

DELTA AIR LINES INC /DE/  
Form DEF 14A  
April 30, 2013  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(RULE 14a-101)

**INFORMATION REQUIRED IN**

**PROXY STATEMENT**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant ☐

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to § 240.14a-12

**DELTA AIR LINES, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which the transaction applies:

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

- (2) Aggregate number of securities to which the transaction applies:
- (3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of the transaction:
- (5) Total fee paid:
- .. Fee paid previously with preliminary materials.
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**Table of Contents**

Delta Air Lines, Inc.

P.O. Box 20706

Atlanta, GA 30320

DELTA AIR LINES, INC.

**Notice of Annual Meeting**

Dear Stockholder:

On behalf of the Board of Directors, it is a pleasure to invite you to attend the 2013 Annual Meeting of Stockholders of Delta Air Lines, Inc. The meeting will be held at 7:30 a.m. Eastern Daylight Time on Thursday, June 27, 2013, at the offices of Cravath, Swaine & Moore LLP, 825 Eighth Avenue, New York, New York 10019. At the meeting, stockholders will vote on the following matters:

the election of directors for the next year;

an advisory vote on executive compensation (also known as "say on pay");

the ratification of the appointment of Ernst & Young LLP as Delta's independent auditors for the year ending December 31, 2013

one stockholder proposal (if the proposal is properly presented at the meeting); and

any other business that may properly come before the meeting.

If you were a holder of record of Delta common stock at the close of business on May 3, 2013, you will be entitled to vote at the meeting. A list of stockholders entitled to vote at the meeting will be available for examination during normal business hours for ten days before the meeting at Delta's Investor Relations Department, 1030 Delta Boulevard, Atlanta, Georgia 30354. The stockholder list will also be available at the meeting.

Because space at the meeting is limited, admission will be on a first-come, first-served basis. Stockholders without appropriate documentation may not be admitted to the meeting. If you plan to attend the meeting, please see the instructions on page 8 of the attached proxy statement. If you will need special assistance at the meeting because of a disability, please contact Investor Relations toll free at (866) 715-2170.

We encourage stockholders to sign up to receive electronically future proxy materials, including the Notice Regarding the Availability of Proxy Materials. Using electronic communication significantly reduces our printing and postage costs, and helps protect the environment. To sign up, please visit <https://enroll.icsdelivery.com/dal/Default.aspx>.

Please read our attached proxy statement carefully and submit your vote as soon as possible. Your vote is important. You can ensure that your shares are voted at the meeting by using our Internet or telephone voting system, or by completing, signing and returning a proxy card.

Sincerely,

Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Richard H. Anderson  
*Chief Executive Officer*  
Atlanta, Georgia

Daniel A. Carp  
*Chairman of the Board*

May 9, 2013

**Table of Contents**

**TABLE OF CONTENTS**

<u>PROXY STATEMENT SUMMARY</u>	1
<u>GENERAL INFORMATION</u>	5
<u>Internet Availability of Proxy Materials</u>	5
<u>Stockholders Entitled to Vote</u>	5
<u>Voting Shares of Common Stock Registered in Your Name or Held under Plans</u>	5
<u>Revoking a Proxy or Voting Instructions</u>	6
<u>Voting Shares Held in Street Name</u>	6
<u>Limitation on Brokers' Authority to Vote Shares</u>	6
<u>Quorum for the Annual Meeting</u>	7
<u>Votes Necessary to Act on Proposals</u>	7
<u>Recommendations of the Board of Directors</u>	7
<u>Presentation of Other Business at the Meeting</u>	7
<u>Attending the Meeting</u>	8
<u>GOVERNANCE MATTERS</u>	9
<u>Governance Overview</u>	9
<u>Director Independence</u>	9
<u>Directors Elected Annually; Majority Voting for Directors</u>	9
<u>Identification and Selection of Nominees for Director</u>	9
<u>Audit Committee Financial Experts</u>	10
<u>Compensation Committee Interlocks and Insider Participation</u>	10
<u>Communications with Directors</u>	10
<u>Board of Directors</u>	10
<u>Board of Directors Leadership Structure</u>	10
<u>Board Committees</u>	11
<u>Board Oversight of Risk Management</u>	13
<u>PROPOSAL 1 ELECTION OF DIRECTORS</u>	15
<u>Certain Information About Nominees</u>	15
<u>BENEFICIAL OWNERSHIP OF SECURITIES</u>	21
<u>Directors, Nominees for Director and Executive Officers</u>	21
<u>Beneficial Owners of More than 5% of Voting Stock</u>	22
<u>EXECUTIVE COMPENSATION</u>	23
<u>Compensation Discussion and Analysis</u>	23
<u>Executive Summary</u>	23
<u>Executive Compensation Philosophy and Objectives</u>	27
<u>Say on Pay Voting Results</u>	28
<u>Administration of the Executive Compensation Program</u>	28
<u>Compensation Decision Factors</u>	30
<u>Comparative Market Data; Peer Group</u>	30
<u>Elements of Compensation</u>	32
<u>Risk Assessment</u>	40
<u>Executive Compensation Policies</u>	40
<u>Compensation for Mr. Anderson</u>	41
<u>Post-Employment Compensation</u>	42

## **Table of Contents**

<u>Tax and Accounting Impact and Policy</u>	42
<u>Compensation Committee Report</u>	43
<u>Information about Summary Compensation Table and Related Matters</u>	44
<u>Summary Compensation Table</u>	44
<u>Grants of Plan-Based Awards Table</u>	47
<u>Outstanding Equity Awards at Fiscal Year-end Table</u>	49
<u>Option Exercises and Stock Vested Table</u>	50
<u>Post-Employment Compensation</u>	50
<u>Defined Benefit Pension Benefits</u>	50
<u>Pension Benefits Table</u>	51
<u>Potential Post-Employment Benefits upon Termination or Change in Control</u>	52
<u>Other Benefits</u>	53
<u>Tables Regarding Potential Post-Employment Benefits upon Termination or Change in Control</u>	55
<u>DIRECTOR COMPENSATION</u>	60
<u>Stock Ownership Guidelines</u>	60
<u>Director Compensation Table</u>	61
<u>AUDIT COMMITTEE REPORT</u>	62
<u>PROPOSAL 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	64
<u>PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS</u>	64
<u>Fees of Independent Auditors for 2012 and 2011</u>	65
<u>Pre-Approval of Audit and Non-Audit Services</u>	65
<u>PROPOSAL 4 STOCKHOLDER PROPOSAL EXECUTIVE STOCK RETENTION REQUIREMENT</u>	66
<u>OTHER MATTERS</u>	68
<u>Cost of Solicitation</u>	68
<u>Submission of Stockholder Proposals</u>	68
<u>Section 16 Beneficial Ownership Reporting Compliance</u>	69
<u>Supplemental Information about Financial Measures</u>	69

**Table of Contents****PROXY STATEMENT SUMMARY**

**Meeting:** Annual Meeting of Stockholders  
**Date:** Thursday, June 27, 2013  
**Time:** 7:30 a.m Eastern Daylight Time  
**Location:** Offices of Cravath, Swaine & Moore LLP, 825 Eighth Avenue, New York, New York 10019 (located in Midtown Manhattan between 49th and 50th Streets)  
**Record Date:** May 3, 2013  
**Voting:** Stockholders as of the record date are entitled to vote. Each outstanding share of common stock is entitled to one vote.

**Meeting Agenda and Board Recommendations**

Matter	Board Recommendation	Page Reference
<b>Management Proposals</b>		
Item 1: Election of Directors	FOR each director nominee	15
Item 2: Advisory Vote on Executive Compensation	FOR	64
Item 3: Ratification of the Appointment of Independent Auditors	FOR	64
<b>Stockholder Proposal</b>		
Item 4: Senior Executive Stock Retention Requirement	AGAINST	66

**ITEM 1. Election of Directors:** We ask you to elect 14 directors. Each of the directors listed in the chart below is standing for election to hold office until the next annual meeting of stockholders or until his or her successor is elected and qualified. The following chart provides summary information about each director nominee. Additional information may be found beginning on page 15.

Director	Age	Director Since	Occupation	Independent	Other Public Boards	Delta Committees
Richard H. Anderson	57	2007	CEO of Delta		1	n/a
Edward H. Bastian	55	2010	President of Delta		0	n/a
Roy J. Bostock	72	2008	Principal, Sealege Investments, former Chairman and CEO of McManus Group	X	1	S&S*, CG
John S. Brinzo	71	2007	Former Chairman, President and CEO of Cliffs Natural Resources	X	1	A*, P&C
Daniel A. Carp	64	2007	Former Chairman and CEO of Eastman Kodak	X	2	CG*, S&S
David G. DeWalt	48	2011	Chairman and CEO of FireEye, former President and CEO of McAfee	X	2	F, S&S
William H. Easter III	63	2012	Former President and CEO of DCP Midstream	X	1	A, CG
Mickey P. Foret	67	2008	President of Aviation Consultants, former CFO of Northwest Airlines	X	2	A, S&S
Shirley C. Franklin	67	2011	CEO of Purpose Built Communities, former Mayor of the City of Atlanta	X	1	A, P&C
David R. Goode	72	1999	Former Chairman and CEO of Norfolk Southern	X	1	P&C*, F
George N. Mattson	47	2012	Former Partner of Goldman Sachs	X	0	F, P&C
Paula Rospot Reynolds	56	2004	President and CEO of PreferWest, former President and CEO of Safeco	X	3	A, CG
Kenneth C. Rogers	52	2008	Pilot B767ER, Delta		0	F, S&S
Kenneth B. Woodrow	68	2004	Former Vice Chairman and President of Target	X	0	F*, P&C

A - Audit Committee

P&C - Personnel & Compensation Committee

CG - Corporate Governance Committee

S&S - Safety and Security Committee

F - Finance Committee

\* - Chair

**DELTA AIR LINES, INC.**

**PROXY STATEMENT SUMMARY**



---

**Table of Contents**

**PROXY STATEMENT SUMMARY**

**ITEM 2: Advisory Vote on Executive Compensation**

We ask you to approve, on an advisory basis, compensation awarded to our named executive officers. Additional information regarding executive compensation may be found in the summary section below and on page 64.

**ITEM 3: Ratification of the Appointment of Independent Auditors**

We ask you to ratify the appointment of Ernst & Young LLP as independent auditors for 2013. Additional information may be found on page 64.

**ITEM 4: Senior Executive Stock Retention Requirement**

We ask you to vote against a stockholder proposal requesting the Board of Directors adopt a stock retention policy in which senior executives would be required to retain at least seventy-five percent of net after-tax shares received through Delta's equity compensation plans until retirement age is reached or as employment is terminated. Additional information may be found beginning on page 66.

**2012 Performance Highlights**

Delta had a successful 2012, with strong financial results, continued revenue momentum, excellent operational performance, and significant improvement in network, products and services intended to make Delta the passengers' carrier of choice. Key accomplishments in 2012 include:

**Strong Financial Results\***

Excluding special items, earned net income of \$1.6 billion, a 30% increase over 2011 and Delta's third consecutive year of solid profitability.

Reduced adjusted net debt to \$11.7 billion, a \$1.2 billion reduction from 2011 and a \$5.3 billion reduction from 2009.

\* See Supplemental Information about Financial Measures at the end of this proxy statement for a reconciliation of non-GAAP financial measures to the corresponding GAAP financial measures, and the reasons we use non-GAAP financial measures. On a GAAP basis for 2012, net income was \$1.0 billion; and debt and capital lease obligations were \$12.7 billion. Our Annual Report on Form 10-K for 2012 is available at [www.delta.com/content/dam/delta-www/pdfs/about-financial/DeltaAirLines\\_10K\\_2012.pdf](http://www.delta.com/content/dam/delta-www/pdfs/about-financial/DeltaAirLines_10K_2012.pdf) but is not incorporated into this Proxy Statement.

---

**Table of Contents**

**PROXY STATEMENT SUMMARY**

**Continued Revenue Momentum**

Expanded operating revenue by \$1.6 billion to \$36.7 billion, a 4% increase over 2011.

Grew unit revenue 7% and generated a unit revenue premium to the industry for the second year in a row.

**Excellent Operating Performance**

Significantly improved operating performance in 2012 compared to 2011, resulting in an on-time arrival rate of 87%, a flight completion factor of 99.5%, a 25% reduction in lost baggage claims, and a 40% decline in Department of Transportation customer complaints.

**Executive Compensation Program**

Pay for performance is the foundation of our executive compensation philosophy, as the following highlights reflect:

Under our pay for performance philosophy, our executive compensation program places a substantial portion of total compensation at risk (*i.e.*, value received is contingent upon Delta's financial, operational and stock performance), emphasizing variable over fixed compensation. Ninety-four percent of Delta's Chief Executive Officer's compensation for 2012 was at risk. Eighty-one percent of Mr. Anderson's total compensation is concentrated in equity-based opportunities and his cash-based compensation (basic salary and annual bonus) is below the 25<sup>th</sup> percentile of Delta's custom peer group.

Our annual and long-term incentive plans utilize stretch financial, operational and customer service-related performance goals to drive Delta's business strategy, deliver value to our stockholders and align the interests of management with frontline employees.

We continue to focus on long-term compensation opportunities, with the Personnel & Compensation Committee of the Board of Directors increasing the duration of all performance-based awards granted under future long-term incentive plans to three years beginning in 2013, compared to two years in 2012. For further information see the Compensation Discussion and Analysis section of the proxy statement under Elements of Compensation Long-Term Incentives.

We do not provide any supplemental executive retirement plans to our executive officers. They participate in the same on-going retirement plans as our frontline employees.

**Table of Contents**

**PROXY STATEMENT SUMMARY**

**Governance Highlights**

Delta believes sound governance practices are essential to enhance long-term value for our stockholders. We regularly assess our governance practices, and highlights include:

Independent chairman

Directors elected annually

Majority voting for directors in uncontested elections

11 of 14 director-nominees are independent

Executive sessions at regularly scheduled Board of Directors and Board Committee meetings

Active Board oversight of risk management

Regular succession planning

All members of the Audit Committee of the Board of Directors are designated financial experts under the rules of the Securities and Exchange Commission

Stock ownership guidelines for directors and executive officers

Anti-hedging and anti-pledging policy for all employees and Board members

No stockholder rights plan (poison pill) or super majority voting

Annual advisory vote to approve executive compensation

Commitment to sustainability (inclusion in Dow Jones Sustainability Index)

Regular outreach to institutional stockholders

Clawback policy

No employment contracts, supplemental executive retirement plans, company cars or other significant perquisites

**PROXY STATEMENT SUMMARY**

4

**DELTA AIR LINES, INC.**

## **Table of Contents**

### **GENERAL INFORMATION**

#### **Internet Availability of Proxy Materials**

Under rules adopted by the Securities and Exchange Commission ( SEC ), we are furnishing proxy materials (including our 2012 Form 10-K) to our stockholders on the Internet, rather than mailing paper copies to each stockholder. If you received a Notice Regarding the Availability of Proxy Materials (the Notice ) by U.S. or electronic mail, you will not receive a paper copy of these proxy materials unless you request one. Instead, the Notice tells you how to access and review the proxy materials and vote your shares on the Internet. If you would like to receive a paper copy of our proxy materials free of charge, please follow the instructions in the Notice. The Notice will be distributed to our stockholders beginning on or about May 9, 2013.

#### **Stockholders Entitled to Vote**

The Board of Directors set May 3, 2013 as the record date for determining the stockholders entitled to notice of and to vote at the annual meeting. On April 26, 2013, 856,545,174 shares of Delta common stock, par value \$0.0001 per share, were outstanding. Delta expects the number of outstanding shares will not materially change as of the record date. The common stock is the only class of securities entitled to vote at the meeting. Each outstanding share entitles its holder to one vote.

#### **Voting Shares of Common Stock Registered in Your Name or Held under Plans**

The control number you receive in your Notice covers shares of common stock in any of the following forms:

common stock registered in your name ( registered shares );

common stock held in your account under the Delta Pilots Savings Plan ( Pilot Plan );

common stock allocated to your account under the Delta Family-Care Savings Plan ( Savings Plan ); or

unvested restricted common stock granted under the Delta Air Lines, Inc. 2007 Performance Compensation Plan.

Your submission of voting instructions for registered shares results in the appointment of a proxy to vote those shares. In contrast, your submission of voting instructions for common stock held in your Pilot Plan account or allocated to your Savings Plan account, or for unvested restricted common stock granted under the Delta Air Lines, Inc. 2007 Performance Compensation Plan, instructs the applicable plan trustee or administrator how to vote those shares, but does not result in the appointment of a proxy. You may submit your voting instructions regarding all shares covered by the same control number before the meeting by using our Internet or telephone system or by completing and returning a proxy card, as described below:

***Voting by the Internet or Telephone.*** You may vote using the Internet or telephone by following the instructions in the Notice to access the proxy materials, and then following the instructions provided to allow you to record your vote. After accessing the proxy materials, to vote by telephone, call 1-800-690-6903 or to vote by the Internet, go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions. The Internet and telephone voting procedures are designed to authenticate votes cast by using a personal identification number. These procedures enable stockholders to confirm their instructions have been properly recorded.

***Voting by Proxy Card.*** If you obtained a paper copy of our proxy materials, you may also vote by signing, dating and returning your instructions on the proxy card in the enclosed postage-paid envelope. Please sign the proxy card exactly as your name appears on the card. If shares are owned jointly, each joint owner should sign the proxy card. If a stockholder is a corporation or partnership, the proxy card should be signed in the full corporate or partnership name by a duly authorized person. If the proxy card is signed

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

pursuant to a power of attorney or by an executor, administrator, trustee or guardian, please state the signer's full title and provide a certificate or other proof of appointment.

**DELTA AIR LINES, INC.**

**5**

**GENERAL INFORMATION**

## **Table of Contents**

**To be effective, instructions regarding shares held in your Pilot Plan account or allocated to your Savings Plan account must be received by 5:00 p.m. EDT on June 25, 2013. Instructions regarding registered shares or unvested restricted common stock must be received by 5:00 p.m. EDT on June 26, 2013.**

You may also vote registered shares by attending the annual meeting and voting in person by ballot; this will revoke any proxy you previously submitted.

Please note that you may not vote your shares of unvested restricted common stock, or shares held in your Pilot Plan account or allocated to your Savings Plan account, in person at the meeting. If you do not submit voting instructions in a timely manner regarding shares of unvested restricted common stock, or shares held in your Pilot Plan account or allocated to your Savings Plan account, they will not be voted.

All properly submitted voting instructions, whether submitted by the Internet, telephone or U.S. mail, will be voted at the annual meeting according to the instructions given, provided they are received prior to the applicable deadlines described above. All properly submitted proxy cards not containing specific instructions will be voted in accordance with the Board of Directors' recommendations set forth on page 7. The members of Delta's Board of Directors designated to vote the proxies returned pursuant to this solicitation are Richard H. Anderson, Roy J. Bostock and Daniel A. Carp.

### **Revoking a Proxy or Voting Instructions**

If you hold registered shares, unvested restricted common stock, or shares in your Pilot Plan account or allocated to your Savings Plan account, you may revoke your proxy or voting instructions prior to the meeting by:

providing written notice to Delta's Legal Department at Delta Air Lines, Inc., Dept. No. 981, 1030 Delta Blvd., Atlanta, Georgia 30354, Attention: Assistant Corporate Secretary; or

submitting later-dated instructions by the Internet, telephone or U.S. mail.

**To be effective, revocation of instructions regarding shares held in your Pilot Plan account or allocated to your Savings Plan account must be received by 5:00 p.m. EDT on June 25, 2013. Revocation of instructions regarding registered shares or unvested restricted common stock must be received by 5:00 p.m. EDT on June 26, 2013.**

You may also revoke your proxy covering registered shares by attending the annual meeting and voting in person by ballot. Attending the meeting will not, by itself, revoke a proxy. Please note that you may not vote your shares of unvested restricted common stock, or shares held in your Pilot Plan account or allocated to your Savings Plan account, in person at the meeting.

### **Voting Shares Held in Street Name**

If your shares are held in the name of a broker, bank or other record holder (that is, in street name), please refer to the instructions provided by the record holder regarding how to vote your shares or to revoke your voting instructions. You may also obtain a proxy from the record holder permitting you to vote in person at the annual meeting. Without a proxy from the record holder, you may not vote shares held in street name by returning a proxy card or by voting in person at the annual meeting. **If you hold your shares in street name, it is critical that you provide instructions to, or obtain a proxy from, the record holder if you want your shares to count in the election of directors (Proposal 1), the advisory vote on executive compensation (Proposal 2), and the stockholder proposal (Proposal 4).** As described in the next section of this proxy statement, regulations prohibit your bank or broker from voting your shares in the election of directors (Proposal 1) and Proposals 2 and 4 if you do not provide voting instructions.

### **Limitation on Brokers' Authority to Vote Shares**

Under New York Stock Exchange (NYSE) rules, brokerage firms may vote in their discretion on certain matters on behalf of clients who do not provide voting instructions at least 15 days before the date of the annual meeting. Generally, brokerage firms may vote to ratify the appointment of independent auditors and on other discretionary items, but brokers are not permitted to vote your shares for the election of directors.





## **Table of Contents**

(Proposal 1) and Proposals 2 and 4 unless you provide voting instructions. Accordingly, if your shares are held in a brokerage account and you do not return voting instructions to your broker by its deadline, your shares may be voted by your broker on Proposal 3, but not the other proposals described in this proxy statement. Broker non-votes will not be considered in connection with non-discretionary items. *Therefore, we urge you to give voting instructions to your broker on all proposals.*

### **Quorum for the Annual Meeting**

The quorum at the annual meeting will consist of a majority of the votes entitled to be cast by the holders of all shares of common stock that are outstanding and entitled to vote. Abstentions from voting and broker non-votes, if any, will be counted in determining whether a quorum is present. The meeting will not commence if a quorum is not present.

### **Votes Necessary to Act on Proposals**

At an annual meeting at which a quorum is present, the following votes will be necessary on each of the proposals:

Each director shall be elected by the vote of a majority of the votes cast with respect to the director. For purposes of this vote, a majority of the votes cast means that the number of shares voted for a director must exceed 50% of the votes with respect to that director (excluding abstentions).

The advisory vote to approve executive compensation (say on pay) requires the affirmative vote of the majority of shares present and entitled to vote at the meeting. Abstentions have the same effect as votes against the proposal. Even though the outcome of the vote is advisory and therefore will not be binding on Delta, the Personnel & Compensation Committee of the Board of Directors will review and consider the voting results when making future decisions regarding executive compensation.

Ratification of the appointment of Ernst & Young LLP as independent auditors for the year ending December 31, 2013 requires the affirmative vote of the majority of shares present and entitled to vote at the meeting. Abstentions have the same effect as votes against the proposal.

Approval of the stockholder proposal described in this proxy statement requires the affirmative vote of the majority of shares present and entitled to vote. Abstentions have the same effect as votes against the proposal.

Broker non-votes, if any, will be handled as described under Limitation on Brokers' Authority to Vote Shares.

### **Recommendations of the Board of Directors**

The Board of Directors recommends that you vote:

FOR the election of the director-nominees named in this proxy statement;

FOR the approval, on an advisory basis, of the compensation of Delta's named executive officers;

FOR the ratification of the appointment of Ernst & Young LLP as Delta's independent auditors for the year ending December 31, 2013; and

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

AGAINST the stockholder proposal described in this proxy statement.

