQUENT FLYER PROGRAM - The Company accrues the estimated incremental cost of providing free travel awards earned under its SkyMiles(R) frequent flyer program when free travel award levels are achieved. The accrued incremental cost is included in accounts payable and miscellaneous accrued liabilities in the Company's Consolidated Balance Sheets.

The Company also sells mileage credits to participating partners in the SkyMiles(R) program such as hotels, car rental agencies and credit card companies. The resulting revenue is recorded as other operating revenue in the Company's Consolidated Statements of Operations during the period in which the credits are sold.

PASSENGER AND CARGO REVENUES - Passenger ticket sales are recorded as air traffic liability in the Company's Consolidated Balance Sheets. Passenger and cargo revenues are recognized when the transportation is provided, reducing the air traffic liability. Due to interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding the amount of revenue to be recognized and the timing of recognition. Actual results could differ from those estimates.

Delta is a party to code-sharing agreements with certain foreign airlines. Under these agreements, the Company purchases seats from and sells seats to these airlines, with each airline separately marketing its respective seats. The revenue from Delta's sale of code-sharing seats purchased from and flown by other airlines is reported in the Company's Consolidated Statements of Operations as other operating revenue, offset by the cost of acquiring these code-sharing seats and other direct costs incurred in operating the code-sharing flights. The revenue generated from Delta's sale of code-sharing seats to other airlines is reported as passenger revenue in the Company's Consolidated Statements of Operations.

DEPRECIATION AND AMORTIZATION - Flight equipment is depreciated on a straight-line basis to residual values (5% of cost) over a 20-year period from the dates placed in service (unless earlier retirement of the aircraft is planned). Flight equipment under capital leases is amortized on a straight-line basis over the term of the respective leases, which range from 4 to 11 years. Ground property and equipment are depreciated on a straight-line basis over their estimated service lives, which range from 3 to 30 years. Due to the Company's decision to accelerate the replacement of its L-1011 fleet (see Note 16), the remaining depreciable lives of these aircraft have been adjusted.

INTEREST CAPITALIZED - Interest attributable to funds used to finance the acquisition of new aircraft and construction of major ground facilities is capitalized as an additional cost of the related asset. Interest is capitalized at the Company's weighted average interest rate on long-term debt or, where applicable, the interest rate related to specific borrowings. Capitalization of interest ceases when the property or equipment is placed in service.

INCOME PER SHARE - Primary income per common share is computed by dividing net income available to common shareholders by the weighted average number of shares of Delta Common Stock (Common Stock) and, if dilutive, Common Stock equivalents outstanding during the year. Common Stock equivalents consist of the shares issuable upon exercise of outstanding stock options less the number of shares deemed to be repurchased under application of the treasury stock method. The weighted average number of shares of Common Stock and dilutive Common Stock equivalents outstanding used to compute primary income per common share was 74,786,517 for fiscal 1997; 52,101,152 for fiscal 1996; and 50,657,613 for fiscal 1995.

Fully diluted income per common share is computed by dividing net income available to common shareholders (adjusted for conversion of any Convertible Preferred Stock and convertible debt instruments outstanding during the year) by the weighted average number of shares of Common Stock, Common Stock equivalents outstanding during the year (if dilutive) and Common Stock that would be issued upon the conversion of any Convertible Preferred Stock and convertible debt instruments outstanding during the year. The weighted average number of shares of Common Stock used to compute fully diluted income per common share was 77,087,619 for fiscal 1997; 52,101,152 for fiscal 1996; and 80,118,720 for fiscal 1995. (See Notes 11, 13, 14 and 15.)
FOREIGN CURRENCY TRANSLATION - Assets and liabilities denominated in foreign currencies are translated generally at exchange rates in effect at the balance sheet date, except fixed assets which are translated at exchange rates in effect when these assets are acquired. The resulting foreign exchange gains and losses are recognized as a component of miscellaneous income (expense). Revenues and expenses of foreign operations are translated at average monthly exchange rates prevailing during the year, except depreciation and amortization charges are translated at the exchange rates in effect when the related assets were acquired.

STOCK-BASED COMPENSATION - The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). Under APB 25, no compensation expense is recognized for a stock option grant if the exercise price of the stock option at measurement date is equal to or greater than the fair market value of the Common Stock on the date of grant. (See Note 14.)

ADVERTISING COSTS - Advertising costs are expensed when incurred and are included as a component of other selling expense. Advertising expense for fiscal 1997, 1996 and 1995 was $121 million, $109 million and $178 million, respectively.

2. INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Company's investments in Singapore Airlines Limited (Singapore Airlines) and Swissair, Swiss Air Transport Company Ltd. (Swissair), which are accounted for under the cost method, are classified as available-for-sale under SFAS 115, and are recorded at aggregate market value. At June 30, 1997 and 1996, the gross unrealized gain on the Company's investment in Singapore Airlines was $134 million and $190 million, respectively, and the gross unrealized gain on the Company's investment in Swissair was $32 million and $16 million, respectively. The $101 million and $126 million unrealized gains, net of the related deferred tax provision, on these combined investments at June 30, 1997 and 1996, respectively, are reflected in shareholders' equity. Delta's right to vote, to transfer or to acquire additional shares of the stock of Singapore Airlines and Swissair is subject to certain restrictions.

Delta's other investments in available-for-sale securities are recorded as short-term investments in the Company's Consolidated Balance Sheets. At June 30, 1997, these investments consisted of government agency debt (23%) and corporate debt securities (77%) with average stated maturities of 4 months and 6 months, respectively.

During fiscal 1997, 1996 and 1995, the proceeds from sales of available-for-sale securities were $610 million, $626 million and $926 million, respectively, which resulted in a realized gain of less than $1 million for fiscal 1997, and realized losses of $1 million and $4 million for fiscal 1996 and 1995, respectively. The unrealized losses on these investments were less than $1 million and were reflected in shareholders' equity at June 30, 1997 and 1996, respectively. Interest income was $27 million, $33 million and $31 million from these investments for fiscal 1997, 1996 and 1995, respectively.

3. INVESTMENTS IN ASSOCIATED COMPANIES

The Company's percentage ownership and quoted market value (where applicable) of its investment in associated companies at June 30, 1997, and equity earnings (losses) for fiscal 1997, 1996 and 1995, were as follows:

<table>
<thead>
<tr>
<th>Investment</th>
<th>Percentage Ownership</th>
<th>Quoted Market Value</th>
<th>Equity Earnings (Losses) 1997</th>
<th>Equity Earnings (Losses) 1996</th>
<th>Equity Earnings (Losses) 1995</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(In Millions)</td>
<td>(In Millions)</td>
<td>(In Millions)</td>
<td>(In Millions)</td>
<td>(In Millions)</td>
</tr>
<tr>
<td>WORLDSPAN</td>
<td>38%</td>
<td>N/A</td>
<td>$23</td>
<td>$ (5)</td>
<td>$ (4)</td>
</tr>
<tr>
<td>ASA</td>
<td>27</td>
<td>$229</td>
<td>15</td>
<td>13</td>
<td>12</td>
</tr>
<tr>
<td>Comair</td>
<td>21</td>
<td>259</td>
<td>16</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>SkyWest</td>
<td>15</td>
<td>24</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

WORLDSPAN provides certain computer reservations services to Delta. Delta provides certain communications, information processing and administrative services to WORLDSPAN.

On June 26, 1996, Delta and NCR Corporation (formerly AT&T Global Information Solutions Company) announced an agreement to discontinue the TransQuest partnership. Effective July 1, 1996, the partnership ended and TransQuest, Inc. was formed as a wholly owned subsidiary of Delta. TransQuest, Inc. provides information technology services to Delta. Delta's equity losses related to its 50% ownership in the TransQuest partnership were $8 million for fiscal 1996 and $3 million for fiscal 1995.

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4. FINANCIAL INSTRUMENTS AND OFF-BALANCE-SHEET RISK:

BALANCE SHEET FINANCIAL INSTRUMENTS: FAIR VALUES - The carrying amounts reported in the Company's Consolidated Balance Sheets for cash and cash equivalents and accounts receivable, net approximate fair values at June 30, 1997 and 1996. Short-term investments classified as available-for-sale are recorded at fair value in accordance with SFAS 115. (See Note 2.)

The fair values and carrying values of long-term debt, including current maturities, at June 30, 1997 and 1996, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value</td>
<td>$1.8</td>
<td>$2.0</td>
</tr>
<tr>
<td>Carrying value</td>
<td>1.7</td>
<td>1.8</td>
</tr>
</tbody>
</table>

These values are based on quoted market prices, where available, or discounted cash flow analyses. The carrying values of all other financial instruments approximate their fair values.

OFF-BALANCE-SHEET FINANCIAL INSTRUMENTS: RISKS AND FAIR VALUES - FUEL PRICE RISK MANAGEMENT - Under its fuel hedging program, the Company may enter into certain contracts with counterparties, not to exceed one year in duration, to manage the Company's exposure to jet fuel price volatility. Gains and losses resulting from fuel hedging transactions are recognized as a component of fuel expense when the underlying fuel being hedged is used. Any premiums paid to enter into hedging contracts are recorded as a prepaid expense and amortized to fuel expense over the respective contract periods. At June 30, 1997, Delta had contracted for approximately 441 million gallons of its projected fiscal 1998 fuel requirements. At June 30, 1997, the fair value of option contracts used for purchases of jet fuel at fixed average prices was immaterial. The Company is exposed to fuel hedging transaction losses in the event of non-performance by counterparties, but management does not expect any counterparty to fail to meet its obligations.

