

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

In re:)	Case No. 04-13819
)	Jointly Administered
US AIRWAYS, INC., et al.,)	Chapter 11
)	Hon. Stephen S. Mitchell
Debtors-in-Possession.)	
_____)	

**JOINT PLAN OF REORGANIZATION
OF US AIRWAYS, INC. AND ITS AFFILIATED
DEBTORS AND DEBTORS-IN-POSSESSION**

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<u>Exhibit X</u>	<u>ATSB Term Sheet</u>

INTRODUCTION

US Airways, Inc., US Airways Group, Inc., PSA Airlines, Inc., Piedmont Airlines, Inc., and Material Services Company, Inc., debtors and debtors-in-possession in the above-captioned jointly administered Chapter 11 reorganization cases, hereby propose the following joint plan of reorganization for the resolution of the outstanding creditor claims against and equity interests in the Debtors. Capitalized terms used herein shall have the meanings ascribed to such terms in Article I.B of this Plan. The Debtors are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code. The Plan contemplates the reorganization of the Debtors and the resolution of the outstanding Claims against and Interests in the Debtors pursuant to section 1121(a) of the Bankruptcy Code.

A complete list of the Debtors is set forth below. The list identifies each Debtor by its case number in these Chapter 11 Cases. The jurisdiction of incorporation of each Debtor also is designated. The sole Group subsidiary incorporated outside of the United States, Airways Assurance, Ltd., a company organized under the laws of Bermuda, has not commenced a case under Chapter 11 of the Bankruptcy Code or similar proceedings in any other jurisdiction. This subsidiary continues to operate its business outside of bankruptcy.

Debtors

- US Airways, Inc. (Delaware), 04-13819 (SSM)
- US Airways Group, Inc. (Delaware), 04-13820 (SSM)
- PSA Airlines, Inc. (Pennsylvania), 04-13821 (SSM)
- Piedmont Airlines, Inc. (Maryland), 04-13822 (SSM)
- Material Services Company, Inc. (Delaware), 04-13823 (SSM)

Under section 1125(b) of the Bankruptcy Code, a vote to accept or reject the Plan cannot be solicited from a Claimholder until such time as the Disclosure Statement has been approved by the Bankruptcy Court and distributed to Claimholders. In this case, the Disclosure Statement was approved by the Bankruptcy Court by order entered on _____, 2005, and has been distributed simultaneously with this Plan to all parties whose votes are being solicited. The Disclosure Statement contains, among other things, a discussion of the Debtors' history, businesses, properties and operations, projections for those operations, risk factors associated with the business and Plan, a summary and analysis of the Plan, and certain related matters including, among other things, the securities to be issued under the Plan. **ALL CLAIMHOLDERS ARE ENCOURAGED TO READ THIS PLAN AND THE DISCLOSURE STATEMENT IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THIS PLAN.**

Subject to certain restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in Article XIV of this Plan, each of the Debtors expressly reserves its respective rights to alter, amend, modify, revoke or withdraw this Plan with respect to such Debtor, one or more times, prior to the Plan's substantial consummation.

ARTICLE I

DEFINITIONS, RULES OF INTERPRETATION, AND COMPUTATION OF TIME

A. Scope of Definitions

For purposes of this Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise defined shall have the meanings ascribed to them in Article I.B of this Plan. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules.

B. Definitions

- 1.1.** “**Administrative Claim**” means a Claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(1) of the Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, incurred on or after the Petition Date, of preserving the Estates and operating the businesses of the Debtors, including wages, salaries or commissions for services rendered after the commencement of the Chapter 11 Cases, Professional Claims, Ordinary Course Professional Claims, all fees and charges assessed against the Estates under Chapter 123 of title 28, United States Code, and all Allowed Claims that are entitled to be treated as Administrative Claims pursuant to a Final Order of the Bankruptcy Court under section 546(c)(2)(A) of the Bankruptcy Code.
- 1.2.** “**Administrative Claims Bar Dates**” means, except with respect to Professional Claims and Ordinary Course Professional Claims, which shall be subject to the applicable provisions of Article X of this Plan, the deadlines for filing proofs or requests for payment of Administrative Claims of August 22, 2005 for Administrative Claims accruing between the Petition Date and July 31, 2005, and of 45 days after the Effective Date for Administrative Claims that accrue between August 1, 2005 and the Effective Date.
- 1.3.** “**AFA**” means the Association of Flight Attendants-CWA, AFL-CIO.
- 1.4.** “**Affiliates**” has the meaning given such term by section 101(2) of the Bankruptcy Code.
- 1.5.** “**Airbus**” means AVSA, S.A.R.L. and its Affiliates.

- 1.6. **“Airbus Claim”** means all Allowed Claims of Airbus as described in the Airbus term sheet attached ~~at~~hereto as Exhibit A.
- 1.7. **“Aircraft Equipment”** means an aircraft, aircraft engine, propeller, appliance or spare part (and includes all records and documents relating to such equipment that are required, under the terms of the relevant security agreement, lease, or conditional sale contract, to be surrendered or returned in connection with the surrender or return of such equipment).
- 1.8. **“Aircraft Secured Claim”** means a Claim, other than a GEAE Claim, GECC Claim or an Airbus Claim, that is secured by a security interest in or a lien on, or that is for amounts due under a lease or conditional sale contract of, any of the Aircraft Equipment set forth on Exhibit B to this Plan, in which a Debtor's Estate has an interest, but does not include any Claim to the extent that, on or prior to the Effective Date, the Debtors have abandoned, returned to the Claimholder that holds a lien on or security interest in, or rejected leases with respect to, such Aircraft Equipment. Nothing in this Section 1.8 shall prejudice the Debtors' right to seek a determination as to the extent of a Claimholder's secured status in accordance with section 506(a) of the Bankruptcy Code.
- 1.9. **“Aircraft Secured Claimholder”** means the holder of an Aircraft Secured Claim.
- 1.10. **“Allowed Claim” or “Allowed Interest”** means a Claim or any portion thereof, or an Interest or any portion thereof (a) that has been allowed by a Final Order of the Bankruptcy Court (or such other court or forum as the Reorganized Debtors and the holder of such Claim or Interest agree in writing may adjudicate such Claim or Interest and objections thereto); or (b) as to which, on or by the Effective Date, (i) no proof of claim or interest has been filed with the Bankruptcy Court and (ii) the liquidated and non-contingent amount of which is Scheduled, other than a Claim or Interest that is Scheduled at zero, in an unknown amount, or is disputed; or (c) for which a proof of claim or interest in a liquidated amount has been timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, any Final Order of the Bankruptcy Court or other applicable bankruptcy law, and as to which either (i) no objection to its allowance has been filed within the periods of limitation fixed by the Plan, the Bankruptcy Code or by any order of the Bankruptcy Court or (ii) any objection to its allowance has been settled or withdrawn, or has

been denied by a Final Order; or (d) that is expressly allowed in a liquidated amount in this Plan.

- 1.11. “Allowed Class . . . Claim” or “Allowed Class . . . Interest”** means an Allowed Claim or an Allowed Interest in the Class specified.
- 1.12. “ALPA”** means the Air Line Pilots Association, International.
- 1.13. “ALPA Shares”** means the number of 1,038,000 shares of New Common Stock, or such other number of shares of new Common Stock as shall be determined by the Bankruptcy Court to constitute compliance by USAI with its obligations under the Assumed Modified CBA between USAI and ALPA.
- 1.14. “America West”** means America West Holdings Corporation.
- 1.15. “Assumed Modified CBAs”** means collectively (i) the collective bargaining agreements between USAI and TWU, as modified during the Chapter 11 Cases with the Bankruptcy Court’s approval pursuant to the October 26, 2004 Consent Order Approving Modifications to Debtors’ Collective Bargaining Agreements With Certain Groups Within the Transport Workers Union, (ii) the collective bargaining agreement between USAI and CWA, as modified during the Chapter 11 Cases with the Bankruptcy Court’s approval pursuant to the January 6, 2005 Consent Order Approving Modifications to Debtors’ Collective Bargaining Agreement with the Communications Workers of America, and (iii) the collective bargaining agreement between USAI and ALPA, as modified during the Chapter 11 Cases with the Bankruptcy Court’s approval pursuant to the October 26, 2004 Consent Order Approving Modifications to the Debtors’ Collective Bargaining Agreement with the Air Line Pilots Association, International, which collective bargaining agreements, as so modified, or as may be further amended or modified, shall be assumed by Reorganized USAI on the Effective Date in accordance with Section 8.1 of this Plan.
- 1.16. “Assumed Other CBAs”** means collectively those collective bargaining agreements to which any of the Debtors is a party, other than (i) any collective bargaining agreement that has terminated or was rejected during the Chapter 11 Cases, (ii) Assumed Modified CBAs, or (iii) Postpetition CBAs, which are listed on Exhibit C to this Plan, and each of which shall be assumed by the Reorganized Debtors on the Effective Date in accordance with Section 8.1 of this Plan.
- 1.17. “ATSB”** means the Air Transportation Stabilization Board created pursuant to the Air Transportation Safety and Stabilization Act, P.L. 107-42 (2001) (the “Act”) and the

regulations issued by the Office of Management and Budget under the Act, 14 C.F.R. Part 1300, Aviation Disaster Relief — Air Carrier Guarantee Loan Program.

- 1.18.** “**ATSB Cash Collateral Order**” means the order granted by the Bankruptcy Court on October 14, 2004 as Dkt. No. 490, with respect to the Debtors’ rights to use cash collateral pursuant to the ATSB Loan, as amended by the orders of the Bankruptcy Court on January 13, 2005 (Dkt. No. 1590) and June 23, 2005 (Dkt. No. 2321).
- 1.19.** “**ATSB Lenders**” means the ATSB and the entities that are lenders under the ATSB Loan, including Govco Incorporated, as Primary Tranche A Lender, Citibank, N.A., as Alternate Tranche A Lender, and Bank of America N.A. and Retirement Systems of Alabama Holdings LLC, as Tranche B Lenders.
- 1.20.** “**ATSB Loan**” means the loan, a portion of which is guaranteed by the ATSB, that was extended to USAI pursuant to that certain Loan Agreement dated March 31, 2003, as amended, by and among USAI, as borrower, Group and certain of its subsidiaries, as guarantors, and the ATSB Lenders and the agent party thereto.
- 1.21.** “**ATSB Loan Claims**” means all Allowed Claims of the ATSB Lenders under the ATSB Loan.
- 1.22.** **“ATSB Term Sheet” means the term sheet attached hereto as Exhibit X setting forth the modifications agreed between the Debtors and the ATSB regarding the ATSB Loan.**
- 1.23.** ~~**1.22.**~~ “**Avoidance Claims**” means Causes of Action against Persons arising under any of sections 502, 510, 541, 542, 543, 544, 545, 547, 548 through 551 and 553 of the Bankruptcy Code, or under similar or related state or federal statutes and common law, including preference and fraudulent transfer laws, whether or not litigation has been commenced as of the Confirmation Date.
- 1.24.** ~~**1.23.**~~ “**Ballot**” means each of the ballot forms that are distributed with the Disclosure Statement to Claimholders who are included in Classes that are Impaired or potentially Impaired under the Plan and entitled to vote under Article VI to accept or reject this Plan.
- 1.25.** ~~**1.24.**~~ “**Bankruptcy Code**” means the Bankruptcy Reform Act of 1978, as amended and codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as in effect on the date hereof.

- 1.26.** ~~1.25.~~ **“Bankruptcy Court”** means the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division, or such other court as may have jurisdiction over the Chapter 11 Cases.
- 1.27.** ~~1.26.~~ **“Bankruptcy Rules”** means the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended, as applicable to the Chapter 11 Cases or proceedings therein, and the Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Cases or proceedings therein, as the case may be.
- 1.28.** ~~1.27.~~ **“Bar Date”** means the deadline set by the Bankruptcy Court for filing proofs of claim or interest in the Chapter 11 Cases. For prepetition Claims (other than those of governmental units) and Interests, the Bar Date is February 3, 2005. For prepetition Claims of governmental units, in accordance with section 502(b)(9) of the Bankruptcy Code, the Bar Date is March 11, 2005.
- 1.29.** ~~1.28.~~ **“Bar Date Order”** means the order entered by the Bankruptcy Court on September 15, 2004 as Dkt. No. 128, establishing the Bar Dates.
- 1.30.** ~~1.29.~~ **“Bilateral Cargo Prorate Agreements”** means those agreements, also commonly referred to as Special Prorate Agreements, that establish specifically-negotiated settlement amounts for cargo that has traveled across two carriers.
- 1.31.** ~~1.30.~~ **“Bilateral Passenger Prorate Agreements”** means those agreements, also commonly referred to as Special Prorate Agreements, that establish specifically-negotiated settlement amounts for tickets covering travel across two carriers.
- 1.32.** ~~1.31.~~ **“Business Day”** means any day, excluding Saturdays, Sundays and “legal holidays” (as defined in Bankruptcy Rule 9006(a)), on which commercial banks are open for business in New York City.
- 1.33.** ~~1.32.~~ **“Bylaws”** means the Bylaws of the Reorganized Debtors, in substantially the forms attached to this Plan as Exhibits D-1 through D-5.
- 1.34.** ~~1.33.~~ **“Cargo Multilateral Interline Traffic Agreements”** means those agreements documenting the terms, including, without limitation, documentation, liability and payment for services practices, of cargo acceptance among airlines.

- 1.35.** ~~1.34.~~ “**Cash**” means legal tender of the United States of America and equivalents thereof.
- 1.36.** ~~1.35.~~ “**Causes of Action**” means any and all actions, proceedings, causes of action, suits, accounts, controversies, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, including Avoidance Claims unless otherwise waived or released by the Debtors or the Reorganized Debtors.
- 1.37.** ~~1.36.~~ “**Certificate**” has the meaning ascribed to it in Section 9.4 of this Plan.
- 1.38.** ~~1.37.~~ “**Certificates of Incorporation**” means the Certificates of Incorporation of the Reorganized Debtors, in substantially the forms attached to this Plan as Exhibits E-1 through E-5.
- 1.39.** ~~1.38.~~ “**Chapter 11 Cases**” means the Chapter 11 cases of the Debtors pending in the Bankruptcy Court and being jointly administered with one another under Case No. 04-13819 (SSM), and the phrase “Chapter 11 Case” when used with reference to a particular Debtor shall mean the particular case under Chapter 11 of the Bankruptcy Code commenced by such Debtor in the Bankruptcy Court.
- 1.40.** ~~1.39.~~ “**Claim**” means a claim against one of the Debtors (or all or some of them), whether or not asserted, as defined in section 101(5) of the Bankruptcy Code.
- 1.41.** ~~1.40.~~ “**Claimholder**” means a holder of a Claim.
- 1.42.** ~~1.41.~~ “**Claims Agent**” means Donlin, Recano, and Company, Inc., or such other Person as may be appointed by the Debtors to serve as Claims Agent.
- 1.43.** ~~1.42.~~ “**Claims Objection Deadline**” means that day which is one hundred eighty (180) days after the Effective Date (unless such day is not a Business Day, in which case such deadline shall be the next Business Day thereafter), as the same may be extended from time to time by the Bankruptcy Court, with the consent of the Post-Effective Date Committee.
- 1.44.** ~~1.43.~~ “**Class**” means a category of Claimholders or Interestholders described in Article III of this Plan.

- 1.45. ~~1.44.~~ **“Confirmation Date”** means the date of entry of the Confirmation Order.
- 1.46. ~~1.45.~~ **“Confirmation Hearing”** means the hearing before the Bankruptcy Court held to consider confirmation of this Plan and related matters under section 1128 of the Bankruptcy Code, as such hearing may be adjourned or continued from time to time.
- 1.47. ~~1.46.~~ **“Confirmation Order”** means the order entered by the Bankruptcy Court confirming this Plan and approving the transactions contemplated thereby including without limitation, Group’s entry into the Merger.
- 1.47. ~~“Continuing Indemnification Rights”~~
- 1.48. ~~“Contracts Assumption Schedule”~~ shall have the meaning ascribed to it in Section 11.98.1.c of this Plan.
- 1.49. ~~1.48.~~ **“Convenience Class Election”** means the election pursuant to which the holder of a General Unsecured Claim against any Debtor that is not automatically a part of the General Unsecured Convenience Claims Class of such Debtor timely elects to be treated as a General Unsecured Convenience Claim.
- 1.50. ~~1.49.~~ **“Creditors’ Committee”** means the Official Committee of Unsecured Creditors appointed pursuant to section 1102(a) of the Bankruptcy Code in the Chapter 11 Cases.
- 1.51. ~~1.50.~~ **“CWA”** means the Communications Workers of America, AFL-CIO.
- 1.52. ~~1.51.~~ **“Debtor” or “Debtors”** means, individually, any of the following entities and, collectively, USAI, Group, PSA, Piedmont and Material Services.
- 1.53. ~~1.52.~~ **“Disallowed Claim” or “Disallowed Interest”** means a Claim or any portion thereof, or an Interest or any portion thereof, that (a) has been disallowed by a Final Order, (b) is Scheduled at zero or as contingent, disputed or unliquidated and as to which a proof of claim or interest bar date has been established but no proof of claim or interest has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law, or (c) is not Scheduled and as to which a proof of claim or interest bar date has been established but no proof of claim or interest has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to

either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law.

1.54. ~~1.53.~~ **“Disbursing Agent”** means the Reorganized Debtors or any Person designated by the Reorganized Debtors, in their sole discretion, to serve as a disbursing agent under Section 9.3 of this Plan.

1.55. ~~1.54.~~ **“Disclosure Statement”** means the written disclosure statement that relates to this Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017, as such disclosure statement may be amended, modified or supplemented from time to time.

1.56. ~~1.55.~~ **“Disputed Claim” or “Disputed Interest”** means a Claim or any portion thereof, or an Interest or any portion thereof, that is neither an Allowed Claim nor a Disallowed Claim, or an Allowed Interest or a Disallowed Interest, as the case may be, and includes, without limitation, Claims or Interests that (a) have not been Scheduled by the Debtors or have been Scheduled at zero, or as unknown, contingent, unliquidated or disputed, whether or not such Claims or Interests are the subject of a proof of claim or proof of interest in the Bankruptcy Court, (b) are the subject of a proof of claim or interest that differs in nature, amount or priority from the Schedules, (c) are the subject of an objection filed with the Bankruptcy Court, which has not been withdrawn or overruled by a Final Order of the Bankruptcy Court; or (d) are pending, disputed Claims under the First Amended Joint Plan of Reorganization of US Airways Group, Inc. and its Affiliated Debtors and Debtors-in-Possession, as Amended, in jointly administered Case No. 02-83984-SSM filed in the Bankruptcy Court on January 17, 2003.

1.57. ~~1.56.~~ **“Distribution Date”** means the date, selected by the Debtors or Reorganized Debtors, upon which distributions to holders of Allowed Claims entitled to receive distributions under this Plan shall commence.

1.58. ~~1.57.~~ **“Distribution Reserve”** means the reserve created pursuant to Section 9.8.c of this Plan to hold property (including New Common Stock) for distribution to General Unsecured Claimholders pending resolution of Disputed Claims.

1.59. ~~1.58.~~ **“Eastshore”** means Eastshore Aviation, LLC.

1.60. ~~1.59.~~ **“Eastshore Financing Agreement”** means the Junior Secured Debtor-in-Possession Credit Facility Agreement among USAI, as Borrower, Group, PSA, Material Services and Piedmont, as Guarantors, and Eastshore Aviation, LLC, as

Lender, dated February 18, 2005, as amended by Amendment No. 1 dated May 19, 2005, as the same may be further amended or modified.