All properly submitted proxy cards not containing specific instructions will be voted in accordance with the Board's recommendations.

### **Presentation of Other Business at the Meeting**

Delta is not aware of any business to be transacted at the annual meeting other than as described in this proxy statement. If any other item or proposal properly comes before the meeting (including, but not limited to, a proposal to adjourn the meeting in order to solicit votes in favor of any proposal contained in this proxy statement), the proxies received will be voted at the discretion of the directors designated to vote the proxies.

**DELTA AIR LINES, INC.**

7

**GENERAL INFORMATION**

## **Table of Contents**

### **Attending the Meeting**

To attend the annual meeting, you will need to show you are either a Delta stockholder as of the record date, or hold a valid proxy from such a Delta stockholder.

If your shares are registered in street name, or are held in your Pilot Plan account or your Savings Plan account, please bring evidence of your stock ownership, such as your most recent account statement.

If you own unvested restricted common stock, please bring your Delta-issued identification card; we will have a list of the holders of unvested restricted common stock at the meeting.

All stockholders should also bring valid picture identification; employees may use their Delta-issued identification card. If you do not have valid picture identification and proof that you own Delta stock, you may not be admitted to the meeting.

**GENERAL INFORMATION**

**8**

**DELTA AIR LINES, INC.**

## **Table of Contents**

### **GOVERNANCE MATTERS**

#### **Governance Overview**

Delta believes that sound governance practices are essential to enhance long term value for our stockholders. We operate under governance practices that are transparent and consistent with best practices.

You may view the charters of the Audit, Corporate Governance, Finance, Personnel & Compensation and Safety and Security Committees, the Certificate of Incorporation, the Bylaws, Delta's corporate governance principles, our codes of ethics and business conduct, and our director independence standards on our Corporate Governance website at [www.delta.com/about\\_delta/investor\\_relations/corporate\\_governance/index.jsp](http://www.delta.com/about_delta/investor_relations/corporate_governance/index.jsp). You may obtain a copy of these materials by contacting Delta's Assistant Corporate Secretary.

#### **Director Independence**

##### ***Independence of Audit, Corporate Governance, and Personnel & Compensation Committee Members***

For many years, Delta's Board of Directors has been composed of a substantial majority of independent directors. Delta's Board established the Audit Committee, the Corporate Governance Committee, the Finance Committee, the Personnel & Compensation Committee and the Safety and Security Committee to focus on particular Board responsibilities.

The Board of Directors has affirmatively determined that all current directors are independent under the NYSE listing standards and Delta's director independence standards, except Messrs. Anderson and Bastian are not independent because each is an executive officer of Delta, and Mr. Rogers is not independent because he is a Delta pilot. In making these independence determinations, the Board of Directors considered information submitted by the directors in response to questionnaires, information obtained from Delta's internal records and advice from counsel.

The Audit, Corporate Governance and Personnel & Compensation Committees consist entirely of non-employee directors who are independent, as defined in the NYSE listing standards and Delta's director independence standards. The members of the Audit Committee also satisfy the additional independence requirements set forth in rules under the Securities Exchange Act of 1934 and each member is an Audit Committee Financial Expert.

#### **Directors Elected Annually; Majority Voting for Directors**

Delta's Certificate of Incorporation and Bylaws provide that all directors are elected annually. Under the Bylaws, a director in an uncontested election is elected by a majority of votes cast (excluding abstentions) at a stockholder meeting at which a quorum is present. In an election for directors where the number of nominees exceeds the number of directors to be elected a contested election the directors would be elected by the vote of a plurality of the shares represented at the meeting and entitled to vote on the matter.

#### **Identification and Selection of Nominees for Director**

The Corporate Governance Committee recommends to the Board of Directors nominees for election to the Board who have the skills and experience to assist management in the operation of Delta's business. In accordance with Delta's corporate governance principles, the Corporate Governance Committee and the Board of Directors assess potential nominees (including incumbent directors) based on factors such as the individual's business experience, character, judgment, diversity of experience, international background and other matters relevant to the Board's needs and objectives at the particular time. Independence, financial literacy and the ability to devote significant time to Board activities and to the enhancement of the nominee's knowledge of Delta's business are also factors considered for Board membership. The Corporate Governance Committee from time to time may retain third-party search firms to assist in identifying potential Board members.

The Corporate Governance Committee evaluates potential nominees suggested by stockholders on the same basis as all other potential nominees. To recommend a potential nominee, you may:

e-mail [Directors.Nonmgmt@delta.com](mailto:Directors.Nonmgmt@delta.com) or



## **Table of Contents**

send a letter addressed to Delta's Legal Department at Delta Air Lines, Inc., Dept. No. 981, 1030 Delta Blvd., Atlanta, Georgia 30354, Attention: Assistant Corporate Secretary.

Each potential nominee is reviewed and screened by the Corporate Governance Committee, which decides whether to recommend a candidate for consideration by the full Board.

### **Audit Committee Financial Experts**

The Board of Directors has designated Mr. Brinzo, Mr. Easter, Mr. Foret, Ms. Franklin and Ms. Reynolds as Audit Committee Financial Experts.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of the Personnel & Compensation Committee is a former or current officer or employee of Delta or has any interlocking relationships as set forth in applicable SEC rules.

### **Communications with Directors**

Stockholders and other interested parties may communicate with our non-management directors by sending an e-mail to Directors.Nonmgmt@delta.com. We have established a link to this address on our Investor Relations website. Communications with directors may also be mailed to Delta's Legal Department at the address listed above. All communications will be sent directly to the non-executive Chairman of the Board, as representative of the non-management directors, other than communications pertaining to customer service, human resources, accounting, auditing, internal control and financial reporting matters. Communications regarding customer service and human resources matters will be forwarded for handling by the appropriate Delta department. Communications regarding accounting, auditing, internal control and financial reporting matters will be brought to the attention of the Chairman of the Audit Committee.

### **Board of Directors**

During 2012, the Board of Directors met twelve times. Each director who served on the Board during 2012 attended at least 75% of the meetings of the Board of Directors and the committees on which he or she served held during his or her tenure on the Board. It is the Board's policy that directors should attend the annual meeting. All of Delta's directors attended the annual meeting in 2012.

The Board holds regularly scheduled executive sessions without the Chief Executive Officer or any other inside director. Mr. Carp, who serves as the non-executive Chairman of the Board, presides at these executive sessions. In his role as Chairman of the Board, Mr. Carp's responsibilities also include those described below under Board of Directors Leadership Structure.

### **Board of Directors Leadership Structure**

Because we believe operating pursuant to sound governance practices benefits the long-term interests of our stockholders, since 2003 we have chosen to elect an independent, non-executive chairman separate from our CEO. Governance commentators, proxy voting advisory firms, and institutional stockholders generally conclude the separation of the two roles is a best practice. We believe the non-executive Chairman of the Board plays an important governance leadership role that enhances long-term stockholder value. His responsibilities include:

chairing meetings of non-management directors (executive sessions)

presiding at the Annual Stockholders Meeting

briefing the CEO on issues raised in executive sessions

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

in collaboration with the Corporate Governance Committee of the Board, committee chairs and CEO, scheduling Board meetings, setting Board agendas and strategic discussions and providing a review of pre-meeting materials delivered to directors

**GOVERNANCE MATTERS**

10

**DELTA AIR LINES, INC.**

## **Table of Contents**

overseeing Board, committee and senior management evaluations and succession planning

managing the Board's oversight of risks

recommending appropriate governance policies and practices

overseeing the avoidance of conflicts of interests

recommending Board committee and committee chair assignments

facilitating director discussions inside and outside the Board room, managing the relationship between the CEO and the Board, consulting with the CEO and serving as a counterweight as appropriate

overseeing the process for selecting new Board members

calling meetings of the Board and stockholders

chairing the Corporate Governance Committee

conducting/overseeing the annual evaluation of the Committees and the Board

carrying out other duties requested by the CEO and the Board as a whole.

Governance commentators, proxy advisory firms and institutional stockholders advise companies without a separation of the CEO and chairman to elect a lead director having the very same specific responsibilities as our non-executive chairman listed above. The goal of both the non-executive chairman and the lead director is the same – to provide engaged directors with the appropriate resources and structure to enhance stockholder value, without delegating all responsibilities to the CEO.

## **Board Committees**

The Board of Directors has established the following committees to assist it in discharging its responsibilities:

### ***Audit Committee***

The Audit Committee members are Mr. Brinzo, *Chairman*, Mr. Easter, Mr. Foret, Ms. Franklin and Ms. Reynolds. The Committee met nine times in 2012. Among other matters, the Committee:

Appoints (subject to stockholder ratification) our independent auditors



## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Represents and assists the Board in its oversight of:

the integrity of our financial statements

legal and regulatory matters, including compliance with applicable laws and regulations

our independent auditors' qualifications, independence and performance

the performance of our internal audit department

Reviews audits and other work product of the independent auditors and internal audit department

Discusses the adequacy and effectiveness of our internal control over financial reporting

Oversees our compliance with procedures and processes pertaining to corporate ethics and standards of business conduct

Reviews and, if appropriate, approves or ratifies:

possible conflicts of interest involving members of the Board or executive officers

transactions that would be subject to disclosure under Item 404 of SEC Regulation S-K

**DELTA AIR LINES, INC.**

11

**GOVERNANCE MATTERS**

## **Table of Contents**

Considers complaints concerning accounting, auditing, internal control and financial reporting matters

Reviews the enterprise risk management process by which management identifies, assesses and manages Delta's exposure to risk; discusses major risk exposures with management; apprises the Board of Directors of risk exposures and management's actions to monitor and manage risk; and reviews the company's insurance programs

focuses on tone at the top and chooses key topics, such as accounting judgments, for detailed review

### ***Corporate Governance Committee***

The Corporate Governance Committee members are Mr. Carp, *Chairman*, Mr. Bostock, Mr. Easter and Ms. Reynolds. The Committee met five times in 2012. Among other matters, the Committee:

Leads the search and recruiting process for new outside directors and identifies and recommends qualified individuals to the Board of Directors for nomination as directors; considers stockholder nominations of candidates for election as directors

Considers, develops and makes recommendations to the Board regarding matters related to corporate governance, including:

governance standards

qualifications and eligibility requirements for Board members, including director independence standards

the Board's size, composition, organization and processes

the type, function, size and membership of Board committees

evaluation of the Board's performance

legal and regulatory changes in corporate governance

### ***Finance Committee***

The Finance Committee members are Mr. Woodrow, *Chairman*, Mr. DeWalt, Mr. Goode, Mr. Mattson and Mr. Rogers. The Committee met ten times in 2012. Among other matters, the Committee:

Reviews and makes recommendations, where appropriate, to the Board regarding:

financial planning and financial structure

financings and guarantees

capital expenditures, including fleet acquisition

annual and longer-term operating plans

capital structure, including issuances and repurchases of capital stock and other securities

risk management practices and policies concerning investments and hedging, both financial and non-financial, including swaps

balance sheet strategies

derivatives management, fuel hedging and oversight of Delta's oil and fuel management

Approves commitments, capital expenditures and debt financings and re-financings, subject to certain limits

***Personnel & Compensation Committee***

The Personnel & Compensation Committee members are Mr. Goode, *Chairman*, Mr. Brinzo, Ms. Franklin, Mr. Mattson and Mr. Woodrow. The Committee met six times in 2012. Among other matters, the Committee:

Establishes general compensation philosophy and oversees the development and implementation of compensation programs

## **Table of Contents**

Performs an annual performance evaluation of the Chief Executive Officer and determines and approves the Chief Executive Officer's compensation

Reviews and approves compensation programs for executive officers and recommends to the Board the compensation of non-employee directors

Reviews and approves regularly the management succession plan

Makes recommendations to the Board regarding election of officers

Selects, retains, terminates and approves fees of compensation advisors to the Committee

### ***Safety and Security Committee***

The Safety and Security Committee members are Mr. Bostock, *Chairman*, Mr. Rogers, *Vice Chairman*, Mr. Carp, Mr. DeWalt and Mr. Foret. The Committee met five times in 2012. Among other matters, the Committee:

Oversees and consults with management regarding customer, employee and aircraft operating safety and security, including related goals, performance and initiatives by:

reviewing current and proposed safety and security-related programs, policies and compliance matters, including with respect to information technology

reviewing matters with a material effect on Delta's flight safety operations and security

establishing and approving annual safety and security goals

reviewing the safety and security programs and performance of the Delta Connection carriers

reviewing and making recommendations regarding cyber security matters

### **Board Oversight of Risk Management**

The Board of Directors has ultimate responsibility to oversee Delta's enterprise risk management program (ERM). The Board discusses risk throughout the year, particularly when reviewing operating and strategic plans and when considering specific actions for approval. Depending on the nature of the risk, the responsibility for oversight of selected risks may be delegated to appropriate Committees of the Board of Directors, with material findings reported to the full Board. Delegations of risk oversight by the Board include:

The Audit Committee reviews the ERM framework at the enterprise level; reviews management's process for identifying, managing and assessing risk; and oversees the management of risks related to the integrity of the consolidated financial statements, internal control over financial reporting, the internal audit function and related matters.

The Finance Committee oversees the management of risks related to aircraft fuel price and fuel hedging; foreign currency and interest rate hedging; Delta's financial condition and capital structure; its financing, acquisition and investment transactions and related matters.

The Personnel & Compensation Committee reviews management succession planning and Delta's executive compensation program.

The Corporate Governance Committee reviews Board of Directors' succession planning and Delta's corporate governance matters.

The Safety and Security Committee oversees the management of risks related to customer, employee, aircraft and airport operating safety and security and information technology safety and security.

The Board of Directors receives reports from the Committee Chairmen at regularly scheduled bi-monthly Board meetings. Management reports to the Board and the Committees with oversight of specific risks concerning matters such as compliance with regulations, business strategies, proposed changes in laws and regulations and any other matter deemed appropriate by the Board or the Committees.

**DELTA AIR LINES, INC.**

13

**GOVERNANCE MATTERS**

## **Table of Contents**

Under Delta's ERM process, management is responsible for setting risk tolerance levels; defining organizational responsibilities for risk management; determining the significant risks to Delta; developing risk mitigation and management strategies, based on Delta's risk tolerance levels; and monitoring the business to determine that risk mitigation activities are in place and operating. Management periodically updates its assessment of risks to Delta as emerging risks are identified.

Delta's internal audit function, which is lead by the Vice President – Corporate Audit and Enterprise Risk Management, is responsible for supporting and coordinating management's ERM process and activities; documenting risk assessments using a consistent approach; identifying and validating controls to mitigate risk; and reporting on results of risk evaluations. The Vice President – Corporate Audit and Enterprise Risk Management reports to the Audit Committee quarterly regarding ERM activities.

The Board of Directors believes that Delta's leadership structure, combined with the roles of the Board and its Committees, provides the appropriate leadership for effective risk oversight.

**Table of Contents****PROPOSAL 1 ELECTION OF DIRECTORS**

All Delta Directors are elected annually. At the annual meeting, each director will be elected by the vote of a majority of the votes cast. This means the number of votes cast for a director must exceed 50% of the votes with respect to that director (excluding abstentions). Each director elected will hold office until the next annual meeting of stockholders and the election of his or her successor.

Delta's Bylaws provide that any director not elected by a majority of the votes cast at the annual meeting must offer to tender his or her resignation to the Board of Directors. The Corporate Governance Committee will make a recommendation to the Board of Directors whether to accept the resignation. The Board of Directors will consider the recommendation and publicly disclose its decision within 90 days after the certification of the election results.

**The Board of Directors recommends a vote FOR the following nominees:**

(1) Richard H. Anderson	(8) Mickey P. Foret
(2) Edward H. Bastian	(9) Shirley C. Franklin
(3) Roy J. Bostock	(10) David R. Goode
(4) John S. Brinzo	(11) George N. Mattson
(5) Daniel A. Carp	(12) Paula Rospot Reynolds
(6) David G. DeWalt	(13) Kenneth C. Rogers
(7) William H. Easter III	(14) Kenneth B. Woodrow

All of the nominees are currently serving on the Board of Directors. The Board of Directors believes each nominee for director will be able to stand for election. If any nominee becomes unable to stand for election, the Board may name a substitute nominee or reduce the number of directors. If a substitute nominee is chosen, the directors designated to vote the proxies will vote FOR the substitute nominee.

In 2008, Delta, the Air Line Pilots Association, International, the collective bargaining representative for Delta pilots (ALPA), and the Delta Master Executive Council, the governing body of the Delta unit of ALPA (Delta MEC), entered into an agreement whereby Delta agreed (1) to cause the election to the Board of Directors of a Delta pilot designated by the Delta MEC who is not a member or officer of the Delta MEC or an officer of ALPA (Pilot Nominee); (2) at any meeting of stockholders at which the Pilot Nominee is subject to election, to re-nominate the Pilot Nominee, or nominate another qualified Delta pilot designated by the Delta MEC, to be elected to the Board of Directors, and to use its reasonable best efforts to cause such person to be elected to the Board; and (3) in the event of the death, disability, resignation, removal or failure to be elected of the Pilot Nominee, to elect promptly to the Board a replacement Pilot Nominee designated by the Delta MEC to fill the resulting vacancy. Pursuant to this provision, Mr. Rogers was elected to the Board of Directors by the Board in 2008, and by the stockholders in 2009, 2010, 2011 and 2012.

Mr. Rogers' compensation as a Delta pilot is determined under the collective bargaining agreement between Delta and ALPA. During 2012, Mr. Rogers received \$262,214 in compensation (which includes: \$218,931 in flight earnings, \$11,081 in shared rewards/profit sharing and \$32,202 in Delta contributions to defined contribution plans) as a Delta pilot. Mr. Rogers is not separately compensated for his service as a director.

**Certain Information About Nominees**

Delta believes each nominee has a reputation for integrity, honesty and adherence to high ethical standards; demonstrated business acumen and the exercise of sound judgment; and a track record of service as a leader in business or governmental settings. Delta also believes it is important for directors and nominees for director to have experience in one or more of the following areas:

Chief executive or member of senior management of a large public or private company or in a leadership position in a governmental setting

Airline or other transportation industry experience





## Table of Contents

Marketing experience

Financial and/or accounting experience

Risk management experience

Energy industry experience

International experience

Expertise in information technology

Board member of a large public or private company

The Board of Directors fixed the size of the Board at fourteen members effective at the annual meeting. The following section provides information about each nominee for director, including the experience that led the Board of Directors to conclude the nominee should serve as a director of Delta.

### ***Richard H. Anderson***

Age 57

Joined Delta's Board April 30, 2007

Mr. Anderson has been Chief Executive Officer of Delta since 2007.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Anderson should serve as a director include Mr. Anderson's experience serving as the Chief Executive Officer of Delta and Northwest Airlines, Inc. and over 20 years of business and operational experience in the airline industry. He has also served as a senior executive of a Fortune 20 healthcare company, as well as on the board of directors of public companies other than Delta.

**Directorships:** Medtronic, Inc.; Cargill, Inc.

**Affiliations:** Member, Board of Airlines for America; Chair-elect, Board of International Air Transport Association; Chair-elect, Board of Metro Atlanta Chamber.

### ***Edward H. Bastian***

Age 55

Joined Delta's Board February 5, 2010

Mr. Bastian has been President of Delta since 2007. He was President of Delta and Chief Executive Officer of Northwest Airlines, Inc. from 2008 to 2009. Mr. Bastian was President and Chief Financial Officer of Delta from 2007 to 2008; Executive Vice President and Chief Financial Officer of Delta from 2005 to 2007; Chief Financial Officer of Acuity Brands from June 2005 to July 2005; Senior Vice President Finance and Controller of Delta from 2000 to 2005 and Vice President and Controller of Delta from 1998 to 2000.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Bastian should serve as a director include Mr. Bastian's over 10 years experience as a Delta executive, including serving as Delta's President, Delta's Chief Restructuring Officer

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

during its Chapter 11 bankruptcy proceeding and Northwest Airlines, Inc.'s Chief Executive Officer after the merger. Mr. Bastian's accounting and finance background provides financial and strategic expertise to the Board of Directors.

**Affiliations:** Member, Board of Habitat for Humanity International; Member, Board of Woodruff Arts Center

***Roy J. Bostock***

Age 72

Joined Delta's Board October 29, 2008

Mr. Bostock has served as non-executive Vice Chairman of Delta's Board of Directors since 2008 and was Chairman of the Board of Yahoo! Inc. from 2008-2012. He has also served as a principal of Sealedge Investments, LLC, a diversified private investment company, since 2002.

Mr. Bostock was Chairman of B/Com3 from 2000 to 2002, and Chairman and Chief Executive Officer of the McManus Group from 1996 to 2000. Prior to 1996, Mr. Bostock served in a variety of senior executive positions in the advertising agency business, including Chairman and Chief Executive Officer of D'Arcy Masius Benton & Bowles, Inc. from 1990 to 1996.

## Table of Contents

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Bostock should serve as a director include the business and marketing expertise that Mr. Bostock brings to the Board of Directors, having served in senior executive positions in the advertising industry for many years. He also served on boards of directors of public companies in the airline, financial services and the internet services industry, including as Chairman of the board of two companies. Mr. Bostock has experience as a member of the governance committees of two boards of directors of public companies, other than Delta, and serves on a risk committee of the board at one public company.

**Committees:** Safety and Security (Chairman); Corporate Governance

**Directorships:** Morgan Stanley; Northwest Airlines Corporation (2005-2008); Yahoo! Inc. (2003-2012)

**Affiliations:** Director, past Chairman, The Partnership for a Drug-Free America

**John S. Brinzo** Age 71 Joined Delta's Board April 30, 2007  
Mr. Brinzo was Chairman of the Board of Directors of Cliffs Natural Resources, Inc. (formerly known as Cleveland-Cliffs Inc.), from 2000 until his retirement in 2007. He also served as President and Chief Executive Officer of Cliffs Natural Resources, Inc. from 1997 until 2005, and as Chairman and Chief Executive Officer from 2000 until his retirement as Chief Executive Officer in 2006, and as Chairman in 2007.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Brinzo should serve as a director include Mr. Brinzo's service as the Chairman, Chief Executive Officer and Chief Financial Officer of a public company, where his career spanned more than 35 years, as well as his extensive background in finance and his experience serving on the audit committees of the boards of directors of three other public companies.

**Committees:** Audit (Chairman); Personnel & Compensation

**Directorships:** AK Steel Holding Corporation; Brink's Home Security Holdings, Inc. (2008-2010); Alpha Natural Resources, Inc. (2006-2009); The Brinks Company (2005-2008)

**Affiliations:** Trustee, Kent State University Endowment Foundation

**Daniel A. Carp** Age 64 Joined Delta's Board April 30, 2007  
Mr. Carp has served as non-executive Chairman of Delta's Board of Directors since 2007. He was Chief Executive Officer and Chairman of the Board of Eastman Kodak Company from 2000 to 2005. Mr. Carp was President of Eastman Kodak Company from 1997 to 2003.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Carp should serve as a director include Mr. Carp's substantial business experience as Chairman and Chief Executive Officer of a multinational public company in the consumer goods and services sector, where he was employed for over 35 years. As a member of the board of directors of large public companies other than Delta, Mr. Carp served on the audit, compensation, finance and governance committees.

