APPENDIX B

Liquidation Analysis

U·S AIRWAYS

FINANCIAL ANALYSIS - LIQUIDATION

Introduction

Section 1129(a)(7)(A) of the Bankruptcy Code provides that the Bankruptcy Court shall not confirm a plan of reorganization as to creditors and equity interest holders who do not vote to accept the plan unless it will provide such creditors and equity holders at least the amount of value they would receive if the Debtors were liquidated in a hypothetical case under Chapter 7 of the Bankruptcy Code, commonly referred to as the "best interest of creditors" test.

The liquidation analysis (the "Analysis") presents estimated amounts that would be paid to claimants and equity interest holders under a hypothetical Chapter 7 liquidation. FTI Consulting, Inc. assisted management in assembling the Analysis. The assumptions and estimates utilized in this Analysis are considered reasonable by management of the Debtors and are described below.

Basis of Presentation

This Analysis presents an estimated range of amounts that might be paid by the estate to claimants under a hypothetical Chapter 7 liquidation. Under this hypothetical scenario, the Debtors would cease operations and convert to a Chapter 7 under the Bankruptcy Code commencing September 1, 2005. For the purposes of the Analysis, it is assumed that the Debtors would cease their respective airline operations and a trustee would proceed to liquidate assets within a six to twelve month period. A complete wind-down of operations of the Debtors could potentially take a full twelve months or longer from the date of shutdown, depending upon actual circumstances, further impacting potential creditor recoveries. It is assumed that each Debtor's assets are liquidated with proceeds applied to satisfy its obligations as reflected on each Debtor's books including an allocation of the ATSB loan.

Assets of each Debtor are liquidated and there are no assumed sales of businesses as "going concerns." This Analysis also assumes that US Airways' captive insurance subsidiary, Airways Assurance Limited LLC, would continue in existence to satisfy any potential insured claims. It is also assumed that there would not be any proceeds available to satisfy unsecured claims of each Debtor from Airways Assurance Limited LLC.

The book balance of assets and liabilities is based on the March 31, 2005 unaudited financial statements prepared by management and rolled forward to September 1, 2005 for selected balance sheet accounts expected to change materially. The following adjustments have been made to reflect the changes from March 31, 2005 through the assumed liquidation date of September 1, 2005: (i) the forecasted unrestricted cash balance as of September 2, 2005 (the closest date to the assumed liquidation date that is forecast by the Debtors) was used to reflect the change in cash; (ii) the British Airways note receivable that matured in May 2005 was removed from the book balance as the collection of this note was captured in the forecasted cash balance; (iii) the Eastshore Aviation, LLC Junior DIP facility was updated to reflect forecasted draws; (iv) the book balance of aircraft and the 2001 and 2003 General Electric ("GE") debt facilities were adjusted to reflect the GE sale/leaseback transaction that occurred in June 2005; (v) the ATSB loan was adjusted to reflect principal paydowns; (vi) accrued aircraft rent was updated to reflect the projected activity; and (vii) aircraft debt balances were adjusted to reflect principal paydowns.

The Analysis is also based upon assumptions with regard to market conditions, decisions made by management, the trustee and the Court that may differ in an actual liquidation of the Debtors. Accordingly, there can be no assurance that the values reflected in this Analysis would be realized if the Debtors were, in fact, to undergo such liquidation. Furthermore, it should be noted that the potential for significant contingent and other claims, litigation, additional rejection costs, and the final determination of the allowed claims could substantially negatively impact both the timing and amount of the distribution of the asset proceeds to the claim holders.

This Analysis is believed to reflect all relevant information known to management as of July 18, 2005. There can be no assurance that the assumptions underlying this Analysis would be in accordance with the Bankruptcy Court's rulings in an actual Chapter 7 proceeding.

No recovery or related litigation costs attributed to any preference or fraudulent transfer recoveries are assumed.