- 1.61.** ~~1.60.~~ **“Effective Date”** means the Business Day determined by the Debtors on which all conditions to the consummation of the Plan have been either satisfied or waived as provided in Section 12.3 of this Plan.
- 1.62.** ~~1.61.~~ **“Employee-Related Agreements”** means those agreements between any of the Debtors and any of its employees or any entity acting on behalf of its employees.
- 1.63.** ~~1.62.~~ **“Equity Offering”** means the offering to existing stockholders of America West of up to 3,500,000 shares of New Common Stock of Reorganized Debtor at a price per share of \$16.50 to be made pursuant to an effective registration statement under the Securities Act, to be consummated on the Effective Date or as soon thereafter as is practicable.
- 1.64.** ~~1.63.~~ **“Estates”** means the bankruptcy estates of the Debtors created pursuant to section 541 of the Bankruptcy Code.
- 1.65.** ~~1.64.~~ **“Exhibit”** means an exhibit annexed to either this Plan or as an appendix to the Disclosure Statement.
- 1.66.** ~~1.65.~~ **“Exhibit Filing Date”** means the date on which Exhibits to the Plan or the Disclosure Statement shall be filed with the Bankruptcy Court, which date shall be at least five (5) days prior to the Voting Deadline or such later date as may be approved by the Bankruptcy Court without further notice to parties-in-interest.
- 1.67.** ~~1.66.~~ **“Existing Equity Securities”** means, collectively, the Old Common Stock, Old Preferred Stock and all options, warrants and rights (whether fixed or contingent, matured or unmatured, disputed or undisputed), contractual, legal, equitable or otherwise, to acquire any of the foregoing, including, without limitation, the Old Common Stock Options.
- 1.68.** ~~1.67.~~ **“Face Amount”** means (a) when used in reference to a Disputed or Disallowed Claim, the stated liquidated amount claimed by the Claimholder in any proof of claim timely filed with the Bankruptcy Court or otherwise deemed timely filed by any Final Order of the Bankruptcy Court or other applicable bankruptcy law, and (b) when used in reference to an Allowed Claim, the allowed amount of such Claim.
- 1.69.** ~~1.68.~~ **“Final Order”** means an order or judgment, the operation or effect of which has not been stayed, reversed or amended and

as to which order or judgment (or any revision, modification or amendment thereof) the time to appeal or seek review or rehearing has expired and as to which no appeal, *certiorari* proceeding or other petition, or proceeding for review or rehearing was filed or, if filed, remains pending.

- 1.70.** ~~1.69.~~ “**GEAE**” means General Electric Company, GE Transportation Component, GE Engine Services, Inc. and GE Engine Services - Dallas, L.P.
- 1.71.** ~~1.70.~~ “**GEAE Claim**” means the Claims of GEAE arising under all agreements and contracts among the Debtors and GEAE.
- 1.72.** ~~1.71.~~ “**GECC**” means General Electric Capital Corporation.
- 1.73.** ~~1.72.~~ “**GECC Claim**” means the Claims of GECC and its Affiliates, other than GEAE, arising under the leases, agreements and contracts among the Debtors, GECC and such Affiliates.
- 1.74.** ~~1.73.~~ “**GE Master MOU**” means the Amended and Restated Master Memorandum of Understanding dated November 24, 2004, as approved by the Bankruptcy Court on December 17, 2004, as amended and supplemented and approved by orders of the Bankruptcy Court on February 4, 2005 and March 31, 2005, and as further amended and supplemented by the Master Merger Memorandum of Understanding dated June 13, 2005, among Group, USAI, GECC and GEAE and certain other parties thereto, as approved by the Bankruptcy Court on June 23, 2005, as such agreements and orders may be amended or supplemented from time to time.
- 1.75.** ~~1.74.~~ “**General Unsecured Claim**” means a Claim that does not fall within another Class of Claims. If more than one of the Debtors is obligated for a General Unsecured Claim, the holder thereof shall be deemed for all purposes under this Plan to have only a single General Unsecured Claim.
- 1.76.** ~~1.75.~~ “**General Unsecured Claimholder**” means a holder of a General Unsecured Claim.
- 1.77.** ~~1.76.~~ “**General Unsecured Convenience Claim**” means a Claim against any of the Debtors that otherwise would be a General Unsecured Claim that is (a) for \$50,000 or less, or (b) for more than \$50,000 if the holder of such Claim has made the Convenience Class Election on the Ballot provided for voting on this Plan within the time fixed by the Bankruptcy Court for completing and returning such Ballot to accept \$5,000 in Cash in full satisfaction, discharge and release of such Claim.

- 1.78.** ~~1.77.~~ “**General Unsecured Subscription Stock**” means up to 5,590,909 shares of New Common Stock which holders of General Unsecured Claims against any of the Debtors are entitled to elect to purchase in accordance with Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i and 5.5.i of this Plan.
- 1.79.** ~~1.78.~~ “**Group**” means US Airways Group, Inc., a Delaware company, debtor-in-possession in Case No. 04-13820 (SSM) pending in the Bankruptcy Court.
- 1.80.** ~~1.79.~~ “**Holdback Amount**” means the amount equal to fifteen percent (15%) of fees billed to the Debtors in a given month that was retained by the Debtors and has not been previously paid, as a holdback on payment of Professional Claims pursuant to the Professional Fee Order.
- 1.81.** ~~1.80.~~ “**IAMAW**” means the following three groups within the International Association of Machinists and Aerospace Workers: Mechanical and Related (District 142); Maintenance Training Specialists (District 142); and Fleet Service (District 141).
- 1.82.** ~~1.81.~~ “**IATA**” means the International Air Transport Association.
- 1.83.** ~~1.82.~~ “**Impaired**” refers to any Claim or Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code.
- 1.84.** ~~1.83.~~ “**Indemnification Rights**” means any obligations or rights of the Debtors to indemnify, reimburse, advance or contribute to the losses, liabilities or expenses of an Indemnitee pursuant to the Debtors’ certificates of incorporation, bylaws, or policy of providing employee indemnification, including, without limitation, indemnification agreements (if any) that were approved or assumed pursuant to a Bankruptcy Court order, or other applicable law or specific agreement in respect of any claims, demands, suits, causes of action or proceedings against an Indemnitee based upon any act or omission related to an Indemnitee’s service with, for or on behalf of the Debtors.
- 1.85.** ~~1.84.~~ “**Indemnitee**” means all present and former directors, officers, employees, agents or representatives of the Debtors who are entitled to assert Indemnification Rights, if any.

- 1.86.** ~~1.85.~~ **“Independent Directors”** means members of the board of directors of Reorganized Group who are not employees or Affiliates of Group, Reorganized Group, America West, or a Plan Investor and who otherwise qualify as independent directors under the rules of the New York Stock Exchange, as in effect as of the Effective Date.
- 1.87.** ~~1.86.~~ **“Insurance Coverage”** shall have the meaning ascribed to it in Section 11.9 of this Plan.
- 1.88.** ~~1.87.~~ **“Insured Claim”** means any Claim to the extent such Claim arises prior to the Petition Date from an incident or occurrence that is covered under any of the Debtors’ insurance policies, but solely to the extent such Claim is covered by such insurance policies.
- 1.89.** ~~1.88.~~ **“Intercompany Claim”** means a Claim by a Debtor against another Debtor or a Claim by Airways Assurance, Ltd. or Barbell Acquisition Corp. against a Debtor.
- 1.90.** ~~1.89.~~ **“Intercompany Executory Contract”** means an executory contract solely between two or more Debtors or an executory contract solely between one or more Debtors and Airways Assurance, Ltd. or Barbell Acquisition Corp.
- 1.91.** ~~1.90.~~ **“Intercompany Interest”** means an Interest in a Debtor held by another Debtor or Airways Assurance, Ltd. or Barbell Acquisition Corp. or an Interest in Airways Assurance, Ltd. or Barbell Acquisition Corp. held by a Debtor.
- 1.92.** ~~1.91.~~ **“Intercompany Unexpired Lease”** means an unexpired lease solely between two or more Debtors or an unexpired lease solely between one or more Debtors and Airways Assurance, Ltd. or Barbell Acquisition Corp.
- 1.93.** ~~1.92.~~ **“Interest”** means (a) the legal, equitable, contractual and other rights (whether fixed or contingent, matured or unmatured, disputed or undisputed) of any Person with respect to Existing Equity Securities or any other equity securities of the Debtors, and (b) the legal, equitable, contractual and other rights, whether fixed or contingent, matured or unmatured, disputed or undisputed, of any Person to purchase, sell, subscribe to, or otherwise acquire or receive (directly or indirectly) any of the foregoing.
- 1.94.** ~~1.93.~~ **“Interestholder”** means a holder of an Interest.

- 1.95. ~~1.94.~~ “**Interline Agreements**” means, collectively, those Passenger Multilateral Interline Traffic Agreements, Bilateral Passenger Prorate Agreements, Cargo Multilateral Interline Traffic Agreements and Bilateral Cargo Prorate Agreements to which any of the Debtors are a party.
- 1.96. ~~1.95.~~ “**Investment Agreements**” means one or more agreements between Group, America West and the Plan Investors concerning, *inter alia*, the Plan Investors’ investments in the Reorganized Debtors, which agreements are attached to this Plan as Exhibits ~~GF~~ through K, ~~as amended by the Letter Agreement~~, and any substantially similar agreement that may be entered into between the date of this Plan and the date of the Confirmation Hearing between Group, America West and any Person(s), providing for an equity investment in Reorganized Group, which agreement(s) shall be filed with the Bankruptcy Court by the Debtors on or before the date of the Confirmation Hearing.
- 1.97. “**Letter Agreement**” means the letter agreement by and among Group, America West, Barbell Acquisition Corp. and each of the Plan Investors (other than Tudor Investment Corp. and Tudor Proprietary Trading L.L.C.), dated July 7, 2005, a copy of which is attached to this Plan as Exhibit W.
- 1.98. ~~1.96.~~ “**Management Compensation Plan**” means those certain plans by which Reorganized Group shall be authorized to issue stock options, warrants, restrictive stock grants and other stock-based and cash compensation to members of management, directors and other employees of Reorganized Group and its affiliates on and after the Effective Date, as set forth on Exhibit L hereto.
- 1.99. ~~1.97.~~ “**Material Services**” means Material Services Company, Inc., a Delaware company, debtor-in-possession in Case No. 04-13823 (SSM) pending in the Bankruptcy Court.
- 1.100. ~~1.98.~~ “**Merger**” means the transactions that are to take place pursuant to the Merger Agreement.
- 1.101. ~~1.99.~~ “**Merger Agreement**” means the Agreement and Plan of Merger by and among Group, America West and Barbell Acquisition Corp., dated May 19, 2005, ~~as amended from time to time~~, a copy of which is attached to this Plan as Exhibit M ~~as amended from time to time~~, including as amended by the Letter Agreement.
- 1.102. ~~1.100.~~ “**Miscellaneous Secured Claim**” means any Secured Claim other than an Aircraft Secured Claim, an ATSB Loan

Claim, a GECC Claim, a GEAE Claim, or an Airbus Claim. Miscellaneous Secured Claims shall include Claims secured by liens junior in priority to existing liens, whether by operation of law, contract or otherwise, but solely to the extent of the value, as of the Effective Date, or such other date as is established by the Bankruptcy Court, of such Claimholder's interest in the Estates' interest in property of the Estates after giving effect to all security interests or liens senior in priority.

- 1.103.** ~~1.101.~~ **“New Common Stock”** means the shares of Common Stock of Reorganized Group, authorized under this Plan and under the Certificate of Incorporation of Reorganized Group. The number of shares of New Common Stock to be issued as of the Effective Date pursuant to the Merger Agreement, the Investment Agreements and this Plan shall be _____.
- 1.104.** ~~1.102.~~ **“New Convertible Note”** means the \$125,000,000 Senior Convertible Note due 2020 of Reorganized USAI to be issued to GECC or such other Affiliate of GECC as is designated by GECC pursuant to the GE Master MOU.
- 1.105.** ~~1.103.~~ **“Old Common Stock”** means, with respect to each Debtor, shares of common stock of such Debtor that were authorized, issued and outstanding prior to the Effective Date.
- 1.106.** ~~1.104.~~ **“Old Common Stock Options”** means, with respect to each Debtor, all options, warrants and rights (whether fixed or contingent, matured or unmatured, disputed or undisputed), contractual, legal, equitable or otherwise, to acquire shares of such Debtor's Old Common Stock or other equity interests in such Debtor.
- 1.107.** ~~1.105.~~ **“Old Preferred Stock”** means, with respect to each Debtor, shares of preferred stock of such Debtor and all options, warrants or rights, contractual or otherwise, if any, to acquire any such preferred stock.
- 1.108.** ~~1.106.~~ **“Ordinary Course Professional”** means those certain Persons identified as ordinary course professionals or key ordinary course professionals by the Debtors pursuant to the First Supplement to Exhibit 1 to the Ordinary Course Professional Order (Dkt. No. 218).
- 1.109.** ~~1.107.~~ **“Ordinary Course Professional Claim”** means an Administrative Claim of an Ordinary Course Professional for compensation for services rendered or reimbursement of costs, expenses or other charges and disbursements for any month, relating to services rendered or expenses incurred after the Petition Date and prior to and including the Effective Date.

- 1.110.** ~~1.108.~~ **“Ordinary Course Professional Order”** means the Bankruptcy Court’s order entered on September 15, 2004 pursuant to 11 U.S.C. §§ 105(a), 327(e) and 331 Authorizing Retention of Professionals Utilized by the Debtors in the Ordinary Course of Business (Dkt. No. 126).
- 1.111.** ~~1.109.~~ **“Other Executory Contracts and Unexpired Leases”** means all executory contracts and unexpired leases, other than Employee-Related Agreements, Intercompany Executory Contracts, Intercompany Unexpired Leases, and Interline Agreements, to which any of the Debtors are a party.
- 1.112.** ~~1.110.~~ **“Over-Subscription Stock”** means any shares of General Unsecured Subscription Stock not purchased by those Persons entitled to subscribe for such shares of New Common Stock in accordance with the first sentence of the second paragraph of Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i, and 5.5.i, respectively, of this Plan.
- 1.113.** ~~1.111.~~ **“Other Priority Claim”** means a Claim entitled to priority pursuant to section 507(a) of the Bankruptcy Code other than a Priority Tax Claim or an Administrative Claim.
- 1.114.** ~~1.112.~~ **“Passenger Multilateral Interline Traffic Agreements”** means those agreements documenting the terms of passenger ticketing and baggage acceptance among airlines and governed by IATA Resolution 780, as amended by the 21st IATA Passenger Services Conference.
- 1.115.** ~~1.113.~~ **“PBGC”** means the Pension Benefit Guaranty Corporation.
- 1.116.** ~~1.114.~~ **“PBGC Claim”** means all Claims of the PBGC against any of the Debtors and all claims of the PBGC against any non-Debtor Affiliate of any Debtor. If more than one of the Debtors is obligated for the PBGC Claim, the holder thereof shall be deemed for all purposes under this Plan to have only a single Claim.
- 1.117.** ~~1.115.~~ **“Periodic Distribution Date”** means (a) the Distribution Date, as to the first distribution made by the Reorganized Debtors, and (b) thereafter, (i) the first Business Day occurring ninety (90) days after the Distribution Date, and (ii) subsequently, the first Business Day occurring ninety (90) days after the immediately preceding Periodic Distribution Date.

- 1.118.** ~~1.116.~~ “**Person**” means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, governmental unit (as defined in section 101(27) of the Bankruptcy Code), or other entity.
- 1.119.** ~~1.117.~~ “**Petition Date**” means September 12, 2004, the date on which the Debtors filed their petitions for relief in the Bankruptcy Court commencing the Chapter 11 Cases.
- 1.120.** ~~1.118.~~ “**Piedmont**” means Piedmont Airlines, Inc., a Maryland company, debtor-in-possession in Case No. 04-13822 (SSM) pending in the Bankruptcy Court.
- 1.121.** ~~1.119.~~ “**Plan**” means this joint plan of reorganization for the resolution of outstanding Claims and Interests in the Chapter 11 Cases, as herein proposed by the Debtors, including all exhibits, supplements, appendices and schedules hereto, either in their present form or as the same may be further altered, amended or modified from time to time in accordance with the Bankruptcy Code and the Bankruptcy Rules.
- 1.122.** ~~1.120.~~ “**Plan Investors**” means Eastshore Aviation, LLC, Par Investment Partners, L.P., Peninsula Investment Partners, L.P., ACE Aviation Holdings Inc., Wellington Management Co. LLP (as investment adviser to each investor listed on Schedule 1 to the Wellington Investment Agreement), **Tudor Proprietary Trading L.L.C., Tudor Investment Corp. (as investment advisor to the investors listed on Schedule 1 to the Tudor Investment Agreement other than Tudor Proprietary Trading L.L.C.),** and/or one or more other investors who agree to make an investment in Reorganized Group pursuant to this Plan in exchange for New Common Stock, pursuant to the Investment Agreements.
- 1.123.** ~~1.121.~~ “**Post-Effective Date Committee**” has the meaning ascribed to it in Section 14.4.b of this Plan.
- 1.124.** ~~1.122.~~ “**Postpetition Aircraft Obligations**” means those certain obligations arising pursuant to new or renegotiated postpetition agreements listed on Exhibit N hereto, including, without limitation, leases and mortgages, regarding certain of the Debtors’ aircraft; provided, however, that obligations under such postpetition agreements shall only be deemed Postpetition Aircraft Obligations to the extent specifically provided for in such agreements.

- 1.125. ~~1.123.~~ **“Postpetition CBAs”** means collectively: (i) the collective bargaining agreement entered into between USAI and AFA which was approved by the Bankruptcy Court’s January 11, 2005 Order Approving Debtors’ Entry Into Collective Bargaining Agreement with the Association of Flight Attendants-CWA, AFL-CIO, and (ii) the collective bargaining agreements entered into between USAI and IAMAW, which were approved by the January 27, 2005 Order Approving Debtors’ Entry into Collective Bargaining Agreements with the International Association of Machinists and Aerospace Workers, as such agreements may be further modified or amended.
- 1.126. ~~1.124.~~ **“Priority Tax Claim”** means a Claim entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.
- 1.127. ~~1.125.~~ **“Procedures Motion”** means the Motion seeking entry of the Procedures Order, which was filed by the Debtors on May 21, 2005 (Dkt. No. 2160).
- 1.128. ~~1.126.~~ **“Procedures Order”** means the Order (A) Approving Procedures for the Consideration of Plan Funding Proposals and (b) Approving Form and Manner of Notice of Competing Offer Procedures, and (c) Approving Break-Up Fee and Related Provisions, which was approved by the Bankruptcy Court on May 31, 2005 (Dkt. No. 2213).
- 1.129. ~~1.127.~~ **“Professional”** means those Persons retained in the Chapter 11 Cases by separate Bankruptcy Court orders pursuant to sections 327 and 1103 of the Bankruptcy Code or otherwise; provided, however, that Professional does not include those Persons retained pursuant to the Ordinary Course Professional Order.
- 1.130. ~~1.128.~~ **“Professional Claim”** means an Administrative Claim of a Professional for compensation for services rendered or reimbursement of costs, expenses or other charges and disbursements incurred, relating to services rendered or expenses incurred after the Petition Date and prior to and including the Effective Date.
- 1.131. ~~1.129.~~ **“Professional Fee Order”** means the order entered by the Bankruptcy Court on October 14, 2004, authorizing the interim payment of Professional Claims (Dkt. No. 489).
- 1.132. ~~1.130.~~ **“Profit Sharing”** means the employee profit sharing provided for pursuant to the Assumed Modified CBAs and the Postpetition CBAs.

1.133. ~~1.131.~~ **“Pro Rata”** means, from time to time, unless this Plan specifically provides otherwise, with respect to any distribution or election on account of any Allowed Claim in any Class or Classes, or subclass, a distribution or allocation equal in amount to the ratio (expressed as a percentage) that the amount of such Allowed Claim bears to the aggregate amount of Allowed Claims in such Class or Classes, or subclass. In the case where a distribution is being made on a Pro Rata basis among Allowed Claims in more than one Class, the Pro Rata distribution allocable to any Allowed Claim will be based on the ratio of such Claim to the aggregate amount of all Allowed Claims in all Classes sharing in the same distribution.

1.134. ~~1.132.~~ **“PSA”** means PSA Airlines, Inc., a Pennsylvania company, debtor-in-possession in Case No. 04-13821 (SSM) pending in the Bankruptcy Court.