**Committees:** Corporate Governance (Chairman); Safety and Security

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

**Directorships:** Norfolk Southern Corporation; Texas Instruments Inc.; Liz Claiborne Inc. (2006-2009)

***David G. DeWalt***

Age 48

Joined Delta's Board November 22, 2011

Mr. DeWalt has been the Chief Executive Officer of FireEye, Inc., a global network cyber security company, since November 2012 and Chairman of its board since June 2012. Mr. DeWalt was President and Chief Executive Officer of McAfee, Inc. a security technology company, from 2007 until 2011 when McAfee, Inc. was acquired by Intel Corporation. From 2003 to 2007, Mr. DeWalt held executive positions with EMC Corporation, a provider of information infrastructure technology and solutions, including serving as Executive Vice President and President-Customer Operations and Content Management Software.

DELTA AIR LINES, INC.

17

PROPOSAL 1 ELECTION OF DIRECTORS

---

**Table of Contents**

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. DeWalt should serve as a director include Mr. DeWalt's substantial expertise in the information technology security industry and his strategic and operational experience as Chief Executive Officer of McAfee, Inc. As a member of the board of directors of public companies other than Delta, Mr. DeWalt served as Chairman of the Board and on the audit and compensation committees.

**Committees:** Finance; Safety and Security

**Directorships:** Jive Software, Inc.; Polycom Inc.

**Affiliations:** National Security & Technology Advisory Committee

***William H. Easter III*** Age 63 Joined Delta's Board December 3, 2012  
Mr. Easter was chairman, president and CEO of DCP Midstream LLC (formerly Duke Energy Field Services, LLC) from 2004 until his retirement in 2008. During Mr. Easter's 30 year career at ConocoPhillips, he served as Vice President of State Government Affairs from 2002 to 2004 and as General Manager of the Gulf Coast Refining, Marketing and Transportation Business Unit from 1998 to 2002. Since his retirement from DCP Midstream, LLC, Mr. Easter has been involved in private investments.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Easter should serve as a director include his 30-year career in natural gas, crude oil and refined product supply, transportation, refining and marketing for ConocoPhillips. Mr. Easter has experience as a member of the board of directors of other public companies where he served on the audit, corporate governance and compensation committees.

**Committees:** Audit; Corporate Governance

**Directorships:** Concho Resources, Inc.; Sunoco, Inc. (2011-2012)

**Affiliations:** Member, Board of Memorial Hermann Hospital System, Houston, Texas

***Mickey P. Foret*** Age 67 Joined Delta's Board October 29, 2008  
Mr. Foret has served as President of Aviation Consultants LLC since 2002. He was Executive Vice President and Chief Financial Officer of Northwest Airlines, Inc. from 1998 to 2002, and also served as Chairman and Chief Executive Officer of Northwest Cargo from 1999 to 2002. Mr. Foret served as President and Chief Operating Officer of Atlas Air, Inc. from 1996 to 1997, and as Executive Vice President and Chief Financial Officer of Northwest Airlines, Inc. from 1993 to 1996.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Foret should serve as a director include Mr. Foret's experience in the airline industry, where he held numerous senior executive positions for over 35 years, particularly in the finance area. He served as Chief Financial Officer of Northwest Airlines, Inc. for seven years. Mr. Foret has also served on the audit, compensation, finance and governance committees of the board of directors of other public companies.

**Committees:** Audit; Safety and Security

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

**Directorships:** Nash Finch Company; URS Corporation; ADC Telecommunications, Inc. (2003-2010); Northwest Airlines Corporation (2007-2008).

***Shirley C. Franklin***

Age 67

Joined Delta's Board July 20, 2011

Ms. Franklin has been Chair of the Board and Chief Executive Officer of Purpose Built Communities, Inc., a national non-profit organization established to transform struggling neighborhoods into sustainable communities, since 2011. Ms. Franklin also currently serves as a visiting professor at the University of Texas, LBJ School of Public Affairs. From 2010 to 2011, Ms. Franklin was on the faculty of Spelman College. Ms. Franklin served as Mayor of the city of Atlanta from 2002 to 2010.

**PROPOSAL 1 ELECTION OF DIRECTORS**

18

**DELTA AIR LINES, INC.**

## Table of Contents

**Experience:** The qualifications that led the Board of Directors to conclude that Ms. Franklin should serve as a director include Ms. Franklin's extensive executive leadership experience, business experience and financial expertise. She has over 38 years of leadership experience in various positions in city government and other organizations, including her eight years as Mayor of Atlanta. She also served on the audit and environment and health committees of a board of directors of a public company other than Delta.

**Committees:** Audit; Personnel & Compensation

**Directorships:** Mueller Water Products, Inc.

**Affiliations:** Atlanta Regional Commission on Homelessness (Co-Chair); National Center for Civil and Human Rights (Co-Chair); United Way of Metropolitan Atlanta

**David R. Goode** Age 72 Joined Delta's Board April 22, 1999  
Mr. Goode was Chairman of the Board of Norfolk Southern Corporation from 1992 until his retirement in 2006; Chairman and Chief Executive Officer of that company from 2004 through 2005; and Chairman, President and Chief Executive Officer of that company from 1992 to 2005. He held other executive officer positions with Norfolk Southern Corporation from 1985 to 1992.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Goode should serve as a director include Mr. Goode's over 25 years experience in the transportation industry, including many years as Chairman, Chief Executive Officer and President of a large public railroad company. As a member of the board of directors of other public companies, Mr. Goode served on compensation committees, and he is a member of a leadership group focused on executive compensation.

**Committees:** Personnel & Compensation (Chairman); Finance

**Directorships:** Caterpillar Inc.; Texas Instruments Inc. (1996-2011)

**Affiliations:** Member, The Business Council

**George N. Mattson** Age 47 Joined Delta's Board October 1, 2012  
Mr. Mattson was a partner and co-head of the Global Industrials Group in Investment Banking at Goldman, Sachs & Co. from 2002 – August 2012, where he served in a variety of positions from 1994 to 2002. Mr. Mattson was an Associate at Credit Suisse First Boston from 1993 to 1994, and he held various sales and marketing positions at IBM from 1987 to 1993.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Mattson should serve as a director include Mr. Mattson's experience in the areas of mergers and acquisitions, corporate finance and capital markets. In addition, Mr. Mattson has knowledge of the airline industry and other global industries acquired during his 18 years at Goldman, Sachs & Co., including as co-head of the Global Industrials Group in Investment Banking, which had responsibility for a diverse set of industry sectors, including companies in the transportation industry.

**Committees:** Personnel & Compensation; Finance

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

**Directorships:** None

**Affiliations:** Member, Board of The Boys Club of New York; Member, Board of Visitors of the Pratt School of Engineering at Duke University

***Paula Rosput Reynolds***

Age 56

Joined Delta's Board August 17, 2004

Ms. Reynolds has been President and Chief Executive Officer of PreferWest, LLC, a business advisory group, since 2009. She was Vice Chairman and Chief Restructuring Officer of American International Group, Inc. from

DELTA AIR LINES, INC.

19

PROPOSAL 1 ELECTION OF DIRECTORS



## **Table of Contents**

October 2008 to September 2009, the period that followed the U.S. government's acquisition of ownership of that company. She served as President and Chief Executive Officer of Safeco Corporation from 2006 to 2008 when Safeco was acquired by another company. Ms. Reynolds was Chairman of AGL Resources from 2002 to 2005, and President and Chief Executive Officer from 2000 to 2005. She was President and Chief Operating Officer of Atlanta Gas Light Company, a wholly-owned subsidiary of AGL Resources, from 1998 to 2000.

**Experience:** The qualifications that led the Board of Directors to conclude that Ms. Reynolds should serve as a director include Ms. Reynolds' significant experience as Vice Chairman of a large public company and as Chairman and Chief Executive Officer of two other large public companies, including a public utility. In these roles, she has experience in risk management and energy trading. As a member of the boards of directors of public companies other than Delta, Ms. Reynolds served on the audit, executive, finance and governance committees.

**Committees:** Audit; Corporate Governance

**Directorships:** Anadarko Petroleum Corporation; BAE Systems, Inc.; TransCanada Corporation; Safeco (2006-2008)

***Kenneth C. Rogers*** Age 52 Joined Delta's Board April 14, 2008  
Mr. Rogers has been a Delta pilot since 1990 and is currently a pilot of a Boeing 767ER aircraft. He served as a nonvoting associate member of Delta's Board of Directors, designated by the Delta MEC, from 2005 to 2008. Mr. Rogers was a pilot in the United States Air Force from 1983 to 1990. Mr. Rogers was designated by the Delta MEC as the Pilot Nominee and was elected to the Board in 2008, 2009, 2010, 2011 and 2012.

**Experience:** As a pilot designated by the Delta MEC to serve on the Board of Directors, Mr. Rogers provides a unique perspective into the airline industry and related labor relations matters.

**Committees:** Safety and Security (Vice Chairman); Finance

***Kenneth B. Woodrow*** Age 68 Joined Delta's Board July 1, 2004  
Mr. Woodrow was Vice Chairman of Target Corporation from 1999 until his retirement in December 2000. He served as President of Target Corporation from 1994 until 1999 and held other management positions in that company from 1971 until 1994.

**Experience:** The qualifications that led the Board of Directors to conclude that Mr. Woodrow should serve as a director include Mr. Woodrow's nearly 30 years of experience in marketing, operations and finance at a public company with a large number of general merchandise retail stores throughout the United States. Mr. Woodrow held positions during that time that included Vice Chairman, President and Chief Financial Officer. Mr. Woodrow has experience as a member of the board of directors of another public company where he served on the audit, finance and governance committees.

**Committees:** Finance (Chairman); Personnel & Compensation

**Directorships:** Visteon Corporation (2004-2010)

**Table of Contents****BENEFICIAL OWNERSHIP OF SECURITIES****Directors, Nominees for Director and Executive Officers**

The following table sets forth the number of shares of Delta common stock beneficially owned as of April 26, 2013, by each director and director-nominee, each person named in the Summary Compensation Table in this proxy statement, and all directors and executive officers as a group. Unless otherwise indicated by footnote, the owner exercises sole voting and investment power over the shares.

<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership(1)</b>
<b>Directors:</b>	
Mr. Anderson	3,706,238(2)
Mr. Bastian	1,584,572(2)
Mr. Bostock	66,284(2)
Mr. Brinzo	49,183
Mr. Carp	54,113
Mr. DeWalt	27,010
Mr. Easter	16,960
Mr. Foret	59,088(2)
Ms. Franklin	25,960
Mr. Goode	59,183
Mr. Mattson	11,950
Ms. Reynolds	59,183
Mr. Rogers	4,159
Mr. Woodrow	74,183
<b>Named Executive Officers:</b>	
Mr. Gorman	1,410,035(2)
Mr. Hauenstein	1,047,984(2)
Mr. Jacobson	502,817(2)
Mr. Halter	222,886(2)
Directors and Executive Officers as a Group (21 Persons)	10,707,462(2)

- (1) No person listed in the table beneficially owned 1% or more of the outstanding shares of common stock. The directors and executive officers as a group beneficially owned 1.3% of the 856,545,174 shares of common stock outstanding on April 26, 2013.
- (2) Includes the following number of shares of common stock which a director or executive officer has the right to acquire upon the exercise of stock options that were exercisable as of April 26, 2013, or that will become exercisable within 60 days after that date:

<b>Name</b>	<b>Number of Shares</b>
Mr. Anderson	2,016,850
Mr. Bastian	1,117,170
Mr. Bostock	9,146
Mr. Foret	9,146
Mr. Gorman	922,280
Mr. Hauenstein	724,100
Mr. Jacobson	241,100
Mr. Halter	63,000
Directors & Executive Officers as a Group	6,035,915

## **Table of Contents**

### **Beneficial Owners of More than 5% of Voting Stock**

The following table provides information about each entity known to Delta to be the beneficial owner of more than five percent of Delta's outstanding common stock.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percentage of Class on April 26, 2013</b>
Janus Capital Management LLC 151 Detroit Street Denver, CO 80206	46,251,609(1)	5.40%
Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	65,618,325(2)	7.66%

- (1) Based on an Amendment to Schedule 13G filed February 14, 2013, in which Janus Capital Management LLC reported that, as of December 31, 2012, it had sole voting and sole dispositive power over 45,360,983 of these shares, and shared voting and shared dispositive power over 890,626 of these shares.
- (2) Based on an Amendment to Schedule 13G filed February 14, 2013, in which Wellington Management Company, LLP reported that, as of December 31, 2012, it had sole voting and sole dispositive power over none of these shares, shared voting power over 49,080,835 of these shares and shared dispositive power over all 65,618,325 of these shares.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This section of the proxy statement provides an overview and analysis of our executive compensation program. It discusses our executive compensation philosophy and objectives, the administration of the executive compensation program, and the material elements of the program. It also reviews the actions taken by the Personnel & Compensation Committee of the Board of Directors (the P&C Committee) in 2012 and the compensation of our named executive officers, who were:

Richard H. Anderson Chief Executive Officer

Edward H. Bastian President

Stephen E. Gorman Executive Vice President & Chief Operating Officer

Glen W. Hauenstein Executive Vice President Marketing, Network Planning & Revenue Management

Paul A. Jacobson Senior Vice President & Chief Financial Officer

Compensation for our former Senior Vice President & Chief Financial Officer, Samuel H. Halter, is also included in this proxy statement, as required by the rules of the Securities and Exchange Commission. He served in this position until March 1, 2012 and remained with the company until his separation on April 1, 2012.

**Executive Summary**

**Our performance in 2012.** Delta had a successful 2012, with strong financial results, continued revenue momentum, excellent operational performance, and significant improvement in network, products and services. The following key accomplishments in 2012 helped make Delta the carrier of choice for passengers and position the company for further success in 2013:

**Strong financial results\***

Excluding special items, earned net income of \$1.6 billion, a 30% increase over 2011 and Delta's third consecutive year of solid profitability.

Reduced adjusted net debt to \$11.7 billion, a \$1.2 billion reduction from 2011 and a \$5.3 billion reduction from 2009. The company expects to reach \$10 billion in adjusted net debt by 2013.

Generated an 11% return on invested capital, the third year in a row we have had returns in excess of our cost of capital.

**Continued revenue momentum**

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Expanded operating revenue by \$1.6 billion to \$36.7 billion, a 4% increase over 2011.

Grew unit revenue 7% and generated a unit revenue premium relative to the industry for the second year in a row.

### **Excellent operating performance**

Significantly improved operating performance, resulting in an on-time arrival rate of 87%, a flight completion factor of 99.5%, a 25% reduction in lost baggage claims, and a 40% decline in Department of Transportation ( DOT ) customer complaints.

Based on DOT measures, these results put Delta at the top of the industry in operational reliability and customer service for major network carriers.

\* See Supplemental Information about Financial Measures at the end of this proxy statement for a reconciliation of non-GAAP financial measures to the corresponding GAAP financial measures, and the reasons we use non-GAAP financial measures. On a GAAP basis for 2012, net income was \$1.0 billion and debt and capital lease obligations were \$12.7 billion.

DELTA AIR LINES, INC.

23

EXECUTIVE COMPENSATION

## **Table of Contents**

### **Targeted investments in network, product and services**

Expanded Delta's presence in New York's LaGuardia Airport; renovated and improved LaGuardia's Terminal D; and built a connection to Terminal C to facilitate passenger connections.

Improved onboard offerings with enhanced personal on-demand entertainment and the new Economy Comfort product.

Inaugurated the state-of-the-art Maynard H. Jackson Jr. International Terminal at Atlanta's Hartsfield-Jackson International Airport.

Launched a new delta.com website, which enhances Delta's ability to generate additional merchandising revenues.

Acquired the Trainer refinery in Pennsylvania to address Delta's largest expense—fuel. The refinery production, combined with strategic buy-sell agreements, is expected to meet much of Delta's domestic fuel needs.

Strengthened our network position through an alliance and planned investment in Virgin Atlantic Airways that will give Delta an increased presence at London's Heathrow Airport.

### **Other company highlights**

Over the last five years, paid over \$1 billion to our employees under the company's broad-based profit sharing and shared rewards programs and continued other investments maintaining industry standard pay and competitive benefits programs.

Received recognition from leading organizations and publications, including being named *Fortune's* Most Admired Airline; won 33 airline industry awards sweeping the major corporate travel surveys, including *Business Travel News*, *Travel Weekly*, *TravelAge West*, *Recommend Magazine*, and *The Beat*.

Received the Secretary of Defense Employer Support Freedom Award, the Defense Department's highest recognition, which is given to employers for exceptional support of Guard and Reserve employees.

Demonstrating our commitment to sustainability, we have been included in the Dow Jones Sustainability Index for the last two years.

**Our Employee Commitment.** Delta's employees are critical to the company's success. Our strong financial, operational and customer service results in 2012 would not have been possible without the dedication and determination of our employees. During 2012, we continued our commitment to promoting a culture of open, honest and direct communications, making Delta a great place to work, and building an environment that encourages diversity, integrity and respect. Key actions in 2012 include:

Paying \$372 million under Delta's broad-based profit sharing program (the Profit Sharing Program) in recognition of the achievements of our employees in meeting Delta's financial targets for the year, providing each eligible employee with a payout of 6.67% of eligible earnings.

Awarding \$91 million under Delta's broad-based shared rewards program (the Shared Rewards Program), based on the hard work of our employees in meeting on-time arrival, baggage handling and flight completion factor performance goals during 2012.

Contributing over \$1.1 billion to Delta's broad-based defined contribution and defined benefit retirement plans.

Implementing base salary increases for our U.S.-based frontline and merit employees in July 2012 and January 2013.

Investing over \$7.5 billion in our people, which includes salaries, pension funding, health insurance, 401(k) contributions, Profit Sharing Program, Shared Rewards Program, life insurance, disability and survivor benefits, travel benefits and training.

**EXECUTIVE COMPENSATION**

24

**DELTA AIR LINES, INC.**

## **Table of Contents**

**Pay for performance.** Pay for performance is the foundation of our executive compensation philosophy. Our executive compensation program places a substantial portion of total compensation for 2012 at risk: 94% of our Chief Executive Officer's ( CEO ) and 84% of our other named executive officers' total compensation. Furthermore, the majority of total compensation is paid in the form of Delta stock, which, together with our stock ownership guidelines, aligns the interests of management to those of the stockholders. We believe our stockholders recognize this alignment as shown by the significant approval of our executive compensation program through an advisory vote at our 2012 annual meeting.

### **2012 Compensation Mix (at target)**

\* Represents At-Risk Compensation

The P&C Committee sets stretch performance goals under our annual and long-term incentive plans to drive Delta's business strategy and to deliver value to our stockholders. Consistent with these principles:

The vast majority of the compensation opportunity for our executive officers is earned contingent upon Delta's achieving its financial, operational and customer services goals, stock price performance, and the officer's continued employment with the company.

Based on our strong performance in 2012, we paid out 189.6% of target under our annual incentive plan and 165.1% of target under our 2011 long-term incentive plan.

The P&C Committee designs our incentive plans to closely align the interests of management with frontline employees by using many of the same financial and operational performance measures in both our executive and broad-based employee compensation programs. If there is no payout under Delta's broad-based employee Profit Sharing Program for the year:

There will be no payment under the annual incentive plan's financial performance measure.

Any payment to executive officers for other performance measures may not exceed the target level;

All payments will be made in restricted stock rather than in cash, which will not vest until there is a subsequent profit sharing payment.

The Profit Sharing Program paid out a record \$372 million for 2012.



## **Table of Contents**

**2012 Compensation Decisions.** The following changes were made to our executive compensation program in 2012 to provide competitive compensation to our executive officers:

The P&C Committee approved base salary increases for our named executive officers effective August 1, 2012. For Mr. Anderson, this was the first salary increase he received since he joined Delta as CEO in September 2007. The P&C Committee also approved increases in target award opportunities under the annual and long-term incentive plans for each named executive officer, including the CEO, to continue our emphasis on providing at-risk compensation opportunities and to improve overall market competitiveness.

Annual incentive plan design changes for 2012 include:

Transferring customer service- and revenue-focused performance metrics between our annual and long-term incentive plans to better align those metrics under the time horizons necessary to achieve successful results.

Introducing a new performance measure: total revenue per available seat mile ( TRASM ) (to replace the customer service performance measure used in last year's plan), which is a key measure of our revenue performance compared to other airlines.

Reallocating the weightings among the plan's performance measures to create equal emphasis on operational and revenue measures.

Long-term incentive plan design changes for 2012 include:

Replacing the cumulative revenue growth performance metric with a customer service metric for the performance awards component of the long-term incentive plan to recognize the critical importance of customer experience to achieving our long-term business strategies.

Introducing performance-based stock options as a component of the CEO's and President's long-term incentive plan award. This new component, designed to vest over a three-year period, further aligns their interests with those of the stockholders.

The P&C Committee approved increasing the duration of all performance-based awards granted under future long-term incentive plans from two years to three years, effective with awards granted in 2013.

The P&C Committee adopted a restoration long-term disability plan that provides non-pilot employees eligible for long-term disability benefits under the company's broad-based disability plan, including executive officers, a cash payment equal to the amount of benefits that cannot be paid under such plan because of certain statutory compensation limits. These payments will only be made if an employee has a qualifying disability.

**Corporate governance and compensation initiatives.** Our executive compensation program reflects corporate governance policies and compensation practices that are transparent, consistent with best practices and aligned with the interests of our stockholders, customers and employees. In 2012, Delta revised its insider trading policy to:

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Expand to all employees and clarify its anti-hedging policy prohibitions related to transactions in short-term or highly leveraged transactions; and

Prohibit employees from holding Delta securities in a margin account or otherwise pledging Delta securities as collateral for a loan.

**EXECUTIVE COMPENSATION**

26

**DELTA AIR LINES, INC.**

## **Table of Contents**

This policy change supplements the executive compensation practices we consider instrumental in driving company performance while mitigating risk, as well as practices we avoid, as illustrated in the following chart:

<i><b>Corporate Governance Policies and Other Practices:</b></i>	<i><b>Compensation Programs <u>Not Offered</u>:</b></i>
Compensation clawback policy applicable to all officers	Excise tax reimbursement for payments made in connection with a change in control
Stock ownership guidelines for executive officers and directors	Tax reimbursement for several officer benefits, including supplemental life insurance and home security services
Equity award grant policy that establishes objective, standardized criteria for the timing of the grant of equity awards	Loss on sale on residence relocation protection for named executive officers
Double trigger vesting of incentive awards upon a change in control	Employment contracts
Anti-hedging and anti-pledging policy	Supplemental executive retirement plans, company cars, club memberships, private jet travel for personal use or other significant perquisites
Equity compensation policy that prohibits repricing or cash buyouts of stock options and stock appreciation rights and requires a one-year minimum vesting for performance based awards	
Full disclosure of incentive plan performance measures	
Engagement with institutional investors regarding our executive compensation program	

### ***Executive Compensation Philosophy and Objectives***

Our executive compensation philosophy and objectives are directly related to our business strategy. In 2012, our primary business goals included positioning Delta as our customers' global airline of choice, maximizing revenue through core and ancillary businesses, aligning capacity with demand, innovating methods to manage fuel costs, such as improving the fuel efficiency of our fleet and vertical integration of a refinery into Delta's fuel supply chain, and continuing to manage costs and delivering industry-leading financial and operational results.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

To achieve these goals, the P&C Committee continued the executive compensation philosophy and objectives from the previous year, concluding this approach remained important to deliver value to stockholders, customers and employees. Our principle objectives are to promote a pay for performance culture which:

Places a substantial majority of total compensation at risk and utilizes stretch performance measures that provide incentives to deliver value to our stockholders. As discussed below, the payout opportunities for executive officers under our annual and long-term incentive plans depend on Delta's financial, operational and customer service performance as well as the price of our common stock.