FOREIGN EXCHANGE RISK MANAGEMENT - The Company has entered into certain foreign exchange forward contracts, all with maturities of less than two months, to manage risks associated with foreign currency exchange rate and interest rate volatility. The aggregate face amount of such contracts was approximately $29 million at June 30, 1997. Gains and losses resulting from foreign exchange forward contracts are recognized as a component of miscellaneous income (expense), offsetting the foreign currency gains and losses resulting from translation of the Company's assets and liabilities denominated in foreign currencies.

CREDIT RISKS - To manage credit risk associated with its fuel price risk and foreign exchange risk management programs, the Company selects counterparties based on their credit ratings, limits its exposure to any one counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty.

FINANCIAL GUARANTEES - Certain municipalities and airport authorities have issued special facility revenue bonds to build or improve airport terminal and maintenance facilities that Delta leases under operating leases. Under these lease agreements, the Company is required to make rental payments sufficient to pay principal and interest on the bonds as they become due. (See Note 8.)

CONCENTRATION OF CREDIT RISK - Delta's accounts receivable are generated primarily from airline ticket and cargo services sales to individuals and various commercial enterprises that are economically and geographically dispersed, and the accounts receivable are generally short-term in duration. Accordingly, Delta does not believe it is subject to any significant concentration of credit risk.

5. MISCELLANEOUS EXPENSE, NET

Miscellaneous expense, net for fiscal 1997, 1996 and 1995 consisted of:

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity earnings from</td>
<td>$56</td>
<td>$14</td>
<td>$13</td>
</tr>
<tr>
<td>associated companies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gains (losses)</td>
<td>(7)</td>
<td>(15)</td>
<td>12</td>
</tr>
<tr>
<td>Losses on repurchase of debt</td>
<td>(8)</td>
<td>(18)</td>
<td>(4)</td>
</tr>
<tr>
<td>Travel agency litigation settlement</td>
<td>(20)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>(23)</td>
<td>(11)</td>
<td>(21)</td>
</tr>
<tr>
<td>Total miscellaneous expense, net</td>
<td>$ (2)</td>
<td>$(30)</td>
<td>$ –</td>
</tr>
</tbody>
</table>
Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of June 30, 1997 and 1996 are a result of temporary differences related to the items described below:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Tax Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postretirement benefits</td>
<td>$741</td>
<td>$724</td>
</tr>
<tr>
<td>Alternative minimum tax credit carryforwards</td>
<td>216</td>
<td>354</td>
</tr>
<tr>
<td>Gains on sale and leaseback transactions (net)</td>
<td>302</td>
<td>336</td>
</tr>
<tr>
<td>Other employee benefits</td>
<td>261</td>
<td>232</td>
</tr>
<tr>
<td>Rent expense</td>
<td>212</td>
<td>202</td>
</tr>
<tr>
<td>Spare parts repair expense</td>
<td>122</td>
<td>114</td>
</tr>
<tr>
<td>Tax accruals</td>
<td>56</td>
<td>43</td>
</tr>
<tr>
<td>Frequent flyer expense</td>
<td>48</td>
<td>40</td>
</tr>
<tr>
<td>Accrued compensation expense</td>
<td>67</td>
<td>36</td>
</tr>
<tr>
<td>Other</td>
<td>108</td>
<td>98</td>
</tr>
<tr>
<td><strong>Total Deferred Tax Assets</strong></td>
<td>$2,133</td>
<td>$2,179</td>
</tr>
<tr>
<td>Deferred Tax Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$1,239</td>
<td>$1,083</td>
</tr>
<tr>
<td>Postemployment benefits</td>
<td>80</td>
<td>82</td>
</tr>
<tr>
<td>Marketable equity securities</td>
<td>65</td>
<td>81</td>
</tr>
<tr>
<td>Software development costs</td>
<td>62</td>
<td>58</td>
</tr>
<tr>
<td>Employee Stock Ownership Plan</td>
<td>39</td>
<td>73</td>
</tr>
<tr>
<td>Other</td>
<td>132</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total Deferred Tax Liabilities</strong></td>
<td>$1,617</td>
<td>$1,412</td>
</tr>
</tbody>
</table>

The alternative minimum tax credit carryforwards do not expire.

Based on the Company's earnings history, expectations of future taxable income, the extended period over which postretirement benefits will be recognized, and the fact that AMT credits do not expire, management believes that it is more likely than not that future taxable income will be sufficient to fully utilize the deferred tax assets which existed at June 30, 1997.

Income taxes provided in fiscal 1997, 1996 and 1995 consisted of:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current taxes</td>
<td>$(321)</td>
<td>$(177)</td>
<td>$(104)</td>
</tr>
<tr>
<td>Deferred taxes</td>
<td>(244)</td>
<td>54</td>
<td>(99)</td>
</tr>
<tr>
<td>Tax benefit of dividends on allocated Series B ESOP</td>
<td>4</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Income taxes provided</strong></td>
<td>$(561)</td>
<td>$(120)</td>
<td>$(200)</td>
</tr>
</tbody>
</table>

The income tax provisions generated for fiscal 1997, 1996 and 1995 differ from amounts which would result from applying the federal statutory tax rate to pretax income, as follows:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>$1,415</td>
<td>$276</td>
<td>$494</td>
</tr>
<tr>
<td>Items not deductible for tax purposes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meals and entertainment</td>
<td>36</td>
<td>36</td>
<td>41</td>
</tr>
<tr>
<td>Amortization</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Other, net</td>
<td>(14)</td>
<td>(8)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Adjusted pretax income</strong></td>
<td>$1,446</td>
<td>$313</td>
<td>$547</td>
</tr>
<tr>
<td>Federal statutory tax rate</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Income tax provision at statutory rate</strong></td>
<td>(506)</td>
<td>(110)</td>
<td>(191)</td>
</tr>
<tr>
<td>State and other income taxes, net of federal income tax provision</td>
<td>55</td>
<td>(10)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Income taxes provided</strong></td>
<td>$(561)</td>
<td>$(120)</td>
<td>$(200)</td>
</tr>
</tbody>
</table>
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS continued JUNE 30, 1997, 1996 AND 1995
DELTA AIR LINES, INC.

7. LONG-TERM DEBT

At June 30, 1997 and 1996, the Company's long-term debt (including current maturities) was as follows:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 7/8% Notes, unsecured, due January 1, 1998</td>
<td>$ 207</td>
<td>$ 220</td>
</tr>
<tr>
<td>Medium-Term Notes, Series A and B, unsecured, interest rates ranging from 7.55% to 9.15% and with maturities ranging from 1998 to 2007</td>
<td>157</td>
<td>196</td>
</tr>
<tr>
<td>9 7/8% Notes, unsecured, due May 15, 2000</td>
<td>142</td>
<td>142</td>
</tr>
<tr>
<td>8 1/2% Notes, unsecured, due March 15, 2002</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>8.10% Series C Guaranteed Serial ESOP Notes, unsecured, payable in installments between 2002 and 2009</td>
<td>290</td>
<td>290</td>
</tr>
<tr>
<td>Development Authority of Fulton County, unsecured loan agreement, repayable $10 million on November 1, 2007 and $20 million on November 1, 2012. Interest ranges from 6.85% to 6.95% over the life of the loan</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>10 1/8% Debentures, unsecured, due May 15, 2010</td>
<td>113</td>
<td>113</td>
</tr>
<tr>
<td>10 3/8% Debentures, unsecured, due February 1, 2011</td>
<td>176</td>
<td>176</td>
</tr>
<tr>
<td>9% Debentures, unsecured, due May 15, 2016</td>
<td>102</td>
<td>126</td>
</tr>
<tr>
<td>Development Authority of Clayton County, 7 5/8% unsecured loan agreement, repayable on January 1, 2020</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>9 3/4% Debentures, unsecured, due May 15, 2021</td>
<td>251</td>
<td>251</td>
</tr>
<tr>
<td>9 1/4% Debentures, unsecured, due March 15, 2022</td>
<td>64</td>
<td>116</td>
</tr>
<tr>
<td>10 3/8% Debentures, unsecured, due December 15, 2022</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Other, net</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td>Total</td>
<td>1,711</td>
<td>1,839</td>
</tr>
<tr>
<td>Less: Current maturities</td>
<td>236</td>
<td>40</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$1,475</td>
<td>$1,799</td>
</tr>
</tbody>
</table>

During fiscal 1997 and 1996, respectively, the Company voluntarily repurchased and retired $88 million and $224 million principal amount of its long-term debt. As a result of these transactions, the Company recognized net pretax losses of $8 million and $18 million, respectively, which are included in miscellaneous expense, net in the Company's Consolidated Statements of Operations.