1.135. ~~1.133.~~ **“Reinstated” or “Reinstatement”** means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim entitles the Claimholder so as to leave such Claim Unimpaired in accordance with section 1124 of the Bankruptcy Code, or (b) notwithstanding any contractual provision or applicable law that entitles the Claimholder to demand or receive accelerated payment of such Claim after the occurrence of a default: (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (ii) reinstating the maturity of such Claim as such maturity existed before such default; (iii) compensating the Claimholder for any damages incurred as a result of any reasonable reliance by such Claimholder on such contractual provision or such applicable law; and (iv) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Claimholder; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, “going dark” provisions, and affirmative covenants regarding corporate existence prohibiting any transactions or actions contemplated by this Plan, or conditioning such transactions or actions on certain events, consents or factors, shall not be required to be cured or reinstated in order to accomplish Reinstatement.

1.136. ~~1.134.~~ **“Released Parties”** means, collectively: (i) all officers of each of the Debtors, all members of the boards of directors of each of the Debtors, and all employees of each of the Debtors, in

each case, as of the date of the commencement of the Disclosure Statement Hearing; (ii) the Creditors' Committee and all members of the Creditors' Committee in such capacity; (iii) the Retiree Committee and all members of the Retiree Committee in such capacity; (iv) the Plan Investors; (v) America West; (vi) the Debtors; (vii) the ATSB Lenders, solely in such capacity; (viii) GECC and GEAE and their respective Affiliates; and (ix) with respect to each of the above-named Persons, such Person's affiliates, principals, employees, agents, officers, directors, financial advisors, attorneys and other professionals, in their capacities as such.

1.137. ~~1.135.~~ **“Reorganized . . .”** means the applicable Debtor from and after the Effective Date.

1.138. ~~1.136.~~ **“Reorganized Debtor” or “Reorganized Debtors”** means, individually, any Debtor, and collectively, all Debtors from and after the Effective Date.

1.139. ~~1.137.~~ **“Retained Actions”** means all Causes of Action that any Debtor may hold against any Person other than a Released Party in its capacity as such, including, without limitation, (a) any Causes of Action brought prior to the Confirmation Date, (b) any Causes of Action against any Persons for failure to pay for products or services provided or rendered by the Debtors, (c) any Causes of Action relating to enforcement of the Debtors' intellectual property rights, including patents, copyrights and trademarks; and (d) any Causes of Action seeking the recovery of the Debtors' or the Reorganized Debtors' accounts receivable or other receivables or rights to payment created or arising in the ordinary course of the Debtors' or the Reorganized Debtors' business. A nonexclusive list of Retained Actions is attached hereto as Exhibit O.

1.140. ~~1.138.~~ **“Retiree Committee”** means the Official Committee of Retired Employees of USAI appointed pursuant to section 1114 of the Bankruptcy Code in the Chapter 11 Cases.

1.141. ~~1.139.~~ **“Rights Offering Registration Statement”** means the registration statement on Form S-1 under the Securities Act (No. 333-126226) relating to the Equity Offering and the offering of the General Unsecured Subscription Stock.

1.142. ~~1.140.~~ **“Scheduled”** means, with respect to any Claim or Interest, the status, priority and amount, if any, of such Claim or Interest as set forth in the Schedules.

1.143. ~~1.141.~~ **“Schedules”** means the schedules of assets and liabilities and the statements of financial affairs filed in the Chapter 11

Cases by the Debtors, as such schedules or statements have been or may be modified, amended or supplemented from time to time in accordance with Bankruptcy Rule 1009 or orders of the Bankruptcy Court.

- 1.144. ~~1.142.~~ **“Secured Claim”** means any Claim that is secured by a security interest in or a lien on property in which a Debtor’s Estate has an interest or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value, as of the Effective Date or such other date as is established by the Bankruptcy Court, of such Claimholder’s interest in the applicable Estate’s interest in such property or to the extent of the amount subject to setoff, as applicable, as determined by a Final Order of the Bankruptcy Court pursuant to section 506(a) of the Bankruptcy Code, or in the case of setoff, pursuant to section 553 of the Bankruptcy Code, or as otherwise agreed upon in writing by the Debtors and the Claimholder. A Liquidated Secured Claim filed by the United States shall be deemed Allowed unless the Debtors object to such Claim by the Claims Objection Deadline.
- 1.145. ~~1.143.~~ **“Securities Act”** means the Securities Act of 1933, 15 U.S.C. §§ 77c-77aa, as now in effect or hereafter amended.
- 1.146. ~~1.144.~~ **“Security”** shall have the meaning ascribed to it in section 101(49) of the Bankruptcy Code.
- 1.147. ~~1.145.~~ **“Servicer”** has the meaning ascribed to it in Section 7.13 of this Plan.
- 1.148. ~~1.146.~~ **“Solicitation Procedures Order”** means the order of the Bankruptcy Court, approved on _____, 2005, pursuant to which the Bankruptcy Court, *inter alia*, approved the Disclosure Statement and set various procedures for soliciting and tabulating votes on the Plan.
- 1.149. ~~1.147.~~ **“Stockholders Agreement”** means the Stockholders Agreement for Reorganized Group, to be dated as of the Effective Date, by and among Reorganized Group and the Plan Investors, containing certain corporate governance, voting, transfer and related agreements, which shall be substantially in the form of Exhibit P to this Plan.
- 1.150. ~~1.148.~~ **“Subordinated Securities Claim”** means any Claim that is subject to subordination under section 510(b) of the Bankruptcy Code.
- 1.151. ~~1.149.~~ **“Subscription Rights Form”** means each of the forms that are distributed with the Disclosure Statement and the

prospectus that forms a part of the Rights Offering Registration Statement to holders of General Unsecured Claims in connection with such holders' right to subscribe for shares of New Common Stock pursuant to the procedures set forth in Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i and 5.5.i of this Plan.

- 1.152.** ~~1.150.~~ “**TWU**” means the Transport Workers Union Locals 545, 546 and 547.
- 1.153.** ~~1.151.~~ “**Unimpaired**” refers to any Claim or Interest which is not Impaired.
- 1.154.** ~~1.152.~~ “**Unsecured Creditors Stock**” means 8,212,121 shares of New Common Stock, minus the ALPA Shares, to be distributed pro rata to the holders of Allowed Class USAI-9 Claims, Allowed Class Group-9 Claims, Allowed Class PSA-9 Unsecured Claims, Allowed Class Piedmont-9 Unsecured Claims, and Allowed Class Material Services-9 Unsecured Claims, pursuant to Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i and 5.5.i of this Plan.
- 1.155.** ~~1.153.~~ “**Unsubscribed Equity Offering Shares**” means any shares of New Common Stock offered in the Equity Offering that have not been subscribed for at closing of the subscription procedures included in the Equity Offering.
- 1.156.** ~~1.154.~~ “**USAI**” means US Airways, Inc., a Delaware company, debtor-in-possession in Case No. 04-03819 (SSM) pending in the Bankruptcy Court.
- 1.157.** ~~1.155.~~ “**Voting Deadline**” means _____, 2005 at 4:00 p.m. (prevailing Eastern time).
- 1.156.** ~~“**Winning Plan Sponsor**” means the Person who submits the Approved Proposal, as that term is used in the Procedures Order.~~
- 1.158.** ~~1.157.~~ “**503 Deadline**” shall have the meaning ascribed to it in Section 10.2 of this Plan.

C. Rules of Interpretation

For purposes of this Plan, unless otherwise provided herein: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) each pronoun stated in the masculine, feminine or neuter includes the masculine, feminine and neuter; (c) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (d) any reference in this Plan to an existing document or schedule filed or to be filed means such document or schedule, as it may have been or may be amended, modified or

supplemented pursuant to this Plan ~~or~~ **and** in accordance with the applicable terms of such document; (e) any reference to an entity as a holder of a Claim or Interest includes that entity's successors and assigns; (f) all references in this Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to this Plan; (g) the words "herein," "hereunder" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (h) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (i) subject to the provisions of any contract, Certificates of Incorporation, By-laws, instrument, release or other agreement or document entered into in connection with this Plan, the rights and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, federal law, including the Bankruptcy Code and the Bankruptcy Rules; and (j) the rules of construction set forth in section 102 of the Bankruptcy Code will apply.

D. Computation of Time

In computing any period of time prescribed or allowed by the Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006(a) shall apply.

E. References to Monetary Figures

All references in the Plan to monetary figures shall refer to United States of America currency, unless otherwise expressly provided.

F. Exhibits

All Exhibits are incorporated into and are a part of the Plan as if set forth in full herein and, to the extent not annexed hereto, such Exhibits shall be filed with the Bankruptcy Court on or before the Exhibit Filing Date. After the Exhibit Filing Date, electronic copies of Exhibits can be obtained free of charge from Donlin, Recano & Company, Inc.'s website at <http://www.donlinrecano.com> or for a fee from the Bankruptcy Court's website at <http://ecf.vaeb.uscourts.gov>. Moreover, hard copies of Exhibits can be obtained upon written request to Donlin, Recano & Company, Inc., 419 Park Avenue South, Suite 1206, New York, New York 10016-8410, Attn: Copy Request.

ARTICLE II

ADMINISTRATIVE EXPENSES AND PRIORITY TAX CLAIMS

- 2.1. Administrative Claims.** Subject to the provisions of Article X of this Plan, on the first Periodic Distribution Date occurring after the later of (a) the date an Administrative Claim becomes an Allowed Administrative Claim, or (b) the date an Administrative Claim becomes payable pursuant to any agreement between a Debtor (or a Reorganized Debtor) and the holder of such Administrative Claim, an Allowed Administrative Claimholder in the Chapter 11 Cases shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Administrative

Claim, (i) Cash equal to the unpaid portion of such Allowed Administrative Claim, or (ii) such other treatment as to which the Debtors (or the Reorganized Debtors) and such Claimholder shall have agreed upon in writing; provided, however, that (x) Eastshore shall have an Allowed Administrative Claim under the Eastshore Financing Agreement in such amount as to which the Debtors and Eastshore shall have agreed in writing or as fixed by the Bankruptcy Court, which Administrative Claim shall be paid as of the Effective Date, (i) in Cash in respect of any accrued and unpaid interest, and (ii) in 8,333,333 shares of New Common Stock, in each case pursuant to the terms of the Eastshore Financing Agreement in respect of the outstanding principal amounts due thereunder, which treatment shall satisfy in full Eastshore's Secured Claims against the Debtors arising under the Eastshore Financing Agreement, and (y) Allowed Administrative Claims with respect to liabilities incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases shall be paid in the ordinary course of business in accordance with the terms and conditions of any agreements relating thereto.

- 2.2. Priority Tax Claims.** With respect to each Allowed Priority Tax Claim in the Chapter 11 Cases, at the sole option of the Debtors (or the Reorganized Debtors after the Effective Date), the Allowed Priority Tax Claimholder shall be entitled to receive on account of such Allowed Priority Tax Claim, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (a) equal Cash payments made on the last Business Day of every three-month period following the Effective Date, over a period not exceeding six (6) years after the assessment of the tax on which such Claim is based, totaling the principal amount of such Claim plus simple interest on any outstanding balance from the Effective Date calculated at the interest rate available on ninety (90) day United States Treasury bills on the Effective Date, (b) such other treatment agreed to by the Allowed Priority Tax Claimholder and the Debtors (or the Reorganized Debtors), provided such treatment is on more favorable terms to the Debtors (or the Reorganized Debtors after the Effective Date) than the treatment set forth in clause (a) hereof, or (c) payment in full in Cash.

ARTICLE III

CLASSIFICATION OF CLAIMS AND INTERESTS

Pursuant to section 1122 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Interests in the Debtors. A Claim or Interest is placed in a particular Class for purposes of voting on this Plan and of receiving distributions pursuant

to this Plan only to the extent that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released or otherwise satisfied prior to the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified, and their treatment is set forth in Article II of this Plan.

3.1. USAI Classifications. Claims against and Interests in USAI are classified as follows:

- a. **Class USAI-~~1~~1.** Class USAI-1 consists of all Miscellaneous Secured Claims against USAI.
- b. **Class USAI-~~2A~~2A.** Class USAI-2A consists of all GECC Claims against USAI.
- c. **Class USAI-~~2B~~2B.** Class USAI-2B consists of all GEAE Claims against USAI.
- d. **Class USAI-~~3~~3.** Class USAI-3 consists of all ATSB Loan Claims against USAI.
- e. **Class USAI-~~5~~5.** Class USAI-5 consists of all Other Priority Claims against USAI.
- f. **Class USAI-~~6~~6.** Class USAI-6 consists of all Aircraft Secured Claims against USAI.
- g. **Class USAI-~~7~~7.** Class USAI-7 consists of all PBGC Claims against USAI.
- h. **Class USAI-~~8~~8.** Class USAI-8 consists of all General Unsecured Convenience Claims against USAI.
- i. **Class USAI-~~9~~9.** Class USAI-9 consists of all General Unsecured Claims against USAI.
- j. **Class USAI-~~10~~10.** Class USAI-10 consists of all Interests in USAI.

3.2. Group Classifications. Claims against and Interests in Group are classified as follows:

- a. **Class Group-~~1~~1.** Class Group-1 consists of all Miscellaneous Secured Claims against Group.
- b. **Class Group-~~2A~~2A.** Class Group-2A consists of all GECC Claims against Group.

- c. **Class Group-2B.** Class Group-2B consists of all GEAE claims against Group.
- d. **Class Group-33.** Class Group-3 consists of all ATSB Loan Claims against Group.
- e. **Class Group-44.** Class Group-4 consists of all Airbus Claims against Group.
- f. **Class Group-55.** Class Group-5 consists of all Other Priority Claims against Group.
- g. **Class Group-66.** Class Group-6 consists of all Aircraft Secured Claims against Group.
- h. **Class Group-7 7.** Class Group-7 consists of all PBGC Claims against Group.
- i. **Class Group-88.** Class Group-8 consists of all General Unsecured Convenience Claims against Group.
- j. **Class Group-99.** Class Group-9 consists of all General Unsecured Claims against Group.
- k. **Class Group-1010.** Class Group-10 consists of all Interests in Group.
- l. **Class Group-1111.** Class Group-11 consists of all Subordinated Securities Claims against Group.

3.3. PSA Classifications. Claims against and Interests in PSA are classified as follows:

- a. **Class PSA-11.** Class PSA-1 consists of all Miscellaneous Secured Claims against PSA.
- b. **Class PSA-2A.** Class PSA-2A consists of all GECC Claims against PSA.
- c. **Class PSA-2B.** Class PSA-2B consists of all GEAE Claims against PSA.
- d. **Class PSA-33.** Class PSA-3 consists of all ATSB Loan Claims against PSA.
- e. **Class PSA-55.** Class PSA-5 consists of all Other Priority Claims against PSA.

- f. **Class PSA-~~66~~**. Class PSA-6 consists of all Aircraft Secured Claims against PSA.
- g. **Class PSA-~~77~~**. Class PSA-7 consists of all PBGC Claims against PSA.
- h. **Class PSA-~~88~~**. Class PSA-8 consists of all General Unsecured Convenience Claims against PSA.
- i. **Class PSA-~~99~~**. Class PSA-9 consists of all General Unsecured Claims against PSA.
- j. **Class PSA-~~1010~~**. Class PSA-10 consists of all Interests in PSA.

3.4. Piedmont Classifications. Claims against and interests in Piedmont are classified as follows:

- a. **Class Piedmont-~~11~~**. Class Piedmont-1 consists of all Miscellaneous Secured Claims against Piedmont.
- b. **Class Piedmont-~~2A~~**. Class Piedmont-2A consists of all GECC Claims against Piedmont.
- c. **Class Piedmont-~~2B~~**. Class Piedmont-2B consists of all GEAE Claims against Piedmont.
- d. **Class Piedmont-~~33~~**. Class Piedmont-3 consists of all ATSB Loan Claims against Piedmont.
- e. **Class Piedmont-~~55~~**. Class Piedmont-5 consists of all Other Priority Claims against Piedmont.
- f. **Class Piedmont-~~66~~**. Class Piedmont-6 consists of all Aircraft Secured Claims against Piedmont.
- g. **Class Piedmont-~~77~~**. Class Piedmont-7 consists of all PBGC Claims against Piedmont.
- h. **Class Piedmont-~~88~~**. Class Piedmont-8 consists of all General Unsecured Convenience Claims against Piedmont.
- i. **Class Piedmont-~~99~~**. Class Piedmont-9 consists of all General Unsecured Claims against Piedmont.
- j. **Class Piedmont-~~1010~~**. Class Piedmont-10 consists of all Interests in Piedmont.

3.5. Material Services Classifications. Claims against and Interests in Material Services are classified as follows:

- a. **Class Material Services-~~11~~** Class Material Services-1 consists of all Miscellaneous Secured Claims against Material Services.
- b. **Class Material Services-2A** ~~Class Material Services-2A~~ consists of all GECC Claims against Material Services.
- c. **Class Material Services-2B** Class Material Services-2B consists of all GEAE Claims against Material Services.
- d. **Class Material Services-~~33~~** Class Material Services-3 consists of all ATSB Loan Claims against Material Services.
- e. **Class Material Services-~~55~~** Class Material Services-5 consists of all Other Priority Claims against Material Services.
- f. **Class Material Services-~~66~~** Class Material Services-6 consists of all Aircraft Secured Claims against Material Services.
- g. **Class Material Services-~~77~~** Class Material Services-7 consists of all PBGC Claims against Material Services.
- h. **Class Material Services-~~88~~** Class Material Services-8 consists of all General Unsecured Convenience Claims against Material Services.
- i. **Class Material Services-~~99~~** Class Material Services-9 consists of all General Unsecured Claims against Material Services.
- j. **Class Material Services-~~1010~~** Class Material Services-10 consists of all Interests in Material Services.

ARTICLE IV

IDENTIFICATION OF CLASSES OF CLAIMS AND INTERESTS IMPAIRED AND NOT IMPAIRED BY THE PLAN

- 4.1. ~~Potentially Unimpaired Classes of Claims and Interests.~~** The Classes listed below ~~may be Unimpaired by the Plan, depending upon the treatment afforded to such Classes. The Bankruptcy Court will determine at or prior to the Confirmation Hearing~~

~~whether such Classes are Unimpaired or Impaired. Pending such decision, the holders of Claims in such Classes shall be permitted to vote to accept or reject the Plan.~~ **are Unimpaired by the Plan**

USAI-1	Group-1	PSA-1	Piedmont-1	Material Services-1
<u>USAI-5</u>	<u>Group-45</u>	<u>PSA-5</u>	<u>Piedmont-5</u>	<u>Material Services-5</u>
USAI-6	Group-6	PSA-6	Piedmont-6	Material Services-6

- 4.2. Impaired Classes of Claims and Interests.** All Classes of Claims and Interests that are not listed in Section 4.1 of this Plan ~~as being potentially~~ Unimpaired are Impaired by the Plan.

ARTICLE V

PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS

5.1. Treatment of Claims and Interests for USAI.

- a. **Class USAI-1 (Miscellaneous Secured Claims).**
Except as otherwise provided in and subject to Section 9.8 of this Plan, at the option of the Debtors each holder of an Allowed Miscellaneous Secured Claim in USAI's Chapter 11 Case shall receive, in full satisfaction, settlement ~~and,~~ release **and discharge** of and, in exchange for, such Allowed Miscellaneous Secured Claim, one of the following treatments: (i) the legal, equitable, and contractual rights of the Claimholder shall be Reinstated; (ii) Cash equal to the value of the Miscellaneous Secured Claimholder's interest in the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim; (iii) the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim shall be conveyed to the holder of such Claim; (iv) a note secured by such Claimholder's collateral (or, if approved by the Bankruptcy Court, a portion of such collateral and/or substitute collateral), which note shall (1) have an original principal balance equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, and (2) have a term, interest rate, amortization schedule, and other provisions established by the Debtors, subject to approval by the Bankruptcy Court at the Confirmation Hearing, provided that (x) such terms shall be disclosed at or prior to the Confirmation Hearing and (y) the terms of such note shall be such that the note has a

present value equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, such that the note satisfies the requirements set forth in section 1129(b)(2)(A)(i) of the Bankruptcy Code; (v) such other treatment determined by the Debtors and held by the Bankruptcy Court as constituting the indubitable equivalent of such Claimholder's Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (vi) such other treatment as to which USAI (or Reorganized USAI) and the holder of such Allowed Miscellaneous Secured Claim have agreed upon in writing. USAI's failure to object to any such Miscellaneous Secured Claim shall be without prejudice to Reorganized USAI's right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of USAI or Reorganized USAI) when and if such Claim is sought to be enforced by the Class USAI-1 Miscellaneous Secured Claimholder. Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, unless the Bankruptcy Court orders otherwise, all prepetition liens on property of USAI held by or on behalf of the Class USAI-1 Miscellaneous Secured Claimholders with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Claimholders until, as to each such Claimholder, the Allowed Claims of such Class USAI-1 Miscellaneous Secured Claimholder are satisfied in accordance with the terms of this Plan.