Closely aligns the interests of management with frontline employees by using many of the same performance measures in both our executive and broad-based compensation programs. Consistent with this objective, the goals that drive payouts to frontline employees under our broad-based Profit Sharing and Shared Rewards Programs are some of the metrics included in our annual incentive plan.

Provides compensation opportunities that assist in motivating and retaining existing talent and attracting new talent to Delta when needed.

DELTA AIR LINES, INC.

27

EXECUTIVE COMPENSATION

## **Table of Contents**

### ***Say on Pay Voting Results***

At our 2012 annual meeting, we asked stockholders for a non-binding advisory vote to approve the 2011 compensation of our named executive officers as disclosed in the prior year's proxy statement, which we referred to as a "say on pay" advisory vote.

The holders of 99.2% of the shares represented and entitled to vote at the 2012 annual meeting voted for approval of the compensation of our named executive officers. We believe our stockholders confirmed our executive compensation philosophy, policies and programs. The P&C Committee took these results into account by continuing to emphasize our pay for performance philosophy by utilizing stretch performance measures that provide incentives to deliver value to our stockholders.

### ***Administration of the Executive Compensation Program***

The following table summarizes the roles and responsibilities of the key participants related to the executive compensation program.

<b>Key Participants</b>	<b>Role and Responsibilities</b>
<b><i>P&amp;C Committee</i></b>	<p>The P&amp;C Committee oversees the development of, reviews and approves the executive compensation program. In this role, the P&amp;C Committee:</p> <ul style="list-style-type: none"> <li>Approves Delta's executive compensation philosophy and objectives</li> <li>Ensures that Delta's executive compensation program is designed to link pay with company performance</li> <li>Selects the peer group used to assess the executive compensation program</li> <li>Determines the design and terms of the annual and long-term incentive compensation plans</li> <li>Establishes the compensation of the CEO and other executive officers</li> <li>Performs an annual evaluation of the CEO</li> <li>Approves management succession planning</li> </ul>

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Operates under a written charter that requires the P&C Committee to consist of three or more directors. Each member must:

be independent under NYSE rules and Delta's independence standards

qualify as a non-employee director under SEC rules

be an outside director under Section 162(m) of the Internal Revenue Code

Meets regularly in executive session without management

EXECUTIVE COMPENSATION

28

DELTA AIR LINES, INC.

**Table of Contents**

Key Participants	Role and Responsibilities
<i>Compensation Consultant</i>	<p>In 2012, the P&amp;C Committee retained Frederic W. Cook &amp; Co. ( Cook ) as its executive compensation consultant. In this role, Cook:</p> <p>Provided advice regarding:</p> <p>Delta's executive compensation strategy and programs</p> <p>the compensation of the CEO and other executive officers</p> <p>the selection of the peer group used to assess the executive compensation program</p> <p>general compensation program design</p> <p>the impact of regulatory, tax, and legislative changes on Delta's executive compensation program</p> <p>executive compensation trends and best practices</p> <p>the compensation practices of competitors</p> <p>Meets regularly with the P&amp;C Committee in executive session without management</p> <p>Provides no other services to Delta</p> <p>May work directly with management on behalf of the P&amp;C Committee but this work is always under the control and supervision of the P&amp;C Committee</p>

The P&C Committee considered Cook's advice when determining executive compensation plan design and award levels in 2012.

**Management**

Under the supervision of the P&C Committee, Delta's human resources department is responsible for the ongoing administration of the executive compensation program.

The Executive Vice President-HR & Labor Relations and his staff serve the P&C Committee and, in cooperation with the compensation consultant, prepare proposed compensation programs and policies for review by the P&C Committee at the request of the P&C Committee and the CEO

The following individuals also are involved in the administration of our executive compensation program:

The CEO makes recommendations to the P&C Committee regarding the compensation of executive officers other than himself

The Chief Financial Officer and his staff evaluate the financial implications of executive compensation proposals and financial performance measures in incentive compensation arrangements

The General Counsel and his staff evaluate the legal implications of executive compensation proposals and prepare plan and program documents

The Vice President - Corporate Audit and Enterprise Risk Management confirms the proposed payouts to executive officers under our annual and long-term incentive plans are calculated correctly and comply with the terms of the applicable performance-based plan



---

**Table of Contents**

***Compensation Decision Factors***

The P&C Committee considers a number of factors, including competitive market data, internal equity, role and responsibilities, business and industry conditions and individual experience and performance in determining executive compensation. When making compensation decisions, the P&C Committee also reviews compensation tally sheets prepared by the compensation consultant. The tally sheets detail the total compensation and benefits for each executive officer, including the compensation and benefits the officer would receive under hypothetical termination of employment scenarios.

***Competitive Market Data; Peer Group***

In 2011, the P&C Committee modified the peer group it uses for executive compensation purposes to reflect Delta's increased size, complexity, global presence and business. This custom peer group consists of four major U.S. airlines and eighteen other companies with revenue and other business characteristics similar to Delta in the hotel/leisure, transportation/distribution, machinery/aerospace/defense, and retail industries. The industries selected have aspects of operations that are similar to Delta. In expanding the peer group beyond the airline industry, the P&C Committee had considered the ongoing merger activity in the industry and recognized that the number of comparably-sized airlines is too small to provide stable and reliable market data for executive compensation purposes. In addition, Delta competes for management talent with companies both inside and outside the airline industry, and the other major airlines use broader industry peer groups to assess their executive compensation programs. The P&C Committee continued to be satisfied with the composition of the custom peer group and made no changes to it in 2012.

**EXECUTIVE COMPENSATION**

**30**

**DELTA AIR LINES, INC.**

**Table of Contents**

The companies in the custom peer group are:

Company Name	Revenue <sup>1</sup> (\$)	Market Capitalization <sup>2</sup> (\$)	International Operations as Percentage of Revenue <sup>3</sup> (%)
<b>Airlines</b>			
American Airlines, Inc.	24,855	267	40
Southwest Airlines Co./AirTran Airways	17,088	7,557	N/A
United Continental Holdings, Inc.	37,152	7,772	43
US Airways, Inc.	13,831	2,193	25
<b>Hotel/Leisure</b>			
Carnival Corporation	15,382	21,859	48
Marriott International, Inc.	11,814	11,760	16
<b>Transportation/Distribution</b>			
The Coca-Cola Company	48,017	162,587	59
FedEx Corporation	43,471	28,842	30
Norfolk Southern Corporation	11,040	19,544	N/A
PepsiCo, Inc.	65,492	105,851	42
Sysco Corporation	43,434	18,610	11
Union Pacific Corporation	20,926	59,138	9
United Parcel Service, Inc.	54,127	53,349	25
<b>Machinery/Aerospace/Defense</b>			
The Boeing Company	81,698	56,827	54
Honeywell International Inc.	37,655	49,721	41
L-3 Communications Corporation	13,146	7,207	15
Textron Inc.	12,237	6,986	38
United Technologies Corporation	57,708	75,166	44
<b>Retail</b>			
Best Buy Co., Inc.	49,540	3,990	26
The Home Depot, Inc.	72,522	92,477	11
Lowe's Companies, Inc.	51,104	39,949	N/A
Target Corporation	71,863	38,507	N/A
75th Percentile	53,371	55,958	43
<b>Median</b>	<b>40,549</b>	<b>25,351</b>	<b>34</b>
25th Percentile	15,809	7,611	18
<b>Delta Air Lines</b>	<b>36,670</b>	<b>10,095</b>	<b>35</b>

Source: Standard & Poors Research Insight®

(1) Last 12 months from most recent quarter ending on or before December 31, 2012. In millions.

(2) As of December 31, 2012. In millions.

(3) As of the most recent fiscal year end. N/A indicates either data was not available or no significant foreign revenues were reported.



**Table of Contents**

We believe peer group data should be used as a point of reference, not as the sole factor in our executive officers' compensation. In general, the P&C Committee's objective is to bring target total direct compensation opportunities to the custom peer group median, with individual variation based on the individual's role within Delta, performance and experience. Delta does not have a specific compensation target for each element of compensation, but historically has emphasized long-term incentive opportunities over base salaries, which are a fixed cost.

When compared to these businesses, Delta's total compensation opportunities in 2012 for named executive officers are generally at the median. As stated above, the P&C Committee uses this data as a point of reference, not as the determining factor in setting compensation.

**Elements of Compensation**

Compensation elements for our executive officers include:

Component	Objective	Characteristics
<b>Base Salary</b>	Provides a fixed amount of cash compensation for performing day-to-day functions based on level of responsibility, experience and individual performance	Most companies target base salary at market median; however, the base salaries of our executive officers are significantly below the median of base salaries of those in our peer group
<b>Annual Incentive Plan</b>	Rewards short-term financial, operational and revenue performance	There is no set schedule for base salary increases. Base salary increases are periodically provided based on competitive concerns or in connection with an increase in responsibilities
	Aligns with the broad based Profit Sharing and Shared Rewards Programs in which our employees participate	Annual incentive awards for our executive officers are based on objective, pre-established performance criteria that aligns with corporate business strategy
		Award targets are set as a percentage of base salaries
		Award payment amounts will be limited if no profit sharing is paid to Delta employees; plus any amounts payable to executive officers will be paid in restricted stock (rather than in cash) with restrictions that do not lapse until a profit sharing payment is made (with certain exceptions)

## Table of Contents

### ***Long-Term Incentive Plan***

Rewards long-term company performance based on internal performance goals and those relative to airline peers

Except for the CEO and President, awards are provided through equal portions of performance awards and restricted stock

Aligns with interests of stockholders

Performance awards are earned based on achievement of objective, pre-established performance measures, including average annual operating income margin, customer service and return on invested capital over a two-year performance period payable to executive officers in stock (for awards granted in 2013 and beyond, this performance period will increase to three-years)

Facilitates executive officer stock ownership

Encourages retention of our management employees

Restricted stock is subject to a two-year vesting period (for awards granted in 2013 and beyond, this performance period will increase to three-years)

In addition to performance awards and restricted stock, awards to the CEO and President also include performance stock options which vest ratably over three years upon the achievement of performance measures linked to the overall performance of the long-term incentive plans

### ***Benefits***

Attracts and retains highly qualified executives with competitive benefit plans

Participation in health, welfare and retirement benefit plans on the same terms as all Delta employees

Certain additional benefits are provided to our executive officers, such as financial planning and supplemental life insurance coverage

As shown previously in the compensation mix charts on page 25, at-risk compensation is the largest portion of the total compensation opportunity for the CEO and the other named executive officers. The P&C Committee believes this is the appropriate approach for aligning the interests of our named executive officers and stockholders.

**Base Salary.** The base salaries of our executive officers are significantly below the median of similarly situated executives at companies in our custom peer group as described above. In recognition of this and the accomplishments of our executive officers, the P&C Committee, based on the CEO's recommendations for executive officers other than himself and input from the compensation consultant, approved base salary increases

**Table of Contents**

for executive officers, effective as of August 1, 2012, as follows: Mr. Anderson \$725,000; Mr. Bastian \$575,000; Mr. Gorman \$525,000; Mr. Hauenstein \$450,000; and Mr. Jacobson \$450,000.

These increases coincided with base salary increases made to our U.S.-based frontline and merit employees in July 2012 and January 2013. They were the first such increases for our named executive officers (other than in connection with increased job responsibilities) in three years, except for Mr. Anderson, whose base salary had not changed since he joined Delta as CEO in September 2007. Even with these increases, the base salaries of our executive officers remain significantly below the median of the custom peer group.

**Annual Incentives.** The 2012 Management Incentive Plan (the 2012 MIP) links pay and performance by providing approximately 2,200 management employees with a compensation opportunity based on Delta's achieving key business plan goals in 2012 (which includes the same goals for the CEO, executive officers and substantially all management employees). It also aligns the interests of Delta management and employees because the goals that drive payouts under Delta's broad-based Profit Sharing and Shared Rewards Programs are some of the metrics included in the 2012 MIP.

The 2012 MIP annual incentive opportunity for executive officers is based on Delta's performance in the following areas:

Performance Category	Weighting	Performance Measure	Performance Measure Objectives	Characteristics
<b>Financial</b>	50%	Delta's 2012 pre-tax income* based on 2012 business plan targets approved by the Board of Directors as part of the Annual Operating Plan	Measures Delta's profitability  Aligns executive incentives with Profit Sharing Program	Same measure used in the Profit Sharing Program for Delta employees  No payment may be made for this performance metric unless there is a payout for 2012 under the Profit Sharing Program
<b>Operational</b>	25%	Number of monthly goals met under Shared Rewards Program (75% weighting)	Supports strategic focus on operational performance and therefore customer experience	Same measure used in the Shared Rewards Program for Delta employees
		Number of monthly goals met by Delta Connection Carriers (25% weighting)	Aligns executive incentives with Shared Rewards Program	Measures operational performance against internal goals and DOT rankings among other airlines

## Table of Contents

<b>Revenue</b>	25%	Achievement of Total Revenue per Available Seat Mile ( TRASM ) goals year-over-year relative to an Industry Group average TRASM for the same period	Supports strategic focus on profitable growth in revenue	Reflects capacity discipline and successful implementation of 2012 revenue growth initiatives, including growth of Delta s ancillary businesses
----------------	-----	---	--	---

Payment of this revenue performance measure will not be less than target level if the financial performance measure equals or exceeds the maximum level

\* Pre-tax income as defined in Delta s broad-based Profit Sharing Program, means Delta s annual consolidated pre-tax income calculated in accordance with GAAP and as reported in Delta s SEC filings, but excluding (a) asset write downs related to long-term assets; (b) gains or losses with respect to employee equity securities; (c) gains or losses with respect to extraordinary, one-time or non-recurring events; and (d) expense accrued with respect to the broad-based employee Profit Sharing Program and the 2012 MIP.

For purposes of the 2012 MIP, the Industry Group consists of: Alaska Airlines, American Airlines, JetBlue Airlines, Southwest Airlines/AirTran Airways, United Airlines/Continental Airlines and US Airways.

To support our objective to build a sustainable profitable business model, a revenue performance measure replaced the customer service performance measure used in the 2011 annual incentive plan. (The customer service performance measure was retained as a metric under the long-term incentive plan, as described below.) The new performance measure is based on Total Revenue per Available Seat Mile ( TRASM ), which is a unit revenue measure that includes revenue from our ancillary business and revenue sources, as well as passenger revenues. The P&C Committee selected this revenue measure to encourage focus on developing distinctive approaches to growing our business into the future.

To ensure that executive officers are aligned with our employees, the executive officer s 2012 MIP awards are subject to the following conditions if there is no Profit Sharing Program payout to employees for 2012:

The actual MIP award, if any, is capped at the target award opportunity, even if Delta s performance for operational and revenue meets or exceeds the maximum level.

Any awards earned by executive officers under the 2012 MIP are made in restricted stock ( MIP Restricted Stock ). The MIP Restricted Stock will vest when (1) there is a payout under the Profit Sharing Program or (2) the executive officer s employment is terminated by Delta without cause, or due to the officer s death or disability. If the executive officer voluntarily resigns or retires, the MIP Restricted Stock will vest when there is a payout under the Profit Sharing Program, as if the officer s employment continued. The MIP Restricted Stock will be forfeited if, prior to vesting, the executive officer s employment is terminated by Delta for cause. Since there was a payout under the Profit Sharing Program for 2012, the executive officers received their 2012 MIP award in cash.

**Table of Contents**

The following chart shows the performance measures for executive officers under the 2012 MIP and the actual performance for each measure in 2012.

Performance Measure	Performance Measure Weighting	Threshold (50% of Target Payout)	Performance Levels Target (100% of Target Payout)	Maximum (200% of Target Payout)	2012 Actual Performance	Percentage of Target Earned*
<b>Financial</b>	<b>50%</b>					
2012 Pre-tax income**		\$837 million	\$1,674 million	\$2,227 million	<b>\$2,140 million</b>	<b>92.1%</b>
<b>Operational</b>	<b>25%</b>					
Number of monthly goals met under Shared Rewards Program	75%	16 Shared Rewards goals achieved	21 Shared Rewards goals achieved	26 Shared Rewards goals achieved	<b>36 Shared Rewards goals achieved</b>	<b>37.5%</b>
Number of monthly goals met by Delta Connection Carriers	25%	9 Delta Connection goals achieved	14 Delta Connection goals achieved	19 Delta Connection goals achieved	<b>17 Delta Connection goals achieved</b>	<b>10%</b>
<b>Revenue</b>	<b>25%</b>					
Improvement of TRASM year-over-year relative to Industry Group average TRASM for the same period		105.6%	106.1%	106.6%	<b>109.1%</b>	<b>50%</b>
* This column reflects the percentage of target earned after application of the performance measure weightings					<b>Total Percentage of Target Award Earned</b>	<b>189.6%</b>

\*\* Pre-tax income as defined in Delta's broad-based Profit Sharing Program, means Delta's annual consolidated pre-tax income calculated in accordance with GAAP and as reported in Delta's SEC filings, but excluding (a) asset write downs related to long-term assets; (b) gains or losses with respect to employee equity securities; (c) gains or losses with respect to extraordinary, one-time or non-recurring events; and (d) expense accrued with respect to the broad-based employee Profit Sharing Program and the 2012 MIP.

The target award opportunities under the 2012 MIP are expressed as a percentage of the participant's base salary. The P&C Committee determined the target award opportunities taking into consideration the custom peer group comparison, the CEO's recommendations for executive officers other than himself and input from the compensation consultant. The P&C Committee approved increases to the 2012 target award opportunities (as shown in the table below) for each of the named executive officers in order to deliver a more competitive total target cash compensation opportunity (base salary plus target 2012 MIP award). Despite the increases to the MIP target awards and base salaries for 2012, the target cash compensation opportunities for our named executive officers remain below the custom peer group median.



**Table of Contents**

Payments under the 2012 MIP could have ranged from zero to 200% of the target award opportunity depending on the performance achieved. The P&C Committee sets performance measures at threshold, target and maximum levels for each performance measure, with (1) no payment for performance below the threshold level and (2) a potential payment of 50% of target for threshold performance, 100% of target for target performance and 200% of target for maximum performance.

Summarized in the table below are the 2012 MIP awards earned by each named executive officer:

Named Executive Officer	Base Salary	Target Award (as % of base salary)	Target Award (in dollars)	Percentage of Target Award Earned	Total 2012 MIP Award
Mr. Anderson	\$ 725,000	200%	\$ 1,450,000	189.6%	\$ 2,749,925
Mr. Bastian	\$ 575,000	175%	\$ 1,006,250	189.6%	\$ 1,908,353
Mr. Gorman	\$ 525,000	150%	\$ 787,500	189.6%	\$ 1,493,494
Mr. Hauenstein	\$ 450,000	125%	\$ 562,500	189.6%	\$ 1,066,781
Mr. Jacobson	\$ 450,000	125%	\$ 562,500	189.6%	\$ 1,066,781

Because Delta was profitable in 2012, there was a \$372 million payout under the Profit Sharing Program to approximately 80,000 employees. Accordingly, payments earned by named executive officers under the 2012 MIP were made in cash.

**Long-Term Incentives.** The 2012 Long-Term Incentive Program ( 2012 LTIP ) links pay and performance by providing approximately 250 management employees with a compensation opportunity that aligns the interest of management and stockholders, with a large portion contingent upon Delta's financial and customer service performance over a two-year period. The performance measures and goals are the same for the CEO, executive officers and all other participants in this plan.

Under the 2012 LTIP, Messrs. Anderson and Bastian received an award opportunity consisting of approximately 39% performance awards, 39% restricted stock and 22% performance stock options, and our other executive officers received an award opportunity consisting of 50% performance awards and 50% restricted stock. These allocations were selected to balance the incentive opportunity between Delta's financial performance relative to other airlines, internal company performance and its stock price performance. The addition of performance-based stock options for the CEO and President was intended to further enhance the alignment of their compensation opportunities with stockholders. This mix and the other terms of the 2012 LTIP are intended to balance the performance and retention incentives with the high volatility of airline stocks.

Performance awards are a dollar-denominated long-term incentive opportunity payable in common stock to executive officers and in cash to other participants. The payout, if any, of the performance award is based on the following three measures over the two-year period ending December 31, 2013:

Performance Measure	Weighting	Measurement
Average Annual Operating Income Margin	50%	Delta relative to composite performance of an Industry Group*
Customer Service Performance (Net Promoter Score) Domestic	15%	Delta's absolute performance
Customer Service Performance (Net Promoter Score) International	10%	Delta's absolute performance
Return on Invested Capital (ROIC)	25%	Delta's absolute performance

\* For purposes of the 2012 LTIP, the Industry Group consists of: Alaska Airlines, American Airlines, JetBlue Airlines, Southwest Airlines/AirTran Airways, United Airlines/Continental Airlines and US Airways.

The P&C Committee selected these performance measures because superior rankings in these areas should, over time, produce positive stockholder returns. The P&C Committee replaced the cumulative revenue growth performance measure included in prior years' long-term incentive plans with a customer service measure. This

**DELTA AIR LINES, INC.**

37

**EXECUTIVE COMPENSATION**

## Table of Contents

performance measure, which was originally included under the 2011 annual incentive plan, is based on improvement of Delta's Net Promoter Score ( NPS ) over the performance period for each of the domestic and international networks. NPS is a customer loyalty metric that measures how likely customers are to recommend Delta to a friend or colleague. The P&C Committee believes that a customer service performance measure remains important to support our objective to be the global airline of choice; however, based on the extensive duration of the investments in our product, technology and facilities improvements, it determined this goal is better suited to longer-term measurement.

The following chart shows the range of potential payments of the performance awards based on the 2012 LTIP's three performance measures. The potential payments may range from zero to 200% of the target award.

Performance Level	Percentage of Target Earned	Average Annual Operating Income Margin	Performance Measures		
			Customer Service Performance (Net Promoter Score)		Return on Invested Capital
			Domestic	International	
Maximum	200%	33.0% above Composite Performance of Industry Group	+3 percentage points or higher	+3 percentage points or higher	10.0% or Higher
Target	100%	Composite Performance of Industry Group	+1.50 percentage points	+1.50 percentage points	8.0%
Threshold	50%	33.0% below Composite Performance of Industry Group	+0 percentage points	+0 percentage points	6.0%

For additional information about the vesting and possible forfeiture of the 2012 LTIP awards, see Post Employment Compensation Other Benefits The 2012 and 2011 Long-Term Incentive Programs in this proxy statement.

Restricted stock is common stock that may not be sold or otherwise transferred for a period of time, and is subject to forfeiture in certain circumstances. The 2012 LTIP generally provides that restricted stock will vest (which means the shares may then be sold) in two equal installments on February 1, 2013 and February 1, 2014, subject to the officer's continued employment. The value of a participant's restricted stock award will depend on the price of Delta common stock when the award vests.

A performance stock option is the right to purchase our common stock at a certain price per share during a designated period, but only if certain performance measures are achieved. The 2012 LTIP generally provides that the performance stock options will become exercisable in three equal installments (on the vesting dates described in the chart below), subject to the achievement of the following performance measures and the officer's continued employment:

Performance Measure	Vesting Date
Achievement of Threshold or better performance for at least two of the three performance measures under the 2011 Long-Term Incentive Program ( 2011 LTIP )	The date the P&C Committee certifies the 2011 LTIP results (approximately February 2013)
Achievement of Threshold or better performance for at least two of the three performance measures under the 2012 LTIP	The date the P&C Committee certifies the 2012 LTIP results (approximately February 2014)
Achievement of the performance measure described in the row above	February 1, 2015

These performance stock options have an exercise price of \$11.10, which is equal to the closing price of our common stock on the grant date, and will expire on February 1, 2022.