On May 2, 1997, the Company and a group of banks entered into the 1997 Bank Credit Agreement and terminated the 1995 Bank Credit Agreement. The 1997 Bank Credit Agreement provides for unsecured borrowings by the Company of up to $1.25 billion on a revolving basis until May 1, 2002. Up to $700 million of this facility may be used for the issuance of letters of credit. The interest rate under this facility is, at the Company's option, the LIBOR or the prime rate, in each case plus a margin which is subject to adjustment based on certain changes in the credit ratings of the Company's long-term senior unsecured debt. The Company also has the option to obtain loans through a competitive bid procedure. The 1997 Bank Credit Agreement contains certain negative covenants that restrict the Company's ability to grant liens, incur or guarantee debt and enter into flight equipment leases. It also provides that if there is a change of control (as defined) of the Company, the banks' obligation to extend credit terminates, any amounts outstanding become immediately due and payable and the Company will immediately deposit cash collateral with the banks in an amount equal to all outstanding letters of credit. At August 15, 1997, no borrowings or letters of credit were outstanding under the 1997 Bank Credit Agreement.

At June 30, 1997, there were outstanding $290 million principal amount of the Delta Family-Care Savings Plan's Series C Guaranteed Serial ESOP Notes (Series C ESOP Notes), which are guaranteed by Delta. The Series C ESOP Notes, which were issued pursuant to certain note purchase agreements, are payable in installments between July 1, 2002 and January 1, 2009. The note purchase agreements require Delta to purchase the Series C ESOP Notes at the option of the holders thereof (Noteholders) if the credit rating of Delta's long-term senior unsecured debt falls below Baa3 by Moody's and BBB- by Standard & Poor's (Purchase Event), provided that Delta has no obligation to purchase the Series C ESOP Notes under the note purchase agreements so long as it obtains, within 127 days of a Purchase Event, certain credit enhancements (Approved Credit Enhancement) that result in the Series C ESOP Notes being rated A3 or
higher by Moody's and A- or higher by Standard & Poor's (Required Ratings). If Delta is required to purchase the Series C ESOP Notes because of the occurrence of a Purchase Event, such purchase would be made at a price (Purchase Price) equal to the outstanding principal amount of the Series C ESOP Notes being purchased, together with accrued interest and a Make Whole Premium Amount. The Make Whole Premium Amount is based on, among other factors, the yield to maturity of U.S. Treasury notes having maturities equal to the remaining average life to maturity of the Series C ESOP Notes as of the date Delta purchases the Series C ESOP Notes.

As a result of Moody's rating action on May 11, 1993, a Purchase Event occurred, and Delta became obligated to purchase on September 15, 1993 any Series C ESOP Notes properly tendered to it. Prior to September 15, 1993, Delta obtained an Approved Credit Enhancement in the form of a letter of credit to credit enhance the Series C ESOP Notes. This letter of credit was issued in favor of Wilmington Trust Company, as trustee (Trustee), under Delta's then existing Bank Credit Agreement. Due to the issuance of this letter of credit, the Series C ESOP Notes received the Required Ratings, and Delta no longer had an obligation to purchase the Series C ESOP Notes as a result of the Purchase Event that occurred on May 11, 1993.

On June 6, 1996, the Company entered into a Credit Agreement with ABN AMRO Bank, N.V. and a group of banks (Letter of Credit Facility) which, as amended, provides for the issuance of letters of credit for up to $500 million in stated amount to credit enhance the Series C ESOP Notes. The Letter of Credit Facility contains negative covenants and a change of control provision that are substantially similar to those contained in the 1997 Bank Credit Agreement. In the event of any drawing under the Letter of Credit Facility, Delta is required, at its election, (1) to immediately repay the amount drawn or (2) to convert its reimbursement obligation to a loan for a period not to exceed one year at varying rates of interest. On June 6, 1996, Delta obtained a letter of credit under the Letter of Credit Facility to replace the letter of credit issued under its then existing Bank Credit Agreement to credit enhance the Series C ESOP Notes. The Letter of Credit Facility expires June 6, 2000.

At August 15, 1997, the face amount of the letter of credit issued under the Letter of Credit Facility was $450 million. It covers the $290 million outstanding principal amount of the Series C ESOP Notes, up to $128 million of Make Whole Premium Amount and approximately one year of interest on the Series C ESOP Notes.

An Indenture of Trust, dated August 1, 1993 (Indenture), among Delta, the Trustee, and Fidelity Management Trust Company, as ESOP trustee, contains certain terms and conditions relating to any letter of credit used to credit enhance the Series C ESOP Notes. The Indenture requires the Trustee to draw under the letter of credit to make regularly scheduled payments of principal and interest on the Series C ESOP Notes. The Indenture also requires the Trustee to draw under the letter of credit to purchase the Series C ESOP Notes in certain circumstances in which Delta would not be required to purchase the Series C ESOP Notes under the note purchase agreements. Subject to certain conditions, the Indenture requires the Trustee to purchase the Series C ESOP Notes at the Purchase Price at the option of the Noteholders in the event that (1) the Required Ratings on the Series C ESOP Notes are not maintained; (2) the letter of credit is not extended 20 days before its scheduled expiration date; (3) Delta elects to terminate the letter of credit; or (4) the Trustee receives notice there has occurred an event of default under the credit agreement relating to the letter of credit; unless, generally within 10 days of any such event, the Series C ESOP Notes receive the Required Ratings due to Delta's obtaining a substitute credit enhancement or otherwise.

The Required Ratings on the Series C ESOP Notes are subject to reconsideration at any time, and to annual confirmation, by Moody's and Standard & Poor's. Circumstances that might cause either rating agency to lower or fail to confirm its rating include, without limitation, a downgrading of the deposits of the letter of credit issuer below A3 by Moody's or A- by Standard & Poor's, or a determination that the Make Whole Premium Amount covered by the letter of credit is insufficient.

Subject to certain conditions, the Indenture does not permit the Trustee to purchase the Series C ESOP Notes at the option of the Noteholders if the Series C ESOP Notes receive the Required Ratings without the benefit of a credit enhancement. The Series C ESOP Notes are not likely to receive the Required Ratings absent a credit enhancement unless Delta's long-term senior unsecured debt is rated at least A3 by Moody's and A- by Standard & Poor's. On August 15, 1997, Delta's long-term senior unsecured debt was rated Baa3 by Moody's and BB+ by Standard & Poor's.
At June 30, 1997, the annual scheduled maturities of long-term debt during the next five fiscal years were as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Amount (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$236</td>
</tr>
<tr>
<td>1999</td>
<td>67</td>
</tr>
<tr>
<td>2000</td>
<td>142</td>
</tr>
<tr>
<td>2001</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>75</td>
</tr>
</tbody>
</table>

The Company’s debt agreements contain certain restrictive covenants, but do not limit the payment of dividends on the Company’s capital stock. The terms of the Series B ESOP Convertible Preferred Stock limit the Company's ability to pay cash dividends on the Common Stock in certain circumstances. (See Note 13.)

Cash payments of interest, including interest on the Series C ESOP Notes and net of interest capitalized, totaled $171 million in fiscal 1997; $232 million in fiscal 1996; and $238 million in fiscal 1995.

8. LEASE OBLIGATIONS

The Company leases certain aircraft, airport terminal and maintenance facilities, ticket offices and other property and equipment. Rent expense is generally recorded on a straight-line basis over the lease term. Amounts charged to rental expense for operating leases were $0.9 billion in fiscal 1997 and $1.1 billion in fiscal 1996 and $1.1 billion in fiscal 1995.

At June 30, 1997, the Company's minimum rental commitments under capital leases and noncancelable operating leases with initial or remaining terms of more than one year were as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Capital Leases</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>(In Millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>$101</td>
<td>$860</td>
</tr>
<tr>
<td>1999</td>
<td>100</td>
<td>860</td>
</tr>
<tr>
<td>2000</td>
<td>68</td>
<td>840</td>
</tr>
<tr>
<td>2001</td>
<td>57</td>
<td>830</td>
</tr>
<tr>
<td>2002</td>
<td>57</td>
<td>850</td>
</tr>
<tr>
<td>After 2002</td>
<td>118</td>
<td>9,780</td>
</tr>
</tbody>
</table>

Total minimum lease payments $501 $14,020

Less: Amounts representing interest 117

Present value of future minimum capital lease payments 384
Less: Current obligations under capital leases 62

Long-term capital lease obligations $322

9. PURCHASE COMMITMENTS

Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 are estimated to be $1.6 billion, as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Amount (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>$790</td>
</tr>
<tr>
<td>1999</td>
<td>320</td>
</tr>
<tr>
<td>2000</td>
<td>230</td>
</tr>
<tr>
<td>2001</td>
<td>200</td>
</tr>
<tr>
<td>2002</td>
<td>60</td>
</tr>
<tr>
<td>After 2002</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$1,600</td>
</tr>
</tbody>
</table>

During the March 1997 quarter, Delta and The Boeing Company (Boeing) reached an understanding which provides for Delta placing orders to
purchase, and obtaining options (which have scheduled delivery slots) and rolling options (which replace options and are assigned delivery slots as options expire or are exercised) to purchase, the following aircraft types:

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Orders (Scheduled Fiscal Years of Delivery)</th>
<th>Options</th>
<th>Rolling Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-737-600/700/800</td>
<td>70 (1999-2007)</td>
<td>60</td>
<td>280</td>
</tr>
<tr>
<td>B-757-200</td>
<td>5 (1999)</td>
<td>20</td>
<td>90</td>
</tr>
<tr>
<td>B-767-300ER</td>
<td>10 (1998-1999)</td>
<td>10</td>
<td>19</td>
</tr>
<tr>
<td>B-767-400</td>
<td>21 (2000-2001)</td>
<td>24</td>
<td>25</td>
</tr>
<tr>
<td>B-777-200</td>
<td>-</td>
<td>10</td>
<td>-</td>
</tr>
</tbody>
</table>

The understanding is subject to certain conditions, including the negotiation of mutually acceptable definitive purchase agreements between Delta and Boeing. The understanding provides, subject to certain conditions, that Boeing will be the provider of new aircraft for Delta for 20 years, and that Delta may switch orders among these aircraft types and defer firm orders. The understanding would also accelerate the delivery dates for certain of Delta’s existing orders, terminate all of Delta’s existing options and cancel Delta’s remaining MD-90 orders.
Future expenditures for aircraft, engines and engine hushkits on firm order as of June 30, 1997 (as modified by the accelerated delivery dates for, and cancellation of, certain of these orders as provided for under Delta's understanding with Boeing), and the aircraft orders provided for under Delta's understanding with Boeing, are estimated to be approximately $5.9 billion, as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th>Amount (In Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1,179</td>
</tr>
<tr>
<td>1999</td>
<td>1,031</td>
</tr>
<tr>
<td>2000</td>
<td>278</td>
</tr>
<tr>
<td>2001</td>
<td>1,224</td>
</tr>
<tr>
<td>2002</td>
<td>295</td>
</tr>
<tr>
<td>After 2002</td>
<td>1,850</td>
</tr>
<tr>
<td>Total</td>
<td>5,857</td>
</tr>
</tbody>
</table>

In addition, at August 15, 1997, the Company had authorized capital expenditures of approximately $345 million for fiscal 1998 for improvement of airport and office facilities, various ground equipment and other assets.

The Company expects to finance its aircraft, engine and engine hushkit commitments, as well as other authorized capital expenditures, using available cash, short-term investments and internally generated funds, supplemented as necessary by debt financings and proceeds from sale and leaseback transactions.

The Company has entered into code-sharing agreements under which it has agreed to purchase seats at established prices from specific foreign airlines, subject to certain conditions. None of these agreements has noncancelable terms in excess of one year.

10. EMPLOYEE BENEFIT PLANS

The Company sponsors various pension plans, medical plans and disability and survivorship plans for employees who meet certain service and other requirements. In addition, the Company sponsors the Savings Plan (See Note 11) in which employees who meet certain service and other requirements may elect to participate.

During fiscal 1997, the Company changed the annual measurement date for its employee benefit plan assets and liabilities from June 30 to March 31. This change in measurement date has been accounted for as a change in accounting principle. The change in measurement date had no material cumulative effect on employee benefit expense for prior years.

DEFINED BENEFIT PENSION PLANS - The Company's primary retirement plans consist of defined benefit pension plans. The Company has reserved the right to modify these plans to the extent permitted by the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 (ERISA). The qualified defined benefit plans are funded, on a current basis, to meet the minimum funding requirements of ERISA.

The weighted average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.75% and 4.7%, respectively, at March 31, 1997 and June 30, 1996. The expected long-term rate of return on assets was 10.0% at March 31, 1997 and June 30, 1996.

The following table sets forth the defined benefit pension plans' funded status and amounts recognized for fiscal 1997 and 1996:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial present value of benefit obligations:</td>
<td>$6,122</td>
<td>$6,134</td>
</tr>
<tr>
<td>Accumulated benefit obligation (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>$7,517</td>
<td>$7,368</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>7,447</td>
<td>7,170</td>
</tr>
<tr>
<td>Projected benefit obligation in excess of plan assets</td>
<td>70</td>
<td>198</td>
</tr>
<tr>
<td>Unrecognized net gain</td>
<td>326</td>
<td>195</td>
</tr>
<tr>
<td>Unrecognized transition obligation</td>
<td>(63)</td>
<td>(64)</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>(29)</td>
<td>(31)</td>
</tr>
<tr>
<td>Contributions made between April 1, 1997 and June 30, 1997</td>
<td>(18)</td>
<td>-</td>
</tr>
<tr>
<td>Accrued pension cost recognized in the Consolidated Balance Sheets</td>
<td>$ 286</td>
<td>$ 298</td>
</tr>
</tbody>
</table>

(1) Substantially all of the accumulated benefit obligation is vested.
Plan assets were invested at June 30, 1997, approximately as follows: cash equivalents (7%), government and corporate bonds and notes (18%), Common Stock and other equity-oriented investments (71%) and real estate and other investments (4%).
Net periodic defined benefit pension cost for fiscal 1997, 1996 and 1995 included the following components:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost – benefits earned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>during the year</td>
<td>$188</td>
<td>$225</td>
<td>$221</td>
</tr>
<tr>
<td>Interest cost on projected</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>benefit obligation</td>
<td>564</td>
<td>526</td>
<td>489</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(731)</td>
<td>(1,194)</td>
<td>(795)</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>89</td>
<td>612</td>
<td>266</td>
</tr>
<tr>
<td>Net periodic pension cost</td>
<td>$110</td>
<td>$169</td>
<td>$181</td>
</tr>
</tbody>
</table>

The restructuring charges described in Note 16 include an aggregate charge for fiscal 1996 of $298 million for costs primarily associated with special termination benefits and curtailment losses related to the defined benefit pension plans due to workforce reductions.

**DEFINED CONTRIBUTION PENSION PLANS** - In addition to the Savings Plan described in Note 11, the Company sponsors the Delta Pilots Money Purchase Pension Plan (MPPP) to which the Company contributes 5% of covered pay for each eligible pilot. The MPPP is a continuation of the Delta Pilots Target Benefit Plan and is related to the Delta Pilots Retirement Plan through a floor-offset arrangement whereby the defined benefit pension payable to a pilot is subject to reduction by the actuarial equivalent of the accumulated account balance in the MPPP. The Company's contributions to this plan were $49 million and $2 million for fiscal 1997 and 1996, respectively.

**POSTRETIREMENT BENEFITS OTHER THAN PENSIONS** - Delta's medical plans provide medical and dental benefits to substantially all retirees and their eligible dependents. Benefits are funded from general assets on a current basis, although amounts sufficient to pay claims incurred but not yet paid are held in trust. Plan benefits are subject to co-payments, deductibles and certain other limits described in the plans and are reduced once a retiree is eligible for Medicare. The Company has reserved the right to modify or terminate the medical plans for both current and future retirees.

Net periodic postretirement benefit cost for fiscal 1997, 1996 and 1995 included the following components:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost – benefits earned</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>during the year</td>
<td>$25</td>
<td>$32</td>
<td>$32</td>
</tr>
<tr>
<td>Interest cost on accumulated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>postretirement benefit obligation</td>
<td>115</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(38)</td>
<td>(31)</td>
<td>(29)</td>
</tr>
<tr>
<td>Amortization of accumulated losses</td>
<td>1</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Net periodic postretirement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>benefit cost</td>
<td>$103</td>
<td>$123</td>
<td>$125</td>
</tr>
</tbody>
</table>

The accumulated postretirement benefit obligation (APBO) for fiscal 1997 and 1996 consisted of the following components:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and dependents</td>
<td>$936</td>
<td>$928</td>
</tr>
<tr>
<td>Fully eligible participants</td>
<td>348</td>
<td>323</td>
</tr>
<tr>
<td>Other active participants</td>
<td>281</td>
<td>254</td>
</tr>
<tr>
<td>Total accumulated postretirement</td>
<td>1,565</td>
<td>1,505</td>
</tr>
<tr>
<td>benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unamortized prior service cost (from plan changes)</td>
<td>426</td>
<td>464</td>
</tr>
<tr>
<td>Unrecognized net loss</td>
<td>(76)</td>
<td>(112)</td>
</tr>
<tr>
<td>Contributions made between</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 1, 1997 and June 30, 1997</td>
<td>(14)</td>
<td>–</td>
</tr>
<tr>
<td>Accumulated postretirement benefit cost</td>
<td>$1,901</td>
<td>$1,857</td>
</tr>
</tbody>
</table>

The weighted average discount rate used to estimate the APBO was 7.75% at March 31, 1997 and at June 30, 1996. The assumed health care cost trend rate used in measuring the APBO was 8.0% in fiscal 1997 and fiscal 1996, declining gradually to 4.25% by March 31, 2003, and remaining level thereafter. Increasing the assumed health care cost trend rate annually by 1% for all future years would increase the APBO as of March 31, 1997 by approximately $142 million, and the net periodic postretirement benefit cost by $13 million for fiscal 1997.
The restructuring charges described in Note 16 include aggregate charges for fiscal 1996 of $32 million for costs primarily associated with special termination benefits and curtailment losses related to postretirement benefits other than pensions due to workforce reductions.
POSTEMPLOYMENT BENEFITS - The Company provides certain welfare benefits to its former or inactive employees after employment but before retirement. Such benefits primarily include those related to disability and survivorship plans. The Company has reserved the right to modify or terminate these plans at any time for all participants.