- b. **Class USAI-2A (GECC Claims)**. In full satisfaction, settlement and, release and discharge of and, in exchange for, its Claims against USAI, GECC shall receive treatment in accordance with the GE Master MOU.
- c. **Class USAI-2B (GEAE Claims)**. In full satisfaction, settlement and, release and discharge of and, in exchange for, its Claims against USAI, GEAE shall receive treatment in accordance with the GE Master MOU.
- d. **Class USAI-3 (ATSB Loan Claims)**. In full satisfaction, settlement and, release and discharge of and, in exchange for, their ATSB Loan Claims, the ATSB Lenders shall receive treatment as ~~agreed by the parties or ordered by the Bankruptcy Court~~ in accordance with the terms and conditions of the ATSB Term Sheet.

- e. **Class USAI-5 (Other Priority Claims)**. Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Other Priority Claim becomes an Allowed Other Priority Claim, or (ii) the date an Other Priority Claim becomes payable pursuant to any agreement between USAI (or Reorganized USAI) and the holder of such Other Priority Claim, an Allowed Class USAI-5 Other Priority Claimholder in USAI's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class USAI-5 Other Priority Claim (a) Cash equal to the amount of such Allowed Class USAI-5 Other Priority Claim, or (b) such other treatment as to which USAI (or Reorganized USAI) and such Claimholder shall have agreed in writing.
- f. **Class USAI-6 (Aircraft Secured Claims)**. Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Aircraft Secured Claim becomes an Allowed Aircraft Secured Claim or (ii) the date an Aircraft Secured Claim becomes payable pursuant to any agreement between USAI (or Reorganized USAI) and the holder of such Aircraft Secured Claim, an Allowed Class USAI-6 Aircraft Secured Claim either shall be Reinstated or the Claimholder shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class USAI-6 Aircraft Secured Claim, such treatment as to which USAI (or Reorganized USAI) and such Claimholder shall have agreed in writing.
- g. **Class USAI-7 (PBGC Claims)**. In full satisfaction, settlement, release and discharge of and, in exchange for, the PBGC Claim, PBGC shall receive either (a) the same treatment that PBGC would receive if its claim were a single Class Group-9 General Unsecured Claim, (b) such other treatment as the Debtors or Reorganized Debtors and the PBGC shall have agreed upon in writing, provided that such other treatment shall be no less favorable to the Debtors and Reorganized Debtors than clause (a) above, or (c) as ordered by the Bankruptcy Court.
- h. **Class USAI-8 (General Unsecured Convenience Claims)**. On the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Convenience Claim becomes an Allowed General Unsecured Convenience Claim, or (ii) the date an Allowed General Unsecured

Convenience Claim becomes payable pursuant to any agreement between USAI (or Reorganized USAI) and the holder of such Allowed General Unsecured Convenience Claim, the holder of an Allowed Class USAI-8 General Unsecured Convenience Claim in USAI's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Allowed Class USAI-8 General Unsecured Convenience Claim (and any and all other General Unsecured Convenience Claims or General Unsecured Claims of such Claimholder against any of the Debtors), Cash equal to (a) ten percent (10%) of the amount of such Allowed Claim if the amount of such Allowed Claim is less than or equal to \$50,000, or (b) \$5,000 if the amount of such Allowed Claim is greater than \$50,000. Any Claimholder that receives General Unsecured Convenience Class treatment in accordance with this Section 5.1 waives any right such Claimholder might otherwise have to receive a distribution under any other section of this Plan on account of such General Unsecured Claim or General Unsecured Convenience Claim.

- i. **Class USAI-9 (General Unsecured Claims)**, Subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, or (ii) the date a General Unsecured Claim becomes payable pursuant to any agreement between USAI (or Reorganized USAI) and the holder of such General Unsecured Claim, the Disbursing Agent shall deliver to such Allowed Class USAI-9 General Unsecured Claimholder in USAI's Chapter 11 Case, in full satisfaction, settlement, release, and discharge of and, in exchange for, its Allowed General Unsecured Claim, such Claimholder's Pro Rata share of the Unsecured Creditors Stock. In addition, pursuant to the Rights Offering Registration Statement, each holder of a Class USAI-9 General Unsecured Claim that is allowed for voting purposes shall have the right to subscribe for its Pro Rata share of the General Unsecured Subscription Stock, based on the total Claims (calculated in accordance with Section 9.8.a of this Plan) of such holder to the total Claims (calculated in accordance with Section 9.8.a of this Plan) in Classes USAI-9, Group-9, PSA-9, Piedmont-9 and Material Services-9, at the price of \$16.50 per share. In the event that (1) all of the shares of General Unsecured Subscription Stock are not subscribed for in accordance with the terms of Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i or 5.5.i, respectively, of this Plan, or (2) there exist any Unsubscribed Equity Offering Shares, each holder of an Allowed Class

USAI-9 General Unsecured Claim shall have the right to subscribe for shares of the Over-Subscription Stock and/or Unsubscribed Equity Offering Shares, as the case may be, in accordance with the terms and conditions set forth in the Subscription Rights Form and the Rights Offering Registration Statement. To exercise such rights, such holder shall indicate on its Subscription Rights Form the maximum number of shares of General Unsecured Subscription Stock and Unsubscribed Equity Offering Shares that such holder is willing to purchase, as set forth in more detail in the Subscription Rights Form and the Rights Offering Registration Statement. Such rights shall be nontransferable and elections to exercise such rights shall be irrevocable. The procedures for the allocation of and payment for General Unsecured Stock, Over-Subscription Stock and Unsubscribed Equity Offering Shares are set forth in the Rights Offering Registration Statement.

- j. **Class USAI-10 (Interests in USAI).** Subject to Section 7.11 of this Plan, on the Effective Date all Interests in USAI shall be Reinstated.

5.2. Treatment of Claims and Interests for Group Classifications.

- a. **Class Group-1 (Miscellaneous Secured Claims).** Except as otherwise provided in and subject to Section 9.8 of this Plan, at the option of the Debtors each holder of an Allowed Miscellaneous Secured Claim in Group's Chapter 11 Case shall receive, in full satisfaction, settlement ~~and~~, release **and discharge** of and, in exchange for, such Allowed Miscellaneous Secured Claim, one of the following treatments: (i) the legal, equitable, and contractual rights of the Claimholder shall be Reinstated; (ii) Cash equal to the value of the Miscellaneous Secured Claimholder's interest in the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim; (iii) the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim shall be conveyed to the holder of such Claim; (iv) a note secured by such Claimholder's collateral (or, if approved by the Bankruptcy Court, a portion of such collateral and/or substitute collateral), which note shall (1) have an original principal balance equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, and (2) have a term, interest rate, amortization schedule, and other provisions established by the Debtors, subject to approval by the Bankruptcy Court at the Confirmation Hearing, provided that (x) such terms shall

be disclosed at or prior to the Confirmation Hearing, and (y) the terms of such note shall be such that the note has a present value equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, such that the note satisfies the requirements set forth in section 1129(b)(2)(A)(i) of the Bankruptcy Code; (v) such other treatment determined by the Debtors and held by the Bankruptcy Court as constituting the indubitable equivalent of such Claimholder's Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (vi) such other treatment as to which Group (or Reorganized Group) and the holder of such Allowed Miscellaneous Secured Claim have agreed upon in writing. Group's failure to object to any such Miscellaneous Secured Claim shall be without prejudice to Reorganized Group's right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of Group or Reorganized Group) when and if such Claim is sought to be enforced by the Class Group-1 Miscellaneous Secured Claimholder. Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, unless the Bankruptcy Court orders otherwise, all prepetition liens on property of Group held by or on behalf of the Class Group-1 Miscellaneous Secured Claimholders with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Claimholders until, as to each such Claimholder, the Allowed Claims of such Class Group-1 Miscellaneous Secured Claimholder are satisfied in accordance with the terms of this Plan.

- b. **Class Group-2A (GECC Claims)**_s. In full satisfaction, settlement, ~~release and~~ discharge ~~and release of and~~_s in exchange for_s its Claims against Group, GECC shall receive treatment in accordance with the GE Master MOU.
- c. **Class Group-2B (GEAE Claims)**_s. In full satisfaction, settlement ~~and~~_s release **and discharge** of and_s in exchange for_s its Claims against Group, GEAE shall receive treatment in accordance with the GE Master MOU.
- d. **Class Group-3 (ATSB Loan Claims)**_s. In full satisfaction, settlement, release and discharge of and_s in exchange for_s their ATSB Loan Claims, the ATSB Lenders shall receive treatment as ~~agreed by the parties or ordered by the Bankruptcy Court~~ **in accordance with the terms and conditions of the ATSB Term Sheet.**

- e. **Class Group-4 (Airbus Claims)**. In full satisfaction, settlement and, release and discharge of and, in exchange for, the Airbus Claim, Group shall assume its existing aircraft purchase obligations with Airbus, as amended, and together with USAI and America West, shall consummate the transactions described in the term sheet attached to this Plan as Exhibit A.
- f. **Class Group-5 (Other Priority Claims)**. Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Other Priority Claim becomes an Allowed Other Priority Claim, or (ii) the date an Other Priority Claim becomes payable pursuant to any agreement between Group (or Reorganized Group) and the holder of such Other Priority Claim, an Allowed Class Group-5 Other Priority Claimholder in Group's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class Group-5 Other Priority Claim, (a) Cash equal to the amount of such Allowed Class Group-5 Other Priority Claim, or (b) such other treatment as to which Group (or Reorganized Group) and such Claimholder shall have agreed in writing.
- g. **Class Group-6 (Aircraft Secured Claims)**. Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Aircraft Secured Claim becomes an Allowed Aircraft Secured Claim, or (ii) the date an Aircraft Secured Claim becomes payable pursuant to any agreement between Group (or Reorganized Group) and the holder of such Aircraft Secured Claim, an Allowed Class Group-6 Aircraft Secured Claim either shall be Reinstated or the Claimholder shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class Group-6 Aircraft Secured Claim, such treatment as to which Group (or Reorganized Group) and such Claimholder shall have agreed in writing.
- h. **Class Group-7 (PBGC Claims)**. In full satisfaction, settlement, release and discharge of and, in exchange for, the PBGC Claim, PBGC shall receive either (a) the same treatment that PBGC would receive if its claim were a single Class Group-9 General Unsecured Claim, (b) such other treatment as the Debtors or Reorganized Debtors and the PBGC shall have agreed upon in writing, provided that such other treatment shall be no less favorable to the Debtors and

Reorganized Debtors than clause (a) above, or (c) as ordered by the Bankruptcy Court.

- i. **Class Group-8 (General Unsecured Convenience Claims)**₂. On the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Convenience Claim becomes an Allowed General Unsecured Convenience Claim, or (ii) the date an Allowed General Unsecured Convenience Claim becomes payable pursuant to any agreement between Group (or Reorganized Group) and the holder of such Allowed General Unsecured Convenience Claim, the holder of an Allowed Class Group-8 General Unsecured Convenience Claim in Group's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Allowed Class Group-8 General Unsecured Convenience Claim (and any and all other General Unsecured Convenience Claims or General Unsecured Claims of such Claimholder against any of the Debtors), Cash equal to (a) ten percent (10%) of the amount of such Allowed Claim if the amount of such Allowed Claim is less than or equal to \$50,000, or (b) \$5,000 if the amount of such Allowed Claim is greater than \$50,000. Any Claimholder that receives General Unsecured Convenience Class treatment in accordance with this Section 5.2.i waives any right such Claimholder might otherwise have to receive a distribution under any other section of this Plan on account of such General Unsecured Claim or General Unsecured Convenience Claim.

- j. **Class Group-9 (General Unsecured Claims)**₂. Subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, or (ii) the date a General Unsecured Claim becomes payable pursuant to any agreement between Group (or Reorganized Group) and the holder of such General Unsecured Claim, the Disbursing Agent shall deliver to such Allowed Class Group-9 General Unsecured Claimholder in Group's Chapter 11 Case, in full satisfaction, settlement, release, and discharge of and, in exchange for, its Allowed General Unsecured Claim, such Claimholder's Pro Rata share of the Unsecured Creditors Stock.

In addition, pursuant to the Rights Offering Registration Statement, each holder of a Class Group-9 General Unsecured Claim that is allowed for voting purposes shall have the right to subscribe for its Pro Rata share of the General Unsecured Subscription Stock, based on the total

Claims (calculated in accordance with Section 9.8.a of this Plan) of such holder to the total Claims (calculated in accordance with Section 9.8.a of this Plan) in Classes USAI-9, Group-9, PSA-9, Piedmont-9 and Material Services-9, at the price of \$16.50 per share. In the event that (1) all of the shares of General Unsecured Subscription Stock are not subscribed for in accordance with the terms of Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i or 5.5.i, respectively, of this Plan, or (2) there exist any Unsubscribed Equity Offering Shares, each holder of an Allowed Class Group-9 General Unsecured Claim shall have the right to subscribe for shares of the Over-Subscription Stock and/or Unsubscribed Equity Offering Shares, as the case may be, in accordance with the terms and conditions set forth in the Subscription Rights Form and the Rights Offering Registration Statement. To exercise such rights, such holder shall indicate on its Subscription Rights Form the maximum number of shares of General Unsecured Subscription Stock and Unsubscribed Equity Offering Shares that such holder is willing to purchase, as set forth in more detail in the Subscription Rights Form and the Rights Offering Registration Statement. Such rights shall be nontransferable and elections to exercise such rights shall be irrevocable. The procedures for allocation of and payment for General Unsecured Stock, Over-Subscription Stock and Unsubscribed Equity Offering Shares are set forth in the Rights Offering Registration Statement.

- k. **Class Group-10 (Interests in Group).** Class Group-10 Interests shall be cancelled and extinguished, and holders of such Interests shall not be entitled to, and shall not, receive or retain any property or interest in property under the Plan on account of such Interests.
- l. **Class Group-11 (Subordinated Securities Claims).** Class Group-11 Subordinated Securities Claims in Group's Chapter 11 Case shall not be entitled to, and shall not, receive or retain any property or interest in property under the Plan on account of such Claims.

5.3. Treatment of Claims and Interests for PSA Classifications.

- a. **Class PSA-1 (Miscellaneous Secured Claims).** Except as otherwise provided in and subject to Section 9.8 of this Plan, at the option of the Debtors each holder of an Allowed Miscellaneous Secured Claim in PSA's Chapter 11 Case shall receive, in full satisfaction, settlement ~~and~~, release **and discharge** of and, in exchange for, such Allowed Miscellaneous Secured Claim, one of the following

treatments: (i) the legal, equitable, and contractual rights of the Claimholder shall be Reinstated; (ii) Cash equal to the value of the Miscellaneous Secured Claimholder's interest in the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim; (iii) the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim shall be conveyed to the holder of such Claim; (iv) a note secured by such Claimholder's collateral (or, if approved by the Bankruptcy Court, a portion of such collateral and/or substitute collateral), which note shall (1) have an original principal balance equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, and (2) have a term, interest rate, amortization schedule, and other provisions established by the Debtors, subject to approval by the Bankruptcy Court at the Confirmation Hearing, provided that (x) such terms shall be disclosed at or prior to the Confirmation Hearing, and (y) the terms of such note shall be such that the note has a present value equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, such that the note satisfies the requirements set forth in section 1129(b)(2)(A)(i) of the Bankruptcy Code; (v) such other treatment determined by the Debtors and held by the Bankruptcy Court as constituting the indubitable equivalent of such Claimholder's Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (vi) such other treatment as to which PSA (or Reorganized PSA) and the holder of such Allowed Miscellaneous Secured Claim have agreed upon in writing. PSA's failure to object to any such Miscellaneous Secured Claim shall be without prejudice to Reorganized PSA's right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of PSA or Reorganized PSA) when and if such Claim is sought to be enforced by the Class PSA-1 Miscellaneous Secured Claimholder. Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, unless the Bankruptcy Court orders otherwise, all prepetition liens on property of PSA held by or on behalf of the Class PSA-1 Miscellaneous Secured Claimholders with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Claimholders until, as to each such Claimholder, the Allowed Claims of such Class PSA-1 Miscellaneous Secured Claimholder are satisfied in accordance with the terms of this Plan.

- b. **Class PSA-2A (GECC Claims)**. In full satisfaction, settlement, release and discharge of and, in exchange for, its Claims against PSA, GECC shall receive treatment in accordance with the GE Master MOU.
- c. **Class PSA-2B (GEAE Claims)**. In full satisfaction, settlement and, release **and discharge** of and, in exchange for, its Claims against PSA, GEAE shall receive treatment in accordance with the GE Master MOU.
- d. **Class PSA-3 (ATSB Loan Claims)**. In full satisfaction, settlement, release and discharge of and, in exchange for, their ATSB Loan Claims, the ATSB Lenders shall receive treatment as agreed by the parties or ordered by the ~~Bankruptcy Court~~ **in accordance with the terms and conditions of the ATSB Term Sheet.**
- e. **Class PSA-5 (Other Priority Claims)**. Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Other Priority Claim becomes an Allowed Other Priority Claim, or (ii) the date an Other Priority Claim becomes payable pursuant to any agreement between PSA (or Reorganized PSA) and the holder of such Other Priority Claim, an Allowed Class PSA-5 Other Priority Claimholder in PSA's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class PSA-5 Other Priority Claim, (a) Cash equal to the amount of such Allowed Class PSA-5 Other Priority Claim, or (b) such other treatment as to which PSA (or Reorganized PSA) and such Claimholder shall have agreed in writing.
- f. **Class PSA-6 (Aircraft Secured Claims)**. Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Aircraft Secured Claim becomes an Allowed Aircraft Secured Claim, or (ii) the date an Aircraft Secured Claim becomes payable pursuant to any agreement between PSA (or Reorganized PSA) and the holder of such Aircraft Secured Claim, an Allowed Class PSA-6 Aircraft Secured Claim either shall be Reinstated or the Claimholder shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class PSA-6 Aircraft Secured Claim, such treatment as to which PSA (or Reorganized PSA) and such Claimholder shall have agreed in writing.

- g. **Class PSA-7 (PBGC Claims)**. In full satisfaction, settlement, release and discharge of and, in exchange for, the PBGC Claim, PBGC shall receive either (a) the same treatment that PBGC would receive if its claim were a single Class Group-9 General Unsecured Claim, (b) such other treatment as the Debtors or Reorganized Debtors and the PBGC shall have agreed upon in writing, provided that such other treatment shall be no less favorable to the Debtors and Reorganized Debtors than clause (a) above, or (c) as ordered by the Bankruptcy Court.
- h. **Class PSA-8 (General Unsecured Convenience Claims)**. On the first Periodic Distribution Date occurring after the latest of (i) the date a General Unsecured Convenience Claim becomes an Allowed General Unsecured Convenience Claim, or (ii) the date an Allowed General Unsecured Convenience Claim becomes payable pursuant to any agreement between PSA (or Reorganized PSA) and the holder of such Allowed General Unsecured Convenience Claim, the holder of an Allowed Class PSA-8 General Unsecured Convenience Claim in PSA's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Allowed Class PSA-8 General Unsecured Convenience Claim (and any and all other General Unsecured Convenience Claims or General Unsecured Claims of such Claimholder against any of the Debtors), Cash equal to (a) ten percent (10%) of the amount of such Allowed Claim if the amount of such Allowed Claim is less than or equal to \$50,000, or (b) \$5,000 if the amount of such Allowed Claim is greater than \$50,000. Any Claimholder that receives General Unsecured Convenience Class treatment in accordance with this Section 5.3.h waives any right such Claimholder might otherwise have to receive a distribution under any other section of this Plan on account of such General Unsecured Claim or General Unsecured Convenience Claim.
- i. **Class PSA-9 (General Unsecured Claims)**. Subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, or (ii) the date a General Unsecured Claim becomes payable pursuant to any agreement between PSA (or Reorganized PSA) and the holder of such General Unsecured Claim, the Disbursing Agent shall deliver to such Allowed Class PSA-9 General Unsecured Claimholder in PSA's Chapter 11 Case, in full satisfaction, settlement, release, and

discharge of and, in exchange for, its Allowed General Unsecured Claim, such Claimholder's Pro Rata share of the Unsecured Creditors Stock.

