

PILOTS' DEFINED CONTRIBUTION PLAN

LETTER #85

LETTER OF AGREEMENT

Between

US AIRWAYS GROUP INC., US AIRWAYS, INC.

and the

AIRLINE PILOTS

in the service of

US AIRWAYS, INC.

as represented by

THE AIR LINE PILOTS ASSOCIATION, INTERNATIONAL

PILOTS' DEFINED CONTRIBUTION PLAN

THIS LETTER OF AGREEMENT is made and entered into in accordance with the provisions of Title II of the Railway Labor Act, as amended, by and between US Airways, Inc. (hereinafter referred to as "US Airways") and the Airline Pilots in the service of US Airways as represented by the Air Line Pilots Association, International (hereinafter referred to as the "Association").

WHEREAS on March 1, 2003, the Honorable Stephen S. Mitchell, Judge for the United States Bankruptcy Court for the Eastern District of Virginia, ruled that the Company had met the ERISA standards for a distress termination of the Pilots' Pension Plan and further that the Bankruptcy Court was not the proper forum to determine

whether such a termination would violate the terms of the Collective Bargaining Agreement, and

WHEREAS the parties have concluded that it is in their mutual best interests to negotiate a follow on pension plan, rather than engage in future litigation.

NOW THEREFORE the parties mutually agree to amend the Agreement between US Airways and ALPA amendable on January 2, 2003, and extended to December 31, 2008, the Restructuring Agreement entered into on August 11 2002, and the Supplementary Cost Reduction Letter of Agreement ratified by the MEC on December 13, 2002, as necessary to terminate the Retirement Income Plan for Pilots, and to implement a Defined Contribution Retirement Plan, as attached hereto and entitled, "Summary of New Defined Contribution Program for Pilots (DC Plan)".

It is recognized that this Letter of Agreement is an amendment to a pre-bankruptcy collective bargaining agreement and does not alter existing priority of payments rights in the Company's current bankruptcy proceeding, subject to the provisions of the assumption paragraph of Attachment A of LOA 84 and the provisions of the First Amended Joint Plan of Reorganization.

Other than as specifically modified in this document, all terms and conditions of the US Airways Collective Bargaining Agreement effective January 1, 1998 as amended by the Restructuring Agreement and Letters of Agreement #83, 84 and 86, shall remain in full force and effect.

This Letter of Agreement shall become effective on the date of signing and shall

remain in effect concurrent with the Restructuring Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Letter of Agreement this _____ day of _____, 2003.

FOR THE AIR LINE PILOTS
ASSOCIATION, INTERNATIONAL

FOR US AIRWAYS, INC. &
US AIRWAYS GROUP

Duane E. Woerth, President
Air Line Pilots Association, International

David Siegel
President and Chief Executive Officer
US Airways Group, Inc.
US Airways, Inc.

WITNESS:

WITNESS:

William D. Pollock
MEC Chairman

Jerrold A. Glass
Sr. Vice President, Employee Relations

B. Kelly Ison
Chairman, Negotiating Committee

P. Douglas McKeen
Vice President, Labor Relations

Donn Butkovic
Negotiating Committee

Edward Bular
Vice President, Flight Operations

Philip P. Carey
Negotiating Committee

Anthony J. Bralich, Jr.
Managing Director, Labor Relations-
Flight

Gerry McGuckin
Negotiating Committee

John H. McFall
Manager, Labor Relations - Flight

Jeffrey L. Tokash
Negotiating Committee

Summary of New Defined Contribution Program for Pilots (DC Plan)