Effective July 1, 1994, Delta adopted SFAS 112, which requires recognition of the liability for postemployment benefits during the period of employment. The adoption of SFAS 112 resulted in a cumulative after-tax transition benefit of $114 million in fiscal 1995, primarily due to the net overfunded status of the Company's disability and survivorship plans. The Company's postemployment benefit expense for fiscal years 1997, 1996 and 1995 was $71 million, $78 million and $85 million, respectively. The amount funded in excess of the liability is included in other noncurrent assets in the Company's Consolidated Balance Sheets. Future period expenses will vary based on actual claims experience and the return on plan assets.

Gains and losses that occur because actual experience differs from that assumed will be amortized over the average future service period of employees. Amounts allocable to prior service for amendments to retiree and inactive insurance plans are amortized in a similar manner.

The Company continues to evaluate ways in which it can better manage employee benefits and control costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefits may have a significant effect on the amount of the reported obligation and future annual expense.

11. EMPLOYEE STOCK OWNERSHIP PLAN

The Company sponsors the Savings Plan, a qualified defined contribution pension plan under which eligible Delta personnel may contribute a portion of their earnings. The Savings Plan includes an employee stock ownership plan (ESOP) feature. Subject to certain conditions, the Company contributes 50% of a participant's contributions to the Savings Plan, up to a maximum employer contribution of 2% of a participant's earnings. The Company's contributions are made quarterly through the allocation of Series B ESOP Convertible Preferred Stock, Common Stock or cash, and are recorded as salaries and related costs in the Company's Consolidated Statements of Operations. Delta's total contributions to the Savings Plan were $45 million in fiscal 1997 and fiscal 1996, and $47 million in fiscal 1995.

In connection with the adoption of the ESOP, the Company sold 6,944,450 shares of ESOP Preferred Stock to the Savings Plan for approximately $500 million. The Company has recorded unearned compensation to reflect the value of ESOP Preferred Stock sold to the ESOP but not yet allocated to participants' accounts. As shares of the ESOP Preferred Stock are allocated to participants' accounts, compensation expense equal to the fair value of the ESOP Preferred Stock is recorded and unearned compensation is reduced. Dividends on unallocated shares of ESOP Preferred Stock are used by the ESOP for debt service on the Series C ESOP Notes and are not considered dividends for financial reporting purposes. Dividends on allocated shares of ESOP Preferred Stock are credited to participants and considered dividends for financial reporting purposes. For purposes of computing primary and fully diluted income per common share, allocated shares of ESOP Preferred Stock are considered outstanding, but unallocated shares of ESOP Preferred Stock are not.

12. CONTINGENCIES

The Company is a defendant in certain legal actions relating to alleged employment discrimination practices, antitrust matters, environmental issues and other matters concerning the Company's business. Although the ultimate outcome of these matters cannot be predicted with certainty and could have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity, management presently believes that the resolution of these actions is not likely to have a material adverse effect on Delta's consolidated financial condition, results of operations or liquidity.

Delta's captive insurance subsidiary has agreed to reimburse the primary insurers for losses under the Company's aircraft hull and general liability insurance policies (Policies) in an amount not to exceed $100 million per occurrence and in the aggregate for the Policy year. The obligations of the primary insurers to the insureds under the Policies are not limited or reduced in any way by this reimbursement obligation.

The reimbursement obligation of Delta's captive insurance subsidiary to the primary insurers is supported by letters of credit. The letters of credit have an aggregate stated amount equal to the maximum reimbursement obligation. To the extent the primary insurers make a draw under a letter of credit, Delta is required to reimburse the issuer of the letter of credit. Delta accrues amounts estimated to be payable for probable losses under the reimbursement agreements with the primary insurers, as incurred. The methods of making such estimates and establishing the resulting accrued liabilities are periodically reviewed and adjusted as required.
13. COMMON AND PREFERRED STOCK

At June 30, 1997, 24,700,000 shares of Common Stock were reserved for issuance under the Company's broad-based employee stock option plans; 4,383,406 shares of Common Stock were reserved for issuance under the 1989 Stock Incentive Plan; 5,720,023 shares of Common Stock were reserved for conversion of the Series B ESOP Convertible Preferred Stock; and 248,998 shares of Common Stock were reserved for issuance under the Non-Employee Directors' Stock Plan. In addition, 1,500,000 shares of preferred stock have been reserved for issuance under the Shareholder Rights Plans.

On May 15, 1996, the Company gave notice that it elected to redeem effective June 15, 1996 its 3.23% Convertible Subordinated Notes due June 15, 2003 (Notes). Substantially all outstanding Notes were then converted by the holders thereof into approximately 10 million shares of Common Stock, and the Company redeemed the remaining outstanding Notes. As a result of the conversion of substantially all the Notes, long-term debt declined by $626 million and shareholders' equity increased by approximately the same amount in the Company's Consolidated Balance Sheets. This transaction was treated as a noncash transaction in the Company's Consolidated Statement of Cash Flows for the year ended June 30, 1996.

On October 24, 1996, Delta's Board of Directors adopted a new Shareholder Rights Plan (Rights Plan) to replace the rights plan that expired on November 4, 1996. The new Rights Plan is designed to enhance the Board's ability to protect shareholders against unsolicited attempts to acquire Delta that do not offer an adequate price to all shareholders or are otherwise not in the best interests of the Company and its shareholders. Under the new Rights Plan, each outstanding share of Common Stock is accompanied by a preferred stock purchase right which entitles the holder to purchase from the Company 1/100 of a share of Series D Junior Participating Preferred Stock for $300, subject to adjustment in certain circumstances (Purchase Price). The rights become exercisable only after a person or group acquires beneficial ownership of 15% or more of the Common Stock or commences a tender or exchange offer that would result in such person or group beneficially owning 15% or more of the Common Stock. The rights expire on November 4, 2006, and may be redeemed by Delta for $0.01 per right until 10 business days following the announcement that a person or group beneficially owns 15% or more of the Common Stock. Subject to certain conditions, if a person or group becomes the beneficial owner of 15% or more of the Common Stock, each right will entitle its holder (other than certain acquiring persons) to purchase, for the Purchase Price, Common Stock having a market value of twice the Purchase Price. In addition, subject to certain conditions, if Delta is involved in a merger or certain other business combination transactions, or the Company sells or otherwise transfers more than 50% of its assets or earning power, each right will entitle its holder to purchase, for the Purchase Price, Common Stock of the other party having a market value of twice the Purchase Price.

Each share of Series B ESOP Convertible Preferred Stock (ESOP Preferred Stock) has a stated value of $72; bears an annual cumulative cash dividend of 6%, or $4.32; is convertible into 0.8578 shares of Common Stock (a conversion price of $83.94), subject to adjustment in certain circumstances; has a liquidation preference of $72, plus any accrued and unpaid dividends; generally votes together as a single class with the Common Stock on matters upon which the Common Stock is entitled to vote; and has one vote, subject to adjustment in certain circumstances. The ESOP Preferred Stock is redeemable at Delta's option at specified redemption prices payable, at Delta's election, in cash or Common Stock. If full cumulative dividends on the ESOP Preferred Stock have not been paid when due, Delta may not pay cash dividends on the Common Stock.

14. STOCK OPTIONS AND AWARDS

Under its 1989 Stock Incentive Plan and a predecessor plan, the Company has granted non-qualified stock options and, prior to fiscal 1993, tandem stock appreciation rights (SARs) to officers and other key employees. The exercise price for all stock options, and the base price upon which the SARs are measured, is the fair market value of Common Stock on the date of grant. Awards exercised as SARs are payable in a combination of cash and Common Stock. The Company recognized compensation expense (included in salary and related costs) related to SARs in fiscal 1997, 1996 and 1995 of $3 million, $14 million and $9 million, respectively. Stock options awarded will generally be exercisable beginning one year, and ending 10 years, after their grant date.
On October 24, 1996, the Company's shareholders approved two plans providing for the issuance of non-qualified stock options to substantially all of Delta's non-officer personnel in their individual capacity to purchase a total of 24.7 million shares of Common Stock. One plan is for eligible Delta personnel who are not pilots (Nonpilot Plan); the other plan covers the Company's pilots (Pilot Plan).

The Nonpilot and Pilot Plans involve non-qualified stock options to purchase 14.7 million and 10 million shares of Common Stock, respectively. The plans provide for grants in three equal annual installments at an exercise price equal to the opening price of the Common Stock on the New York Stock Exchange on the grant date. Stock options awarded under the plans are generally exercisable beginning one year and ending 10 years after their grant dates, and are not transferable other than upon the death of the person granted the stock options. On October 30, 1996, Delta granted eligible personnel non-qualified stock options to purchase a total of 8.2 million shares of Common Stock at an exercise price of $69 per share. The second and third grant dates under the Nonpilot and Pilot Plans are scheduled to occur on October 30, 1997 and 1998, respectively.