In addition, pursuant to the Rights Offering Registration Statement, each holder of a Class PSA-9 General Unsecured Claim that is allowed for voting purposes shall have the right to subscribe for its Pro Rata share of the General Unsecured Subscription Stock, based on the total Claims (calculated in accordance with Section 9.8.a of this Plan) of such holder to the total Claims (calculated in accordance with Section 9.8.a of this Plan) in Classes USAI-9, Group-9, PSA-9, Piedmont-9 and Material Services-9, at the price of \$16.50 per share. In the event that (1) all of the shares of General Unsecured Subscription Stock are not subscribed for in accordance with the terms of Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i.i or 5.5.i, respectively, of this Plan, or (2) there exist any Unsubscribed Equity Offering Shares, each holder of an Allowed Class PSA-9 General Unsecured Claim shall have the right to subscribe for shares of the Over-Subscription Stock and/or Unsubscribed Equity Offering Shares, as the case may be, in accordance with the terms and conditions set forth in the Subscription Rights Form and the Rights Offering Registration Statement. To exercise such rights, such holder shall indicate on its Subscription Rights Form the maximum number of shares of General Unsecured Subscription Stock and Unsubscribed Equity Offering Shares that such holder is willing to purchase, as set forth in more detail in the Subscription Rights Form and the Rights Offering Registration Statement. Such rights shall be nontransferable and elections to exercise such rights shall be irrevocable. The procedures for allocation of and payment for General Unsecured Stock, Over-Subscription Stock and Unsubscribed Equity Offering Shares are set forth in the Rights Offering Registration Statement.

- j. **Class PSA-10 (Interests in PSA).** Subject to Section 7.11 of this Plan, on the Effective Date, all Interests in PSA shall be Reinstated.

5.4. Treatment of Claims and Interests for Piedmont Classifications.

- a. **Class Piedmont-1 (Miscellaneous Secured Claims).** Except as otherwise provided in and subject to Section 9.8 of this Plan, at the option of the Debtors each holder of an Allowed Miscellaneous Secured Claim in Piedmont's Chapter 11 Case shall receive, in full satisfaction, settlement-

and, release and discharge of and, in exchange for, such Allowed Miscellaneous Secured Claim, one of the following treatments: (i) the legal, equitable, and contractual rights of the Claimholder shall be Reinstated; (ii) Cash equal to the value of the Miscellaneous Secured Claimholder's interest in the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim; (iii) the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim shall be conveyed to the holder of such Claim; (iv) a note secured by such Claimholder's collateral (or, if approved by the Bankruptcy Court, a portion of such collateral and/or substitute collateral), which note shall (1) have an original principal balance equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, and (2) have a term, interest rate, amortization schedule, and other provisions established by the Debtors, subject to approval by the Bankruptcy Court at the Confirmation Hearing, provided that (x) such terms shall be disclosed at or prior to the Confirmation Hearing and (y) the terms of such note shall be such that the note has a present value equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, such that the note satisfies the requirements set forth in section 1129(b)(2)(A)(i) of the Bankruptcy Code; (v) such other treatment determined by the Debtors and held by the Bankruptcy Court as constituting the indubitable equivalent of such Claimholder's Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (vi) such other treatment as to which Piedmont (or Reorganized Piedmont) and the holder of such Allowed Miscellaneous Secured Claim have agreed upon in writing. Piedmont's failure to object to any such Miscellaneous Secured Claim shall be without prejudice to Reorganized Piedmont's right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of Piedmont or Reorganized Piedmont) when and if such Claim is sought to be enforced by the Class Piedmont-1 Miscellaneous Secured Claimholder. Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, unless the Bankruptcy Court orders otherwise, all prepetition liens on property of Piedmont held by or on behalf of the Class Piedmont-1 Miscellaneous Secured Claimholders with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Claimholders until, as to each such Claimholder, the Allowed

Claims of such Class Piedmont-1 Miscellaneous Secured Claimholder are satisfied in accordance with the terms of this Plan.

- b. **Class Piedmont-2A (GECC Claims)**, In full satisfaction, settlement, release and discharge of and, in exchange for, its Claims against Piedmont, GECC shall receive treatment in accordance with the GE Master MOU.
- c. **Class Piedmont-2B (GEAE Claims)**, In full satisfaction, settlement and, release and discharge of and, in exchange for, its Claims against Piedmont, GEAE shall receive treatment in accordance with the GE Master MOU.
- d. **Class Piedmont-3 (ATSB Loan Claims)**, In full satisfaction, settlement, release and discharge of and, in exchange for, their ATSB Loan Claims, the ATSB Lenders shall receive treatment ~~as agreed by the parties or ordered by the Bankruptcy Court.~~ **in accordance with the terms and conditions of the ATSB Term Sheet.**
- e. **Class Piedmont-5 (Other Priority Claims)**, Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Other Priority Claim becomes an Allowed Other Priority Claim, or (ii) the date an Other Priority Claim becomes payable pursuant to any agreement between Piedmont (or Reorganized Piedmont) and the holder of such Other Priority Claim, an Allowed Class Piedmont-5 Other Priority Claimholder in Piedmont's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class Piedmont-5 Other Priority Claim, (a) Cash equal to the amount of such Allowed Class Piedmont-5 Other Priority Claim, or (b) such other treatment as to which Piedmont (or Reorganized Piedmont) and such Claimholder shall have agreed in writing.
- f. **Class Piedmont-6 (Aircraft Secured Claims)**, Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Aircraft Secured Claim becomes an Allowed Aircraft Secured Claim, or (ii) the date an Aircraft Secured Claim becomes payable pursuant to any agreement between Piedmont (or Reorganized Piedmont) and the holder of such Aircraft Secured Claim, an Allowed Class Piedmont-6 Aircraft Secured Claim either shall be Reinstated or the Claimholder shall receive, in full satisfaction, settlement,

release, and discharge of and, in exchange for, such Class Piedmont-6 Aircraft Secured Claim, such treatment as to which Piedmont (or Reorganized Piedmont) and such Claimholder shall have agreed in writing.

- g. **Class Piedmont-7 (PBGC Claims)**. In full satisfaction, settlement, release and discharge of and, in exchange for, the PBGC Claim, PBGC shall receive either (a) the same treatment that PBGC would receive if its claim were a single Class Group-9 General Unsecured Claim, (b) such other treatment as the Debtors or Reorganized Debtors and the PBGC shall have agreed upon in writing, provided that such other treatment shall be no less favorable to the Debtors and Reorganized Debtors than clause (a) above, or (c) as ordered by the Bankruptcy Court.
- h. **Class Piedmont-8 (General Unsecured Convenience Claims)**. On the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Convenience Claim becomes an Allowed General Unsecured Convenience Claim, or (ii) the date an Allowed General Unsecured Convenience Claim becomes payable pursuant to any agreement between Piedmont (or Reorganized Piedmont) and the holder of such Allowed General Unsecured Convenience Claim, the holder of an Allowed Class Piedmont-8 General Unsecured Convenience Claim in Piedmont's Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Allowed Class Piedmont-8 General Unsecured Convenience Claim (and any and all other General Unsecured Convenience Claims or General Unsecured Claims of such Claimholder against any of the Debtors), Cash equal to (a) ten percent (10%) of the amount of such Allowed Claim if the amount of such Allowed Claim is less than or equal to \$50,000, or (b) \$5,000 if the amount of such Allowed Claim is greater than \$50,000. Any Claimholder that receives General Unsecured Convenience Class treatment in accordance with this Section 5.4.h waives any right such Claimholder might otherwise have to receive a distribution under any other section of this Plan on account of such General Unsecured Claim or General Unsecured Convenience Claim.
- i. **Class Piedmont-9 (General Unsecured Claims)**. Subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, or (ii) the date a General Unsecured Claim becomes

payable pursuant to any agreement between Piedmont (or Reorganized Piedmont) and the holder of such General Unsecured Claim, the Disbursing Agent shall deliver to such Allowed Class Piedmont-9 General Unsecured Claimholder in Piedmont's Chapter 11 Case, in full satisfaction, settlement, release, and discharge of and, in exchange for, its Allowed General Unsecured Claim, such Claimholder's Pro Rata share of the Unsecured Creditors Stock.

In addition, pursuant to the Rights Offering Registration Statement, each holder of a Class Piedmont-9 General Unsecured Claim that is allowed for voting purposes shall have the right to subscribe for its Pro Rata share of the General Unsecured Subscription Stock, based on the total Claims (calculated in accordance with Section 9.8.a of this Plan) of such holder to the total Claims (calculated in accordance with Section 9.8.a of this Plan) in Classes USAI-9, Group-9, PSA-9, Piedmont-9 and Material Services-9, at the price of \$16.50 per share. In the event that (1) all of the shares of General Unsecured Subscription Stock are not subscribed for in accordance with the terms of Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i or 5.5.i, respectively, of this Plan, or (2) there exist any Unsubscribed Equity Offering Shares, each holder of an Allowed Class Piedmont-9 General Unsecured Claim shall have the right to subscribe for shares of the Over-Subscription Stock and/or Unsubscribed Equity Offering Shares, as the case may be, in accordance with the terms and conditions set forth in the Subscription Rights Form and the Rights Offering Registration Statement. To exercise such rights, such holder shall indicate on its Subscription Rights Form the maximum number of shares of General Unsecured Subscription Stock and Unsubscribed Equity Offering Shares that such holder is willing to purchase, as set forth in more detail in the Subscription Rights Form and the Rights Offering Registration Statement. Such rights shall be nontransferable and elections to exercise such rights shall be irrevocable. The procedures for allocation of and payment for General Unsecured Stock, Over-Subscription Stock and Unsubscribed Equity Offering Shares are set forth in the Rights Offering Registration Statement.

- j. **Class Piedmont-10 (Interests in Piedmont).** Subject to Section 7.11 of this Plan, on the Effective Date, all Interests in Piedmont shall be Reinstated.

5.5. Treatment of Claims and Interests for Material Services Classification.

a. **Class Material Services-1 (Miscellaneous Secured Claims)**

Except as otherwise provided in and subject to Section 9.8 of this Plan, at the option of the Debtors each holder of an Allowed Miscellaneous Secured Claim in Material Services' Chapter 11 Case shall receive, in full satisfaction, settlement-~~and~~, release **and discharge** of and, in exchange for, such Allowed Miscellaneous Secured Claim, one of the following treatments: (i) the legal, equitable, and contractual rights of the Claimholder shall be Reinstated; (ii) Cash equal to the value of the Miscellaneous Secured Claimholder's interest in the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim; (iii) the property of the Estate that constitutes collateral for such Allowed Miscellaneous Secured Claim shall be conveyed to the holder of such Claim; (iv) a note secured by such Claimholder's collateral (or, if approved by the Bankruptcy Court, a portion of such collateral and/or substitute collateral), which note shall (1) have an original principal balance equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, and (2) have a term, interest rate, amortization schedule, and other provisions established by the Debtors, subject to approval by the Bankruptcy Court at the Confirmation Hearing, provided that (x) such terms shall be disclosed at or prior to the Confirmation Hearing, and (y) the terms of such note shall be such that the note has a present value equal to the amount of such Claimholder's Allowed Secured Claim, determined in accordance with section 506(a) of the Bankruptcy Code, such that the note satisfies the requirements set forth in section 1129(b)(2)(A)(i) of the Bankruptcy Code; (v) such other treatment determined by the Debtors and held by the Bankruptcy Court as constituting the indubitable equivalent of such Claimholder's Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (vi) such other treatment as to which Material Services (or Reorganized Material Services) and the holder of such Allowed Miscellaneous Secured Claim have agreed upon in writing. Material Services, failure to object to any such Miscellaneous Secured Claim shall be without prejudice to Reorganized Material Services, right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of Material Services or Reorganized Material Services) when and if such Claim is sought to be enforced by the Class Material Services-1 Miscellaneous Secured Claimholder.

Notwithstanding section 1141(c) or any other provision of the Bankruptcy Code, unless the Bankruptcy Court orders otherwise, all prepetition liens on property of Material Services held by or on behalf of the Class Material Services-1 Miscellaneous Secured Claimholders with respect to such Claims shall survive the Effective Date and continue in accordance with the contractual terms of the underlying agreements with such Claimholders until, as to each such Claimholder, the Allowed Claims of such Class Material Services-1 Miscellaneous Secured Claimholder are satisfied in accordance with the terms of this Plan.

- b. **Class Material Services-2A (GECC Claims).** In full satisfaction, settlement, release and discharge of and, in exchange for, its Claims against Material Services, GECC shall receive treatment in accordance with the GE Master MOU.
- c. **Class Material Services-2B (GEAE Claims).** In full satisfaction, settlement ~~and,~~ release **and discharge** of and, in exchange for, its Claims against Material Services, GEAE shall receive treatment in accordance with the GE Master MOU.
- d. **Class Material Services-3 (ATSB Loan Claims).** In full satisfaction, settlement, release and discharge of and, in exchange for, their ATSB Loan Claims, the ATSB Lenders shall receive treatment ~~as agreed by the parties or ordered by the Bankruptcy Court.~~ **in accordance with the terms and conditions of the ATSB Term Sheet.**

- e. **Class Material Services-5 (Other Priority Claims)**, Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Other Priority Claim becomes an Allowed Other Priority Claim, or (ii) the date an Other Priority Claim becomes payable pursuant to any agreement between Material Services (or Reorganized Material Services) and the holder of such Other Priority Claim, an Allowed Class Material Services-5 Other Priority Claimholder in Material Services' Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class Material Services-5 Other Priority Claim, (a) Cash equal to the amount of such Allowed Class Material Services-5 Other Priority Claim, or (b) such other treatment as to which Material Services (or Reorganized Material Services) and such Claimholder shall have agreed in writing.
- f. **Class Material Services-6 (Aircraft Secured Claims)**, Except as otherwise provided in and subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date an Aircraft Secured Claim becomes an Allowed Aircraft Secured Claim, or (ii) the date an Aircraft Secured Claim becomes payable pursuant to any agreement between Material Services (or Reorganized Material Services) and the holder of such Aircraft Secured Claim, an Allowed Class Material Services-6 Aircraft Secured Claim either shall be Reinstated or the Claimholder shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Class Material Services-6 Aircraft Secured Claim, such treatment as to which Material Services (or Reorganized Material Services) and such Claimholder shall have agreed in writing.
- g. **Class Material Services-7 (PBGC Claims)**, In full satisfaction, settlement, release and discharge of and, in exchange for, the PBGC Claim, PBGC shall receive either (a) the same treatment that PBGC would receive if its claim were a single Class Group-9 General Unsecured Claim, (b) such other treatment as the Debtors or Reorganized Debtors and the PBGC shall have agreed upon in writing, provided that such other treatment shall be no less favorable to the Debtors and Reorganized Debtors than clause (a) above, or (c) as ordered by the Bankruptcy Court.
- h. **Class Material Services-8 (General Unsecured Convenience Claims)**, On the first Periodic Distribution

Date occurring after the later of (i) the date a General Unsecured Convenience Claim becomes an Allowed General Unsecured Convenience Claim, or (ii) the date an Allowed General Unsecured Convenience Claim becomes payable pursuant to any agreement between Material Services (or Reorganized Material Services) and the holder of such Allowed General Unsecured Convenience Claim, the holder of an Allowed Class Material Services-8 General Unsecured Convenience Claim in Material Services' Chapter 11 Case shall receive, in full satisfaction, settlement, release, and discharge of and, in exchange for, such Allowed Class Material Services-8 General Unsecured Convenience Claim (and any and all other General Unsecured Convenience Claims or General Unsecured Claims of such Claimholder against any of the Debtors), Cash equal to (a) ten percent (10%) of the amount of such Allowed Claim if the amount of such Allowed Claim is less than or equal to \$50,000, or (b) \$5,000 if the amount of such Allowed Claim is greater than \$50,000. Any Claimholder that receives General Unsecured Convenience Class treatment in accordance with this Section 5.5.h waives any right such Claimholder might otherwise have to receive a distribution under any other section of this Plan on account of such General Unsecured Claim or General Unsecured Convenience Claim.

- i. **Class Material Services-9 (General Unsecured Claims)**, Subject to Section 9.8 of this Plan, on the first Periodic Distribution Date occurring after the later of (i) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, or (ii) the date a General Unsecured Claim becomes payable pursuant to any agreement between Material Services (or Reorganized Material Services) and the holder of such General Unsecured Claim, the Disbursing Agent shall deliver to such Allowed Class Material Services-9 General Unsecured Claimholder in Material Services' Chapter 11 Case, in full satisfaction, settlement, release, and discharge of and, in exchange for, its Allowed General Unsecured Claim, such Claimholder's Pro Rata share of the Unsecured Creditors Stock.

In addition, pursuant to the Rights Offering Registration Statement, each holder of a Class Material Services-9 General Unsecured Claim that is allowed for voting purposes shall have the right to subscribe for its Pro Rata share of the General Unsecured Subscription Stock, based on the total Claims (calculated in accordance with Section 9.8.a of this Plan) of such holder to the total Claims (calculated in accordance with Section 9.8.a of this Plan) in Classes USAI-

9, Group-9, PSA-9, Piedmont-9 and Material Services-9, at the price of \$16.50 per share. In the event that (1) all of the shares of General Unsecured Subscription Stock and Equity Subscription Stock are not subscribed for in accordance with the terms of Sections 5.1.i, 5.2.j, 5.3.i, 5.4.i or 5.5.i, respectively, of this Plan, or (2) there exist any Unsubscribed Equity Offering Shares, each holder of an Allowed Class Material Services-9 General Unsecured Claim shall have the right to subscribe for shares of the Over-Subscription Stock and/or Unsubscribed Rights Offering Shares, as the case may be, in accordance with the terms and conditions set forth in the Subscription Rights Form and the Rights Offering Registrations Statement. To exercise such rights, such holder shall indicate on its Subscription Rights Form the maximum number of shares of General Unsecured Subscription Stock and Unsubscribed Equity Offering Shares that such holder is willing to purchase, as set forth in more detail in the Subscription Rights Form and the Rights Offering Registration Statement. Such rights shall be nontransferable and elections to exercise such rights shall be irrevocable. The procedures for allocation of and payment for General Unsecured Stock, Over-Subscription Stock and Unsubscribed Equity Offering Shares are set forth in the Rights Offering Registration Statement.

- j. **Class Material Services-10 (Interests in Material Services)**, Subject to Section 7.11 of this Plan, on the Effective Date, all Interests in Material Services shall be Reinstated.

5.6. Special Provision Regarding Intercompany Claims and Interests. All Intercompany Claims and Interests will be Reinstated on the Effective Date; provided, however, that notwithstanding the foregoing, the Debtors reserve the right to extinguish or cancel any Intercompany Claims or Interests, as applicable, as of or after the Effective Date, without further notice. No Debtor shall receive any distribution under this Plan on account of any Intercompany Claim.

ARTICLE VI

ACCEPTANCE OR REJECTION OF THE PLAN; EFFECT OF REJECTION BY ONE OR MORE IMPAIRED CLASSES OF CLAIMS OR INTERESTS

- 6.1. Impaired Classes of Claims and Interests Entitled to Vote.** Except as otherwise provided in the Solicitation Procedures Order and Section 6.4 of this Plan, Claimholders or Interestholders in each Impaired Class of Claims or Interests are entitled to vote as a class to accept or reject the Plan.