The liquidation values contained herein have been prepared solely for the purposes of estimating the proceeds available in a hypothetical Chapter 7 liquidation. Nothing contained in these valuation assumptions is intended to be or constitutes a concession or admission of the Debtors for any other purpose nor is it intended to bind any other party.

Principal Assumptions

The following notes describe the significant assumptions utilized in the Analysis. The asset recoveries are reflected in Table I and the distributions to creditors are reflected in Table II. Over the last year, the Debtors' assets have been appraised at various points in time. These appraisals have been incorporated in this Analysis. For those appraisals that did not include a liquidation value, such fair value appraisals have been discounted to reflect a distressed liquidation sale process.

Assets

- ***Cash (Restricted and Unrestricted)***
  Cash and Cash Equivalents include operating cash, investments and securities, and other restricted cash. Cash is assumed to be realized in full except for restricted deposits held for: selected vendors, fuel service providers, trust fund accounts, and Port Authorities and other governmental agencies, all of which are assumed to offset related liabilities. Credit card processing reserves are not included in restricted cash as these will be used to refund unflown tickets. Any estimate of cash as of a later date would likely provide a lower level of cash available.

- ***Receivables***
  Receivables consist primarily of air-traffic related activities (including both credit card receivables for purchased tickets and amounts due from other airlines). The air traffic

receivables are assumed to be offset by third parties for related liabilities. In addition, the Debtors have miscellaneous receivables for cargo, government refunds, and travel agents amounts due. With the exception of cargo, these receivables are anticipated to yield low recoveries due to the high volume and low individual value of the receivable balances.

- ***Materials & Supplies***
  Materials and Supplies include fuel inventory and expendable, repairable and rotable inventory. The Debtors had a fair market value ("FMV") opinion of repair inventory and supplies performed in June 2005 based on preliminary consultation with independent valuation consultants, industry trends and by reference to market rates and transactions. Such value was discounted to reflect a sale of these assets through a liquidation process. Although fuel inventory has not been independently valued, it is assumed to realize between 80% to 90% of book value since it is a readily saleable commodity in constant demand. Other inventory such as de-icing fluid, tools, and uniforms are assumed to realize a range of recoveries up to approximately half of its book value.

- ***Prepayments & Other Current Assets***
  Prepayments and Other Current Assets are largely comprised of prepaid fuel, space rental, advertising and insurance, which are assumed to be either consumed or refunded.

- ***Flight Equipment***
  Flight Equipment includes all aircraft and engines, work in process flight equipment and aircraft leasehold improvements, excluding the aircraft included in GE sale/leaseback transaction consummated in June 2005. Liquidation values for all remaining aircraft and engines not subject to the ATSB security agreement have been assigned estimated FMV by the Seabury Group LLC ("Seabury"). Substantially all aircraft and engines subject to the ATSB security agreement have been assigned recovery values based on appraisals performed by Back Aviation Solutions in February 2005 ("Back Appraisal").

- ***Ground Property & Equipment***
  Owned Ground Property and Equipment includes simulators, real property, ground service equipment, aircraft power and air conditioning units and passenger loading bridges. The Debtors had a FMV opinion of ground property and equipment performed in June 2005 based on preliminary consultation with independent valuation consultants, industry trends and by reference to market rates and transactions. Such value was discounted to reflect a sale of these assets through a liquidation process.

- ***Intangibles***
  Intangibles primarily include slots, gates, foreign routes, trademarks, copyrights and capitalized software costs. Slot values are based on the FMV opinion in June 2005 discounted 25% for the lower value and 10% for the higher value. However, this Analysis excludes 102 slots at New York LaGuardia airport that were purchased by the Debtor and subsequently used to secure a bond facility between Continental Airlines and The New York Port Authority. Gates have been valued based on the Back Appraisal and include a 25% discount for the lower value and a 10% for the higher value.