Based on the P&C Committee's certification of the 2011 LTIP results whereby all three performance measures exceeded Threshold performance (as further described below), one-third of the performance stock options awarded to Messrs. Anderson and Bastian under the 2012 LTIP vested and became exercisable on February 7, 2013.

**Table of Contents**

The 2012 LTIP target awards are the largest component of each executive officer's compensation opportunity, reflecting the P&C Committee's focus on longer-term compensation, Delta's financial results relative to peer airlines, return on invested capital, customer service performance, as well as on Delta's common stock price performance. The P&C Committee determined the target award opportunities so the participant's total direct compensation opportunity is competitive with our custom peer group.

**2011 Long-Term Incentive Program.** In 2011, the P&C Committee granted executive officers performance awards under the 2011 LTIP. Delta reported these award opportunities in its proxy statement for the applicable year.

The performance awards were denominated in cash but paid in shares of common stock to executive officers. The payout of these award opportunities is based on the cumulative revenue growth and average annual operating income margin relative to the composite performance of an industry peer group and Delta's return on invested capital over the two-year performance period ending December 31, 2012. The potential payout ranged from zero to 200% of the target award.

Summarized in the chart below are the performance results certified by the P&C Committee for the performance awards under the 2011 LTIP and the resulting percentage of target award opportunity earned:

Performance Measure	Performance Levels				Actual Performance for Period ending 12.31.2012	Percentage of Target Earned
	Weighting	Threshold	Target	Maximum		
Average Annual Operating Income Margin			4.4%			
			(Composite performance of Industry Group)			
	50%	3.0%		5.9%	7.6%	200%
Cumulative Revenue Growth			13.3%			
			(Composite performance of Industry Group)			
	25%	8.9%		17.7%	15.5%	149.6%
Return on Invested Capital	25%	8%	10%	12% or higher	10.2%	110.9%
<b>Total Percentage of Target Award Earned</b>						<b>165.1%</b>

**Special Retention Awards.** In an effort to ensure continuity of leadership and recognize the critical nature of executive talent to our business, in February 2012, the P&C Committee approved a one-time retention award under the Delta 2007 Performance Compensation Plan to Messrs. Gorman and Hauenstein. These awards consisted of restricted stock and will vest in two equal installments on February 1, 2014 and February 1, 2015, subject to the officer's continued employment.

**Benefits.** The named executive officers receive the same health, welfare and other benefits provided to all Delta employees, except Delta requires officers to regularly complete a comprehensive physical examination. Delta pays the cost of this examination, which is limited to a prescribed set of preventive procedures based on the person's age and gender. Mr. Anderson is eligible to receive certain medical benefits under a 2001 agreement with his former employer, Northwest Airlines, but Mr. Anderson has voluntarily waived these benefits while employed by Delta. For additional information regarding the 2001 agreement, see "Pre-existing Medical Benefits Agreement with Northwest" in this proxy statement.

The named executive officers are also eligible for supplemental life insurance, financial planning services (capped at a maximum annual amount), home security services and flight benefits (for the executive officer, immediate family members and other designees and, in certain circumstances, the executive officer's surviving spouse or

DELTA AIR LINES, INC.

39

EXECUTIVE COMPENSATION

## **Table of Contents**

domestic partner). Delta provides certain flight benefits to all employees and eligible retirees and survivors. These benefits are a low-cost, highly valued tool for attracting and retaining talent, and are consistent with industry practice. The perquisites received by named executive officers represent a small part of the overall compensation for executives and are offered to provide competitive compensation. See the Summary Compensation Table and the related footnotes for information regarding benefits received in 2012 by the named executive officers.

We do not provide any supplemental executive retirement plans (officers participate in the same on-going retirement plans as our frontline employees), club memberships or company cars for any named executive officer.

### ***Risk Assessment***

The P&C Committee requested Cook conduct a risk assessment of Delta's executive compensation program. Cook attested that Delta's executive compensation program does not incent unnecessary risk taking, and the P&C Committee and Delta management agree with this assessment. In this regard, the P&C Committee notes the executive compensation program includes:

a compensation clawback policy for officers;

stock ownership guidelines for executive officers;

incentive compensation capped at specified levels;

an emphasis on longer-term compensation;

use of multiple performance measures, both annual and long-term; and

an anti-hedging and anti-pledging policy for all employees.

These features are designed to align executives with preserving and enhancing stockholder value. The clawback policy, the stock ownership guidelines and anti-hedging and anti-pledging policy are discussed below.

### ***Executive Compensation Policies***

The P&C Committee monitors the continuing dialogue among corporate governance experts, securities regulators and related parties regarding best practices for executive compensation. Over the last few years, the P&C Committee has refined the corporate governance features of the executive compensation program to better align the program with stockholder interests and incent responsible behavior by adopting a compensation clawback policy for officers, stock ownership guidelines for executive officers, an equity award grant policy and a supplemental equity compensation plan policy to reflect current best practices. Additionally, Delta's compliance program under the federal securities laws prohibits all employees from engaging in securities hedging and pledging transactions. A brief discussion of these policies follows.

**Clawback Policy.** The compensation clawback policy holds officers accountable should any of them ever engage in wrongful conduct. Under this policy, if the P&C Committee determines an officer has engaged in fraud or misconduct that requires a restatement of Delta's financial statements, the P&C Committee may recover all incentive compensation awarded to or earned by the officer for fiscal periods materially affected by the restatement. For these purposes, incentive compensation includes annual and long-term incentive awards and all forms of equity compensation.

**Stock Ownership Guidelines.** Delta's stock ownership guidelines strengthen the alignment between executive officers and stockholders. Under these guidelines, the current executive officers are required to own the following number of shares of Delta common stock:

Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

	Number of Shares
CEO	200,000
President	75,000
Executive Vice Presidents	50,000
CFO and General Counsel	40,000

EXECUTIVE COMPENSATION

40

DELTA AIR LINES, INC.

## **Table of Contents**

For these purposes, stock ownership includes shares (including restricted stock) owned directly or held in trust by the executive officer or an immediate family member who resides in the same household. It does not include shares an executive officer has the right to acquire through the exercise of stock options. The stock ownership guideline for the CEO exceeds four times Mr. Anderson's base salary based on the \$16.81 closing price of Delta common stock on April 26, 2013. All of our executive officers significantly exceed their required stock ownership level.

**Equity Award Grant Policy.** Delta's equity award grant policy provides objective, standardized criteria for the timing, practices and procedures used in granting equity awards. Under this policy, the P&C Committee will consider approval of annual equity awards for management employees in the first quarter of the calendar year. Once approved, the grant date of these awards will be the later of (1) the date the P&C Committee meets to approve the awards and (2) the third business day following the date on which Delta publicly announces its financial results for the most recently completed fiscal year. Equity awards for new hires, promotions or other off-cycle grants may be approved as appropriate and, once approved, these awards will be made on the later of (1) the date on which the grant is approved and (2) the third business day following the date on which Delta publicly announces its quarterly or annual financial results if this date is in the same month as the grant.

**Supplemental Equity Compensation Plan Policy.** The P&C Committee adopted this policy to supplement the Delta 2007 Performance Compensation Plan. The policy reaffirms the prohibition against the repricing of stock options and stock appreciation rights under the Delta 2007 Performance Compensation Plan without stockholder approval, except in connection with certain corporate events; and clarifies that this repricing prohibition includes cash buyouts. In addition, the policy provides that all performance-based awards granted under the plan must be subject to a one year minimum vesting period, with certain limited exceptions.

**Anti-Hedging and Anti-Pledging Policy.** As part of an update to its insider trading policy in 2012, Delta expanded and clarified prohibitions related to transactions in short-term or highly leveraged transactions. Under the updated policy, Delta prohibits employees from engaging in transactions in Delta securities involving publicly traded options, short sales and hedging transactions because they may create the appearance of unlawful insider trading and, in certain circumstances, present a conflict of interest. In addition, Delta expanded its insider trading policy to prohibit employees from holding Delta securities in a margin account or otherwise pledging Delta securities as collateral for a loan.

### ***Compensation for Mr. Anderson***

The P&C Committee determines the compensation of Mr. Anderson consistent with the approach used for our other executive officers. In accordance with our executive compensation philosophy and to further align the interests of Mr. Anderson and our stockholders, the vast majority of Mr. Anderson's compensation opportunity is at risk and dependent on company and stock price performance.

The following details Mr. Anderson's total compensation for 2012.

The P&C Committee approved the following changes to Mr. Anderson's compensation in 2012 in order to bring his target total direct compensation opportunities closer to the custom peer group median:

Mr. Anderson's base salary was increased to \$725,000 effective as of August 1, 2012. This is the first salary increase he received since joining Delta as CEO on September 1, 2007. With this increase, Mr. Anderson's base salary continues to be below the 25<sup>th</sup> percentile of our compensation peer group.

Mr. Anderson's annual MIP target award was increased to 200% of base salary in 2012 in order to provide a more competitive cash compensation opportunity, without forgoing our executive compensation program's emphasis on at-risk compensation. Consistent with the terms of the MIP, the award Mr. Anderson earned under the MIP was paid in cash for 2012 because there was a payout under the broad-based Profit Sharing Program for Delta employees in 2012.

Mr. Anderson's long-term incentive opportunity was increased in 2012. This increase was delivered in stock options that will only become exercisable if objective, pre-determined performance measures are satisfied.



## **Table of Contents**

Even with these increases, Mr. Anderson's total compensation approximates the 25<sup>th</sup> percentile when compared to the top 100 CEOs in the U.S., and to the top CEOs at companies with revenues comparable to Delta, as reported by the New York Times on April 6, 2013.

See the Summary Compensation Table and the related footnotes in this proxy statement for additional information about Mr. Anderson's compensation. The amounts reported in the columns for the LTIP represent the aggregate fair value of the awards computed in accordance with FASB ASC Topic 718 on the applicable grant date. The amounts do not reflect the risk the awards may be forfeited in the event of certain terminations of employment or, for the performance awards, the risk there is no payout or in the case of performance stock options, there is no vesting, because the performance conditions are not met.

The P&C Committee designed Mr. Anderson's compensation arrangements to provide incentive for him to focus on long term improvements in company performance that will lead to greater stockholder value. For example, the following chart illustrates that a substantial percentage of Mr. Anderson's total compensation is concentrated in equity-based award opportunities.

Taken in total with the other elements of Delta's executive compensation program, the P&C Committee believes the right balance is struck between annual operating performance and long-term investments in the company's operations.

**Compensation for Mr. Halter.** On April 1, 2012, Mr. Halter's employment with Delta terminated. Under a separation agreement, approved by the Board of Directors, he received compensation for consulting services in addition to the benefits provided under the Delta Air Lines, Inc. Officer and Director Severance Plan and existing award agreements under Delta's 2007 Performance Compensation Plan, which are described under **Post-Employment Compensation** Mr. Halter in this proxy statement. Under the separation agreement, Mr. Halter agreed to certain non-competition, non-solicitation and confidentiality covenants for the benefit of Delta, and a general release of claims against Delta.

### ***Post-Employment Compensation***

Our executive officers do not have employment contracts or change in control agreements. They are eligible to receive certain benefits in the event of specified terminations of employment, including as a consequence of a change in control.

The severance benefits for our named executive officers are described in **Post-Employment Compensation** **Potential Post-Employment Benefits upon Termination or Change in Control** in this proxy statement.

### ***Tax and Accounting Impact and Policy***

The financial and tax consequences to Delta of the elements of the executive compensation program are important considerations for the P&C Committee when analyzing the overall design and mix of compensation. The P&C Committee seeks to balance an effective compensation program with an appropriate impact on reported earnings and other financial measures.

---

**Table of Contents**

In making compensation decisions, the P&C Committee considers that Internal Revenue Code Section 162(m) limits deductions for certain compensation to any covered executive to \$1 million per year. Under Section 162(m), compensation may be excluded from the \$1 million limit if required conditions are met. The 2012 MIP and the performance awards under the 2012 LTIP meet the conditions for exclusion. From time to time, in order to ensure competitive levels of compensation for our executive officers, the P&C Committee may approve compensation, including base salary and benefits that are not deductible under Section 162(m). Delta has substantial net operating loss carryforwards to offset or reduce our future income tax obligations and, therefore, any deduction limitations imposed by Section 162(m) would not materially impact our financial results at this time.

Equity awards granted under our executive compensation program are expensed in accordance with Statement of Financial Accounting Standards Codification Topic 718, Stock Compensation. For further information regarding the accounting for our equity compensation, see the footnotes to the Summary Compensation Table.

**Compensation Committee Report**

The Personnel & Compensation Committee has reviewed and discussed with Delta management the Compensation Discussion and Analysis and, based on such review and discussion, the P&C Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE PERSONNEL & COMPENSATION COMMITTEE

David R. Goode, *Chairman*

John S. Brinzo

Shirley C. Franklin

George N. Mattson

Kenneth B. Woodrow

DELTA AIR LINES, INC.

43

EXECUTIVE COMPENSATION

**Table of Contents****Information about Summary Compensation Table and Related Matters**

The table below contains information about the compensation of the following executive officers during 2012: (1) Mr. Anderson, Delta's principal executive officer; (2) Mr. Jacobson, Delta's principal financial officer; (3) Mr. Bastian, Mr. Gorman and Mr. Hauenstein, who were Delta's three other most highly compensated executive officers on December 31, 2012; and (4) Mr. Halter, who served as Delta's principal financial officer until March 1, 2012 and whose employment with Delta terminated as of April 1, 2012. These persons are referred to in this proxy statement as the named executive officers.

**Summary Compensation Table**

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) Change in Pension Value and Nonqualified Deferred Compensation Earnings	(i) All Other Compensation	(j) Total
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) (1)(2)(3)	Option Awards (\$)(1)(4)	Non- Equity Incentive Plan Compensation (\$)(5)	Nonqualified Deferred Compensation Earnings (\$)(6)	All Other Compensation (\$)(7)	Total (\$)(8)
Richard H. Anderson <i>Chief Executive Officer</i>	2012	652,083	0	7,000,052	2,000,054	2,749,926	0	173,457	12,575,572
	2011	600,000	0	7,000,047	0	1,062,900	0	191,607	8,854,554
	2010	600,000	0	5,999,999	0	1,257,975	0	183,297	8,041,271
Edward H. Bastian <i>President</i>	2012	531,250	0	3,500,026	1,000,027	1,908,354	43,405	139,435	7,122,497
	2011	500,000	0	3,500,023	0	885,750	34,948	140,711	5,061,432
	2010	500,000	0	2,999,999	0	1,048,313	20,269	114,953	4,683,534
Stephen E. Gorman <i>Executive Vice President &amp; Chief Operating Officer</i>	2012	481,250	0	3,550,167	0	1,493,494	0	74,037	5,598,948
	2011	450,000	0	2,200,077	0	664,313	0	62,734	3,377,124
	2010	450,000	0	2,000,000	0	786,234	0	63,108	3,299,342
Glen W. Hauenstein <i>Executive Vice President</i>	2012	420,833	0	3,150,145	0	1,066,781	0	94,346	4,732,105
	2011	400,000	0	1,800,032	0	472,400	0	109,595	2,782,027
<i>Network Planning &amp;</i>									
<i>Revenue Management</i>	2010	400,000	0	1,400,091	0	559,100	0	95,961	2,455,152
Paul A. Jacobson <i>Senior Vice President &amp; Chief Financial Officer</i>	2012	408,333	0	800,044	0	1,066,781	19,136	57,183	2,351,477
Hank Halter <i>Former Senior Vice President &amp; Chief Financial Officer</i>	2012	96,250	0	0	0	228,173	46,318	1,616,999	1,987,740
	2011	385,000	0	1,100,096	0	454,685	34,328	89,742	2,063,851
	2010	385,000	0	1,250,028	0	538,134	13,689	77,204	2,264,055

(1) The amounts in the Stock Awards and Option Awards columns do not represent amounts the named executive officers received or are entitled to receive. Rather, the reported amounts represent the aggregate fair value of awards computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Stock Compensation ( FASB ASC Topic 718 ), on the applicable

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

grant date or, if earlier, the service inception date. The reported amounts do not reflect the risk the stock awards may be forfeited in the event of certain terminations of employment; for awards subject to performance conditions, the risk there is no payout; or in the case of performance stock options, that there is no vesting because the performance conditions are not met. The fair value of restricted stock awards is based on the closing price of the Delta common stock on the grant date.

The reported amounts for 2012, 2011 and 2010 in the Stock Awards column reflect award opportunities under Delta's long term incentive plans. For additional information, see footnotes 2 and 3 to the Summary Compensation Table. Delta did not grant stock options to any named executive officer in 2011 or 2010.

- (2) The 2012 Long Term Incentive Program ( 2012 LTIP ) links pay and performance, and aligns the interests of Delta management and stockholders. As discussed in the Compensation Discussion and Analysis section of this proxy statement, the long term incentive opportunity for executive officers consists of performance awards and restricted stock, and with respect to Messrs. Anderson and Bastian, performance stock options.

**EXECUTIVE COMPENSATION**

44

**DELTA AIR LINES, INC.**

**Table of Contents**

The performance awards are denominated in dollars. The payouts, if any, earned by an executive officer will be made in stock based on the financial performance of Delta relative to other airlines, Delta's customer service performance based on the percentage point improvement in Delta's net promoter scores, and on Delta's return on invested capital during the two-year period ending December 31, 2013.

The restricted stock vests in equal installments on February 1, 2013 and 2014, subject to the executive officer's continued employment. It is subject to forfeiture in certain circumstances. See footnote 4 to the Summary Compensation Table for additional information regarding the performance stock options.

The reported amounts for 2012 in the Stock Awards column include the fair value of the performance awards and restricted stock under the 2012 LTIP and, with respect to Mr. Gorman and Mr. Hauenstein for 2012, the fair value of the retention restricted stock awards, all computed in accordance with FASB ASC Topic 718 on February 2, 2012, the date the special retention awards and the 2012 LTIP awards became effective.

- (3) For awards in the Stock Awards column that are subject to performance conditions, the fair value is computed in accordance with FASB ASC Topic 718 based on the probable outcome of the performance condition as of the applicable grant date or, if earlier, the service inception date. For these purposes, the fair value of the performance awards under the 2012 LTIP is computed based on performance at the target level.

If the performance awards were assumed to pay out at the maximum level, the aggregate fair value of such awards, which does not include the restricted stock component of the 2012 LTIP, for the named executive officers would be as follows:

Name	2012 (\$)	2011 (\$)	2010 (\$)
Mr. Anderson	7,000,000	7,000,000	6,000,000
Mr. Bastian	3,500,000	3,500,000	3,000,000
Mr. Gorman	2,550,000	2,200,000	2,000,000
Mr. Hauenstein	2,150,000	1,800,000	1,400,000
Mr. Jacobson	800,000		
Mr. Halter		1,100,000	1,250,000

- (4) The stock options granted to Mr. Anderson and Mr. Bastian are subject to performance conditions. The stock options vest ratably over three years with 1/3 vesting on each of the following dates (a) the date the Personnel and Compensation Committee of the Board of Directors (P&C Committee) certifies the threshold was met for two of three performance measures under the 2011 LTIP, (b) the date the P&C Committee certifies the threshold level was met for two of three performance measures under the 2012 LTIP, and (c) February 1, 2015, if the previous performance criteria in (b) above is met. We determined the grant date fair value of stock options based on achievement of the target level under an option pricing model using the following assumptions: (1) a 1.09% risk-free interest rate, (2) a 58% expected volatility of common stock and (3) a six year expected life.

- (5) The 2012 Management Incentive Plan (2012 MIP) is an annual incentive plan that links pay and performance, and aligns the interest of Delta management and employees. As discussed in the Compensation Discussion and Analysis section of this proxy statement, the annual incentive opportunity for executive officers under the 2012 MIP is based on Delta's financial, operational and revenue performance relative to key business plan goals.

Payments, if any, earned by executive officers under the 2012 MIP are made (a) in cash if there is a payout under Delta's broad-based employee profit sharing program (Profit Sharing Program) for 2012; and (b) in restricted stock if there is no such payout (MIP Restricted Stock).

Because Delta was profitable in 2012, 2011 and 2010, there were payouts to Delta employees under the Profit Sharing Program. Accordingly, payments earned by executive officers under the 2012 MIP, 2011 MIP and 2010 MIP were made in cash. These cash payments are reported for 2012, 2011 and 2010 in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. See the Compensation Discussion and Analysis section of this proxy statement for details on Delta's 2012 MIP performance.



**Table of Contents**

(6) Delta does not sponsor a supplemental executive retirement plan for any named executive officer.

The Delta Retirement Plan is a broad-based, non-contributory tax qualified defined benefit pension plan for nonpilot employees. Effective December 31, 2005, the Delta Retirement Plan was amended to freeze service, earnings and pay credits for all participants, including any participating named executive officers.

The reported amounts for 2012 reflect the aggregate change in the actuarial present value of each applicable named executive officer's accumulated benefit under the Delta Retirement Plan measured from December 31, 2011 to December 31, 2012. Mr. Anderson, Mr. Gorman and Mr. Hauenstein are not eligible to participate in the Delta Retirement Plan because they did not complete 12 months of service before the plan was frozen on December 31, 2005. See Post-Employment Compensation Defined Benefit Pension Benefits in this proxy statement for a description of this plan.

(7) The reported amounts for 2012 include the following items:

Name	Contributions to Qualified Defined Contribution Retirement Plan \$(a)	Payments due to Internal Revenue Code Limits Applicable to Qualified Defined Contribution Plan \$(b)	Amounts Associated with Separation Agreement \$(c)	Life Insurance Premiums \$(d)	Reimbursement of Taxes \$(e)	Perquisites and Other Personal Benefits \$(f)
Mr. Anderson	17,500	102,549		1,667	20,912	30,829
Mr. Bastian	17,500	81,690		1,370	23,161	15,714
Mr. Gorman	10,000	35,823		1,238	10,253	16,723
Mr. Hauenstein	17,500	45,026		1,089	15,785	14,946
Mr. Jacobson	17,500	29,982		1,034	8,667	
Mr. Halter	17,500	21,065	1,558,334		20,100	

(a) Represents Delta's contributions to the Delta Family-Care Savings Plan, a broad-based tax qualified defined contribution plan, based on the same fixed and matching contribution formula applicable to all participants in this plan.

(b) Represents amounts paid directly to the named executive officer that Delta would have contributed to the officer's account under the Delta Family-Care Savings Plan absent limits applicable to such plans under the Internal Revenue Code. These payments are based on the same fixed and matching contribution formula applicable to all participants in this plan and are available to any plan participant affected by such limits.

(c) On April 1, 2012, Mr. Halter's employment with Delta terminated. The reported amount represents benefits Mr. Halter received under his separation agreement with Delta. Under the agreement, Mr. Halter agreed to certain non-competition, non-solicitation and confidentiality covenants for the benefit of Delta and a general release of claims he may have against Delta. For additional information regarding this agreement, see Post-Employment Compensation Mr. Halter in this proxy statement.

