

**Company to CWA 1113 (c) Proposal
October 22, 2004**

Transformation Plan Term Sheet

Effective Date:	<p>This Transformation Plan Term Sheet, and the terms and conditions of the CWA-US Airways Collective Bargaining Agreement effective December 13, 1999, as amended (hereafter, the “1999 CWA-US Airways Agreement”), to the extent not superseded, modified, or made irrelevant by, this Transformation Plan Term Sheet, will constitute the “2004 CWA-US Airways Agreement”.</p> <p>Upon ratification by CWA members, signatures of the CWA Leadership, and entry of an order or orders of the Bankruptcy Court (i) approving the 2004 CWA-US Airways Agreement; (ii) authorizing rejection of the 1999 CWA-US Airways Agreement, with such rejection occurring upon the effectiveness of the 2004 CWA-US Airways Agreement; and (iii) determining, with the consent of the parties, that no claim for damages will result from rejection of the 1999 CWA-US Airways Agreement.</p>
Definitive Documentation of 2004 CWA-US Airways Agreement:	<p>The Company and the Union will complete definitive documentation of the 2004 CWA-US Airways Agreement, within sixty (60) days of the date of membership ratification and signing of this Transformation Plan Term Sheet. The definitive documentation of the 2004 CWA-US Airways Agreement will be submitted to the Bankruptcy Court promptly for approval.</p>
Duration	
1. Contract Duration	<ul style="list-style-type: none"> • Agreement through 12/31/11 • All snapback provisions of the September 2002 and January 2003 Restructuring Agreements will be eliminated

Compensation																																	
1. Base Rates of Pay	<ul style="list-style-type: none"> All Passenger Service employees will be paid on the following scale subject to the applicable top of scale maximums for each Passenger Service Group as indicated below: <table border="1" data-bbox="548 321 1843 902"> <thead> <tr> <th><u>Pay Seniority Completed</u></th> <th><u>New Scale</u></th> </tr> </thead> <tbody> <tr><td>Start</td><td>\$9.00</td></tr> <tr><td>1</td><td>9.10</td></tr> <tr><td>2</td><td>9.15</td></tr> <tr><td>3</td><td>9.24</td></tr> <tr><td>4</td><td>9.59</td></tr> <tr><td>5</td><td>9.83</td></tr> <tr><td>6</td><td>10.17</td></tr> <tr><td>7</td><td>10.51</td></tr> <tr><td>8</td><td>11.68</td></tr> <tr><td>9</td><td>12.65 - Top of Scale - MidAtlantic/Mainline Express</td></tr> <tr><td>10</td><td>13.62 - Top of Scale - Customer Assistance Reps (CAR's)</td></tr> <tr><td>11</td><td>14.21 - Top of Scale - Dividend Miles/Baggage Call Center</td></tr> <tr><td>12</td><td>14.45</td></tr> <tr><td>13</td><td>14.95</td></tr> <tr><td>14</td><td>15.20 - Top of Scale - CSA, CTO, Reservations, Club Reps</td></tr> </tbody> </table> Active Customer Service Agents, CTO Agents, Reservations Agents, US Airways Club Representatives will have their pay date seniority adjusted to reflect placement on the new pay scales four pay steps lower than their current pay seniority (Example - an agent with 20 years of pay seniority is reduced from top of scale placement by 4 pay steps {from step 14 to step 10} and will have an adjusted pay seniority of 10 years) Active Customer Assistance Representatives, Dividend Miles Service Center and Baggage Call Center Representatives, Mainline Express and MidAtlantic employees will have their pay date seniority adjusted to reflect placement on the new pay scales two pay steps lower than their current pay seniority (Example - a CAR with 15 years of pay seniority is reduced from top of scale placement by 2 pay steps {from step 10 to step 8} and will have an adjusted pay seniority of 8 years) Employees returning from furlough will return to the first step of the pay scale 	<u>Pay Seniority Completed</u>	<u>New Scale</u>	Start	\$9.00	1	9.10	2	9.15	3	9.24	4	9.59	5	9.83	6	10.17	7	10.51	8	11.68	9	12.65 - Top of Scale - MidAtlantic/Mainline Express	10	13.62 - Top of Scale - Customer Assistance Reps (CAR's)	11	14.21 - Top of Scale - Dividend Miles/Baggage Call Center	12	14.45	13	14.95	14	15.20 - Top of Scale - CSA, CTO, Reservations, Club Reps
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	<ul style="list-style-type: none"> • Pay increases outlined in the 2002 Restructuring Agreement will be eliminated. General increases to pay scales will be applied as follows: <ul style="list-style-type: none"> - 2008 1.0% increase - 2009 3.0% increase - 2010 4.0% increase - 2011 4.0% increase
2. Premiums	<ul style="list-style-type: none"> • Adopt HP premium pay as follows: <ul style="list-style-type: none"> - Supervisor/Lead \$.61 per hour - All other current premiums are eliminated including shift premium, customer contact premium and CSD premium - New premium for Language Qualified employees is created at \$0.30/hr as described in the miscellaneous section of this proposal
3. Part-time Productivity	<ul style="list-style-type: none"> • Part-time scheduling will be increased to 35 paid hours per week with a 7 hour maximum shift duration with a 30 minute unpaid meal period • Part-time employees may be scheduled for a .5hr unpaid meal period for any shift length of 3hrs or greater
4. Overtime	<ul style="list-style-type: none"> • The maximum overtime rate will be time-and-one-half • 40 hour weekly overtime qualifier will only include regularly scheduled hours worked and additional hours offered by the Company worked at straight-time rates and will not include VTO, hours not worked but paid, shift swaps worked or union leave • Overtime shifts of greater than three hours may contain a thirty minute unpaid meal period
Leaves	
1. Leaves, Vacation, Sick Leave, Holidays	<ul style="list-style-type: none"> • As an alternative to the company's B6 PTO program as proposed on 7/27/04, the following sick/vacation/holiday program may be applied to achieve similar savings: • Holidays are reduced from 8 to 5 • Employees will receive straight-time pay for scheduled hours worked on a holiday. Employees will receive holiday pay for holidays worked at their regular rate of pay. Holiday pay will not apply to holidays not worked. • Holiday Option II will be eliminated • First 5 consecutive days of each sick occurrence are paid at 50% of the employee's scheduled hours • Sick leave will no longer be used to supplement statutory benefits for OI