- ***Other Non-Current Assets***
  Other Non-Current Assets include mainly capitalized debt issuance costs, manufacturers' credits and other miscellaneous investments in airline industry entities such as Sabre and Galileo. These assets are assumed to have little to no recovery value.

- ***Wind-down Costs***
  The proceeds from a Chapter 7 liquidation that would be available to the claim holders would be reduced by the administrative costs incurred during the wind-down of operations and the sale of assets. These costs include professional fees (based on current case run rate); trustee fees ($500,000 per month); auction fees (5% of assets); salaries, severance and retention; and other wind-down costs. Operating costs are assumed to decline monthly over the liquidation period. Estimates of WARN Act costs were not included in this Analysis, as such costs do not apply to a Chapter 7 liquidation. These costs were only estimated for a twelve month wind-down period, with the majority of sales consummated in the first six months. The Analysis assumes that all planes will be relocated during the first month of the Chapter 7 liquidation. Leased aircraft will be moved to the heavy maintenance facilities to be picked up by lessors and owned aircraft will be moved to storage facilities until sold. If the sale of assets or wind-down period exceeds these estimates, actual administrative costs may be in excess of the estimate included in this Analysis.

<u>Claims</u>

- ***Secured Claims - Aircraft***
  These claims consist of outstanding debt secured by individual aircraft. The allowed secured claim amount is equal to the liquidation value ascribed to the underlying collateral. Any debt that is not satisfied by the value of the underlying collateral becomes an unsecured aircraft deficiency claim and is included in the estimated amount for General Unsecured claims. The assumed recovery to Secured Aircraft claims is estimated to be $1.7 billion to $1.8 billion, or 92% to 100% of the estimated allowed claim amount.

- ***Air Transportation Stabilization Board ("ATSB")***
  The ATSB claim of $721.3 million is allocated to each of the operating subsidiaries. The ATSB claim consists of principal of approximately $708 million plus estimated accrued interest. The claim was allocated based on the pro rata share of the operating expenses of each of the subsidiary Debtors. Due to the joint and several nature of the claim, the excess of the allocated ATSB claim not satisfied by each of the subsidiary Debtors is satisfied by proceeds from US Airways, Inc. Based on the assumptions in the Analysis, the ATSB will recover 100% of its estimated allowed claim.

- ***Eastshore Junior DIP***
  The Debtors secured Debtor-in-Possession financing during the Chapter 11 proceedings from Eastshore Aviation, LLC and this liability is reflected on US Airways, Inc. The assumed recovery is $125 million, or 100% of the estimated allowed claim amount.

- ***General Electric Secured Claims***
  As set forth in detail in the Disclosure Statement, the Debtors are parties to a number of agreements with entities from the General Electric group of companies, with a significant number of the Debtors' obligations arising under such agreements cross-collateralized and/or guaranteed by one or more of the Debtors. All such liabilities and these guarantees are generally secured by existing collateral. The secured claim includes the balance of $28.2 million on the amended and restated 2001 GE credit facility effectuated incident to the sale/leaseback agreement consummated in June 2005, regarding which GE is estimated to receive a 100% recovery. To the extent that the value of the collateral does not satisfy the remaining GE claims, then, except with respect to certain post-petition aircraft rental and return condition claims which the parties have agreed will be accorded administrative expense status, these claims have been included as unsecured claims.

- ***Superpriority Claims***
  The Superpriority Claims include the bridge facility provided by GE and a superpriority claim granted to Electronic Data Systems. The assumed recovery for Superpriority Claims is $85.7 million, or 100% of the estimated allowed claim amount.