- ALPA consents to termination of the Retirement Income Plan for Pilots of US Airways with a date of termination of March 31, 2003, and withdraws, with prejudice, grievance MEC (Group) 03-02-01 and its opposition to the Company's distress termination motion and its appeal of the Order of Judge Stephen Mitchell dated March 2, 2003 in case number 0283984.
- The Company agrees to pursue and support a legislative and regulatory solution to the pension funding problem for its defined benefit plans for the remainder of 2003 with the objective of reducing funding requirements to the level of the December 2002 Disclosure Statement .
- Effective Date: April 1, 2003
 - Amounts equal to 2003 Contributions will be paid into escrow on a monthly basis. If there is no DB plan restoration by December 31, 2003, escrowed funds will be paid to the new Defined Contribution plan on that date. If the DB plan is restored by December 31, 2003, the escrowed funds will be paid back to the Company immediately following restoration. The escrow account will be designed to the Company's satisfaction to ensure the return of escrowed funds if the DB Plan is restored, and ALPA will support said return. After 2003, any contributions to the DC plan will be made directly to the plan on a monthly basis.
 - Contributions effective as of April 1, 2003 (unless a restoration occurs during 2003)
 - A pilot retiring during 2003 will be paid an amount equal to the pilot's accrued replacement plan benefit at retirement, provided the pilot agrees to immediately repay that amount if the DB Plan is restored, and provided further that if the pilot fails to immediately repay that amount the pilot's retiree health and travel benefits shall be permanently cancelled. The Company reserves the right to seek recovery through legal means from pilots who fail to repay the benefit.
- Participants:
 - Pilots on active pay status
 - Pilots on LTD status (see below)
 - Furloughed employees upon recall
 - New Hire pilots
- Contributions
 - A fixed contribution percentage for each individual pilot established prior to DC plan effective date, as shown on attached schedule of individual pilot percentages, and in place for entire contract period. These were determined using the following agreed-upon methodology:
 1. Contributions were determined based on a target balance defined as approximately \$1 million, subject to the caps described below, for an age 60 pilot with 30 years of service (present value of 50% of final average earnings (FAE), 1.8% for first 25 years, and 1.0% for years 26-30.

2. FAE was defined as the 36 consecutive months in the 120 months immediately prior to age 60 during which the pilot has the highest earnings, stated in annual terms. Earnings will include amounts that would have been paid to the participant during the month but for the participant's election to have such amounts contributed to a plan pursuant to Section 401(k) and Section 125 of the Internal Revenue Code, and amounts that would have been paid to the participant had the War Contingency provision of LOA 84 not been invoked.
 3. Projected earnings upon retirement were determined by the Company based on US Airways career progression model
 4. Retirement at age 60
 5. Contributions assumed to earn 8% annually
 6. Targeted balance offset by the estimated value of other retirement benefits identified herein:
 - a) PBGC Offset: Estimated PBGC benefit assuming plan funded at 85% of priority category three as of termination (including Eastern/Shuttle DB plan benefit), converted to present value using 10.5 multiple
 - b) Old Target Plan Offset: Projected value of prior (frozen) target money purchase plan. From 2003 onward, Old Target Plan balances assumed to grow at 8%
 - c) Shuttle B Plan Offset: Shuttle plan "B" account balances. From 2003 onward, Shuttle B plan balances assumed to grow at 8%
 - d) No further payments from old nonqualified plan (new non-qualified plan as described below)
 7. Annual contribution is capped at 100% of annual pay
 8. Contributions will be separated into qualified and nonqualified amounts
 - a) Qualified amount not to exceed 100% of pay or \$40,000 will be contributed in cash. The qualified payment maximum will be adjusted according to law
 - b) Any non-qualified amount will accrue to an excess plan which will bear interest at 8% per annum and is paid out at retirement
- Based on the foregoing, the Old Target Plan will be terminated or frozen and merged into the new DC Plan, and the old non-qualified plan will be terminated, and payments will permanently cease, effective March 31, 2003.
 - The Company agrees to indemnify the Association from any and all liability, loss, damages, fines, penalties, excise taxes and costs, including expenses and reasonable attorneys' fees, which the Association sustains arising out of or in connection with this termination of the old non qualified plan as described above. The Association agrees that it will not settle a matter covered by this indemnity at the Company's cost without the Company's approval and that the Association will provide assistance as reasonably required or requested by the Company in any matter for which such indemnity is being provided.
 - A fixed contribution percentage will be established for pilots not shown on the attached schedule as soon as reasonably practicable, using the methodology described herein.
- New Hires, Furlougees, LTD pilots
 - New hires and furlougees hired on or after January 1, 1998 will have a contribution rate equal to 10% of earnings.
 - On behalf of furlougees hired prior to January 1, 1998, a contribution of \$1,850 per year of longevity service (i.e., seniority for pay purposes) will be made upon return to Mainline service (for purposes of this paragraph, Mainline excludes MidAtlantic). However, if a pilot is employed at MidAtlantic and has not yet been recalled to Mainline prior to 2008, the contribution will begin in 2008 and will be made in 5 equal installments over 5 years

beginning in 2008. If the pilot is recalled to Mainline from MidAtlantic, any remaining benefit balance will be paid upon recall of the pilot to Mainline service.