(d) Represents the annual premium on supplemental life insurance coverage equal to two times base salary that Delta provides to named executive officers.

(e) Represents tax reimbursements for flight benefits as described below.

(f)

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

The amounts for Messrs. Anderson, Gorman and Hauenstein consist of financial planning services; home security services; the cost of an annual physical examination for officers; and flight benefits as described below. The amount for Mr. Bastian includes the cost of the flight benefits. Mr. Jacobson and Mr. Halter did not receive perquisites or other personal benefits with a total incremental cost of \$10,000 or more, the threshold for reporting under SEC rules. From time to time executive officers attend events sponsored by Delta at no incremental cost to Delta.

As is common in the airline industry, Delta provides complimentary travel and certain Delta Sky Club privileges for executive officers; the officer's spouse, domestic partner or designated companion; the officer's children and parents; and, to a limited extent, other persons designated by the officer.

**EXECUTIVE COMPENSATION**

46

**DELTA AIR LINES, INC.**



**Table of Contents**

Complimentary travel for such other persons is limited to an aggregate imputed value of \$20,000 per year for the CEO and President; \$15,000 per year for executive vice presidents; and \$12,500 per year for senior vice presidents. Delta reimburses the officer for associated taxes on complimentary travel with an imputed tax value of up to \$25,000 per year for the CEO and President; \$20,000 per year for executive vice presidents; and \$17,500 per year for senior vice presidents. Unused portions of the annual allowances described in the previous two sentences accumulate and may be carried into succeeding years during employment. Complimentary travel is provided to the surviving spouse or domestic partner of eligible officers after the eligible officer's death. Delta will not reimburse surviving spouses or domestic partners for associated taxes on complimentary travel under the survivor travel benefit. Delta's incremental cost of providing flight benefits includes incremental fuel expense and the incremental cost on a flight segment basis for customer service expenses such as meals, onboard expenses, baggage handling, insurance, airport security and aircraft cleaning. In addition, certain executive officers have flight benefits on another airline at no incremental cost to Delta.

(8) As required by SEC rules, the amounts in the **Total** column represent the sum of the amounts in columns (c) through (i). As discussed in footnote (1) above, the amounts in the **Stock Awards** and **Option Awards** columns do not represent amounts the named executive officers received or are entitled to receive. Rather, these amounts represent the aggregate fair value of awards computed in accordance with FASB ASC Topic 718 on the applicable grant date or, if earlier, the service inception date. The amounts do not reflect the risk the awards may be forfeited in the event of certain terminations of employment or, for awards subject to performance conditions, the risk there is no payout or in the case of performance stock options, there is no vesting, because the performance conditions are not met.

**Grants of Plan-Based Awards Table**

The following table provides information about annual and long term award opportunities granted to our named executive officers during 2012 under the 2012 MIP, the 2012 LTIP and, in addition, with respect to Mr. Gorman and Mr. Hauenstein, retention awards under the Delta Air Lines, Inc. 2007 Performance Compensation Plan. These award opportunities are described in the **Compensation Discussion and Analysis** section of the proxy statement under **Elements of Compensation** **Annual Incentives**, **Elements of Compensation** **Long Term Incentives** and **Elements of Compensation** **Special Retention Awards**.

Name/Type of Award	Grant Date(1)	Date of Personnel & Compensation Committee or Board Action	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Awards (\$/Sh)(6)	Grant Date Fair Value of Stock and Option Awards (\$)(7)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)				
<b>Mr. Anderson</b>												
2012 MIP	1/1/12	12/14/11	725,000	1,450,000	2,900,000							
2012 LTIP Performance Award	2/2/12	2/2/12				1,750,000	3,500,000	7,000,000				3,500,000
2012 LTIP Restricted Stock	2/2/12	2/2/12							315,320			3,500,052
2012 LTIP Performance Stock Options	2/2/12	2/2/12								318,480	11.10	2,000,054
<b>Mr. Bastian</b>												
2012 MIP	1/1/12	12/14/11	503,125	1,006,250	2,012,500							
2012 LTIP Performance Award	2/2/12	2/2/12				875,000	1,750,000	3,500,000				1,750,000
2012 LTIP Restricted Stock	2/2/12	2/2/12							157,660			1,750,026
2012 LTIP Performance Stock Options	2/2/12	2/2/12								159,240	11.10	1,000,027
<b>Mr. Gorman</b>												
2012 MIP	1/1/12	12/14/11	393,750	787,500	1,575,000							

# Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

2012							
LTIP Performance							
Award	2/2/12	2/2/12	637,500	1,275,000	2,550,000		1,275,000
2012 LTIP Restricted							
Stock	2/2/12	2/2/12				114,870	1,275,057
Retention Award-							
Restricted							
Stock	2/2/12	2/2/12				90,100	1,000,110

DELTA AIR LINES, INC.

47

EXECUTIVE COMPENSATION

**Table of Contents**

Name/Type of Award	Grant Date(1)	Date of Personnel & Compensation Committee Action	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards(4)				All Other Option Awards(5)		Grant Date Fair Value of Stock and Option Awards(7)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)	Number of Shares or Units (#)(4)	Exercise Price of Stock or Underlying Securities (\$/Sh)(5)	Number of Shares or Units (#)(6)	Exercise Price of Stock or Underlying Securities (\$/Sh)(6)	Number of Shares or Units (#)(6)	Exercise Price of Stock or Underlying Securities (\$/Sh)(6)	
<b>Mr. Hauenstein</b>															
2012 MIP	1/1/12	12/14/11	281,250	562,500	1,125,000										
2012 LTIP Performance Award	2/2/12	2/2/12				537,500	1,075,000	2,150,000							1,075,000
2012 LTIP Restricted Stock Retention Award-	2/2/12	2/2/12							96,850						1,075,035
Restricted															
Stock	2/2/12	2/2/12							90,100						1,000,110
<b>Mr. Jacobson</b>															
2012 MIP	1/1/12	12/14/11	281,250	562,500	1,125,000										
2012 LTIP Performance Award	2/2/12	2/2/12				200,000	400,000	800,000							400,000
2012 LTIP Restricted Stock	2/2/12	2/2/12							36,040						400,044
<b>Mr. Halter</b>															
2012 MIP	1/1/12	12/14/11	240,625	481,250	962,500										

- (1) For purposes of this column, the grant date for the 2012 MIP is the date the performance period began. The grant date for the 2012 LTIP is the grant date or, if earlier, the service inception date determined under FASB ASC Topic 718.
- (2) These columns show the annual award opportunities under the 2012 MIP. For additional information about the 2012 MIP, see footnote 5 to the Summary Compensation Table and the Compensation Discussion and Analysis section of the proxy statement under Elements of Compensation Annual Incentives .
- (3) These columns show the long term award opportunities under the performance award component of the 2012 LTIP. For additional information about the 2012 LTIP, see footnote 2 to the Summary Compensation Table.
- (4) This column shows the restricted stock component of the 2012 LTIP and in addition, with respect to Mr. Gorman and Mr. Hauenstein, the retention awards consisting of restricted stock. For additional information about the retention awards, see the Compensation Discussion and Analysis section of the proxy statement under Elements of Compensation Special Retention Awards .
- (5) This column shows the performance stock option component of the 2012 LTIP. For additional information about the performance stock option component of the 2012 LTIP, see footnote 4 to the Summary Compensation Table.
- (6) The exercise price is equal to the closing price of Delta common stock on the NYSE on the date of grant.
- (7) The amounts in this column do not represent amounts the named executive officers received or are entitled to receive. Rather, the reported amounts represent the fair value of the awards computed in accordance with FASB ASC Topic 718 on the applicable grant date or, if earlier, the service inception date. For awards subject to performance conditions, the value shown is based on the probable outcome of the

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

performance condition as of the applicable grant date or, if earlier, the service inception date. The amounts do not reflect the risk that the awards may be forfeited in the event of certain terminations of employment or, in the case of performance awards, that there is no payout, or in the case of performance stock options, that there is no vesting, if the required performance measures are not met.

**EXECUTIVE COMPENSATION**

48

**DELTA AIR LINES, INC.**

**Table of Contents****Outstanding Equity Awards at Fiscal Year-end Table**

The following table provides information regarding the outstanding equity awards on December 31, 2012 for each of the named executive officers.

Name	Grant Date(1)	Option Awards					Stock Awards					
		Equity Incentive Plan Awards:			Option Exercise Price (\$)(3)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(4)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(5)	Equity Awards:	Equity Awards:		
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Exercised Options (#)(2)	Number of Securities Underlying Unearned Options (#)(2)					Plan or Awards:	Plan or Awards:		
									Number of	Number of	Number of	Number of
									Unexercised Options Exercisable	Unexercised Options	Unearned Options	Unexercised Options Exercisable
Mr. Anderson												
2011 LTIP- Restricted Stock	2/3/2011						151,780	1,801,629				
2012 LTIP-Restricted Stock	2/2/2012						315,320	3,742,848				
2012 LTIP- Performance Stock Options	2/2/2012			318,480	11.10	2/1/2022						
Merger Award-Stock Options	10/29/2008	1,520,000			7.99	10/28/2018						
2008 LTIP- Stock Options	4/3/2008	126,390			8.81	4/2/2018						
Stock Options	9/1/2007	264,300			16.88	8/31/2017						
Mr. Bastian												
2011 LTIP- Restricted Stock	2/3/2011						75,890	900,814				
2012 LTIP-Restricted Stock	2/2/2012						157,660	1,871,424				
2012 LTIP- Performance Stock Options	2/2/2012			159,240	11.10	2/1/2022						
Merger Award-Stock Options	10/29/2008	940,000			7.99	10/28/2018						
2008 LTIP-Stock Options	4/3/2008	71,090			8.81	4/2/2018						
Stock Options	9/1/2007	60,100			16.88	8/31/2017						
Stock Options	6/4/2007	142,900			18.84	4/29/2017						
Mr. Gorman												
2011 LTIP- Restricted Stock	2/3/2011						47,705	566,258				
2012 LTIP-Restricted Stock	2/2/2012						114,870	1,363,507				
2012 LTIP-Restricted Stock Retention Award	2/2/2012						90,100	1,069,487				
Merger Award-Stock Options	10/29/2008	730,000			7.99	10/28/2018						
2008 LTIP-Stock Options	4/3/2008	25,280			8.81	4/2/2018						
Stock Options	12/1/2007	167,000			19.76	11/30/2017						
Mr. Hauenstein												
2011 LTIP- Restricted Stock	2/3/2011						39,030	463,286				
2012 LTIP-Restricted Stock	2/2/2012						96,850	1,149,610				
2012 LTIP-Restricted Stock Retention Award	2/2/2012						90,100	1,069,487				
Merger Award-Stock Options	10/29/2008	520,000			7.99	10/28/2018						
2008 LTIP-Stock Options	4/3/2008	31,600			8.81	4/2/2018						
Stock Options	11/1/2007	67,000			20.20	10/31/2017						
Stock Options	6/4/2007	105,500			18.84	4/29/2017						
Mr. Jacobson												
2011 LTIP- Restricted Stock	2/3/2011						14,095	167,308				

# Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

2012 LTIP-Restricted Stock	2/2/2012				36,040	427,795
Merger Award-Stock Options	10/29/2008	193,000	\$ 7.99	10/28/2018		
2008 LTIP-Stock Options	4/3/2008	7,900	\$ 8.81	4/2/2018		
Stock Options	6/4/2007	40,100	\$ 18.84	4/29/2017		
<b>Mr. Halter</b>						
Merger Award-Stock Options	10/29/2008	203,000	7.99	4/1/2015		
2008 LTIP-Stock Options	4/3/2008	7,900	8.81	4/1/2014		
Stock Options	6/4/2007	63,000	18.84	4/1/2014		

- (1) For purposes of this column, the grant date for the awards is the grant date or, if earlier, the service inception date determined under FASB ASC Topic 718.
- (2) Subject to the named executive officer's continued employment with Delta, these options vest ratably over three years with 1/3 vesting on each of the following dates (a) the date the Personnel and Compensation Committee of the Board of Directors ( P&C Committee ) certifies the threshold was met for two of three performance measures under the 2011 LTIP, (b) the date the P&C Committee certifies the threshold level was met for two of three performance measures under the 2012 LTIP, and (c) February 1, 2015, if the previous performance criteria in (b) above is met.

DELTA AIR LINES, INC.

49

EXECUTIVE COMPENSATION

**Table of Contents**

(3) The exercise price of the stock options granted on June 4, 2007, November 1, 2007, December 1, 2007, April 3, 2008, October 29, 2008, and February 2, 2012 is the closing price of Delta common stock on the NYSE on the applicable grant date. The exercise price of the stock options granted on Saturday, September 1, 2007 is the closing price of the common stock on the NYSE on Friday, August 31, 2007, the last trading day immediately preceding the grant date.

(4) Subject to the named executive officer's continued employment with Delta, these shares of restricted stock vest as follows:  
February 3, 2011 Grant Date. On February 1, 2013.

February 2, 2012 Grant Date. In equal installments on February 1, 2013 and 2014.

February 2, 2012 Retention Award Grant Date. In equal installments on February 1, 2014 and 2015.

(5) In accordance with SEC rules, the amounts in this column for the market value of restricted stock are based on the \$11.87 closing price of Delta common stock on the NYSE on December 31, 2012.

(6) This table does not include the performance award component of the 2012 LTIP because (a) these award opportunities are denominated in dollars, and (b) the payout, if any, earned by the named executive officers will be made in stock based on the operating income margin, customer service performance and the return on invested capital during the two-year period ending December 31, 2013. For additional information about the performance award component of the 2012 LTIP, see footnote 2 to the Summary Compensation Table and the Grants of Plan-Based Awards Table in this proxy statement.

**Option Exercises and Stock Vested Table**

The following table provides information regarding the vesting of stock for the named executive officers in 2012.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Mr. Anderson	0	0	671,533	8,859,607
Mr. Bastian	0	0	335,767	4,429,811
Mr. Gorman	0	0	213,549	2,811,652
Mr. Hauenstein	0	0	169,569	2,244,278
Mr. Jacobson	0	0	58,389	779,432
Mr. Halter	0	0	51,125	557,263

(1) The value realized on vesting is based on the closing price of Delta common stock on the NYSE on the applicable vesting date. The numbers represent the vesting of award opportunities granted in 2010 and 2011.

**Post-Employment Compensation****Defined Benefit Pension Benefits**

Qualified Nonpilot Retirement Plan. The Delta Retirement Plan ( Retirement Plan ) is a broad-based, non-contributory qualified defined benefit pension plan for Delta nonpilot employees. To participate in the Retirement Plan, a nonpilot employee must have completed 12 months of service before the plan was frozen on December 31, 2005. As a result, Mr. Bastian, Mr. Halter and Mr. Jacobson are eligible to participate in the Retirement Plan but Mr. Anderson, Mr. Gorman and Mr. Hauenstein are not. We do not offer any supplemental executive retirement plans to our named executive officers.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Until July 1, 2003, Retirement Plan benefits for participants in the Retirement Plan, including the eligible named executives, were calculated using only a final average earnings formula ( FAE formula ). Under this formula, the benefit is based on an employee s (1) final average earnings; (2) years of service prior to January 1, 2006; (3) age when the payment of benefits begins (which may not be before age 52); and (4) primary Social Security

**EXECUTIVE COMPENSATION**

50

**DELTA AIR LINES, INC.**



**Table of Contents**

benefit. Final average earnings are the average of an employee's highest average monthly earnings (based on the employee's salary and eligible annual incentive compensation, if any) for the 36 consecutive months in the 120-month period immediately preceding the earlier of termination of employment or January 1, 2006. The monthly retirement benefit payable at the normal retirement age of 65 is determined by multiplying final average earnings by 60%, and then reducing that amount for service of less than 30 years with Delta and by 50% of the primary Social Security benefit payable to the employee. The 50% Social Security offset is also reduced for service of less than 30 years. Participants become fully vested in their FAE formula benefits after completing three years of service. Benefits determined under the FAE formula are paid in the form of a monthly annuity.

Effective July 1, 2003, the Retirement Plan was amended to transition to a cash balance formula. Generally, for employees hired (or rehired) after July 1, 2003, retirement benefits earned after that date are based only on the cash balance formula. Under this formula, each participant has an account, for recordkeeping purposes only, to which pay credits were allocated annually until January 1, 2006. These pay credits were based on 6% of a participant's salary and eligible annual incentive compensation, if any. In addition, all balances in a participant's account are credited with an annual interest credit which is currently based on a market rate of interest (the Annual Interest Credit). Participants become fully vested in their cash balance formula benefits after completing three years of service. At termination of employment, an amount equal to the then-vested balance of a participant's cash balance account is payable to the participant, at his election, in the form of an immediate or deferred lump sum (to the extent the lump sum payment is available under the Internal Revenue Code) or equivalent monthly annuity benefit.

Employees covered by the Retirement Plan who were employed on July 1, 2003 are eligible for transition benefits as long as they remained continuously employed. For the period that began July 1, 2003 and ended December 31, 2005 (Cash Balance Period), these employees earned retirement benefits equal to the greater of the benefit determined under the Retirement Plan's FAE formula or its cash balance formula.

Effective December 31, 2005, the Retirement Plan was amended (1) to freeze accrual of future benefits attributable to years of service and pay increases after December 31, 2005 under the FAE formula; and (2) to cease pay credits under the cash balance formula. Effective March 31, 2007, all benefits under the Retirement Plan were frozen; however, Annual Interest Credits will continue to be added to the cash balance account after December 31, 2005.

***Pension Benefits Table***

The table below shows certain pension benefit information for Mr. Bastian, Mr. Jacobson and Mr. Halter as of December 31, 2012. The table does not include any information for Mr. Anderson, Mr. Gorman or Mr. Hauenstein because they are not eligible to participate in the Retirement Plan.

Name	Plan Name	Number of Years of Credited Service (as of December 31, 2012) (1)	Present Value of Accumulated Benefits (\$) (2)	Payments During Last Fiscal Year
Mr. Bastian(3)	Delta Retirement Plan	6 years, 10 months	FAE Formula: 208,427 Cash Balance Formula: 54,827	0
Mr. Jacobson	Delta Retirement Plan	8 years, 2 months	FAE Formula: 71,472 Cash Balance Formula: 5,335	0
Mr. Halter(4)	Delta Retirement Plan	7 years, 4 months	FAE Formula: 168,546 Cash Balance Formula: 44,715	0

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

- (1) As discussed above, the Retirement Plan was frozen effective December 31, 2005, and no additional service credit will accrue after that date. All years of service reflected in this column include service until December 31, 2005.
- (2) Benefits were calculated using interest rate and mortality rate assumptions consistent with those used in our financial statements (see Assumptions in Note 11 of the Notes to the Consolidated Financial Statements in Delta's 2012 Form 10-K). In addition, certain individual data were used in developing these values. Benefits accrued under the FAE formula and the cash balance formula are listed separately. For purposes of the FAE formula benefit, the assumed retirement age is 62. The form of benefit payable under the FAE formula for Mr. Bastian, Mr. Jacobson and Mr. Halter is a single life annuity.

DELTA AIR LINES, INC.

51

EXECUTIVE COMPENSATION

**Table of Contents**

- (3) Mr. Bastian resigned from Delta as of April 1, 2005 and rejoined Delta in July 2005. His years of credited service include the 6 years, 5 months of service he had completed as of April 1, 2005. As a result, the portion of his benefit calculated under the FAE formula was determined under the rules applicable to vested employees who terminate their service with Delta prior to early retirement age instead of under the rules applicable to retirees at early retirement age. Accordingly, Mr. Bastian's benefit is smaller than it would have been had he retired at early retirement age. All benefits earned by Mr. Bastian after he rejoined Delta in July 2005 are based solely on the cash balance formula.
- (4) Mr. Jacobson resigned from Delta as of March 18, 2005 and rejoined Delta in August 2005. His years of credited service include the 7 years, 10 months of service he had completed as of March 18, 2005. As a result, the portion of his benefit calculated under the FAE formula was determined under the rules applicable to vested employees who terminate their service prior to early retirement age instead of under the rules applicable to retirees at early retirement age. Accordingly, Mr. Jacobson's benefit is smaller than it would have been had he retired at early retirement age. In addition, following his resignation in March 2005, Mr. Jacobson elected to receive the cash balance portion of his benefit in a lump sum payment. All benefits earned by Mr. Jacobson after he rejoined Delta in August 2005 are based solely on the cash balance formula.

***Potential Post-Employment Benefits upon Termination or Change in Control***

This section describes the potential benefits that may be received by our named executive officers in the event of certain terminations of employment or, in limited circumstances, in connection with a change in control, assuming termination of employment on December 31, 2012. This section also describes the benefits Mr. Halter received in connection with his termination of employment.

**Severance Plan.** Officers and director level employees are generally eligible to participate in Delta's 2009 Officer and Director Severance Plan (Severance Plan). The following table summarizes the principal benefits the named executive officers are eligible to receive under the Severance Plan. The Severance Plan may be amended at any time by the Company.

Name	Termination by Delta without Cause (no Change in Control)	Resignation by the Executive for Good Reason (no Change in Control)	Termination by Delta without Cause or Resignation by the Executive for Good Reason  in Connection with a Change in Control (1)
Mr. Anderson	24 months base salary	24 months base salary	24 months base salary
and Mr. Bastian	200% target MIP	200% target MIP	200% target MIP
	24 months benefits continuation	24 months benefits continuation	24 months benefits continuation
Mr. Gorman	18 months base salary	None	18 months base salary
and Mr. Hauenstein	150% target MIP		150% target MIP
	18 months benefits continuation		18 months benefits continuation
Mr. Jacobson	15 months base salary	None	15 months base salary
	125% target MIP		125% target MIP
	15 months benefits continuation		15 months benefits continuation

(1) These benefits apply if the termination of employment occurs during the two-year period after a change in control. To receive benefits under the Severance Plan, executive officers must enter into a general release of claims against Delta, and non-competition, non-solicitation and confidentiality covenants for the benefit of Delta. The cash severance amount is paid in a lump sum following termination.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

of employment. As outlined in the chart above, benefits continuation means (1) continuation of certain medical, dental and vision benefits for which the COBRA premiums will be waived for the participant's severance period; (2) continuation of basic life insurance coverage of one times annual base salary, up to a maximum amount of \$250,000, for which premiums will be waived for the severance period. In addition, executive officers are eligible for reimbursement of expenses for financial planning services through the end of the year in which the termination occurred and outplacement services with fees not to exceed \$5,000.

**EXECUTIVE COMPENSATION**

52

**DELTA AIR LINES, INC.**

## **Table of Contents**

The Severance Plan does not provide for any excise tax gross-ups for benefits received in connection with a change in control. If a participant is entitled to benefits under the Severance Plan in connection with a change in control, the amount of such benefits will be reduced to the statutory safe harbor under Section 4999 of the Internal Revenue Code if this results in a greater after tax benefit than if the participant paid the excise tax.

### ***Other Benefits***

Our named executive officers are eligible to receive certain additional benefits in the event of certain terminations of employment or in connection with a change in control. The definitions of "cause", "change in control", "disability" and "good reason", as such terms are used in the following sections, are summarized below.

#### **The 2012 and 2011 Long-Term Incentive Programs**

If a participant's employment is terminated (1) by Delta without cause or by the participant for good reason in connection with a change in control or (2) due to death or disability, the participant's performance award and restricted stock award will immediately vest, with the performance award paid in cash at the target level. With respect to the performance stock options awarded to Messrs. Anderson and Bastian under the 2012 LTIP, if their employment is terminated for the foregoing reasons, their performance stock options will immediately vest and become exercisable.