Transactions involving stock options and SARs during fiscal 1997, 1996 and 1995 were as follows:

Transactions involving stock options and SARs during fiscal 1997, 1996 and 1995 were as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 1997</td>
<td>$65</td>
</tr>
<tr>
<td>Fiscal 1996</td>
<td>$63</td>
</tr>
<tr>
<td>Fiscal 1995</td>
<td>$65</td>
</tr>
</tbody>
</table>

The following table summarizes information about stock options outstanding at June 30, 1997:

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Number Outstanding at June 30, 1997</th>
<th>Weighted Average Remaining Life</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$52–68</td>
<td>530</td>
<td>7</td>
<td>$55</td>
</tr>
<tr>
<td>$69–82</td>
<td>9,371</td>
<td>9</td>
<td>$70</td>
</tr>
</tbody>
</table>

The Company accounts for its stock-based compensation plans in accordance with APB 25. During fiscal 1996, the Financial Accounting Standards Board issued SFAS 123. SFAS 123 encourages, but does not require, the use of a fair value based method of accounting for stock-based compensation plans under which the fair value of stock options is determined on the date of grant and expensed over the vesting period of the stock options. While the Company has elected to continue to apply the provisions of APB 25, SFAS 123 requires pro forma disclosure of net income and income per common share as if the fair value based method under SFAS 123 had been adopted.
The pro forma net income and income per common share amounts below have been derived using the Black-Scholes stock option pricing model with the following assumptions for each stock option grant during the respective fiscal year:

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free interest rate</td>
<td>6.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Expected life of stock option (Years)</td>
<td>2.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Expected volatility of Common Stock</td>
<td>26.4%</td>
<td>26.5%</td>
</tr>
<tr>
<td>Expected annual dividends on Common Stock</td>
<td>$0.20</td>
<td>$0.20</td>
</tr>
</tbody>
</table>

Under SFAS 123, stock options granted prior to fiscal year 1996 are not required to be included as compensation in determining pro forma net income. Therefore, the pro forma effects on net income and income per common share for fiscal 1997 and 1996 may not be representative of the pro forma effects SFAS 123 may have in future years.

15. STOCK REPURCHASE AUTHORIZATION

Delta’s Board of Directors has authorized the Company to repurchase up to 24.7 million shares of Common Stock and Common Stock equivalents. Under this authorization, the Company may repurchase up to 6.2 million of these shares before October 30, 1997 - the date the initial stock option grants under the Nonpilot and Pilot Plans become exercisable - and repurchase the remaining shares as Delta personnel exercise their stock options under those plans. Repurchases are subject to market conditions and may be made on the open market or in privately negotiated transactions. Under this authorization, the Company repurchased 5,378,700 shares of Common Stock for $379 million during fiscal 1997, and 821,300 shares of Common Stock for $66 million during fiscal 1996.

16. RESTRUCTURING AND OTHER NON-RECURRING CHARGES

During fiscal 1997 and 1996, the Company recorded pretax restructuring and other non-recurring charges of $52 million and $829 million, respectively. These charges are summarized in the table below:

<table>
<thead>
<tr>
<th>Charge</th>
<th>1997</th>
<th>1996</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership 7.5</td>
<td>$</td>
<td>$104</td>
<td>$104</td>
</tr>
<tr>
<td>Pilot special early retirement program</td>
<td></td>
<td>273</td>
<td>273</td>
</tr>
<tr>
<td>L-1011 fleet early retirement</td>
<td></td>
<td>452</td>
<td>452</td>
</tr>
<tr>
<td>Transatlantic and European Realignment</td>
<td>52</td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Totals</td>
<td>$52</td>
<td>$829</td>
<td>$881</td>
</tr>
</tbody>
</table>

FISCAL 1996 - The $829 million pretax charge for restructuring and other non-recurring charges recorded in fiscal 1996 included a $452 million writedown of Delta's L-1011 fleet and related assets to their fair market value in accordance with SFAS 121. The charge also included $273 million related to the special early retirement program for approximately 500 pilots all of whom retired during fiscal 1997 and $65 million (net of reversals of $36 million related to the Company's $526 million restructuring charge recorded in fiscal 1994) for previously announced non-pilot workforce reductions. Payments associated with curtailment losses and special termination benefits will be paid as required for funding appropriate pension and other postretirement plans in future years.

The remaining $39 million of the $829 million charge for fiscal 1996 included $29 million (net of reversals of $14 million related to the Company's $526 million restructuring charge recorded in fiscal 1994) for lease termination costs related to abandoned facilities and $10 million...
noncash costs related to discontinued routes.

FISCAL 1997 - During the March 1997 quarter, Delta recorded pretax restructuring and other non-recurring charges totaling $52 million related to the realignment of its transatlantic and European operations. Of this amount, $45 million relates to personnel severance costs (for approximately 680 employees); $5 million relates to the reorganization of the Frankfurt operation; and $2 million relates to abandoned facilities in Frankfurt and other European locations.
The following table reflects the activity in the restructuring accrual balances (excluding accruals for pension and other postretirement curtailment losses and special termination benefits discussed above) during fiscal 1997. All reductions in reserves represent payments of liabilities.

<table>
<thead>
<tr>
<th>(Amounts in Millions)</th>
<th>Balance at June 30, 1996</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance at June 30, 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership 7.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce Reductions</td>
<td>$ 7</td>
<td>$ -</td>
<td>$ 3</td>
<td>$ 4</td>
</tr>
<tr>
<td>Abandoned Facilities</td>
<td>41</td>
<td>-</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>Pilot special early retirement program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transatlantic and European Realignment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workforce Reductions</td>
<td>-</td>
<td>45</td>
<td>6</td>
<td>39</td>
</tr>
<tr>
<td>Abandoned Facilities</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Totals</td>
<td>$69</td>
<td>$52</td>
<td>$33</td>
<td>$88</td>
</tr>
</tbody>
</table>

Actual costs incurred for certain amounts accrued, realization on the sales of excess inventories, and costs associated with lease terminations and abandoned facilities may vary from current estimates. The appropriate accrued liability will be adjusted upon completion of these activities.

17. SEGMENT INFORMATION

Delta provides scheduled air transportation for passengers, freight and mail over a network of routes throughout the United States and abroad. Delta's unconsolidated operating revenue and operating income by geographic region, as reported to the U.S. Department of Transportation (which differs from operating revenue and operating income (loss) reported under GAAP), are as follows:

<table>
<thead>
<tr>
<th>(In Millions)</th>
<th>1997</th>
<th>1996</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity</td>
<td>Operating Revenue</td>
<td>Operating Income</td>
<td>Operating Revenue</td>
</tr>
<tr>
<td>Domestic</td>
<td>$11,096</td>
<td>$1,242</td>
<td>$10,067</td>
</tr>
<tr>
<td>Atlantic</td>
<td>2,223</td>
<td>195</td>
<td>2,175</td>
</tr>
<tr>
<td>Latin</td>
<td>278</td>
<td>48</td>
<td>214</td>
</tr>
<tr>
<td>Pacific</td>
<td>341</td>
<td>40</td>
<td>354</td>
</tr>
<tr>
<td>Total</td>
<td>$13,938</td>
<td>$1,525</td>
<td>$12,810</td>
</tr>
</tbody>
</table>
18. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for fiscal 1997 and 1996 (in millions, except per share data):

<table>
<thead>
<tr>
<th></th>
<th>Sept. 30</th>
<th>Dec. 31</th>
<th>Mar. 31</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 1997</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$3,432</td>
<td>$3,197</td>
<td>$3,420</td>
<td>$3,541</td>
</tr>
<tr>
<td>Operating income</td>
<td>$ 438</td>
<td>$ 227</td>
<td>$ 346</td>
<td>$ 519</td>
</tr>
<tr>
<td>Net income</td>
<td>$ 238</td>
<td>$ 125</td>
<td>$ 189</td>
<td>$ 302</td>
</tr>
<tr>
<td>Primary income per common share</td>
<td>$ 3.09</td>
<td>$ 1.66</td>
<td>$ 2.52</td>
<td>$ 3.98</td>
</tr>
<tr>
<td>Fully diluted income per common share</td>
<td>$ 2.98</td>
<td>$ 1.63</td>
<td>$ 2.47</td>
<td>$ 3.90</td>
</tr>
<tr>
<td>Fiscal 1996</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$3,188</td>
<td>$2,944</td>
<td>$2,964</td>
<td>$3,359</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$ 386</td>
<td>$ 169</td>
<td>$(387)</td>
<td>$ 295</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$ 201</td>
<td>$ 70</td>
<td>$(276)</td>
<td>$ 161</td>
</tr>
<tr>
<td>Primary income (loss) per common share</td>
<td>$ 3.47</td>
<td>$ 0.93</td>
<td>$(5.77)</td>
<td>$ 2.69</td>
</tr>
<tr>
<td>Fully diluted income (loss) per common share</td>
<td>$ 2.57</td>
<td>$ 0.93</td>
<td>$(5.77)</td>
<td>$ 2.08</td>
</tr>
</tbody>
</table>

Operating expenses for the March 1997 quarter include $52 million pretax restructuring and other non-recurring charges related to the realignment of the Company's transatlantic and European operations. (See Note 16.)