- Pilots on LTD status as of March 31, 2003 will receive contributions derived from calculations similar to that done for active pilots. Service will include the periods while receiving LTD benefits. The contribution rate will be applied to the pilot's pre-disability earnings.
 - Pilots whose LTD benefit commencement date is after March 31, 2003 will receive contributions for the period on LTD status equal to the contribution rate in effect as of their date of disability applied to their disability pay (Standard Payment). In the event such a pilot returns to service within 12 months of the LTD benefit commencement date, the pilot will receive an additional DC contribution (Special Payment). The Special Payment amount will make the pilots' DC contribution whole as if the pilot had not been on LTD status. Each pilot will be eligible for only one Special Payment during any 5 year period.
- Legislation/Restoration

The Company agrees to: (1) seek restoration of the DB Pilot Plan if there is legislation enacted by Congress in 2003 and/or regulations which provide pension funding relief for its defined benefit plans in an amount that would allow the funding of its defined benefit plans (including a restored Pilots DB Plan) consistent with the December 2002 Disclosure Statement, (2) comply with any legislative direction that the DB Pilot Plan be restored, or (3) restore the DB Pilot Plan if so authorized by law and if the pension funding relief described in (1) above is provided by legislation and/or regulation.

- Regulatory Issues
 - Regulatory issues addressed within agreed cost cap (no additional cost to the Company)
 - Subject to timely PBGC review and approval

Other Items:

Letter of Agreement 41/ See attached letter.

Accounts in the DC Plan will be self-directed by plan participants. The number and type of investment options, including a brokerage account, will be selected by the pilot members of the Retirement Board, subject to the requirements of ERISA Section 404(c) and other applicable law.

The Company will pay all expenses of operating and administering the DC Plan from its general assets.

The DC Plan can be amended or terminated as provided in LOA # 80 (Amendments to Retirement Benefit Plans).

- The Contribution Matrix will be mutually verified by the Company and the Association for the sole purpose of correcting mathematical errors or data errors (such as incorrect birthdates). Any request for a correction must be made to the Company within 30 days of the date of mailing to each pilot the individual data that was used in the Contribution Matrix for such pilot.

- The Company shall serve as the Plan Administrator, however the Retirement Board will have authority to review decisions and interpretations of the Plan Administrator. The Retirement Board has the same rights and duties with respect to the Defined Contribution Plan as it has with respect to other plans pursuant to Letter of Agreement #9. These rights and duties include the right to review the status and administration of the Plan and determine all disputes arising under the Plan, including but not limited to, appeals of benefit claims denied by the Plan Administrator.

- The Company will provide to ALPA expeditiously a draft of the Defined Contribution Plan Document prior to submission to the PBGC, if review of the Plan Document is requested by the PBGC. ALPA will provide its comments on the draft to the Company expeditiously prior to the Company's submission to the PBGC, if review of the Plan Document is requested by the PBGC. The Company and ALPA will expeditiously seek to reach agreement on any modifications suggested by ALPA that are necessary or appropriate to effect the requirements of the Agreement or applicable law. Both parties retain all rights that otherwise exist under the grievance and arbitration provisions of the Agreement.

P. Douglas McKeen
Vice President, Labor Relations
US Airways, Inc.
2345 Crystal Drive
Arlington, VA. 22227

Re: Status of Letter of Agreement 41

Dear Doug:

During the negotiations that were conducted as a result of the decision of the United States Bankruptcy Court issued on March 1, 2003 the Company has asserted to the Association that since the Court ruled that the Company has met the ERISA standards for a distress termination of the Pilots' Retirement Plan, the foundation of and basis for Letter of Agreement 41 will no longer exist, and .that in addition, should the pension plan be terminated, the cost of administration of this LOA will be significantly increased.

The Company has taken the position that a condition of any agreement is the "elimination" of Letter of Agreement 41. The Association has determined that a consensual agreement is necessary for the survival of the Company, and that a liquidation of the Company would eliminate not only jobs, but also benefits for both active and retired employees. Therefore, if the Company finds it necessary to eliminate some or all of the benefits created by LOA 41, the Association hereby agrees to the termination of LOA 41 and the elimination of benefits hereunder. The Association will not file a grievance, nor support legal action, to restore this LOA.

The Company agrees to indemnify the Association from any and all liability, loss, damages, fines, penalties, excise taxes and costs, including expenses and reasonable attorneys' fees, which the Association sustains arising out of or in connection with this letter. The Association agrees that it will not settle a matter covered by this indemnity at the Company's cost without the Company's approval, and that the Association will provide assistance as reasonably required or requested by the Company in any matter for which such indemnity is being provided.

Sincerely,

William Pollock
MEC Chairman

Agreed and Accepted for
US Airways, Inc.