If a participant's employment is terminated by Delta without cause or by the participant for good reason without a change in control:

the participant will receive a cash payment of his performance award based on actual performance for the entire performance period, prorated based on the number of months the participant was employed by Delta during the performance period and paid at the same time and manner as active participants. Any remaining portion of the performance award will be forfeited.

a pro rata portion of the participant's restricted stock award, based on the number of months the participant was employed with Delta from the award grant date, will immediately vest. Any remaining portion of the restricted stock award will be forfeited.

With respect to the performance stock options awarded to Messrs. Anderson and Bastian under the 2012 LTIP, a pro rata portion of their performance stock option award will vest and become exercisable based on actual performance for the entire performance period, prorated based on the number of months they were employed by Delta during the performance period, at the same time and manner as an active participant. Any remaining portion of the performance stock option award will be forfeited.

If a participant's employment is terminated by Delta for cause or by the participant without good reason, the participant's performance award, restricted stock award and, as applicable, performance stock option award will be forfeited.

**2012 Management Incentive Plan.** The 2012 MIP generally provides that a participant whose employment with Delta terminates prior to the end of the workday on December 31, 2012 is not eligible for a 2012 MIP payment. If, however, the participant's employment is terminated (1) due to death or disability or (2) by Delta without cause or for any other reason that would entitle the participant to benefits under the Severance Plan, the participant is eligible for a pro rata 2012 MIP payment based on (a) the number of months during 2012 the participant was employed in a MIP-qualified position and (b) the terms and conditions of the 2012 MIP that would have applied if the participant's employment had continued through December 31, 2012.

**Special Retention Awards.** The special retention awards provided to Messrs. Gorman and Hauenstein in restricted stock are subject to the same termination provisions applicable to restricted stock awards under the 2011 and 2012 Long Term Incentive Programs.

## Table of Contents

**Triggering Events.** As noted above, eligibility for severance benefits and acceleration of the vesting of equity awards are triggered by certain events. The terms cause, change in control, disability and good reason, as they apply to our executive officers, are summarized below.

Cause means, in general, a person's (1) continued, substantial failure to perform his duties with Delta; (2) misconduct which is economically injurious to Delta; (3) conviction of, or plea of guilty or no contest to, a felony or other crime involving moral turpitude, fraud, theft, embezzlement or dishonesty; or (4) material violation of any material Delta policy or rule regarding conduct. A person has ten business days to cure, if curable, any of the events which could lead to a termination for cause. For executive vice presidents or more senior executives, a termination for cause must be approved by a 2/3 vote of the entire Board of Directors.

Change in control means, in general, the occurrence of any of the following events: (1) any person becomes the beneficial owner of more than 35% of Delta common stock; (2) during a period of 12 consecutive months, the Board of Directors at the beginning of the period and their approved successors cease to constitute a majority of the Board; (3) the consummation of a merger or consolidation involving Delta, other than a merger or consolidation which results in the Delta common stock outstanding immediately before the transaction continuing to represent more than 65% of the Delta common stock outstanding immediately after the transaction; or (4) a sale, lease or other transfer of Delta's assets which have a total gross fair market value greater than 40% of the total gross fair market value of Delta's assets immediately before the transaction.

Disability means long term or permanent disability as determined under the applicable Delta disability plan.

Good reason:

For purposes of Delta's outstanding equity awards, good reason generally means the occurrence of any of the following without a person's written consent: (1) with respect to executive vice presidents or more senior executives (or, if following a change in control, with respect to any participant), a diminution or other reduction of a person's authorities, duties or responsibilities, other than an insubstantial and inadvertent act that is promptly remedied by Delta after written notice by the person; (2) the relocation of a person's office by more than 50 miles and, if the relocation occurs prior to a change in control, the relocation would place the person in a position of reduced status and importance at Delta; (3) a reduction in a person's base salary or incentive compensation opportunities, other than pursuant to a uniform percentage salary reduction for similarly situated persons (or, following a change in control, all full-time domestic employees who are not subject to a collective bargaining agreement); (4) Delta does not keep in effect compensation and benefit programs under which a person receives benefits substantially similar, in the aggregate, to those in effect prior to a reduction (other than a reduction pursuant to an equivalent reduction in such benefits for similarly situated persons (or, following a change in control, all full-time domestic employees who are not subject to a collective bargaining agreement)); or (5) a material breach by Delta of any material term of a person's employment.

For purposes of the Severance Plan, good reason generally means the occurrence of any of the following without a person's written consent: (1) a diminution or other reduction of a person's authorities, duties or responsibilities, other than an insubstantial and inadvertent act that is promptly remedied by Delta after written notice by the person; (2) the relocation of a person's office by more than 50 miles; (3) a reduction in a person's base salary or incentive compensation opportunities, other than pursuant to a uniform percentage salary reduction for all full-time domestic employees who are not subject to a collective bargaining agreement; (4) Delta does not keep in effect compensation and benefit programs under which a person receives benefits substantially similar, in the aggregate, to those in effect prior to a reduction (other than a reduction pursuant to an equivalent reduction in such benefits for all full-time domestic employees who are not subject to a collective bargaining agreement); or (5) a material breach by Delta of any material term of a person's employment.

**Table of Contents**

An event described above constitutes good reason only if a person gives Delta certain written notice of his intent to resign and Delta does not cure the event within a specified period.

**Retiree Flight Benefits.** An executive officer who retires from Delta at or after age 52 with at least 10 years of service, or at or after age 62 with at least five years of service, may continue to receive Flight Benefits (See footnote 7(f) to the Summary Compensation Table for a description of Flight Benefits including survivor travel benefits) during retirement, except the unused portion of the two annual allowances does not accumulate into succeeding years ( Retiree Flight Benefits ).

Notwithstanding the above, a person who is first elected an officer on or after June 8, 2009 will not receive reimbursement for taxes for Retiree Flight Benefits. Delta also does not provide reimbursement for taxes associated with travel by the surviving spouse or domestic partner of any officer.

In exchange for certain non-competition, non-solicitation and confidentiality covenants for the benefit of Delta and a general release of claims against Delta, an officer who served in that capacity during the period beginning on the date Delta entered into the merger agreement with Northwest and ending on the date the merger occurred, or who joined Delta from Northwest on the date the merger occurred and who had been a Northwest officer on the date Delta entered into the merger agreement, will receive, on his termination of employment (other than by death or by Delta for cause), a vested right to Retiree Flight Benefits, regardless of the officer's age and years of service at his termination of employment.

**Pre-existing Medical Benefits Agreement With Northwest.** In 2001, Northwest Airlines, Inc. entered into an agreement with its then Chief Executive Officer, Mr. Anderson, agreeing to provide Mr. Anderson, his spouse and eligible dependents with medical and dental coverage at the levels then provided to Mr. Anderson under the Northwest medical plans for the life of Mr. Anderson and his spouse. This coverage is secondary to any medical coverage Mr. Anderson receives while he is employed by another company. The agreement with Mr. Anderson was reviewed and approved by the compensation committee of the board of directors of Northwest, and was consistent with Northwest's then existing practices. As a result of the merger between Delta and Northwest, Delta is required to honor this agreement. The P&C Committee confirmed this obligation in a letter to Mr. Anderson, who has voluntarily waived the benefits under this agreement while he is employed with Delta.

***Tables Regarding Potential Post-Employment Benefits upon Termination or Change in Control***

**General.** The following tables describe the termination benefits for each named executive officer (other than for Mr. Halter's whose termination benefits are described after the tables), assuming termination of employment on December 31, 2012. Also included is a column that describes the benefits, if any, each named executive officer would have received in connection with a change in control. Further, because termination is deemed to occur at the end of the workday on December 31, 2012, the executive would have earned his 2012 MIP award and the performance awards under the 2011 LTIP, to the extent otherwise payable. Accordingly, these awards are unrelated to the termination of employment.

**Retirement.** For purposes of the following tables, an executive officer is eligible to retire from Delta (1) at or after age 52 with 10 years of service or (2) at or after age 62 with five years of service. None of our named executive officers is eligible to retire under these requirements and, therefore, none is eligible for any retirement-related compensation or benefits.

**Broad-based Benefits.** We have not included in this section any benefit that is available generally to all employees on a non-discriminatory basis such as payment of retirement, disability and death benefits. See "Defined Benefit Pension Benefits" above, for a discussion of the benefits accrued for eligible named executive officers under the Delta Retirement Plan.

**Certain Assumptions.** We used the general assumptions summarized below in calculating the dollar amounts included in the following tables:

**Performance Stock Awards.** The value of the performance awards in the tables is based on payment at the target level.

**Table of Contents**

**Performance Stock Options.** We used intrinsic value for the performance stock options in the following tables assuming that the performance criteria attributable to the stock options were met. The exercise price for our unexercisable stock options outstanding on December 31, 2012 was \$11.10 for the options granted on February 2, 2012.

**Restricted Stock.** As required by SEC rules, the values in these tables for restricted stock are based on the \$11.87 closing price of Delta common stock on the NYSE on December 31, 2012.

**Benefits.** Under our severance arrangements, executive officers may receive financial planning services until the end of the year in which their employment terminated. For purposes of the tables, we have assumed each named executive officer would use his remaining available 2012 allowance. The maximum amount available under the program is \$15,000 per year for executive vice presidents and more senior executives, and \$8,500 for senior vice presidents.

The Retiree Flight Benefits reflected for each named executive officer in the following tables were determined by using the following assumptions for each officer: (1) Flight Benefits continue for the life expectancy of the officer or the joint life expectancy of the officer and his spouse, if applicable, measured using a mortality table projected to 2016; (2) the level of usage of Retiree Flight Benefits for each year is the same as the officer's and, if applicable, his spouse's actual usage of Flight Benefits during 2012; (3) the incremental cost to Delta of Retiree Flight Benefits for each year is the same as the actual incremental cost incurred by Delta for the officer's Flight Benefits in 2012; (4) the value of Retiree Flight Benefits includes a tax gross up equal to 60% lesser of (i) the officer's actual usage of Flight Benefits in 2012 and (ii) the annual tax reimbursement allowance (as described in footnote 7(f) to the Summary Compensation Table) (surviving spouses do not receive reimbursement for taxes associated with Retiree Flight Benefits). On the basis of these assumptions, we determined the value of Retiree Flight Benefits for each named executive officer by calculating the present value of the benefit over the officer's life expectancy (or joint life expectancy with his spouse, if applicable) using a discount rate of 4.95%.

**Mr. Anderson.**

	Termination not Involving a Change in Control					Change in Control		
	Termination without Cause (\$)	Resignation for Good Reason (\$)	Termination for Cause (\$)	Resignation Without Good Reason (\$)	Death (\$)	Disability (\$)	Termination Without Cause or Resignation for Good Reason (\$)	Employment Continues (\$)
<b>Severance Payment(1):</b>	4,350,000	4,350,000	0	0	0	0	4,350,000	0
<b>Equity:</b>								
Performance Stock Awards	1,750,000	1,750,000	0	0	3,500,000	3,500,000	3,500,000	0
Performance Stock Options	137,375	137,375	0	0	245,230	245,230	245,230	0
<b>Restricted Stock</b>	4,299,777	4,299,777	0	0	5,544,477	5,544,477	5,544,477	0
<b>Benefits and Perquisites:</b>								
Company-Paid COBRA Coverage and Basic Life Insurance Premiums(2)	371,020	371,020	370,300	370,300	189,900	370,300	371,020	0
Career Transition Services	5,000	5,000	0	0	0	0	5,000	0
Financial Planning	846	846	0	0	0	0	846	0
Retiree Flight Benefits	603,086	603,086	0	603,086	19,999	603,086	603,086	0

(1) The severance payment, if applicable, represents 24 months of base salary and 200% of Mr. Anderson's MIP target award (which is 200% of his base salary).

(2) This amount includes the present value of medical and dental coverage at the levels provided under Northwest's plans for Mr. Anderson, his spouse and eligible dependents for the life of Mr. Anderson and his spouse, as described above under Pre-existing Medical Benefits



Agreement With Northwest.

**EXECUTIVE COMPENSATION**

56

**DELTA AIR LINES, INC.**

**Table of Contents**Mr. Bastian.

	Termination not Involving a Change in Control					Change in Control		
	Termination without Cause (\$)	Resignation for Good Reason (\$)	Termination for Cause (\$)	Resignation without Good Reason (\$)	Death (\$)	Disability (\$)	Termination Without Cause or Resignation for Good Reason (\$)	Employment Continues (\$)
<b>Severance Payment(1):</b>	3,162,500	3,162,500	0	0	0	0	3,162,500	0
<b>Equity:</b>								
Performance Stock Awards	875,000	875,000	0	0	1,750,000	1,750,000	1,750,000	0
Performance Stock Options	68,688	68,688			122,615	122,615	122,615	
<b>Restricted Stock</b>	2,149,894	2,149,894	0	0	2,772,239	2,772,239	2,772,239	0
<b>Benefits and Perquisites:</b>								
Company-Paid COBRA Coverage and Basic Life Insurance Premiums	27,503	27,503	0	0	0	0	27,503	0
Career Transition Services	5,000	5,000	0	0	0	0	5,000	0
Financial Planning	15,000	15,000	0	0	0	0	15,000	0
Retiree Flight Benefits	737,156	737,156	0	737,156	13,179	737,156	737,156	0

(1) The severance payment, if applicable, represents 24 months of base salary and 200% of Mr. Bastian's MIP target award (which is 175% of his base salary).

Mr. Gorman.

	Termination not Involving a Change in Control					Change in Control		
	Termination without Cause (\$)	Resignation for Good Reason (\$)	Termination for Cause (\$)	Resignation without Good Reason (\$)	Death (\$)	Disability (\$)	Termination without Cause or Resignation for Good Reason (\$)	Employment Continues (\$)
<b>Severance Payment(1):</b>	1,968,750	0	0	0	0	0	1,968,750	0
<b>Equity:</b>								
Performance Stock Awards	637,500	637,500	0	0	1,275,000	1,275,000	1,275,000	0
Restricted Stock	1,888,588	1,888,588	0	0	2,999,252	2,999,252	2,999,252	0
<b>Benefits and Perquisites:</b>								
Company-Paid COBRA Coverage and Basic Life Insurance Premiums	22,420	0	0	0	0	0	22,420	0
Career Transition Services	5,000	0	0	0	0	0	5,000	0
Financial Planning	13,725	0	0	0	0	0	13,725	0
Retiree Flight Benefits	310,638	310,638	0	310,638	12,885	310,638	310,638	0

(1) The severance payment, if applicable, represents 18 months of base salary and 150% of Mr. Gorman's MIP target award (which is 150% of his base salary).



**Table of Contents**Mr. Hauenstein.

	Termination not Involving a Change in Control					Change in Control		
	Termination without Cause (\$)	Resignation for Good Reason (\$)	Termination for Cause (\$)	Resignation without Good Reason (\$)	Death (\$)	Disability (\$)	Termination without Cause or Resignation for Good Reason (\$)	Employment Continues (\$)
<b>Severance Payment(1):</b>	1,518,750	0	0	0	0	0	1,518,750	0
<b>Equity:</b>								
Performance Stock Awards	537,500	537,500	0	0	1,075,000	1,075,000	1,075,000	0
Restricted Stock	1,642,844	1,642,844	0	0	2,682,383	2,682,383	2,682,383	0
<b>Benefits and Perquisites:</b>								
Company-Paid COBRA Coverage and Basic Life Insurance								
Premiums	7,798	0	0	0	0	0	7,798	0
Career Transition Services	5,000	0	0	0	0	0	5,000	0
Financial Planning	12,218	0	0	0	0	0	12,218	0
Retiree Flight Benefits	532,155	532,155	0	532,155	0	532,155	532,155	0

(1) The severance payment, if applicable, represents 18 months of base salary and 150% of Mr. Hauenstein's MIP target award (which is 125% of his base salary).

Mr. Jacobson.

	Termination not Involving a Change in Control					Change in Control		
	Termination without Cause (\$)	Resignation for Good Reason (\$)	Termination for Cause (\$)	Resignation without Good Reason (\$)	Death (\$)	Disability (\$)	Termination without Cause or Resignation for Good Reason (\$)	Employment Continues (\$)
<b>Severance Payment(1):</b>	1,265,625	0	0	0	0	0	1,265,625	0
<b>Equity:</b>								
Performance Stock Awards	200,000	200,000	0	0	400,000	400,000	400,000	0
Restricted Stock	454,467	454,467	0	0	595,102	595,102	595,102	0
<b>Benefits and Perquisites:</b>								
Company-Paid COBRA Coverage and Basic Life Insurance Premiums	18,390	0	0	0	0	0	18,390	0
Career Transition Services	5,000	0	0	0	0	0	5,000	0
Financial Planning	8,500	0	0	0	0	0	8,500	0
Retiree Flight Benefits	306,399	306,399	0	306,399	7,299	306,399	306,399	0

(1) The severance payment, if applicable, represents 15 months of base salary and 125% of Mr. Jacobson's MIP target award (which is 125% of his base salary).

Mr. Halter. On March 29, 2012, Mr. Halter entered into a separation agreement with Delta, pursuant to which his employment with Delta terminated effective April 1, 2012. Under the separation agreement, Mr. Halter agreed to certain non-competition, non-solicitation and confidentiality covenants for the benefit of Delta and a general release of any claims against Delta.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

In connection with his termination of employment, Mr. Halter received (1) a severance payment of \$1,082,813 under the Severance Plan, as described above and (2) under Delta's standard vacation/paid time off policy applicable to all terminated employees, \$75,521 in payment for earned but unused vacation and paid time off days. During the six-month period following his termination of employment, Mr. Halter agreed to provide Delta with consulting services for which he received a payment of \$400,000. These amounts are reflected in the Summary Compensation Table. In addition, Mr. Halter is eligible for the following benefits: (1) the continuation of his medical coverage under COBRA or, because the combination of his age and service with Delta equaled at

EXECUTIVE COMPENSATION

58

DELTA AIR LINES, INC.

**Table of Contents**

least 55, access to Delta's standard retiree medical coverage; (2) continuation of his basic life insurance coverage for a period of 15 months and, thereafter, retiree life insurance coverage in the amount of \$10,000; (3) career transition services (up to a maximum of \$5,000); and (4) continuation of financial services for the remainder of 2012 (up to a maximum of \$8,500). If Mr. Halter elects to continue his medical coverage, either under COBRA or through retiree medical, the premiums for such coverage will be waived for the 15-month period following his termination of employment.

Mr. Halter is also eligible for Retiree Flight Benefits as described in footnote 7(f) to the Summary Compensation Table in this proxy statement. Delta estimates that the aggregate cost of this travel benefit will be approximately \$472,497. The estimated cost of this travel benefit represents the sum of the present value of the estimated incremental cost of providing the benefit and the related tax reimbursement during his projected lifetime.

DELTA AIR LINES, INC.

59

EXECUTIVE COMPENSATION

## **Table of Contents**

### **DIRECTOR COMPENSATION**

Non-employee directors receive the following for their service on the Board of Directors:

Annual Retainer:	\$85,000
Annual Grant of Restricted Stock:	Approximately \$115,000 in restricted stock that vests at or shortly before the next annual meeting of stockholders, subject to the director's continued service on the Board of Directors on the vesting date
Annual Committee Chair Retainer:	\$20,000
Annual Committee Member Retainer: Annual Non-executive Chairman of the	\$10,000
Board Retainer:	\$175,000
Charitable Matching Program:	Directors (and all full-time employees and retirees) are eligible to participate in a program under which a charitable foundation funded by Delta will match 50% of a participant's cash contributions to accredited colleges and universities, with a maximum match of up to \$1,000 per calendar year on behalf of any participant

**Expense Reimbursements:** Reimbursement of reasonable expenses incurred in attending meetings

As is common in the airline industry, Delta provides complimentary travel and certain Delta Sky Club privileges for members of the Board of Directors; the director's spouse, domestic partner or designated companion; the director's children and parents; and, to a limited extent, other persons designated by the director ( Director Flight Benefits ). Complimentary travel for such other persons is limited to an aggregate imputed value of \$20,000 per year. Delta reimburses the director for associated taxes on complimentary travel with an imputed tax value of up to \$25,000 per year. Unused portions of the annual allowances described in the previous two sentences accumulate and may be carried into succeeding years during Board service. Complimentary travel is provided to an eligible director's surviving spouse or domestic partner after the eligible director's death. Delta will not reimburse the surviving spouse or domestic partner for associated taxes on complimentary travel under the survivor travel benefit.

A director who retires from the Board at or after age 52 with at least 10 years of service as a director, at or after age 68 with at least five years of service as a director, or at his or her mandatory retirement date, may continue to receive Director Flight Benefits during retirement, except the unused portion of the annual allowances do not accumulate into succeeding years ( Retired Director Flight Benefits ). A director who served on the Board of Directors during the period beginning on the date Delta entered into the merger agreement with Northwest and ending on the date the merger occurred, or who joined the Board at the closing of the merger on October 29, 2008, will receive, at the completion of his Board service (other than due to death or due to removal by stockholders for cause), a vested right to receive Retired Director Flight Benefits, regardless of the director's age and years of service when his or her Board service ends. A director is not eligible to receive Retired Director Flight Benefits if the director engages in certain wrongful acts.

Notwithstanding the above, a person who is first elected to the Board of Directors on or after June 8, 2009, will not receive reimbursement for taxes for Retired Director Flight Benefits. Directors who are employees of Delta are not separately compensated for their service as directors. Mr. Rogers is not eligible to receive Director or Retired Director Flight Benefits.

### ***Stock Ownership Guidelines***

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

The Board of Directors adopted stock ownership guidelines that require each non-employee director to own at least 35,000 shares of Delta common stock by the later of July 24, 2012 or three years after his or her initial

**DIRECTOR COMPENSATION**

60

**DELTA AIR LINES, INC.**



**Table of Contents**

election to the Board. For these purposes, stock ownership includes shares (including restricted stock) owned directly or held in trust by the director or an immediate family member who resides in the same household. It does not include shares a director has the right to acquire through the exercise of stock options. All non-employee directors exceed the required stock ownership level except Ms. Franklin and Mr. DeWalt, both of whom became directors in the second half of 2011, and Messrs. Easter and Mattson, both of whom became directors in the second half of 2012.