- ***Administrative Claims***
  Administrative Claims include, but are not limited to, claims arising during the Chapter 11 cases not already paid in the ordinary course of business. Significant categories of administrative claims include estimates for post-petition employee wages and benefits, trade payables, accrued aircraft rent, taxes, and claims arising under certain post-petition agreements reached with General Electric. The Analysis assumes that the unflown air traffic liability is offset by receivables and deposits. This Analysis further assumes that, other than with respect to certain post-petition aircraft rental and return condition claims of GE or aircraft rental and return condition claims secured by collateral, return conditions and aircraft deficiency claims that would arise in a Chapter 7 liquidation are general unsecured claims. There is no guarantee that the Court would rule that these claims are general unsecured claims should these issues be litigated, therefore, additional administrative claims may arise in a Chapter 7 liquidation. In addition, other administrative claims may arise which have not been included in this analysis. The assumed recovery for administrative claims is $226.5 million to $642.8 million, or 33% to 94% of the estimated allowed claims.

- ***Priority Claims***
  The Priority Claims include an estimate for various pre-petition federal and state tax claims and other miscellaneous taxes. The assumed recovery for priority claims is $0.1 million to $19.9 million, or 0% to 32% of the estimated allowed claim amount.

- ***Pension Benefit Guaranty Corporation ("PBGC") Claims***
  The PBGC claims are considered pari passu to General Unsecured Claims. All Debtors are jointly and severally liable for the PBGC Claims and therefore it is assumed that the PBGC would assert a claim against all Debtors until the claim is satisfied in full. The

Analysis assumes that there will be no recovery to the PBGC, as there is no value for Unsecured Creditors in a liquidation.

- ***General Unsecured Claims***
  Significant categories of General Unsecured claims include pre-petition trade payables, under-secured aircraft and deficiency claims, aircraft return conditions and real property lease rejection claims. The difference between claims estimated in the Disclosure Statement of approximately $0.5 billion and $1.3 billion and claims estimated in this Analysis of approximately $2.2 billion and $3.2 billion is attributable to, among other items, additional rejections of executory and real property contracts (all contracts would be rejected in a liquidation), aircraft return conditions and claims related to undersecured aircraft obligations.

Recoveries and Distributions

The following tables highlight the estimated asset recoveries by asset category and the estimated distributions available to each class of claim. To the extent that proceeds remain after satisfaction of all secured claims and administrative expenses, the following analyses assume the application of the rule of absolute priority for distribution with respect to the remaining sale proceeds of the Debtors.

Table I. Assets Available for Distribution

($ millions)	US AIRWAYS, INC. Net Book Value	US AIRWAYS, INC. Estimated Lower Recovery	US AIRWAYS, INC. Estimated Higher Recovery
Cash (Unrestricted and Restricted)	$ 428.8	$ 365.4	$ 382.2
Receivables	146.3	9.9	16.4
Intercompany Receivables	-	-	-
Materials and Supplies	314.1	76.5	90.6
Prepayments & Other Current Assets	95.4	27.0	39.1
Flight Equipment	2,296.6	2,033.9	2,450.5
Ground Property & Equipment	242.0	54.4	76.9
Equipment Purchase Deposits	75.6	-	-
Goodwill	2,489.6	-	-
Other Intangibles	487.4	440.7	530.6
Other Assets	21.1	2.1	2.6
Total Assets/Proceeds	**$ 6,596.9**	**$ 3,010.0**	**$ 3,589.0**
Recovery Rate		**46%**	**54%**
Chapter 7 Trustee Fee		(6.0)	(6.0)
Professional Fees		(47.7)	(47.6)
Auction Fees		(10.8)	(13.4)
Wind-Down Expenses		(109.3)	(109.3)
Net Proceeds Available to Creditors		**$ 2,836.3**	**$ 3,412.6**