Operating expenses for the March 1996 quarter include $556 million pretax restructuring and other non-recurring charges related to the writedown of the Company's L-1011 fleet and related assets, and the continuation of the Company's Leadership 7.5 cost reduction program. Operating expenses for the June 1996 quarter include a $273 million pretax restructuring and other non-recurring charge for costs associated with a special early retirement program under which approximately 500 pilots retired during fiscal 1997. (See Note 16.)
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the
Board of Directors of Delta Air Lines, Inc.:

We have audited the accompanying consolidated balance sheets of Delta Air Lines, Inc. (a Delaware corporation) and subsidiaries as of June 30, 1997 and 1996, and the related consolidated statements of operations, cash flows and shareholders' equity for each of the three years in the period ended June 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Air Lines, Inc. and subsidiaries as of June 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1997, in conformity with generally accepted accounting principles.

As discussed in Note 10 of Notes to Consolidated Financial Statements, effective July 1, 1994, the Company changed its method of accounting for postemployment benefits.

ARTHUR ANDERSEN LLP
Atlanta, Georgia
August 15, 1997

/s/ Arthur Andersen LLP

REPORT OF MANAGEMENT

The integrity and objectivity of the information presented in this Annual Report are the responsibility of Delta management. The financial statements contained in this report have been audited by Arthur Andersen LLP, independent public accountants, whose report appears on this page.

Delta maintains a system of internal financial controls which are independently assessed on an ongoing basis through a program of internal audits. These controls include the selection and training of the Company's managers, organizational arrangements that provide a division of responsibilities, and communication programs explaining the Company's policies and standards. We believe that this system provides reasonable assurance that transactions are executed in accordance with management's authorization; that transactions are appropriately recorded to permit preparation of financial statements that, in all material respects, are presented in conformity with generally accepted accounting principles; and that assets are properly accounted for and safeguarded against loss from unauthorized use.

The Board of Directors pursues its responsibilities for these financial statements through its Audit Committee, which consists solely of directors who are neither officers nor employees of the Company. The Audit Committee meets periodically with the independent public accountants, the internal auditors and representatives of management to discuss internal accounting control, auditing and financial reporting matters.

/s/ Tom Roeck
Senior Vice President - Finance
and Chief Financial Officer

/s/ Leo Mullin
President and
Chief Executive Officer
# CONSOLIDATED SUMMARY OF OPERATIONS

For the fiscal years ended June 30

<table>
<thead>
<tr>
<th>(In Millions, Except Per Share Data)</th>
<th>1997(1)</th>
<th>1996(2)</th>
<th>1995(3)</th>
<th>1994(4)</th>
<th>1993(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$13,590</td>
<td>$12,455</td>
<td>$12,194</td>
<td>$12,077</td>
<td>$11,657</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>12,060</td>
<td>11,992</td>
<td>11,533</td>
<td>12,524</td>
<td>12,232</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>1,530</td>
<td>463</td>
<td>661</td>
<td>(447)</td>
<td>(575)</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(174)</td>
<td>(243)</td>
<td>(262)</td>
<td>(271)</td>
<td>(177)</td>
</tr>
<tr>
<td>Gain (loss) on disposition of flight equipment</td>
<td>--</td>
<td>2</td>
<td>--</td>
<td>2</td>
<td>65</td>
</tr>
<tr>
<td>Miscellaneous income, net(6)</td>
<td>59</td>
<td>54</td>
<td>95</td>
<td>56</td>
<td>36</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>1,415</td>
<td>276</td>
<td>494</td>
<td>(660)</td>
<td>(651)</td>
</tr>
<tr>
<td>Income tax benefit (provision)</td>
<td>(561)</td>
<td>(120)</td>
<td>(200)</td>
<td>250</td>
<td>23</td>
</tr>
<tr>
<td>Amortization of investment tax credits</td>
<td>--</td>
<td>1</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>854</td>
<td>156</td>
<td>294</td>
<td>(409)</td>
<td>(415)</td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>(9)</td>
<td>(82)</td>
<td>(88)</td>
<td>(110)</td>
<td>(110)</td>
</tr>
<tr>
<td>Net income (loss) attributable to common shareholders</td>
<td>$845</td>
<td>$74</td>
<td>$206</td>
<td>(519)</td>
<td>(525)</td>
</tr>
</tbody>
</table>

**Net income (loss) per common share:**

<table>
<thead>
<tr>
<th></th>
<th>1997(1)</th>
<th>1996(2)</th>
<th>1995(3)</th>
<th>1994(4)</th>
<th>1993(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>$11.30</td>
<td>$1.42</td>
<td>$4.07</td>
<td>(10.32)</td>
<td>(10.54)</td>
</tr>
<tr>
<td>Fully diluted</td>
<td>$11.01</td>
<td>$1.42</td>
<td>$4.01</td>
<td>(10.32)</td>
<td>(10.54)</td>
</tr>
<tr>
<td>Dividends declared on Common Stock</td>
<td>$0.02</td>
<td>$0.20</td>
<td>$0.20</td>
<td>$0.20</td>
<td>$0.70</td>
</tr>
<tr>
<td>Dividends declared per common share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**For the fiscal years ended June 30**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$10,837</td>
<td>$9,171</td>
<td>$8,583</td>
<td>$8,089</td>
<td>$6,915</td>
<td>$5,318</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>11,512</td>
<td>9,621</td>
<td>8,163</td>
<td>7,411</td>
<td>6,418</td>
<td>4,913</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(675)</td>
<td>(450)</td>
<td>420</td>
<td>678</td>
<td>497</td>
<td>405</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>(151)</td>
<td>(97)</td>
<td>(27)</td>
<td>(39)</td>
<td>(65)</td>
<td>(62)</td>
</tr>
<tr>
<td>Gain (loss) on disposition of flight equipment</td>
<td>35</td>
<td>17</td>
<td>18</td>
<td>17</td>
<td>(1)</td>
<td>96</td>
</tr>
<tr>
<td>Miscellaneous income, net(6)</td>
<td>5</td>
<td>30</td>
<td>57</td>
<td>55</td>
<td>25</td>
<td>8</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>(786)</td>
<td>(500)</td>
<td>468</td>
<td>711</td>
<td>456</td>
<td>447</td>
</tr>
<tr>
<td>Income tax benefit (provision)</td>
<td>271</td>
<td>163</td>
<td>(187)</td>
<td>(279)</td>
<td>(181)</td>
<td>(219)</td>
</tr>
<tr>
<td>Amortization of investment tax credits</td>
<td>9</td>
<td>13</td>
<td>22</td>
<td>29</td>
<td>32</td>
<td>36</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(506)</td>
<td>(324)</td>
<td>303</td>
<td>461</td>
<td>307</td>
<td>264</td>
</tr>
<tr>
<td>Preferred stock dividends</td>
<td>(19)</td>
<td>(19)</td>
<td>(18)</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Net income (loss) attributable to common shareholders</td>
<td>$525</td>
<td>$343</td>
<td>$285</td>
<td>$461</td>
<td>$307</td>
<td>$264</td>
</tr>
</tbody>
</table>

**Net income (loss) per common share:**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>$(10.60)</td>
<td>$(7.73)</td>
<td>5.79</td>
<td>9.37</td>
<td>6.30</td>
<td>5.90</td>
</tr>
<tr>
<td>Fully diluted</td>
<td>$(10.60)</td>
<td>$(7.73)</td>
<td>5.28</td>
<td>9.37</td>
<td>6.30</td>
<td>5.90</td>
</tr>
<tr>
<td>Dividends declared on Common Stock</td>
<td>$0.59</td>
<td>$0.54</td>
<td>$0.85</td>
<td>$0.59</td>
<td>$0.59</td>
<td>$0.44</td>
</tr>
<tr>
<td>Dividends declared per common share</td>
<td>$1.20</td>
<td>$1.20</td>
<td>$1.70</td>
<td>$1.20</td>
<td>$1.20</td>
<td>$1.00</td>
</tr>
</tbody>
</table>