**Director Compensation Table**

The following table sets forth the compensation paid to non-employee members of Delta's Board of Directors during 2012:

Name(1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive	Nonqualified	All Other Compensation (\$)(3)	Total (\$)
				Plan Compensation (\$)	Deferred Compensation Earnings (\$)		
Roy J. Bostock	115,000	115,015	0	0	0	30,577	260,592
John S. Brinzo	115,000	115,015	0	0	0	6,040	236,055
Daniel A. Carp	290,000	115,015	0	0	0	7,354	412,369
David G. DeWalt	105,000	115,015	0	0	0	4,152	224,167
William H. Easter III	7,083	115,055	0	0	0	0	122,138
Mickey P. Foret	105,000	115,015	0	0	0	15,893	235,908
Shirley C. Franklin	105,000	115,015	0	0	0	14,672	234,687
David R. Goode	115,000	115,015	0	0	0	9,411	239,426
George N. Mattson	26,250	115,079	0	0	0	1,007	142,336
Paula Rosput Reynolds	105,000	115,015	0	0	0	5,371	225,386
Kenneth B. Woodrow	115,000	115,015	0	0	0	4,340	234,355
Former Director(4)							
John M. Engler	52,500	0	0	0	0	14,563	67,063

- (1) As Delta employees, Mr. Anderson, Mr. Bastian and Mr. Rogers are not separately compensated for their service on the Board of Directors. Mr. Anderson's and Mr. Bastian's compensation is included in the Summary Compensation Table in this proxy statement. Mr. Rogers' compensation is described at Proposal 1 Election of Directors in this proxy statement.
- (2) On June 15, 2012, the Board of Directors granted 11,210 shares of restricted stock to each non-employee director. Mr. Easter and Mr. Mattson were granted shares of restricted stock when they joined the Board of Directors. Mr. Easter was granted 11,960 shares and Mr. Mattson was granted 11,950 shares of restricted stock. These awards will vest on June 27, 2013, subject to the director's continued Board service on that date. The Stock Awards column shows the fair value of the restricted stock granted to each non-employee director in 2012 as determined under FASB ASC Topic 718, based on date of the grant.
- (3) The amounts in this column for each non-employee director and former director represent reimbursement of taxes associated with Director Flight Benefits. The amount for Mr. Bostock includes the incremental cost of Director Flight Benefits and \$19,875 in reimbursement of taxes associated with these benefits. No other non-employee director received perquisites or other personal benefits with a total incremental cost of \$10,000 or more, the threshold for reporting under SEC rules. Mr. Anderson's and Mr. Bastian's perquisites and other personal benefits are included in the Summary Compensation Table in this proxy statement.
- (4) In early 2012, Mr. Engler decided not to stand for reelection as a director in 2012 due to other commitments. Mr. Engler completed service as a director on June 15, 2012.



## **Table of Contents**

### **AUDIT COMMITTEE REPORT**

The Audit Committee represents and assists the Board of Directors in its oversight of the integrity of Delta's financial statements, compliance with legal and certain regulatory requirements, the qualifications and independence of the independent auditors, and the performance of the internal audit function. The Committee retains, oversees and reviews the performance of the independent auditors, who report directly to the Committee. The Committee has the resources and authority it deems appropriate to discharge its responsibilities. The Committee operates pursuant to a written charter available at [http://images.delta.com.edgesuite.net/delta/pdfs/Charter\\_Audit.pdf](http://images.delta.com.edgesuite.net/delta/pdfs/Charter_Audit.pdf).

The Board of Directors has determined that each of Mr. Brinzo, Mr. Easter, Mr. Foret, Ms. Franklin and Ms. Reynolds has the necessary experience to qualify as an audit committee financial expert under SEC rules, and has so designated each of them. None of these persons is an auditor or an accountant for Delta or performs accounting field work, and none is employed by Delta. In accordance with the SEC's safe harbor relating to audit committee financial experts, a person designated as an audit committee financial expert will not be deemed an expert for purposes of the federal securities laws. In addition, this designation does not impose on a person any duties, obligations or liabilities that are greater than those otherwise imposed on the person as a member of the Audit Committee and Board of Directors, and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board of Directors.

Management is responsible for Delta's system of internal control over financial reporting, the preparation of its consolidated financial statements in accordance with accounting principles generally accepted in the United States, or GAAP, and the financial reporting process, including management's assessment of internal control over financial reporting. The independent auditors, Ernst & Young LLP, are responsible for performing an independent audit of our consolidated financial statements and for expressing an opinion, based on the results of their audit, as to whether the consolidated financial statements are fairly presented, in all material respects, in conformity with GAAP.

It is not the responsibility of the Audit Committee to prepare consolidated financial statements or to determine that the consolidated financial statements and disclosures are complete and accurate and prepared in accordance with GAAP and applicable rules and regulations. These tasks are the responsibility of management. It is also not the responsibility of the Audit Committee to plan or conduct an independent audit of the consolidated financial statements. These tasks are the responsibility of the independent auditors. In carrying out its oversight responsibilities, the Audit Committee is not providing any expert, professional or special assurance as to the consolidated financial statements or any professional certification. The Audit Committee relies on the information provided by and representations made to it by management, and also on the report on our consolidated financial statements that it receives from the independent auditors.

In discharging its duties, the Audit Committee reviewed and discussed with management and the independent auditors the overall scope and process for the audit of the consolidated financial statements and internal control over financial reporting. The Committee discussed with the independent auditors the matters required to be discussed under Public Company Accounting Oversight Board (United States) (PCAOB) AU Section 380 (Communication with Audit Committees), SEC rules and other applicable regulations. In addition, the Committee received from the independent auditors the written disclosures and the letter required by applicable PCAOB requirements regarding the independent accountant's communications with the Audit Committee concerning independence, and discussed with the independent auditors their independence from Delta and its management. The Committee also determined that the independent auditors' provision of non-audit services in 2012 to Delta was compatible with the auditors' independence.

At its meetings, the Audit Committee met with, in addition to representatives of Ernst & Young LLP, members of Delta's management, including the CEO, the President, the Chief Financial Officer, the Controller, the General Counsel and the Vice President - Corporate Audit and Enterprise Risk Management (ERM). Members of the Audit Committee and the other attendees discussed and reviewed, among other things, certain Delta SEC filings; the scope, resources and work of the internal audit function; the financial reporting process; the consolidated financial statements and related notes; the scope and progress of testing of Delta's internal

## **Table of Contents**

control over financial reporting; management's assessment of the effectiveness of Delta's internal control over financial reporting; enterprise risk management; legal and accounting matters; fuel risk management; taxes; and information technology matters. The Audit Committee regularly holds private sessions separately with the independent auditors and management, including the General Counsel and the Vice President Corporate Audit and ERM.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements and management's assessment of the effectiveness of Delta's internal control over financial reporting be included in Delta's 2012 Form 10-K filed with the SEC. The Audit Committee also appointed Ernst & Young LLP as Delta's independent auditors for 2013, subject to stockholder ratification.

### **THE AUDIT COMMITTEE**

John S. Brinzo, *Chairman*

William H. Easter III

Mickey P. Foret

Shirley C. Franklin

Paula Rosput Reynolds

**DELTA AIR LINES, INC.**

63

**AUDIT COMMITTEE REPORT**

**Table of Contents**

**PROPOSAL 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act ), stockholders have the opportunity to approve, on an advisory, nonbinding basis, the compensation of our named executive officers, as disclosed in this proxy statement. This is commonly referred to as a say on pay advisory vote. The Board of Directors recommends that you vote **FOR** this proposal.

As discussed in greater detail in the Compensation Discussion and Analysis section of this proxy statement ( CD&A ), the compensation paid to our named executive officers reflects the following principles of our executive compensation program:

Links pay with performance by placing a substantial majority of total compensation at risk.

For 2012, at-risk compensation constituted 94% of the targeted compensation for our CEO and 84% for our other named executive officers.

Utilizes stretch performance measures that provide incentives to deliver value to our stockholders.

The payout opportunities for named executive officers under our annual and long term incentive plans depend on Delta's financial, operational and customer service performance as well as the value of our common stock.

Closely aligns the interests of management with frontline employees.

Many of the same performance measures are used in both our executive and broad-based employee compensation programs.

Provides compensation opportunities that assist in motivating and retaining existing talent and attracting new talent as needed. Approval, on an advisory basis, of the named executive officers' compensation disclosed in this proxy statement in accordance with SEC rules on such disclosure, including the CD&A and the tables that follow it, requires the affirmative vote of the majority of shares present and entitled to vote. Abstentions have the same effect as votes against the proposal. **The Board of Directors recommends a vote FOR this proposal.**

This vote is advisory in nature, which means that it is not binding on Delta, its Board of Directors or the Personnel & Compensation Committee. However, the Personnel & Compensation Committee intends to give careful consideration to the vote results and is committed to take any actions it deems necessary and appropriate in light of those results.

**PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as Delta's Independent Registered Public Accounting Firm ( independent auditors ) for 2013, subject to ratification by the stockholders. Representatives of Ernst & Young LLP, which also served as Delta's independent auditors for 2012, are expected to be present at the annual meeting, will have an opportunity to make a statement if they desire, and will be available to respond to questions.

Delta's Certificate of Incorporation and Bylaws do not require that stockholders ratify the selection of Ernst & Young LLP as the independent auditors. We are submitting the selection of the independent auditors for stockholder ratification (as we have done in prior years) because we believe it is a matter of good corporate governance. Ratification of the appointment of Ernst & Young LLP as independent auditors for the year ending December 31, 2013 requires the affirmative vote of the majority of shares present in person or represented by proxy and entitled to vote. Abstentions have the same effect as votes against the proposal. If stockholders do not ratify the selection of Ernst & Young LLP, the Audit Committee will reconsider the selection of the independent auditors. The Board of Directors recommends a vote **FOR** this proposal.



**Table of Contents****Fees of Independent Auditors for 2012 and 2011**

The following table shows the aggregate fees and related expenses for professional services rendered by Delta's independent auditors, Ernst & Young LLP, for 2012 and 2011.

Description of Fees	Amount 2012 (\$)	Amount 2011 (\$)
Audit Fees(1)	4,603,000	4,194,000
Audit-Related Fees(2)	52,000	74,000
Tax Fees(3)	820,000	406,000
All Other Fees(4)	2,000	2,000

- (1) Represents fees for the audit and quarterly reviews of the consolidated financial statements (including an audit of the effectiveness of internal control over financial reporting); attestation services required by statute or regulation; comfort letters; assistance with and review of documents filed with the SEC; and accounting and financial reporting consultations and research work necessary to comply with generally accepted auditing standards.
- (2) Represents fees for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. These services include employee benefit plan audits and attest services related to information systems regulatory compliance.
- (3) Represents fees for professional services provided for the review of tax returns prepared by the company; assistance with international tax compliance; and assistance related to the tax impact of proposed and completed transactions.
- (4) Represents fees for online technical resources.

**Pre-Approval of Audit and Non-Audit Services**

The charter of the Audit Committee provides that the Committee is responsible for the pre-approval of all audit and permitted non-audit services to be performed for Delta by the independent auditors. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors.

Each year management requests Audit Committee pre-approval of the annual audits, statutory audits, quarterly reviews and any other engagement of the independent auditors known at that time. In connection with these requests, the Committee may consider information about each engagement, including the budgeted fees; the reasons management is requesting the services to be provided by the independent auditors; and any potential impact on the auditors' independence. As additional proposed audit and non-audit engagements of the independent auditors are identified, or if pre-approved services exceed the pre-approved budgeted amount for those services, the Audit Committee will consider similar information in connection with the pre-approval of such engagements or services. If Audit Committee pre-approvals are required between regularly scheduled Committee meetings, the Audit Committee has delegated to the Chairman of the Audit Committee, or an alternate member of the Audit Committee, the authority to grant pre-approvals. Pre-approvals by the Chairman or the alternate member are reviewed with the Audit Committee at its next regularly scheduled meeting.

**Table of Contents**

**PROPOSAL 4 STOCKHOLDER PROPOSAL EXECUTIVE STOCK RETENTION REQUIREMENT**

The International Brotherhood of Teamsters on behalf of the Teamsters General Fund, 25 Louisiana Avenue, NW, Washington DC 20001, which represents that the Teamsters General Fund is the beneficial owner of 425 shares of common stock, has given notice that it intends to present the following resolution at the annual meeting.

**RESOLVED:** Shareholders of Delta Air Lines, Inc. (the Company) urge the Compensation Committee of the Board of Directors (the Committee) to adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs until reaching normal retirement age or terminating employment with the Company. For the purpose of this policy, normal retirement age shall be defined by the Company's qualified retirement plan that has the largest number of plan participants. The shareholders recommend that the Committee adopt a share retention percentage requirement of at least 75 percent of net after-tax shares. The policy should prohibit hedging transactions for shares subject to this policy which are not sales but reduce the risk of loss to the executive. This policy shall supplement any other share ownership requirements that have been established for senior executives, and should be implemented so as not to violate the Company's existing contractual obligations or the terms of any compensation or benefit plan currently in effect.

**SUPPORTING STATEMENT:** Equity-based compensation is an important component of senior executive compensation at our Company. While we encourage the use of equity-based compensation for senior executives, we are concerned that our Company's senior executives are generally free to sell shares received from our Company's equity compensation plans. In our opinion, the Company's current share ownership guidelines for its senior executives do not go far enough to ensure that the Company's executive compensation plans continue to build stock ownership by senior executives over the long-term.

For example, our Company's share ownership guidelines require the Chief Executive Officer (the CEO) to hold 200,000 shares. In comparison, the CEO currently owns 3.8 million shares. In 2011, our Company granted the CEO 303,5560 [sic] restricted shares in addition to performance shares numbering between 437,500 to 7 million depending on achievement on performance goals. In other words, even if the performance shares are discounted, one year's equity awards are more than the Company's share ownership guidelines for the CEO.

Our proposal seeks to better link executive compensation with long-term performance by requiring a meaningful share retention ratio for shares received by senior executives from the Company's equity compensation plans. Requiring senior executives to hold a significant percentage of shares obtained through equity compensation plans until they reach retirement age will better align the interests of executives with the interests of shareholders and the Company. A 2009 report by the Conference Board Task Force on Executive Compensation observed that such hold-through-retirement requirements give executives an ever growing incentive to focus on long-term stock price performance as the equity subject to the policy increases (available at [http://www.conference-board.org/pdf\\_free/ExecCompensation2009.pdf](http://www.conference-board.org/pdf_free/ExecCompensation2009.pdf)).

We believe that requiring senior executives to only hold shares equal to a set target loses effectiveness over time. After satisfying these target holding requirements, senior executives are free to sell all the additional shares they receive in equity compensation.

We urge shareholders to vote FOR this proposal.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST PROPOSAL 4 FOR THE FOLLOWING REASONS:**

The Board of Directors strongly supports the principle that Delta's executive compensation program should closely align management and stockholder interests. The current policies and programs effectively achieve this alignment through appropriate stock ownership guidelines, an insider trading policy that prohibits hedging or pledging of Delta stock and an executive compensation program that emphasizes long-term equity performance.



## **Table of Contents**

The Board has adopted stock ownership guidelines that require all executive officers to attain specific levels of stock ownership within three years of appointment to a specific position. Delta's CEO is required to own 200,000 shares; the President is required to own 75,000 shares; Executive Vice Presidents are required to own 50,000 shares; and two Senior Vice Presidents are required to own 40,000 shares. The Personnel & Compensation Committee of the Board has reviewed these stock ownership guidelines against Delta's executive compensation peer group, and the required ownership levels are generally consistent with the levels of those companies. These guidelines create an alignment of the interests of the executive officers and stockholders. All of Delta's executive officers currently exceed these guidelines by significant amounts. In particular, as of April 26, 2013, Delta's CEO beneficially owned approximately 1.6 million shares of common stock with a market value as of that date equal to approximately 39 times his annual base salary.

Delta's Board has also adopted a broad prohibition against hedging transactions. The proponent suggests that Delta does not have this type of policy. In fact, Delta's insider trading policy has long prohibited executive officers from engaging in exchange-traded put and call transactions and short sales involving Delta stock. The policy was revised in 2012 to prohibit all employees from engaging in hedging transactions involving Delta securities and pledging Delta common stock. Therefore, the adoption of the proposal for the purpose of implementing restrictions on hedging is not necessary as this restriction is already in place.

As described in the Compensation Discussion and Analysis section of this proxy statement, Delta's executive compensation philosophy creates a pay for performance culture that:

places a substantial majority of total compensation at risk and utilizes stretch performance measures that provide incentives to deliver value to our stockholders;

closely aligns the interests of management with frontline employees by using many of the same performance measures in both our executive and broad-based compensation programs; and

provides compensation opportunities that assist in motivating and retaining existing talent and attracting new talent to Delta when needed.

Delta's executive compensation program is therefore designed so that the majority of executive officer's compensation consists of long-term incentive awards paid in the form of stock. Delta's CEO total compensation is weighted approximately 81% towards equity-based pay components, the majority of which are earned contingent upon Delta meeting pre-established performance criteria. The compensation of other named executive officers is also heavily weighted towards stock-based compensation at 69% of their total compensation.

The structure of Delta's executive compensation program therefore aligns with the goal of creating long-term value for the company's stockholders. This structure ties the ultimate value of long-term awards to the achievement of key measures of the success of the business, including return on invested capital, operating margin relative to airline peers and customer service performance, as well as stock price performance and continued employment with Delta. The Board believes that Delta's executive officers are appropriately incentivized to create long-term value for Delta's stockholders.

The current policies reflect an appropriate balance between offering the right incentives for executive officers to create long-term value for stockholders and providing compensation programs that attract and retain executives. Implementing the requirement that executive officers retain 75% of their equity compensation until retirement would be unduly restrictive on Delta's compensation programs, thereby negatively affecting Delta's ability to retain and attract executive officers. Delta's stockholders are better served by flexible policies that are effective in retaining and attracting executive officers who can facilitate the creation of long-term stockholder value.

For these reasons, adoption of this policy is unnecessary and would not be beneficial to stockholders.

## **Table of Contents**

### **The Board recommends a vote AGAINST this proposal.**

*Note: The proponent's supporting statement contains several errors concerning the personal share ownership and stock awards granted to Delta's Chief Executive Officer, Richard Anderson. The supporting statement improperly states that Mr. Anderson owns 3.8 million shares (an amount that includes, as of April 20, 2011, beneficial ownership of 1.9 million shares that can be acquired under exercisable stock options, some of which were and are out-of-the-money). In addition, the supporting statement states that Mr. Anderson received performance shares numbering between 437,500 to 7 million, when in fact he received performance awards in 2011 with a dollar value of between \$437,500 and \$7 million, depending on the level of payout under the long-term incentive plan. Furthermore, the supporting statement has a confusing reference to the number of restricted shares granted to Mr. Anderson in 2011, making it appear that he received 10 times the number of shares that he actually received. While these errors do not affect the substance of the proposal or the Board's recommendation, this clarification is being provided to remove any confusion that might arise from discrepancies in Delta's prior disclosures and the proponent's supporting statement.*

## **OTHER MATTERS**

### **Cost of Solicitation**

Delta will pay the cost of soliciting proxies. Delta has retained Georgeson, Inc. to solicit proxies, by telephone, in person or by mail, for a fee of \$8,500 plus certain expenses. In addition, certain Delta officers and employees, who will receive no compensation for their services other than their regular salaries, may solicit proxies. Delta will also reimburse banks, brokers and other nominees for their costs in forwarding proxy materials to beneficial owners of Delta stock. Other proxy solicitation expenses that Delta will pay include those for preparing, mailing, returning and tabulating the proxies.

### **Submission of Stockholder Proposals**

To be considered for inclusion in our proxy statement for the 2014 annual meeting, stockholder proposals must be submitted in writing and received by us no later than 5:00 p.m., local time, on January 3, 2014, at the following address:

#### **By delivery:**

Legal Department  
  
Delta Air Lines, Inc.  
  
Department 981  
  
1030 Delta Boulevard  
  
Atlanta, Georgia 30354

#### **By mail:**

Legal Department  
  
Delta Air Lines, Inc.  
  
Department 981  
  
P.O. Box 20574  
  
Atlanta, Georgia 30320

Attention: Assistant Corporate Secretary

Attention: Assistant Corporate Secretary

In addition, a stockholder may bring business before the annual meeting, other than a proposal included in the proxy statement, or may submit nominations for directors, only if the stockholder complies with the requirements specified in Article II, Section 8 of Delta's Bylaws. The requirements include:

providing written notice that is received by Delta's Corporate Secretary between February 27, 2014 and March 29, 2014 (subject to adjustment if the date of the 2014 annual meeting is moved by more than 30 days, as provided in Article II, Section 8(b) of the Bylaws); and

supplying the additional information listed in Article II, Section 8(b) of the Bylaws.

## Edgar Filing: DELTA AIR LINES INC /DE/ - Form DEF 14A

Delta's Bylaws are available at [http://images.delta.com.edgesuite.net/delta/pdfs/By\\_laws.pdf](http://images.delta.com.edgesuite.net/delta/pdfs/By_laws.pdf)

A proxy granted by a stockholder will give discretionary authority to the proxies to vote on any matters introduced pursuant to the notice provision in our bylaws, subject to the applicable rules of the Securities and Exchange Commission.

**OTHER MATTERS**

68

**DELTA AIR LINES, INC.**

**Table of Contents****Section 16 Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who beneficially own more than 10% of a registered class of our equity securities ( reporting persons ) to file certain reports concerning their beneficial ownership of our equity securities. We believe that during 2012 all reporting persons timely complied with their Section 16(a) filing obligations.

**Supplemental Information about Financial Measures**

We sometimes use information that is derived from our Consolidated Financial Statements, but that is not presented in accordance with accounting principles generally accepted in the U.S. ( GAAP ). Certain of this information is considered non-GAAP financial measures under the U.S. Securities and Exchange Commission rules. The non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results.

Delta excludes special items because management believes the exclusion of these items is helpful to investors to evaluate the company's recurring operational performance.

Delta adjusts for mark-to-market adjustments for fuel hedges recorded in periods other than the settlement period ( MTM adjustments ) in order to evaluate the company's financial results in the period shown.

Delta uses adjusted total debt, including aircraft rent, in addition to long-term adjusted debt and capital leases, to present estimated financial obligations. Delta reduces adjusted total debt by cash, cash equivalents and short-term investments, resulting in adjusted net debt, to present the amount of additional assets needed to satisfy the debt.

Delta presents return on invested capital ( ROIC ) as management believes it is helpful to investors in assessing the company's ability to generate returns using its invested capital. ROIC represents operating income excluding special items divided by the sum of market value of equity and average adjusted net debt.

(in millions)	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Net income (loss)	\$ 1,009	\$ 854	\$ 593	\$ (1,237)
Items excluded:				
MTM adjustments	(27)	26		
Loss on extinguishment of debt	118	68	391	83
Restructuring and other items	452	242	460	407
Income tax benefit related to other comprehensive income				(321)
Net income (loss) excluding special items	\$ 1,552	\$ 1,190	\$ 1,444	\$ (1,068)

(in millions)	Year Ended December 31, 2012
Operating income	\$ 2,175
Items excluded:	
MTM adjustments	(27)
Restructuring and other items	452

Operating income excluding special items	\$	2,600
--	----	-------

DELTA AIR LINES, INC.

69

OTHER MATTERS

## Table of Contents

(in billions)	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Debt and capital lease obligations	\$ 12.7	\$ 13.8	\$ 15.3	\$ 17.2
Plus: unamortized discount, net from purchase accounting and fresh start reporting	0.5	0.6	0.6	1.1
Adjusted debt and capital lease obligations	\$ 13.2	\$ 14.4	\$ 15.9	\$ 18.3
Plus: 7x last twelve months aircraft rent	1.9	2.1	2.7	3.4
Adjusted total debt	15.1	16.5	18.6	21.7
Less: cash, cash equivalents and short-term investments	(3.4)	(3.6)	(3.6)	(4.7)
Adjusted net debt	\$ 11.7	\$ 12.9	\$ 15.0	\$ 17.0

(in billions, except % return)	2012
Market value of equity (assuming \$12.60 / share)	\$ 10.6
Average adjusted net debt	12.1
Total invested capital	\$ 22.7
Operating income excluding special items	\$ 2.6
Total invested capital	\$ 25.3
Return on invested capital	11%

OTHER MATTERS

70

DELTA AIR LINES, INC.

**Table of Contents**









**Table of Contents**