6.2. Acceptance by an Impaired Class.

- a. **Impaired Claims** Pursuant to section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Claims has accepted the Plan if the holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class actually voting on the Plan have voted to accept the Plan.
- b. **Impaired Interests** Pursuant to section 1126(d) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, an Impaired Class of Interests has accepted the Plan if the holders of at least two-thirds (2/3) in amount of the Allowed Interests of such Class actually voting on the Plan have voted to accept the Plan.

6.3. Presumed Acceptances by Unimpaired Classes. Pursuant to section 1126(f) of the Bankruptcy Code and/or the Solicitation Procedures Order, all Claimholders and Interestholders in any Classes that are ~~determined by the Bankruptcy Court to be~~ Unimpaired shall be conclusively presumed to have accepted the Plan. Pursuant to the agreement of the Interestholders, holders of Interests in Classes USAI-10, Piedmont-10, PSA-10, and Material Services-10 are conclusively presumed to have accepted the Plan as such Interestholders are proponents of this Plan, and the votes of such Interestholders will not be solicited.

6.4. Creditor Class Deemed to Reject the Plan. Class Group-10 and Class Group-11 are not receiving a distribution on account of such Interests and Claims under the Plan. Pursuant to section 1126(g) of the Bankruptcy Code and/or the Solicitation Procedures Order, such Interestholders and Claimholders are conclusively presumed to have rejected the Plan, and the votes of such Interestholders and Claimholders will not be solicited.

6.5. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code. To the extent that any Impaired Class entitled to vote rejects the Plan or is deemed to have rejected it, the Debtors will request confirmation of the Plan, as it maybe modified from time to time, under section 1129(b) of the Bankruptcy Code.

ARTICLE VII

MEANS FOR IMPLEMENTATION OF THE PLAN

- 7.1. **America West Merger.** Upon the terms and subject to the conditions set forth in the Merger Agreement, America West shall become a wholly-owned subsidiary of Reorganized Group, and Reorganized Group shall issue to the holders of common stock of America West outstanding as of the Effective Date [14,965,025] shares of New Common Stock in accordance with the Merger Agreement and the other transactions contemplated by the Merger Agreement shall take place.
- 7.2. **Continued Corporate Existence.** Each of the Debtors will continue to exist after the Effective Date as a separate corporate entity, with all the powers of a corporation under applicable law in the jurisdiction in which each applicable Debtor is incorporated and pursuant to the respective certificate of incorporation and bylaws in effect prior to the Effective Date, except to the extent such Certificate of Incorporation and Bylaws are amended by this Plan.
- 7.3. **Directors and Officers of Reorganized Group.**
- a. The senior officers of Reorganized Group after the Effective Date shall be as set forth on Exhibit Q. On the Effective Date, the term of the current members of the board of directors of Group will expire. The initial board of directors of Reorganized Group will consist of 13 individuals composed as follows: (i) two of the directors will be designated by Group to an initial one-year term; (ii) two of the directors will be designated by America West to an initial one-year term; (iii) one of the directors will be designated by Group to an initial two-year term; (iv) three of the directors will be designated by America West to an initial two-year term; in each case of (i), (ii), (iii) and (iv), all of whom will be Independent directors; (v) one of the directors will be W. Douglas Parker, Chief Executive Officer of America West, who will also serve as Chairman of the Board, appointed to an initial three-year term; (vi) one of the directors will be Bruce Lakefield, President and Chief Executive Officer of Group and USAI, who will also serve as Vice Chairman of the Board, appointed to an initial three-year term; and (vii) three directors will be appointed by certain Plan Investors to an initial three-year term pursuant to the terms of their respective Investment Agreements and the Stockholders Agreement.

- b. America West, the Plan Investors and any other Persons designating board members shall provide to Group written notice of the identities of such members on a date that is not less than ten (10) days prior to the Confirmation Hearing, and Group will file with the Bankruptcy Court written notice of the identities of all of the initial board members of Reorganized Group on a date that is not less than five (5) days prior to the Confirmation Hearing.
- c. In the event of the death, disability, resignation or removal of a member of the board of directors of Reorganized Group, a replacement for such director shall be designated as set forth in the Certificate of Incorporation and Bylaws of Reorganized Group and the Stockholders Agreement.

7.4. Directors and Officers of Debtors Other Than Reorganized Group. The identities of senior officers and members of the boards of directors of each of the Reorganized Debtors other than Reorganized Group shall be filed with the Bankruptcy Court no later than five (5) days prior to the Confirmation Hearing; provided, however, that the Debtors reserve the right to replace such individuals on or after the Effective Date without notice.

7.5. Employment, Retirement, Indemnification and Other Agreements and Incentive Compensation Programs. Subject to Section 8.1.b of this Plan, employment, retirement, indemnification, benefit, incentive and compensation programs, and other agreements with the Debtors' respective active directors, officers, and employees who will continue in such capacities (or similar capacities) immediately after the Effective Date, as the same may be modified or amended, will remain in place after the Effective Date, provided, however, that pursuant to the Management Compensation Plan, there will be reserved for certain members of management, directors, and other employees of the Reorganized Debtors a certain number of shares of New Common Stock and other securities all as more fully stated on Exhibit L to this Plan, which contains a summary of the Management Compensation Plan.

7.6. Continuation of Retiree Benefits. Continuation of Retiree Benefits. Following the Effective Date, the payment of all retiree benefits (as defined in section 1114(a) of the Bankruptcy Code) for current retirees as defined by the 1114 Orders (as defined below) shall continue but only at the levels and under the conditions and for the duration established by: (A) the Consent Order Approving Agreement to Modify Certain Retiree Benefits, entered on January 11, 2005 (including Exhibit B to the January 5, 2005 Consent Motion to Approve Agreement to Modify Certain Retiree Benefits) (Dkt. No. 1579); (B) the October 26, 2004 Consent Order Approving Modifications to Debtors' Collective Bargaining Agreements With Certain Groups Within the Transport Workers Union (Dkt. No. 588); and (C) the

January 11, 2005 Consent Order Approving Agreement With the International Association of Machinists and Aerospace Workers to Modify Certain Retiree Health Benefits (including Exhibit B to the January 7, 2005 Consent Motion to Approve Agreement with the International Association of Machinists and Aerospace Workers to Modify Certain Retiree Health Benefits) (Dkt. No. 1580) (the “1114 Orders”). Future retiree benefits are to be provided as established by the collective bargaining agreements entered into by the unions and approved by the Court in: (A) the January 11, 2005 Order Approving Debtors’ Entry Into Collective Bargaining Agreement with the Association of Flight Attendants-CWA, AFL-CIO (Dkt. No. 1581); (B) the January 6, 2005 Consent Order Approving Modifications to Debtors’ Collective Bargaining Agreement with the Communications Workers of America (Dkt. No. 1549); (C) the October 26, 2004 Consent Order Approving Modifications to the Debtors’ Collective Bargaining Agreement with the Air Line Pilots Association International (Dkt. No. 587); (D) the October 26, 2004 Consent Order Approving Modifications to Debtors’ Collective Bargaining Agreements With Certain Groups Within the Transport Workers Union (Dkt. No. 588); and (E) the January 27, 2005 Order Approving Debtors’ Entry into Collective Bargaining Agreements with the International Association of Machinists and Aerospace Workers (Dkt. No. 1753). In the event that, after the Effective Date, the Reorganized Debtors suffer extreme hardship that poses an immediate threat of liquidation, the Reorganized Debtors, with prior notice to the individual members who now constitute the Section 1114 Committee, to the extent USAI’s Vice President of Human Resources is provided with the current address of such individuals, may institute proceedings in any court of competent jurisdiction to effectuate such changes as such court finds are necessary to avoid liquidation of the Reorganized Debtors, and the Confirmation Order shall so provide.

- 7.7. **Certificate of Incorporation and Bylaws.** The Certificates of Incorporation and Bylaws of the Debtors will be amended as may be required in order that they are consistent with the provisions of the Investment Agreements, the Merger Agreement, the Stockholders Agreement, the Plan and the Bankruptcy Code. The Certificate of Incorporation of Reorganized Group will be amended to, among other purposes, (a) authorize two hundred million (200,000,000) shares of New Common Stock, and (b) pursuant to section 1123(a)(6) of the Bankruptcy Code, add (i) a provision prohibiting the issuance of non-voting equity securities to the extent required by law, and (ii) if applicable, a provision setting forth an appropriate distribution of voting power among classes of equity securities possessing voting power. The restated Certificates of Incorporation of each of the Reorganized

Debtors are attached to this Plan as Exhibits E-1 through E-5. The restated Bylaws of each of the Reorganized Debtors are attached to this Plan as Exhibits D-1 through D-5. Any modification to the Certificate of Incorporation or the Bylaws of any of the Reorganized Debtors as originally filed may be filed after the Confirmation Date and may become effective on or prior to the Effective Date.

- 7.8. Corporate Action.** Each of the matters provided for under the Plan involving the corporate structure of the Debtors or corporate action to be taken by or required of the Debtors will, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and will be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors, or directors of the Debtors.
- 7.9. Plan Investors.** Upon the terms and subject to the conditions set forth in the Investment Agreements, Reorganized Group shall issue, sell and deliver to the Plan Investors, and the Plan Investors have agreed to purchase from Reorganized Group, the number of shares of New Common Stock set forth for each of the Plan Investors on Exhibit R to this Plan, free and clear of all liens, for a purchase price which is also set forth on Exhibit R to this Plan, to be paid in Cash (or in the case of the Eastshore Investment Agreement, by conversion of the principal amount outstanding under the Eastshore Financing Agreement as set forth in Section 2.1 of this Plan) and to be delivered to Reorganized Group on the Effective Date or such other date as agreed upon by Group and the Plan Investors.
- 7.10. Issuance of New Securities.**
- a. **New Common Stock** On or before the Distribution Date, Reorganized Group will issue the New Common Stock for distribution in accordance with the schedule attached to this Plan as Exhibit R.
 - b. **Equity Offering** On or as soon as practicable after the Effective Date, Reorganized Group shall issue for Cash up to 3,500,000 shares of New Common Stock at a price of \$16.50 per share pursuant to the Equity Offering.
 - c. **Stockholders Agreement** On the Effective Date, Reorganized Group, the Plan Investors and the other parties thereto shall enter into the Stockholders Agreement.
 - d. **Listing on Securities Exchange or Quotation System** Reorganized Group will list the New Common Stock on the

New York Stock Exchange or for quotation on the Nasdaq National Market System. ~~Persons receiving distributions of New Common Stock, by accepting such distributions, will have agreed to cooperate with Reorganized Group's commercially reasonable requests to assist Reorganized Group in its efforts to list the New Common Stock on the New York Stock Exchange or the Nasdaq National Market System, as the case may be.~~

- e. **New Convertible Note** On the Effective Date, Reorganized USAI shall issue to GECC, or an Affiliate of GECC as designated by GECC, the New Convertible Note.

7.11. Reinstatement of Common Stock of Reorganized Debtors Other Than Reorganized Group. The common stock of the Reorganized Debtors (other than Reorganized Group) shall be Reinstated in exchange for Reorganized Group's agreement to distribute certain New Common Stock to the General Unsecured Claimholders of the Debtors other than Group in accordance with the terms of this Plan, to provide management services to such other Reorganized Debtors, and to use its funds and assets, to the extent provided for in this Plan, to satisfy certain obligations of such other Reorganized Debtors.

7.12. Preservation of Causes of Action. In accordance with section 1123(b)(3) of the Bankruptcy Code and except as otherwise provided in this Plan, the Reorganized Debtors and any successors will retain and may (but are not required to) enforce all Retained Actions and all other similar claims. The Debtors, in consultation with America West, or the Reorganized Debtors, will determine whether to bring, settle, release, compromise, or enforce such rights (or decline to do any of the foregoing), and will not be required to seek further approval of the Bankruptcy Court for such action.

7.13. Cancellation of Existing Equity Securities and Agreements. On the Effective Date, except as otherwise specifically provided for in the Plan or the Confirmation Order, including, without limitation, with respect to the Aircraft Equipment described in Section 11.1 of this Plan, on the earlier of the date of entry into a new or amended lease or return of the Aircraft Equipment, (a) the Existing Equity Securities and any other note, bond, indenture, pass through trust agreement, pass through trust certificate, equipment trust certificate guarantee, or other instrument or document directly or indirectly evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors, **prior to the Petition Date**, except such notes, other instruments or documents evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, will be cancelled solely as to the Debtors, and the Debtors shall not have any

continuing obligations thereunder, and (b) the obligations of, Claims against, and/or Interests in the Debtors under, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the Existing Equity Securities and any other note, bond, indenture, or other instrument or document evidencing or creating any indebtedness or obligation of the Debtors prior to the Petition Date, except such agreements or notes or other instruments evidencing indebtedness or obligations of the Debtors that are Reinstated under the Plan, as the case may be, will be released and discharged; provided, however, that, notwithstanding the release and discharge of Claims against Debtors, to the extent required by applicable nonbankruptcy law in order to permit foreclosure, (1) each such Claim shall not be discharged, and may be asserted, solely against any applicable insurance or Aircraft Equipment or other collateral (other than property of the Reorganized Debtors) securing such Claim or against a non-Debtor party liable thereon and may be credit bid in any foreclosure action with respect to such Aircraft Equipment to the extent permissible under applicable nonbankruptcy law, and (2) the applicable Debtor may be named as a nominal party, without recourse, solely to the extent required by applicable nonbankruptcy law in a foreclosure or other enforcement action with respect to the Aircraft Equipment securing such Claim; provided, however, that any such foreclosure or exercise of related remedies permitted by this Plan must be subject in all respects to the new or amended leases, which shall survive and be fully enforceable notwithstanding such foreclosure or other exercise of related remedies permitted by this Plan; provided, further, that any such foreclosure or other remedies shall not be exercised in a fashion that would result in the lease being terminated or extinguished or in the applicable Reorganized Debtor being deprived of any of the intended benefits of the lease; provided, further, that any such agreement that governs the rights of the Claimholder will continue in effect solely for purposes of (i) allowing an indenture trustee, an agent or a Servicer (each hereinafter referred to as a “Servicer”) to make the distributions to be made on account of such Claims under the Plan as provided in Article IX of this Plan, (ii) permitting such Servicer to maintain any rights or liens it may have against property other than the Reorganized Debtors’ property for fees, costs, and expenses under such Indenture or other agreement, and (iii) governing the rights and obligations of non-Debtor parties to such agreements, vis-a-vis each other; provided, further, that the preceding proviso will not affect the discharge of Claims against or Interests in the Debtors under the Bankruptcy Code, the Confirmation Order, or this Plan or result in any expense or liability to the Reorganized Debtors. The Reorganized Debtors

will not have any obligations to any Servicer (or to any Disbursing Agent replacing such Servicer) for any fees, costs, or expenses except as expressly provided in Section 9.5 of this Plan; provided, however, that nothing herein will preclude any Servicer (or any Disbursing Agent replacing such Servicer) from being paid or reimbursed for prepetition or postpetition fees, costs, and expenses from the distributions being made by such Servicer (or any Disbursing Agent replacing such Servicer) pursuant to such agreement in accordance with the provisions set forth therein, all without application to or approval by the Bankruptcy Court with respect to agreements regarding Aircraft Equipment in Section 11.1 of this Plan.

- 7.14. Exclusivity Period.** The Debtors will retain the exclusive right to amend or modify the Plan, and to solicit acceptances of any amendments to or modifications of the Plan, through and until the Effective Date; provided, however, that nothing contained in this Section 7.14 or any other provision of this Plan shall impair America West's rights under the Merger Agreement, any Plan Investor's rights under the Investment Agreement to which it is a party, the ATSB Lenders' rights under the ATSB Loan, or GEAE's and GECC's rights under the GE Master MOU.
- 7.15. Effectuating Documents; Further Transactions.** Each of (a) the President and Chief Executive Officer, (b) the Executive Vice President - Finance and Chief Financial Officer and (c) the Executive Vice President - Corporate Affairs and General Counsel of Group, or their respective designees, are authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The secretary or assistant secretary of each of the Debtors will be authorized to certify or attest to any of the foregoing actions.
- 7.16. Exemption from Certain Transfer Taxes and Recording Fees.** Pursuant to section 1146(c) of the Bankruptcy Code, any transfers from a Debtor to a Reorganized Debtor or to any other Person or entity pursuant to the Plan or pursuant to any agreement contemplated by or entered into in connection with this Plan regarding the transfer of title to or ownership of any of the Debtors' aircraft in the United States, will not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, Federal Aviation Administration filing or recording fee or other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state or local

governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

7.17. Postpetition Aircraft Obligations. The Postpetition Aircraft Obligations will become obligations of the Reorganized Debtors or their successors, if applicable, on the Effective Date or such other date as provided in Section 11.1 of this Plan. The foregoing sentence will be specifically limited with respect to each Postpetition Aircraft Obligation by the express terms of the agreement pursuant to which such Postpetition Aircraft Obligation arises and nothing contained in this Plan, the Disclosure Statement or the Confirmation Order will be deemed to limit or otherwise affect the terms thereof.

7.18. Alliance Agreements. Reorganized Group and certain Affiliates of Air Canada will enter into the agreements and other arrangements described in the term sheet attached to this Plan as Exhibit S.

7.19. Profit Sharing. Reorganized USAI shall provide Profit Sharing after the Effective Date, in accordance with the terms set forth on Exhibit T.

7.20. Issuance of New Common Stock to ALPA. On the Effective Date, Reorganized Group shall issue to ALPA the ALPA Shares in accordance with the terms of the Assumed Modified CBA between USAI and ALPA.

ARTICLE VIII

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

8.1. Assumed Contracts and Leases.

- a. **Interline Agreements** Each Interline Agreement to which any of the Debtors are a party shall be deemed automatically assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date, unless such Interline Agreement (i) shall have been previously rejected by the Debtors by order of the Bankruptcy Court; (ii) is the subject of a motion to reject pending on or before the Effective Date; (iii) is listed on the schedule of rejected Interline Agreements annexed to this Plan as Exhibit U-1; or (iv) is otherwise rejected pursuant to the terms of the Plan. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and rejections pursuant to sections 365 and 1123 of the Bankruptcy Code. Each Interline Agreement assumed pursuant to this Section 8.1.a shall vest in and be fully

enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, or any order of the Bankruptcy Court authorizing or providing for its assumption or applicable federal law. The Debtors reserve the right to file a motion on or before the Confirmation Date to assume or reject any Interline Agreement.

- b. **Employee-Related Agreements** Each Employee-Related Agreement as to which any of the Debtors is a party shall be deemed automatically assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date, unless such Employee-Related Agreement: (i) shall have been previously rejected by the Debtors by order of the Bankruptcy Court; (ii) is the subject of a motion to reject pending on or before the Effective Date; (iii) is listed on the schedule of rejected Employee-Related Agreements annexed to this Plan as Exhibit U-2; or (iv) is otherwise rejected pursuant to the terms of this Plan. **Without limiting the foregoing, no later than ____, the Debtors shall file a list of Employee-Related Agreements in the form of Exhibit U-5 setting forth certain Employee-Related Agreements to be assumed as of the Effective Date.** Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumptions and rejections contemplated hereby pursuant to sections 365 and 1123 of the Bankruptcy Code. Notwithstanding the foregoing, (x) the collective bargaining agreements that existed as of the Petition Date between USAI and IAMAW and between USAI and AFA have been rejected pursuant to section 1113 of the Bankruptcy Code and the Postpetition CBAs have been entered into between these parties, and (y) the Assumed Modified CBAs and the Assumed Other CBAs shall be deemed assumed in accordance with the provisions and requirements of section 1123 of the Bankruptcy Code as of the Effective Date. After the Effective Date, the Assumed Modified CBAs, Assumed Other CBAs, and Postpetition CBAs shall remain in effect according to their terms. The assumption of the Assumed Modified CBAs and Assumed Other CBAs and entry into the Postpetition CBAs shall be in full satisfaction of all Claims and Interests of any non-debtor person or entity (or any such person or entity's predecessor or successor) arising under or relating to any collective bargaining agreements to which the Debtors are party. Upon the Effective Date, all proofs of claim filed by the Debtors' unions will be deemed withdrawn. Each Employee-Related Agreement assumed pursuant to this Section 8.1.b and each

of the Postpetition CBAs shall vest in and be fully enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, or any order of the Bankruptcy Court authorizing or providing for its assumption or applicable federal law. Subject to the terms of the Assumed Modified CBAs, Assumed Other CBAs, and the Postpetition CBAs, the Debtors reserve the right to file a motion on or before the Confirmation Date to assume or reject any Employee-Related Agreement.