	<ul style="list-style-type: none"> • Vacation will be continued to be paid at 75% of the employee's scheduled hours under the following modified vacation schedule: <ul style="list-style-type: none"> - 1-9 years 10 days - 10-19 years 15 days - 20 years and higher 20 days • Employees on a medical leave of absence will no longer continue company paid benefits beyond their last paid date
Other	
1. Relocation Benefits	<ul style="list-style-type: none"> • Eliminate paid moves
2. Shift 3 Meal Period	<ul style="list-style-type: none"> • Eliminate Shift 3 paid meal periods
3. Ready Reserve	<ul style="list-style-type: none"> • In PIT, PHL, CLT, DCA, BOS, LGA, MIA, FLL, TPA, MCO, LAX, SFO, SEA and DEN, the company may establish Ready Reserve employees not to exceed 10 % of the total headcount or 6 employees, whichever is greater • Ready Reserve employees will: <ul style="list-style-type: none"> - be paid either entry rate or at the company's sole discretion, at the one year step of the pay scale. In the event that any ready reserve employee is paid at the one year step, then all ready reserve employees at that location are paid at the one year step. - not be eligible for health and welfare benefits, pension, vacation, holidays or sick leave - be scheduled by the company based on needs of service up to a maximum of 20 hours a week and are not subject to the provisions of Article 5 - Hours of Service - accrue Date of Hire seniority for travel only - not be eligible for overtime pay - be considered as a new employee for transfer purposes to other positions within the company - be released when there is no work and these employees will not be eligible for furlough benefits or reduction in force options to displace to other positions • Ready Reserve positions will not be considered as available position for permanent employees affected by a reduction in force
4. Grievances	<ul style="list-style-type: none"> • All non-termination and non-suspension grievances filed prior to September 12, 2004 are withdrawn and there will be no additional filing on the same movement/subject

Health and Welfare	
1. Retiree Medical and Dental Benefits	<ul style="list-style-type: none"> • Retiree Medical and Dental benefits for employees who retire after 1/1/05 will apply as described in Attachment A
Retirement (Pension)	
1. Defined Contribution Plan	<ul style="list-style-type: none"> • Implement modifications to current 401K Defined Contribution Plan by eliminating current base and match effective 1/1/05 • Effective 1/1/05, implement a 3% non-elective employer contribution to the 401K Plan
Miscellaneous	
1. Language Premium	<ul style="list-style-type: none"> • The company will establish language premium positions in locations, classifications and/or duty assignments as determined by the company • The Company will establish a language premium of \$0.30 per hour to be added to the base rate of pay for employees occupying language premium positions. • Employees occupying or applying for language premium positions may be required to pass a language proficiency exam (written and/or oral) as established by the company • Non-language qualified employees will be ineligible for transfer, recall or displacement into any language qualified position(s) and additionally, where a local reduction in force impacts the essential number of language qualified personnel, such personnel may be excluded • The company and the union will further discuss transition rules applicable for current employees who have the necessary language skills in locations where language qualified positions are required
2. Scope	<ul style="list-style-type: none"> • The Company may operate an unlimited number of mainline flights into Express cities • The Company's Internet Help Desk provider will be permitted latitude in resolving customer assistance questions where necessary • The Company will establish flexibility in cross-utilization rules between employee groups consistent with LCC's (e.g., class II rules, helping hand, passenger assistance) • The Company reserves the right to contract out any or all work covered by the CBA, if by doing so, the Company is able to accomplish the work more economically
3. 279 Minimum Aircraft	<ul style="list-style-type: none"> • The Scope and Job Security provision of the January 2003 Restructuring Agreement requiring the company to maintain a minimum fleet size of 279 total mainline aircraft will be eliminated