($ millions)	US AIRWAYS GROUP, INC. Net Book Value	US AIRWAYS GROUP, INC. Estimated Lower Recovery	US AIRWAYS GROUP, INC. Estimated Higher Recovery
Cash (Unrestricted and Restricted)	$ 1.0	$ 1.0	$ 1.0
Receivables	-	-	-
Intercompany Receivables	66.8	-	-
Materials and Supplies	-	-	-
Prepayments & Other Current Assets	0.0	-	-
Flight Equipment	-	-	-
Ground Property & Equipment	-	-	-
Equipment Purchase Deposits	-	-	-
Goodwill	-	-	-
Other Intangibles	-	-	-
Other Assets	59.9	-	-
Total Assets/Proceeds	**$ 127.7**	**$ 1.0**	**$ 1.0**
Recovery Rate		**1%**	**1%**
Chapter 7 Trustee Fee		(0.0)	(0.0)
Professional Fees		(0.0)	(0.0)
Auction Fees		-	-
Wind-Down Expenses		(0.0)	(0.0)
Net Proceeds Available to Creditors		**$ 0.9**	**$ 0.9**

($ millions)	PSA AIRLINES, INC. Net Book Value	PSA AIRLINES, INC. Estimated Lower Recovery	PSA AIRLINES, INC. Estimated Higher Recovery
Cash (Unrestricted and Restricted)	$ 0.3	$ 0.3	$ 0.3
Receivables	0.9	0.0	0.1
Intercompany Receivables	30.8	-	-
Materials and Supplies	4.4	0.9	1.1
Prepayments & Other Current Assets	0.1	0.0	0.1
Flight Equipment	26.7	5.1	6.3
Ground Property & Equipment	6.0	0.6	0.9
Equipment Purchase Deposits	-	-	-
Goodwill	-	-	-
Other Intangibles	11.4	-	-
Other Assets	0.0	-	-
Total Assets/Proceeds	**$ 80.7**	**$ 7.0**	**$ 8.9**
Recovery Rate		**9%**	**11%**
Chapter 7 Trustee Fee		(0.0)	(0.0)
Professional Fees		(0.1)	(0.1)
Auction Fees		(0.1)	(0.1)
Wind-Down Expenses		(0.3)	(0.3)
Net Proceeds Available to Creditors		**$ 6.5**	**$ 8.4**

($ millions)	PIEDMONT AIRLINES, INC. Net Book Value	PIEDMONT AIRLINES, INC. Estimated Lower Recovery	PIEDMONT AIRLINES, INC. Estimated Higher Recovery
Cash (Unrestricted and Restricted)	$ 0.9	$ 0.9	$ 0.9
Receivables	2.9	0.1	0.1
Intercompany Receivables	49.1	-	-
Materials and Supplies	11.8	2.3	3.0
Prepayments & Other Current Assets	1.7	0.1	0.2
Flight Equipment	21.4	0.0	0.0
Ground Property & Equipment	8.3	0.3	0.4
Equipment Purchase Deposits	-	-	-
Goodwill	-	-	-
Other Intangibles	25.7	-	-
Other Assets	1.4	-	-
Total Assets/Proceeds	**$ 123.1**	**$ 3.7**	**$ 4.7**
Recovery Rate		**3%**	**4%**
Chapter 7 Trustee Fee		(0.0)	(0.0)
Professional Fees		(0.1)	(0.1)
Auction Fees		(0.1)	(0.2)
Wind-Down Expenses		(0.1)	(0.1)
Net Proceeds Available to Creditors		**$ 3.4**	**$ 4.3**

($ millions)	MSC Net Book Value	MSC Estimated Lower Recovery	MSC Estimated Higher Recovery
Cash (Unrestricted and Restricted)	$ 0.1	$ 0.1	$ 0.1
Receivables	5.9	0.3	0.6
Intercompany Receivables	20.3	-	-
Materials and Supplies	10.5	8.4	9.5
Prepayments & Other Current Assets	2.6	1.3	1.8
Flight Equipment	-	-	-
Ground Property & Equipment	0.5	0.1	0.1
Equipment Purchase Deposits	-	-	-
Goodwill	-	-	-
Other Intangibles	-	-	-
Other Assets	-	-	-
Total Assets/Proceeds	**$ 39.9**	**$ 10.2**	**$ 12.1**
Recovery Rate		**26%**	**30%**
Chapter 7 Trustee Fee		(0.0)	(0.0)
Professional Fees		(0.2)	(0.2)
Auction Fees		(0.4)	(0.5)
Wind-Down Expenses		(0.4)	(0.4)
Net Proceeds Available to Creditors		**$ 9.2**	**$ 11.1**