**OTHER FINANCIAL AND STATISTICAL DATA**

For the fiscal years ended June 30

<table>
<thead>
<tr>
<th>(In Millions, Except Share Data)</th>
<th>1997(1)</th>
<th>1996(2)</th>
<th>1995(3)</th>
<th>1994(4)</th>
<th>1993(5)</th>
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</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$12,741</td>
<td>$12,226</td>
<td>$12,143</td>
<td>$11,896</td>
<td>$11,871</td>
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<tr>
<td>Long-term debt and capital leases (excluding current maturities)</td>
<td>$1,797</td>
<td>$2,175</td>
<td>$3,121</td>
<td>$3,228</td>
<td>$3,716</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>$3,007</td>
<td>$2,540</td>
<td>$1,827</td>
<td>$1,467</td>
<td>$1,913</td>
</tr>
<tr>
<td>Shares of Common Stock outstanding at year end</td>
<td>73,695,987</td>
<td>67,778,106</td>
<td>50,816,010</td>
<td>50,453,272</td>
<td>50,063,841</td>
</tr>
<tr>
<td>Revenue passengers enlisted (Thousands)</td>
<td>101,147</td>
<td>91,341</td>
<td>88,893</td>
<td>87,399</td>
<td>85,085</td>
</tr>
<tr>
<td>Available seat miles (Millions)</td>
<td>136,821</td>
<td>130,751</td>
<td>130,645</td>
<td>131,906</td>
<td>132,282</td>
</tr>
<tr>
<td>Revenue passenger miles (Millions)</td>
<td>97,758</td>
<td>88,673</td>
<td>86,417</td>
<td>85,268</td>
<td>82,406</td>
</tr>
<tr>
<td>Operating revenue per available seat mile</td>
<td>9.93</td>
<td>9.53</td>
<td>9.33</td>
<td>9.16</td>
<td>8.81</td>
</tr>
<tr>
<td>Passenger mile yield</td>
<td>12.79</td>
<td>13.10</td>
<td>13.10</td>
<td>13.23</td>
<td>13.23</td>
</tr>
<tr>
<td>Operating cost per available seat mile</td>
<td>8.81</td>
<td>9.17</td>
<td>8.83</td>
<td>9.49</td>
<td>9.49</td>
</tr>
<tr>
<td>Passenger load factor</td>
<td>67.82</td>
<td>66.15</td>
<td>64.64</td>
<td>62.30</td>
<td>62.30</td>
</tr>
<tr>
<td>Breakeven passenger load factor</td>
<td>62.71</td>
<td>65.12</td>
<td>62.28</td>
<td>67.21</td>
<td>65.58</td>
</tr>
<tr>
<td>Breakeven ton miles (Millions)</td>
<td>18,984</td>
<td>18,084</td>
<td>18,150</td>
<td>18,302</td>
<td>18,182</td>
</tr>
<tr>
<td>Revenue ton miles (Millions)</td>
<td>11,308</td>
<td>10,235</td>
<td>10,142</td>
<td>9,911</td>
<td>9,503</td>
</tr>
<tr>
<td>Operating cost per available ton mile</td>
<td>63.53</td>
<td>66.31</td>
<td>63.55</td>
<td>68.43</td>
<td>67.27</td>
</tr>
</tbody>
</table>
(1) Summary of operations and other financial and statistical data includes $52 million in pretax restructuring and other non-recurring charges ($0.42 primary and $0.41 fully diluted after-tax income per common share).

(2) Summary of operations and other financial and statistical data includes $829 million in pretax restructuring and other non-recurring charges ($9.71 after-tax per common share).

(3) Summary of operations and other financial and statistical data excludes $114 million after-tax cumulative effect of change in accounting standards ($2.25 primary and $1.42 fully diluted income per common share).

(4) Summary of operations and other financial and statistical data includes $526 million in pretax restructuring charges ($6.59 after-tax per common share).

(5) Summary of operations and other financial and statistical data includes $82 million pretax restructuring charge ($1.05 after-tax per common share). Summary of operations excludes $587 million after-tax cumulative effect of changes in accounting standards ($11.78 after-tax per common share).

(6) Includes interest income.
COMMON STOCK
Listed on the New York Stock Exchange under the ticker symbol DAL.

NUMBER OF SHAREHOLDERS
As of August 15, 1997, there were 22,880 registered holders of Common Stock.

MARKET PRICES AND DIVIDENDS

<table>
<thead>
<tr>
<th>Fiscal Year 1997</th>
<th>Closing Price of Common Stock on New York Stock Exchange</th>
<th>Cash Dividends Per Common Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter Ended:</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>September 30</td>
<td>$82 7/8</td>
<td>$66 7/8</td>
</tr>
<tr>
<td>December 31</td>
<td>77 1/2</td>
<td>67 3/4</td>
</tr>
<tr>
<td>March 31</td>
<td>87 3/4</td>
<td>69 1/4</td>
</tr>
<tr>
<td>June 30</td>
<td>98 1/8</td>
<td>82 5/8</td>
</tr>
</tbody>
</table>

Fiscal Year 1996

<table>
<thead>
<tr>
<th>Quarter Ended:</th>
<th>High</th>
<th>Low</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>September 30</td>
<td>$80 1/2</td>
<td>$66 1/4</td>
<td>$0.05</td>
</tr>
<tr>
<td>December 31</td>
<td>79 5/8</td>
<td>64</td>
<td>0.05</td>
</tr>
<tr>
<td>March 31</td>
<td>82</td>
<td>67 3/8</td>
<td>0.05</td>
</tr>
<tr>
<td>June 30</td>
<td>86</td>
<td>77 1/4</td>
<td>0.05</td>
</tr>
</tbody>
</table>
September 25, 1997

Delta Air Lines, Inc.
Post Office Box 20533
Atlanta, Georgia 30320-2533


Ladies and Gentlemen:

This letter is written to meet the requirements of Regulation S-K calling for a letter from a registrant's independent accountants whenever there has been a change in accounting principle or practice.

As of March 31, 1997, the Company changed the date for measuring its benefit plan assets and liabilities from June 30 to March 31 as permitted by Statements of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions," No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," and No. 112, "Employers' Accounting for Postemployment Benefits." According to the management of the Company, this change was made in order to obtain information necessary for the preparation of the financial statements on a more timely basis.

A complete coordinated set of financial and reporting standards for determining the preferability of accounting principles among acceptable alternative principles has not been established by the accounting profession. Thus, we cannot make an objective determination of whether the change in accounting described in the preceding paragraph is to a preferable method. However, we have reviewed the pertinent factors, including those related to financial reporting, in this particular case on a subjective basis, and our opinion stated below is based on our determination made in this manner.

We are of the opinion that the Company's change in method of accounting is to an acceptable alternative method of accounting, which, based upon the reasons stated for the change and our discussions with you, is also preferable under the circumstances in this particular case. In arriving at this opinion, we have relied on the business judgment and business planning of your management.

Very truly yours,

/S/ ARTHUR ANDERSEN LLP
CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our reports dated August 15, 1997 included or incorporated by reference in Delta Air Lines, Inc.'s Annual Report on Form 10-K for the year ending June 30, 1997 into the Company's previously filed Registration Statement File Nos. 2-94541, 33-30454, 33-50175, 33-52045, 33-65391, and 333-16471.

/S/ Arthur Andersen LLP
Atlanta, Georgia
September 25, 1997
POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Edwin L. Artzt
---------------------------------
Edwin L. Artzt
Director
Delta Air Lines, Inc.
EXHIBIT 24

POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Henry A. Biedenharn, III

A. Biedenharn, III
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ James L. Broadhead
James L. Broadhead
Director
Delta Air Lines, Inc.
EXHIBIT 24

POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Edward H. Budd
Edward H. Budd
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ George D. Busbee
---------------------------------
George D. Busbee
Director
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 10th day of August, 1997.

/s/ R. Eugene Cartledge
----------------------------------
R. Eugene Cartledge
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Mary Johnston Evans  
---------------------------------  
Mary Johnston Evans  
Director  
Delta Air Lines, Inc.
I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Gerald Grinstein
Gerald Grinstein
Director
Delta Air Lines, Inc.
EXHIBIT 24

POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Jesse Hill, Jr.

---------------------------------
Jesse Hill, Jr.
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Peter D. Sutherland
Peter D. Sutherland
Director
Delta Air Lines, Inc.
POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Andrew J. Young
Andrew J. Young
Director
Delta Air Lines, Inc.
I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of August, 1997.

/s/ Thomas J. Roeck, Jr.
Thomas J. Roeck, Jr.
Senior Vice President - Finance
and Chief Financial Officer
EXHIBIT 24

POWER OF ATTORNEY

I hereby constitute and appoint Maurice W. Worth, Thomas J. Roeck, Jr. and Robert S. Harkey, and each of them separately, as my true and lawful attorneys-in-fact and agents, with full power of substitution, for me and in my name, in any and all capacities, to sign on my behalf the Annual Report on Form 10-K of Delta Air Lines, Inc. for the fiscal year ended June 30, 1997, and any amendment or supplement thereto; and to file such Annual Report on Form 10-K with the Securities and Exchange Commission, the New York Stock Exchange, and any other appropriate agency pursuant to applicable laws and regulations.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of August, 1997.

/s/ Leo F. Mullin

Leo F. Mullin
President and Chief Executive Officer
and Director

Delta Air Lines, Inc.
ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM DELTA AIR LINES, INC. FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE RELATED FINANCIAL STATEMENTS.

MULTIPLIER: 1,000,000

<table>
<thead>
<tr>
<th>PERIOD TYPE</th>
<th>YEAR</th>
</tr>
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<tbody>
<tr>
<td>FISCAL YEAR END</td>
<td>JUN 30 1997</td>
</tr>
<tr>
<td>PERIOD START</td>
<td>JUL 01 1996</td>
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<tr>
<td>PERIOD END</td>
<td>JUN 30 1997</td>
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<td>CASH</td>
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<td>RECEIVABLES</td>
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<td>CURRENT ASSETS</td>
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<td>TOTAL REVENUES</td>
<td>13,590</td>
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<td>TOTAL COSTS</td>
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<tr>
<td>OTHER EXPENSES</td>
<td>(92)</td>
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<tr>
<td>LOSS PROVISION</td>
<td>30</td>
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<tr>
<td>INTEREST EXPENSE</td>
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