Returns	
1. Profit Sharing	<p>The Company will offer a profit-sharing program for Passenger Service employees subject to the following conditions:</p> <ul style="list-style-type: none"> • CWA’s agreement to eliminate the current profit-sharing provisions of the September 2002 and January 2003 Restructuring Agreements; • Approval by the US Airways Group, Inc., Board of Directors; and • Approval as part of the Company’s confirmed plan of reorganization in bankruptcy. <p>Assuming satisfaction of the conditions set forth above, the profit-sharing plan will be based on the following terms:</p> <ol style="list-style-type: none"> 1. Company profit sharing pool to be established at 10% of the pre-tax profit excluding unusual items (as reported, according to GAAP accounting practices) for pre-tax margins ranging from 0.1% to 5.0%; and at the above, plus 25% of any pre-tax profit excluding unusual items (as reported, according to GAAP accounting practices) in excess of a pre-tax margin of 5.0%. 2. CWA’s portion of the profit-sharing pool will be proportionate to CWA’s share of the overall cost savings achieved through the Transformation Plan. 3. An individual Passenger Service employee’s profit-sharing payment will be based on such employee’s gross W-2 earnings (prior to any elective deferrals) for the prior calendar year divided by the gross W-2 earnings (prior to any elective deferrals) for all eligible Passenger Service employees for the prior calendar year. At CWA’s option, “eligible Passenger Service employee” may include retired or furloughed Passenger Service employees who had gross W-2 earnings (prior to any elective deferrals) for the prior calendar year, subject to applicable law.
Bankruptcy	<p>The Company’s obligations hereunder will be subject to Bankruptcy Court approval as required by law. This proposal will not be binding on the US Airways, Inc., Chapter 11 Estate except after entry of an order of the bankruptcy court in a form acceptable to Debtors authorizing the US Airways Inc Estate’s entry into the agreement contemplated hereby and providing protection to the Estate from the incursion of any extraordinary administrative liability related to this agreement or the pension plans referred to therein.</p>

Attachment A Retiree Medical CWA

Pre-65 US Airways Employees who retire post 1/1/05

- 1) Retired employees may apply thirty seven (37) accrued sick pay hours per month, valued at \$13.00/hour, to your pre-65 medical premium
- Retired employees will be responsible for medical premium costs in excess of \$481.00. Monthly contributions will be calculated as the total cost of the plan and level of coverage you elect less \$481.00. Premium Equivalents will be recalculated annually based on the Plan's experience. The chart below compares monthly Premium Equivalents under the current program to those currently estimated for the new program. Please note that the 2005 Current Program rates were developed using Active employee rates and the new program uses "true" pre 65 employee rates. It should also be noted that the new program costs for 2005 are estimated only and the actual 2005 rates may vary. The 2005 rates for the new program will be finalized by early December.

	2005 Current Program Base	2005 Estimated New Program Base	Difference
Option 1			
Ee	304.36	502.24	197.88
Ee + Sp	608.51	1,004.47	395.96
Ee + Ch	578.71	955.20	376.49
Ee + Fam	1,005.30	1,659.88	654.58
Option 2			
Ee	329.35	544.66	215.31
Ee + Sp	658.70	1,087.95	429.25
Ee + Ch	625.76	1,034.58	408.82
Ee + Fam	1,088.42	1,798.19	709.77
Option 3			
Ee	351.30	580.24	228.94
Ee + Sp	701.04	1,160.48	459.44
Ee + Ch	666.54	1,101.63	435.09
Ee + Fam	1,158.98	1,915.88	756.90

- Once accrued sick pay has been exhausted retired employees will have the option to move to an "access only" medical plan where they will be responsible for paying 100% of the medical premium until they reach age 65. The medical premium for this "access only" plan will be different than the medical premiums for those using accrued sick pay to purchase the benefit and will be based on plan experience for the "access only" group.
- 2) In lieu of #1 above, employees may receive a one-time cash payment in the amount equal to \$10.60 times the number of accrued sick leave hours in their sick bank.
 - Choosing to receive this one-time payment means that the employee and their dependents will not be able to participate in the pre or post-65 health care programs, including the "access only" plan noted above.
 - 3) At age 65 retired employees and their dependents will not be eligible to participate in or have access to any post-65 medical plan through US Airways.
 - 4) Employees and their dependents will not be eligible for dental coverage when they retire effective 1/1/05.

Post-65 US Airways Employees who retire after 1/1/05

- 1) From 1/1/05 through 12/31/05 retired employees will have the opportunity to remain enrolled in the AdvancePCS pharmacy plan
 - The monthly contributions charged for this coverage are based on a Defined Dollar Benefit (DDB) Cap of \$950 per year, per individual and are as follows;

	<u>Premium Equivalent</u>	<u>Employee Contribution</u>
Ee	\$127.50	\$48.33
Ee + Sp	\$255.00	\$96.66

- The DDB Cap is only used for the purpose of setting contribution rates annually and **is not** a limit on actual benefits paid in a year.
- Contributions will vary from the above if any covered dependant are not covered by Medicare
- After 12/31/05 retired employees will be eligible for the new Medicare prescription drug benefit and will be responsible for the full cost of such coverage.