Table II. Creditor Recovery Analysis

($ millions)	US AIRWAYS, INC.			US AIRWAYS GROUP, INC.			PSA AIRLINES, INC.			PIEDMONT AIRLINES, INC.			MSC		
		Allocation of Proceeds			Allocation of Proceeds			Allocation of Proceeds			Allocation of Proceeds			Allocation of Proceeds	
	Estimated Allowed Claim	Lower	Higher	Estimated Allowed Claim	Lower	Higher	Estimated Allowed Claim	Lower	Higher	Estimated Allowed Claim	Lower	Higher	Estimated Allowed Claim	Lower	Higher
Net Proceeds Available to Creditors		$ 2,836.3	$ 3,412.6		$ 0.9	$ 0.9		$ 6.5	$ 8.4		$ 3.4	$ 4.3		$ 9.2	$ 11.1
Secured Claims - Aircraft	$ 1,814.2	(1,669.4)	(1,814.2)	$ -	-	-	$ -	-	-	$ -	-	-	$ -	-	-
ATSB	702.5	(702.5)	(697.8)	-	-	-	6.5	(6.5)	(8.4)	3.4	(3.4)	(4.3)	9.2	(9.2)	(11.1)
Eastshore Junior DIP	125.0	(125.0)	(125.0)	-	-	-	-	-	-	-	-	-	-	-	-
Other GE Secured Claims	28.2	(28.2)	(28.2)	-	-	-	-	-	-	-	-	-	-	-	-
Superpriority	85.7	(85.7)	(85.7)	-	-	-	-	-	-	-	-	-	-	-	-
Administrative Claims	641.9	(225.6)	(641.9)	0.9	(0.9)	(0.9)	13.3	-	-	27.7	-	-	1.0	-	-
Priority Claims	50.8	-	(19.8)	7.2	(0.1)	(0.1)	1.1	-	-	3.5	-	-	0.3	-	-
	$ 3,448.2	$ (2,836.3)	$ (3,412.6)	$ 8.0	$ (0.9)	$ (0.9)	$ 21.0	$ (6.5)	$ (8.4)	$ 34.6	$ (3.4)	$ (4.3)	$ 10.5	$ (9.2)	$ (11.1)
Deficiency in Secured, Admin & Priority Claims		$ 611.9	$ 31.0		$ 7.1	$ 7.1		$ 14.5	$ 14.5		$ 31.2	$ 31.2		$ 1.3	$ 1.3
Net Proceeds Available to Unsecured Creditors		$ 0	$ 0		$ 0	$ 0		$ 0	$ 0		$ 0	$ 0		$ 0	$ 0
PBGC Claims	$ 2,652.2	-	-	$ 2,652.2	-	-	$ 2,652.2	-	-	$ 2,652.2	-	-	$ 2,652.2	-	-
General Unsecured Claims	3,100.0	-	-	2.1	-	-	36.8	-	-	36.3	-	-	1.1	-	-
Total Unsecured Claims	$ 5,752.2	$ -	$ -	$ 2,654.3	$ -	$ -	$ 2,689.0	$ -	$ -	$ 2,688.6	$ -	$ -	$ 2,653.3	$ -	$ -

<u>Best Interest of Creditors Test</u>

Based on the Analysis, Unsecured Creditors will receive **no recovery** on their claims in a Chapter 7 liquidation. Based on the Debtors' Plan of Reorganization, the Unsecured Creditors are projected to receive approximately a 3.3% to 8.3% recovery on their claims. Therefore, if any Unsecured Creditor votes no, it will not be able to block Plan confirmation, since the Plan provides a recovery of some value, while liquidation offers no value—clearly meeting the Best Interests Test.