- c. **Other Executory Contracts and Unexpired Leases** No later than 15 days prior to the Voting Deadline, the Debtors shall file with the Bankruptcy Court (i) a list of Other Executory Contracts and Unexpired Leases to be assumed in the form of Exhibit U-3 (the “Contracts Assumption Schedule”) and (ii) a list of Other Executory Contracts and Unexpired Leases for Post-Effective Date Determination (the “Post-Effective Date Determination Schedule”). Contracts that are identified on the Post-Effective Date Determination Schedule may be assumed or rejected by the Debtors at any time during the six months following the Effective Date, and if not assumed by the end of such period, shall be deemed rejected. Any assumption or rejection of an Other Executory Contract or Unexpired Lease on the Post-Effective Date Determination Schedule shall give rise to the same rights and obligations as if the Other Executory Contract or Unexpired Lease had been assumed or rejected during the Chapter 11 Cases. Any Person party to an Other Executory Contract or Unexpired Lease contained on the Post-Effective Date Determination Schedule shall have the right to seek an amount to be allowed for temporary voting purposes and for election to subscribe for General Unsecured Subscription Stock or Unsubscribed Equity Offering Shares in accordance with Sections 5.1, 5.2, 5.3, 5.4, and 5.5 of this Plan by mutual agreement with the Debtors pursuant to the procedures set forth in Section VIII.E.3 of the Disclosure Statement; provided, however, that such procedures shall be without prejudice to the rights of such Person under Section 8.4 or Section 9.8.a of this Plan. In the event that any Person objects to its inclusion on the Post-Effective Date Determination Schedule, such Person must provide written notice to the Debtors not later than the Confirmation Date and such Other Executory Contract or Unexpired Lease shall be deemed rejected as of the Effective Date. Each Other Executory Contract and Unexpired Lease as to which any of

the Debtors is a party not included on the Contracts Assumption Schedule or the Post-Effective Date Determination Schedule shall be deemed automatically rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date, unless such Other Executory Contract or Unexpired Lease: (i) shall have been previously assumed by the Debtors by order of the Bankruptcy Court; (ii) is the subject of a motion to assume pending on or before the ~~Effective~~**Confirmation** Date; ~~or~~ (iii) is ~~listed on the schedule of assumed other Executory Contracts and Unexpired Leases annexed to this Plan as Exhibit U-3;~~ or (iv) is otherwise assumed pursuant to the terms of this Plan, including, without limitation, those **Other** Executory Contracts and Unexpired Leases described in the GE Master MOU that are not rejected in accordance with or as contemplated by the terms and provisions of the GE Master MOU. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumptions and rejections described herein pursuant to sections 365 and 1123 of the Bankruptcy Code. Each Other Executory Contract or Unexpired Lease assumed pursuant to this ~~Section 8.1.c;~~ shall vest in and be fully enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, or any order of the Bankruptcy Court authorizing or providing for its assumption or applicable federal law. The Debtors reserve the right to file a motion on or before the Confirmation Date to assume or reject any Other Executory Contract or Unexpired Lease. ~~The~~**Except as set forth in the Post-Effective Determination Schedule or as may otherwise be agreed between the Debtors and applicable counterparty, the** effective date of rejection for ~~executory contracts or unexpired leases set forth above may~~**Other Executory Contracts or Unexpired Leases shall not** be later than the Effective Date of the Plan; ~~provided, however, that the Debtors shall provide notice of the effective date of rejection to the applicable counterparty.~~ Notwithstanding anything to the contrary contained in this ~~Section 8.1.c,~~ the IP Agreements, the IP Contracts (each as defined in the General Notes to Exhibit U-3) and the insurance policies (as described in the General Notes to Exhibit U-3) to which the Debtors are a party shall be deemed automatically assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date unless such an agreement (i) shall have been previously rejected by the Debtors by order of the Bankruptcy Court, (ii) is the subject of a motion to reject pending on or before the Effective Date,

or (iii) is otherwise rejected pursuant to the terms of the Plan; provided, however, that neither the exclusion nor inclusion of a contract or lease by the Debtors on ~~Exhibit U-3~~, the Contracts Assumption Schedule, nor anything contained herein, shall constitute an admission by the Debtors that any such lease or contract is an unexpired lease or executory contract or that any Debtor, or its respective Affiliates, has any liability thereunder.

- d. **Intercompany Executory Contracts and Unexpired Leases** Except as otherwise provided in this Section 8.1.d, each Intercompany Executory Contract and Intercompany Unexpired Lease to which the Debtors are a party shall be deemed automatically assumed in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code as of the Effective Date, unless such Intercompany Executory Contract or Intercompany Unexpired Lease: (i) shall have been previously rejected by the Debtors by order of the Bankruptcy Court; (ii) is the subject of a motion to reject pending on or before the Effective Date; (iii) is listed on the schedule of rejected Intercompany Executory Contracts and Intercompany Unexpired Leases annexed to this Plan as Exhibit U-4; or (iv) is otherwise rejected pursuant to the terms of the Plan. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such assumptions and rejections pursuant to sections 365 and 1123 of the Bankruptcy Code. Each Intercompany Executory Contract and Intercompany Unexpired Lease assumed pursuant to this Section 8.1.d shall vest in and be fully enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of this Plan, or any order of the Bankruptcy Court authorizing or providing for its assumption or applicable federal law. The Debtors reserve the right to file a motion on or before the Confirmation Date to assume or reject any Intercompany Executory Contract or Intercompany Unexpired Lease.
- e. **Real Property Agreements** Each executory contract and unexpired lease, whether such executory contract or unexpired lease is an Interline Agreement, Employee-Related Agreement, Intercompany Executory Contract, Intercompany Unexpired Lease, or Other Executory Contract or Unexpired Lease that is assumed and relates to the use, ability to acquire, or occupancy of real property shall include (a) all modifications, amendments, supplements, restatements, or other agreements made directly or indirectly by any agreement, instrument, or other document that in any manner

affect such executory contract or unexpired lease, and (b) all executory contracts or unexpired leases appurtenant to the premises, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, powers, uses, reciprocal easement agreements, and any other interests in real estate or rights *in rem* related to such premises, unless any of the foregoing agreements has been rejected pursuant to a Final Order of the Bankruptcy Court or is otherwise rejected as a part of this Plan.

- f. **Jet Service Agreement** After the Effective Date, Reorganized USAI shall continue to honor, perform under and be bound by the Air Wisconsin Jet Service Agreement dated February 18, 2005, as amended, by and between USAI and Air Wisconsin Airlines Corporation .

8.2. **Rejected Contracts and Leases. Rejected Contracts and Leases.**

- a. **Rejection of Interline Agreements, Intercompany Executory Contracts and Intercompany Unexpired Leases.** Except with respect to executory contracts and unexpired leases that have previously been rejected or are the subject of a motion to reject filed, or a notice of rejection served, pursuant to order of the Bankruptcy Court, on or before the ~~Effective~~ **Confirmation** Date, all Interline Agreements set forth on Exhibit U-1 hereto, and all Intercompany Executory Contracts and Intercompany Unexpired Leases set forth on Exhibit U-4 hereto shall be deemed automatically rejected as of the Effective Date or such earlier date as the Debtors may have unequivocally terminated their performance under such lease or contract; provided, however, that neither the exclusion nor inclusion of a contract or lease by the Debtors on any Exhibit hereto, nor anything contained herein, shall constitute an admission by the Debtors that any such lease or contract is an unexpired lease or executory contract or that any Debtor, or its respective Affiliates, has any liability thereunder. The Confirmation Order shall constitute an order of the Bankruptcy Court approving the assumptions and rejections contemplated herein, pursuant to sections 365 and 1123 of the Bankruptcy Code. The Debtors, with the consent of America West, reserve the right to (a) file a motion on or before the Confirmation Date (i) to reject any Interline Agreement not listed on Exhibit U-1 hereto, (ii) to assume any Employee-Related Agreement listed on Exhibit U-2 hereto, (iii) to reject any Other Executory Contract or Unexpired Lease listed on Exhibit U-3 hereto, (iv) ~~the~~

Contracts Assumption Schedule, (iv) to assume or reject any Other Executory Contract or Unexpired Lease on the Post-Effective Date Determination Schedule, (v) to reject any Intercompany Executory Contract or Intercompany Unexpired Lease not listed on Exhibit U-4 hereto, or ~~(vi)~~ to reject any Interline Agreement, Employee-Related Agreement, Other Executory Contract or Unexpired Lease, Intercompany Executory Contract or Intercompany Unexpired Lease that previously has not been rejected by order of the Bankruptcy Court; and (b) modify or supplement Exhibit U-1, Exhibit U-2, Exhibit U-3, ~~or Exhibit U-4 or Exhibit U-5~~ hereto at any time prior to the Effective Date, ~~including, without limitation, the right~~ **Confirmation Date**, to (i) add any Interline Agreement to, or delete any Interline Agreement from, Exhibit U-1 hereto, (ii) ~~to~~ add any Employee-Related Agreement to, or delete any Employee-Related Agreement from, Exhibit U-2 hereto, **or** (iii) ~~to~~ add any Other Executory Contract or Unexpired Lease to, ~~or delete any Other Executory Contract or Unexpired Lease from, Exhibit U-3 hereto; or (iv) to add any Intercompany Executory Contract or Intercompany Unexpired Lease to, or delete any Intercompany Executory Contract or Intercompany Unexpired Lease from Exhibit U-4 hereto.~~ The ~~effective date of rejection~~ for executory contracts or unexpired leases set forth above may be later than the Effective Date of the Plan, provided, that the Debtors shall provide notice of the effective date of rejection to the applicable counterparty.

- b. Rejections of Aircraft Subject to Section 1110 Stipulations.** In the event that the Debtors reject any Other Executory Contract or Unexpired Lease pursuant to which a Debtor has the right to use any Aircraft Equipment within the meanings of Section 1110(a)(3)(A)(i) and Section 1110(a)(3)(B) of the Bankruptcy Code pursuant to this Plan, the Debtors shall: (i) pay to the relevant counterparty an amount equal to the average daily basic rent payable by the Debtors with respect to such Aircraft Equipment as provided in the applicable Other Executory Contracts or Unexpired Lease for the period ending on the earlier of (a) the effective date of rejection for such Other Executory Contract or Unexpired Lease or (b) the date of return of such Aircraft Equipment; (ii) continue existing insurance coverage for such Aircraft Equipment for twenty (20) days after the effective date of such rejection; (iii) during such twenty (20) day period, maintain such Aircraft

Equipment pursuant to the short-term requirements of the Debtor's Federal Aviation Administration-approved maintenance program; and (iv) upon the written request of the counterparty to such rejected Other Executory Contract or Unexpired Lease, provide such counterparty with a termination document to file with the Federal Aviation Administration in connection with such Aircraft Equipment; provided, however, that such counterparty shall be solely responsible for all costs associated with such termination document, including, but not limited to the costs for preparation, filing and recordation.

8.3. Payments Related to Assumption of Executory Contracts and Unexpired Leases. The provisions (if any) of each Interline Agreement, Employee-Related Agreement, or Other Executory Contract or Unexpired Lease to be assumed under the Plan which are or may be in default shall be satisfied solely by such cure, if any, as may be required by section 365(b) of the Bankruptcy Code, on terms agreed to by the parties or as ordered by the Bankruptcy Court. In the event of a dispute regarding (a) the nature or the amount of any cure, (b) the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (c) any other matter pertaining to assumption, any required cure shall occur on the terms agreed by the parties or ordered by the Bankruptcy Court, following the entry of a Final Order resolving the dispute and approving the assumption and, as the case may be, assignment. The provisions (if any) of each Intercompany Executory Contract and Intercompany Unexpired Lease to be assumed under the Plan which are or may be in default shall be satisfied in a manner to be agreed to by the relevant Debtors and/or Airways Assurance.

8.4. Rejection Damages Bar Date. If the rejection by the Debtors (pursuant to the Plan or otherwise) of an Interline Agreement, Employee-Related Agreement, Other Executory Contract or Unexpired Lease, Intercompany Executory Contract or Intercompany Unexpired Lease results in a Claim, then such Claim shall be forever barred and shall not be enforceable against either the Debtors or the Reorganized Debtors or their properties unless a proof of claim is filed with the Claims Agent and served upon counsel to the Debtors and the Creditors' Committee or the Post-Effective Date Committee, as applicable, within thirty (30) days after service of the earlier of (a) notice of the Confirmation Order, or (b) other notice that the executory contract or unexpired lease has been rejected; provided, however, that the foregoing requirement to file a proof of claim shall not be applicable to any such Claim that was previously allowed by Final Order of the Bankruptcy Court. Under no circumstances shall any rejection damage Claim be asserted against America West or any Plan Investor or any of their respective assets or properties. Notwithstanding anything herein, no rejection damage claim shall

be allowed as a result of the rejection of any collective bargaining agreement pursuant to section 1113 of the Bankruptcy Code.

ARTICLE IX

PROVISIONS GOVERNING DISTRIBUTIONS

- 9.1. Time of Distributions.** Except as otherwise provided for herein or ordered by the Bankruptcy Court, distributions under this Plan shall be made on a Periodic Distribution Date.
- 9.2. No Interest on Claims.** Unless otherwise specifically provided for in this Plan, the Confirmation Order, the ATSB Cash Collateral Order or a postpetition agreement in writing between the Debtors and a Claimholder, postpetition interest shall not accrue or be paid on Claims, and no Claimholder shall be entitled to interest accruing on or after the Petition Date on any Claim. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made when and if such Disputed Claim becomes an Allowed Claim.
- 9.3. Disbursing Agent.** The Disbursing Agent shall make all distributions required under this Plan except with respect to a holder of a Claim whose distribution is governed by an agreement and is administered by a Servicer, which distributions shall be deposited with the appropriate Servicer, who shall deliver such distributions to the holders of Claims in accordance with the provisions of this Plan and the terms of the governing agreement; provided, however, that if any such Servicer is unable to make such distributions, the Disbursing Agent, with the cooperation of such Servicer, shall make such distributions.
- 9.4. Surrender of Securities or Instruments.** On or before the Distribution Date, or as soon as practicable thereafter, each holder of an instrument evidencing a Claim (a “Certificate”) shall surrender such Certificate to the Disbursing Agent, or, with respect to indebtedness that is governed by an agreement and administered by a Servicer, the respective Servicer, and such Certificate shall be cancelled solely with respect to the Debtors and such cancellation shall not alter the obligations or rights of any non-Debtor third parties vis-a-vis one another to such instruments; provided, however, that this Section 9.4 shall not apply to any Claims Reinstated pursuant to the terms of this Plan. No distribution of property hereunder shall be made to or on behalf of any such holder unless and until such Certificate is received by the Disbursing Agent or the respective Servicer or the unavailability of such Certificate is reasonably established to the

satisfaction of the Disbursing Agent or the respective Servicer. Any holder who fails to surrender or cause to be surrendered such Certificate, or fails to execute and deliver an affidavit of loss and indemnity reasonably satisfactory to the Disbursing Agent or the respective Servicer prior to the second anniversary of the Effective Date, shall be deemed to have forfeited all rights and Claims in respect of such Certificate and shall not participate in any distribution hereunder, and all property in respect of such forfeited distribution, including any dividends or interest attributable thereto, shall revert to the Reorganized Debtors notwithstanding any federal or state escheat laws to the contrary.

9.5. Services of Indenture Trustees, Agents and Servicers. The services, with respect to consummation of this Plan, of Servicers under the relevant agreements that govern the rights of Claimholders shall be as set forth elsewhere in this Plan, and the Reorganized Debtors shall reimburse any Servicer for reasonable and necessary services performed by it (including reasonable attorneys' fees) as contemplated by, and in accordance with, this Plan, without the need for the filing of an application with, or approval by, the Bankruptcy Court.

9.6. Claims Administration Responsibility.

- a. The Reorganized Debtors will retain sole responsibility for administering, disputing, objecting to, compromising, or otherwise resolving and making distributions (if any) with respect to all Claims against and Interests in the Debtors.
- b. Unless otherwise extended by the Bankruptcy Court, any objections to Claims shall be served and filed on or before the Claims Objection Deadline. Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Claimholder if the Debtors or the Reorganized Debtors effect service in any of the following manners: (i) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004; (ii) to the extent counsel for a Claimholder is unknown, by first class mail, postage prepaid, on the signatory on the proof of claim or interest or other representative identified on the proof of claim or any attachment thereto; or (iii) by first class mail, postage prepaid, on any counsel that has appeared on the Claimholder's behalf in the Chapter 11 Cases.
- c. Nothing contained in this Section 9.6 shall constitute or be deemed a waiver of any right, claim or Cause of Action that the Debtors or Reorganized Debtors may have against any

Person in connection with or arising out of any Claim or Claims, including, without limitation, any rights under Section 157(b) of title 28 of the United States Code.

- 9.7. **Delivery of Distributions.** Distributions to Allowed Claimholders shall be made by the Disbursing Agent or the appropriate Servicer: (a) at the addresses set forth on the proofs of claim filed by such Claimholders (or at the last known addresses of such Claimholders if no proof of claim is filed or if the Debtors have been notified in writing of a change of address); (b) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent after the date of any related proof of claim; (c) at the addresses reflected in the Schedules if no proof of claim has been filed and the Disbursing Agent has not received a written notice of a change of address; or (d) in the case of a Claimholder whose Claim is governed by an agreement and administered by a Servicer, at the addresses contained in the official records of such Servicer. If any Claimholder's distribution is returned as undeliverable, no further distributions to such Claimholder shall be made unless and until the Disbursing Agent or the appropriate Servicer is notified of such Claimholder's then-current address, at which time all missed distributions shall be made to such Claimholder without interest. Amounts in respect of undeliverable distributions shall be returned to the Reorganized Debtors until such distributions are claimed. All funds or other undeliverable distributions returned to the Reorganized Debtors and not claimed within six months of return shall be distributed, **the Disbursing Agent or the respective Servicer for which no written request for reissuance or remailing is received by the Reorganized Debtors, the Disbursing Agent or the respective Servicer within 180 days of return (and in the case of Cash distributions, distributions which otherwise remain outstanding as of the 181st day of distribution) shall be redistributed** to the other creditors of the Class of which the Claimholder to whom the distribution was originally made is a member in accordance with the provisions of the Plan applicable to distributions to that Class. If, at the conclusion of distributions to a particular Class under the Plan and after consultation with the Post-Effective Date Committee (solely with respect to General Unsecured Claims), the Reorganized Debtors reasonably determine that any remaining New Common Stock or Cash allocated for such ~~class~~**Class** is immaterial and would thus be too impractical to distribute or would be of no benefit to its respective distributees, any such remaining New Common Stock or Cash will revert to Reorganized Group. Upon such reversion, the claim of any Claimholder or their successors with respect to such

property shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

9.8. Procedures for Voting, Treating and Resolving Disputed and Contingent Claims.

- a. Voting and Other Rights of Holders of Disputed Claims
Pursuant to Bankruptcy Rule 3018, a Disputed Claim will not be counted for voting purposes or for any election to subscribe for General Unsecured Subscription Stock or Unsubscribed Equity Offering Shares in accordance with Sections 5.1, 5.2, 5.3, 5.4, and 5.5 of this Plan to the extent it is disputed, unless an order of the Bankruptcy ~~court~~**Court** is entered after notice and a hearing temporarily allowing the Disputed Claim for voting purposes under Bankruptcy Rules 3018. Such disallowance for voting purposes is without prejudice to the claimant's right to seek to have its Disputed Claim allowed for purposes of distributions under this Plan; provided, however, that any elections pursuant to Sections 5.1, 5.2, 5.3, 5.4, and 5.5 shall be limited to the amounts of such holder's Claim in accordance with Bankruptcy Rule 3018.
- b. No Distributions Pending Allowance No payments or distributions will be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order, and the Disputed Claim has become an Allowed Claim. All objections to Claims must be filed on or before the Claims Objection Deadline.
~~At~~**Without limiting any of the terms and provisions of this Plan, including Section 9.1, all** Claims of each individual agency of the United States, ~~to the extent payable in Cash hereunder,~~ shall be paid in accordance with the terms of this Plan as soon as all of the Claims of that individual agency against a particular Debtor are either Allowed or Disallowed.
- c. Distribution Reserve The Disbursing Agent will create a separate Distribution Reserve from the property to be distributed to holders of General Unsecured Claims in the Chapter 11 Cases. The amount of New Common Stock withheld as a part of the Distribution Reserve shall be equal to the number of shares the Reorganized Debtors reasonably determine is necessary to satisfy the distributions required to be made to the holders of General Unsecured Claims in the Chapter 11 Cases, when the allowance or disallowance of each Disputed Claim is ultimately determined. The

Disbursing Agent, the Debtors, or the Reorganized Debtors may request estimation for any Disputed Claim that is contingent or unliquidated (but is not required to do so). The Disbursing Agent also shall place in the Distribution Reserve any dividends, payments, or other distributions made on account of, as well as any obligations arising from, the property initially withheld in the Distribution Reserve, to the extent that such property continues to be withheld in the Distribution Reserve at the time such distributions are made or such obligations arise. The Claimholder shall not be entitled to receive or recover any amount in excess of the amount provided in the Distribution Reserve to pay such Claim. Nothing in the Plan or Disclosure Statement will be deemed to entitle the Claimholder of a Disputed Claim to postpetition interest on such Claim.

- d. Distributions After Allowance Payments and distributions from the Distribution Reserve to each respective Claimholder on account of a Disputed Claim, to the extent that it ultimately becomes an Allowed Claim, will be made in accordance with provisions of the Plan that govern distributions to such Claimholders. On the first Periodic Distribution Date following the date when a Disputed Claim becomes an undisputed, noncontingent and liquidated Claim, the Disbursing Agent will distribute to the Claimholder any Cash, New Common Stock, or other property from the Distribution Reserve that would have been distributed on the dates distributions were previously made to Claimholders had such Allowed Claim been an Allowed Claim on such dates. After a Final Order has been entered, or other final resolution has been reached with respect to all Disputed Claims, any remaining Cash, New Common Stock, or other property held in the Distribution Reserve will be distributed Pro Rata to Allowed General Unsecured Claimholders in accordance with the other provisions of this Plan. Subject to Section 9.2 of this Plan, all distributions made under this Section of the Plan on account of an Allowed Claim will be made together with any dividends, payments, or other distributions made on account of, as well as any obligations arising from, the distributed property as if such Allowed Claim had been an Allowed Claim on the dates distributions were previously made to Allowed Claimholders included in the applicable class.

The Disbursing Agent shall be deemed to have voted any New Common Stock held in the Distribution Reserve in the same proportion as all shares of New Common Stock that are not held in the Distribution Reserve. The Servicers shall be

deemed to have voted any New Common Stock held by such Servicer in the same proportion as shares previously disbursed by such Servicer, or, if no shares have been previously disbursed by such Servicer, then in the same proportion as all shares of New Common Stock that are not held in the Distribution Reserve.

- e. De Minimis Distributions. Neither the Distribution Agent nor any Servicer shall have any obligation to make a distribution on account of an Allowed Claim from any Distribution Reserve or otherwise if (i) the aggregate amount of all distributions authorized to be made from such Distribution Reserve or otherwise on the Periodic Distribution Date in question is or has a value less than \$250,000.00, or (ii) if the amount to be distributed to the specific holder of the Allowed Claim on the particular Periodic Distribution Date does not constitute a final distribution to such holder and is or has a value less than \$100.00.

- 9.9. Fractional Securities; Fractional Dollars.** Any other provision of the Plan notwithstanding, payments of fractions of shares of New Common Stock will not be made and shall be rounded (up or down) to the nearest whole number, with fractions equal to or less than one-half (½) being rounded down. Any other provision of this Plan notwithstanding, neither the Reorganized Debtors nor the Disbursing Agent or Servicer shall be required to make distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under this Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

ARTICLE X

ALLOWANCE AND PAYMENT OF CERTAIN ADMINISTRATIVE CLAIMS

10.1. Professional Claims.

- a. Final Fee Applications. All final requests for payment of Professional Claims must be filed no later than sixty (60) days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court, the allowed amounts of such Professional Claims shall be determined by the Bankruptcy Court. All Ordinary Course Professionals shall file final requests for payment, which shall be served and reviewed in accordance with paragraphs

5 and 6 of the Ordinary Course Professional Order; provided, however, that in the event that there is an objection that can not be resolved, such Ordinary Course Professional shall have thirty (30) days from the receipt of such objection to file a request for payment of the disputed portion of its Ordinary Course Professional Claim.

- b. Payment of Interim Amounts. Subject to the Holdback Amount, on the Effective Date, the Debtors or Reorganized Debtors shall pay all amounts owing to Professionals and Ordinary Course Professionals for all outstanding amounts payable relating to prior periods through the Effective Date. In order to receive payment on the Effective Date for unbilled fees and expenses incurred through such date, the Professionals and Ordinary Course Professionals shall estimate fees and expenses due for periods that have not been billed as of the Effective Date and shall deliver such estimate to the Debtors, counsel for the Debtors and the Creditors' Committee. Within forty-five (45) days after the Effective Date, a Professional or Ordinary Course Professional receiving payment for the estimated period shall submit a detailed invoice covering such period in the manner and providing the detail as set forth in the Professional Fee Order or the Ordinary Course Professional Order, as applicable. Should the estimated payment received by any Professional or Ordinary Course Professional exceed the actual fees and expenses for such period, this excess amount will be credited against the Holdback Amount for Professionals, or if the award of the Holdback Amount is insufficient and for Ordinary Course Professionals, the excess amount shall be disgorged by such Professional or Ordinary Course Professional.

Upon the Effective Date, any requirement that Professionals or Ordinary Course Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Reorganized Debtors will employ and pay Professionals and Ordinary Course Professionals in the ordinary course of business.

10.2. Substantial Contribution Compensation and Expenses Bar Date.

Any Person who requests compensation or expense reimbursement for making a substantial contribution in the Chapter 11 Cases pursuant to sections 503(b)(3), (4), and (5) of the Bankruptcy Code must file an application with the clerk of the Bankruptcy Court, on or before the forty-fifth (45th) day after the Effective Date (the "503 Deadline"), and serve such application on counsel for the Debtors and the Post-Effective Date Committee, and as may otherwise be required by the Bankruptcy Court or the Bankruptcy Code or the Bankruptcy Rules on or before the 503 Deadline, or be forever barred from seeking such compensation or expense reimbursement.

10.3. Other Administrative Claims. All other requests for payment of an Administrative Claim (other than as set forth in Sections 10.1 and 10.2 of this Plan and subject to the final sentence of this Section 10.3) must be filed, in substantially the form of the Administrative Claim Request Form attached to this Plan as Exhibit V, with the Claims Agent and, **except as set forth in any order of the Bankruptcy Court**, served on counsel for the Debtors and the Post-Effective Date Committee, and as may otherwise be required by the Bankruptcy Court or the Bankruptcy Code or the Bankruptcy Rules, by the Administrative Claims Bar Dates applicable to such Administrative Claim. Any request for payment of an Administrative Claim pursuant to this Section 10.3 that is not timely filed and served shall be disallowed automatically without the need for any objection from the Debtors or the Reorganized Debtors. The Reorganized Debtors may settle an Administrative Claim without further Bankruptcy Court approval. Unless the Debtors or the Reorganized Debtors object to an Administrative Claim by the date set forth by the Bankruptcy Court in its order establishing the Administrative Claims Bar Date applicable to such Administrative Claim as the deadline for any such objections, such Administrative Claim shall be deemed allowed in the amount requested. In the event that the Debtors or the Reorganized Debtors object to an Administrative Claim, the Bankruptcy Court shall determine the allowed amount of such Administrative Claim. Notwithstanding the foregoing, no request for payment of an Administrative Claim need be filed with respect to an Administrative Claim which (i) is for goods or services (including wages, salaries, commissions, and trade payables) paid or payable by the Debtors in the ordinary course of business, (ii) previously has been Allowed by Final Order of the Bankruptcy Court, (iii) are for break-up fees or expense reimbursements approved as provided for in the Procedures Order, or (iv) the Debtors have agreed that no request is required.

ARTICLE XI

EFFECT OF THE PLAN ON CLAIMS AND INTERESTS

11.1. Revesting of Assets. Except as otherwise explicitly provided in this Plan, including, without limitation, Section 9.6 of this Plan, on the Effective Date all property comprising the Estates (including Retained Actions, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall revert in each of the Debtors that owned such property or interest in property as of the Effective Date, free and clear of all Claims, liens, charges, encumbrances, rights and Interests of creditors and equity security holders (other than as expressly provided herein).

11.2. Discharge of the Debtors. Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in this Plan or in the Confirmation Order, the distributions and rights that are provided in this Plan shall be in complete satisfaction, discharge, and release, effective as of the Confirmation Date (but subject to the occurrence of the Effective Date), of any and all Claims and Causes of Action, whether known or unknown, against, liabilities of, liens on, obligations of, rights against, and Interests in the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, rights, and Interests, including, but not limited to, demands and liabilities that arose before the Confirmation Date, any liability (including withdrawal liability) to the extent such Claims relate to services performed by employees of the Debtors prior to the Petition Date and that arise from a termination of employment or a termination of any employee or retiree benefit program regardless of whether such termination occurred prior to or after the Confirmation Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, in each case whether or not (a) a proof of claim or interest based upon such debt, right, or Interest is filed or deemed filed under section 501 of the Bankruptcy Code, (b) a Claim or Interest based upon such debt, right, or Interest is allowed under section 502 of the Bankruptcy Code, or (c) the holder of such a Claim, right, or Interest accepted the Plan. The Confirmation Order shall be a judicial determination of the discharge of all liabilities of and interests in the Debtors, subject to the Effective Date occurring. Solely with respect to the United States (which term shall include for the purposes of this Plan, all agencies of the United States), the discharge provisions set forth in this Section 11.2 shall not operate to expand the Debtors' discharge rights beyond those established by the Bankruptcy Code unless otherwise agreed in writing by the United States and the Debtors or the Reorganized Debtors, as the case may be. The discharge provisions set forth in this Section 11.2 are not intended and shall not be construed, to bar the United States from pursuing any police or regulatory action against the Debtors to the extent excepted from the automatic stay provisions of section 362 of the Bankruptcy Code; provided, however, that nothing in this sentence is intended to permit the United States to assert any claim for the payment of money for acts or omissions occurring prior to the Confirmation Date.

11.3. Compromises and Settlements. Pursuant to Bankruptcy Rule 9019(a), without further order of the Bankruptcy Court, the Debtors may, after consultation with America West, compromise

and settle various (a) Claims against them and (b) Causes of Action that they have against other Persons. The Debtors expressly reserve the right to compromise and settle Claims against them and claims that they may have against other Persons up to and including the Effective Date. After the Effective Date, such right shall pass to the Reorganized Debtors as contemplated in Section 11.1 of this Plan.

11.4. Release of Certain Parties.

- a. Pursuant to section 1123(b)(3) of the Bankruptcy Code, effective as of the Effective Date, each Debtor, in its individual capacity and as a debtor-in-possession, for and on behalf of its Estate, shall release and discharge and be deemed to have released and discharged all Released Parties for and from any and all Causes of Action existing as of the Effective Date in any manner arising from, based on or relating to, in whole or in part, the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor or any Released Party, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, or any act, omission, occurrence or event in any manner related to any such Claims, Interests, restructuring or the Chapter 11 Cases. Notwithstanding the foregoing, nothing in this Plan releases or shall be deemed to release any of the Debtors, America West, or the Plan Investors or any of their respective Affiliates from any of their obligations under the Investment Agreements, the Merger Agreement, or any other agreement, document or instrument entered into, executed or delivered pursuant thereto or in connection therewith.
- b. No provision of this Plan or of the Confirmation Order, including, without limitation, any release or exculpation provision, shall modify, release or otherwise limit the liability of any Person not specifically released hereunder, including, without limitation, any Person that is a co-obligor or joint tortfeasor of a Released Party or that otherwise is liable under theories of vicarious or other derivative liability.
- c. The Reorganized Debtors and any newly-formed entities that will be continuing the Debtors' businesses after the Effective Date shall be bound, to the same extent the Debtors are bound, by all of the releases set forth above.

11.5. Release by Holders of Claims and Interests. On the Effective Date each Person that votes to accept the Plan, to the fullest

extent permissible under applicable law, as such law may be extended subsequent to the Effective Date, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan and the Cash, New Common Stock and other contracts, instruments, releases, agreements or documents to be delivered in connection with the Plan (each such Person, a “Release Obligor”), shall have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged each Released Party from any Cause of Action existing as of the Effective Date arising from, based on or relating to, in whole or in part, the subject matter of, or the transaction or event giving rise to, the Claim or Interest of such Release Obligor, and any act, omission, occurrence or event in any manner related to such subject matter, transaction or obligation; provided, however, that (i) this Section 11.5 shall not release any Released Party from (A) any obligations with respect to or in connection with the treatment of Claims as provided under this Plan, or (B) any Cause of Action existing as of the Effective Date based on the Internal Revenue Code or other domestic state, city or municipal tax code, the environmental laws of the United States or any domestic state, city or municipality, or any criminal laws of the United States or any domestic state, city or municipality, and (ii) nothing set forth in this Plan or Confirmation Order shall be construed to preclude the United States from pursuing any cause of action against any Released Party based upon any civil law of the United States. Notwithstanding the foregoing, nothing in this Section 11.5 is intended to permit the United States to assert any claim against any of the Debtors for the payment of money for acts or omissions occurring prior to the Confirmation Date.

- 11.6. Setoffs.** The Debtors may, but shall not be required to, set off against any Claim, and the payments or other distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors may have against such Claimholder; but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Reorganized Debtors of any such claim that the Debtors or the Reorganized Debtors may have against such Claimholder.
- 11.7. Satisfaction of Subordination Rights.** All Claims against the Debtors and all rights and claims between or among Claimholders relating in any manner whatsoever to distributions on account of Claims against the Debtors, based upon any subordination rights, whether asserted or unasserted, legal or equitable, shall be deemed satisfied by the distributions under the Plan to

Claimholders having such subordination rights, and such subordination rights shall be deemed waived, released, discharged, and terminated as of the Effective Date. Distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment, or like legal process by any Claimholder by reason of any subordination rights or otherwise, so that each Claimholder shall have and receive the benefit of the distributions in the manner set forth in the Plan.

11.8. Exculpation and Limitation of Liability. Except as otherwise specifically provided in this Plan, including Section 11.5, the Debtors, the Reorganized Debtors, the Creditors' Committee, the members of the Creditors' Committee in their capacities as such, the Retiree Committee, the members of the Retiree Committee in their capacities as such, America West, the Plan Investors, the ATSB Lenders (solely in such capacities), GECC and ~~GEACGEAE~~, any of such parties' respective present or former ~~affiliates~~affiliates, members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers, or agents and any of such parties' successors and assigns, shall not have or incur, and are hereby released from, any claim, obligation, Cause of Action, or liability to one another or to any Claimholder or Interestholder, or any other party-in-interest, or any of their respective agents, employees, representatives, financial advisors, attorneys or Affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Debtors' Chapter 11 Cases, negotiation and filing of the Plan, filing the Chapter 11 Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for their willful misconduct, recklessness or gross negligence, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Notwithstanding the foregoing, nothing in this Plan releases or shall be deemed to release the Debtors, the Reorganized Debtors, America West, the Plan Investors or their respective Affiliates from any of their obligations under the Investment Agreements, the Merger Agreement, or any other instrument, document, or agreement entered into, executed or delivered pursuant thereto or in connection therewith.

11.9. Indemnification Obligations. Except as specifically provided in this Plan, ~~in satisfaction and compromise of the Indemnitees' Indemnification Rights:~~ ~~(a) all Indemnification Rights,~~ except including, without limitation, (i) those based upon any act or omission arising out of or relating to any Indemnitee's service with, for, or on behalf of the Debtors on or after the

Petition Date, (ii) those held by Persons who served during the Chapter 11 Cases as the Debtors' respective officers, directors, or employees and/or serve in such capacities (or similar capacities) after the Effective Date, and (iii) indemnification obligations assumed pursuant to an order of the Bankruptcy Court (the "~~Continuing Indemnification Rights~~"), shall be released and discharged on and as of the Effective Date, provided that the ~~Indemnification Rights~~ excepted in subparts (i), (ii) and (iii), shall remain in full force and effect on and after the Effective Date and shall not be modified, reduced, discharged, or otherwise affected in any way by the Chapter 11 Cases; (b) the Debtors or the Reorganized Debtors, as the case may be, covenant to purchase and maintain director and officer insurance providing coverage for those Indemnitees currently covered by such policies for a period of ~~two~~six years after the Effective Date insuring such parties in respect of any claims, demands, suits, Causes of Action, or proceedings against such Persons based upon any act or omission related to such Person's service with, for, or on behalf of the Debtors in at least the scope and amount as currently maintained by the Debtors and in accordance with any further requirements of the Investment Agreements (the "Insurance Coverage"); (c) the insurers are authorized to pay any professional fees and expenses incurred in connection with any action relating to any ~~Continuing~~continuing Indemnification Rights; and (d) the Debtors or the Reorganized Debtors, as the case may be, hereby indemnify Indemnitees and agree to pay for any deductible or retention amount that may be payable in connection with any claim covered under either the foregoing Insurance Coverage or any prior similar policy.

11.10. Injunction. The satisfaction, release, and discharge pursuant to this Article XI shall act as an injunction against any Person commencing or continuing any action, employment of process, or act to collect, offset, or recover any Claim or Cause of Action satisfied, released, or discharged under this Plan to the fullest extent authorized or provided by the Bankruptcy Code, including, without limitation, to the extent provided for or authorized by sections 524 and 1141 thereof. Further, except as otherwise provided in the Plan or the Confirmation Order, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Persons who have held, hold or may hold Claims against or Interests in any of the Debtors or the Estates are, with respect to any such Claims or Interests, permanently enjoined from and after the Confirmation Date from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Estates or the

Reorganized Debtors or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons, or any property of any such transferee or successor; (ii) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, of any judgment, award, decree or order against the Debtors, the Estates or the Reorganized Debtors or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Persons, or any property of any such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Estates or the Reorganized Debtors or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons; (iv) exercising any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due the Debtors, the Estates or the Reorganized Debtors, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Persons; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan to the full extent permitted by applicable law. Notwithstanding the foregoing, nothing in this Plan shall enjoin or otherwise impair the United States' rights of setoff and/or recoupment unless otherwise agreed to in writing by the United States and the Debtors or Reorganized Debtors, as the case may be, or be construed to preclude the United States from pursuing any regulatory or police action against any Debtor, Reorganized Debtor, or any other party to the extent not prohibited by the automatic stay of section 362 of the Bankruptcy Code or discharged or enjoined pursuant to Sections 524 or 1141(d) of the Bankruptcy Code or other applicable law.

- 11.11. Avoidance Claims.** On the Effective Date, each of the Debtors shall be deemed to waive and release all Avoidance Claims.

ARTICLE XII

CONDITIONS PRECEDENT

- 12.1. Conditions to Confirmation.** The following are conditions precedent to confirmation of the Plan:
- a. the Bankruptcy Court shall have approved a Disclosure Statement with respect to the Plan in form and substance acceptable to the Debtors and America West, in their sole

and absolute discretion, and reasonably acceptable to GECC;
and

- b. each of the Plan and the Confirmation Order shall be in form and substance acceptable to the Debtors and America West, in their sole and absolute discretion, and reasonably acceptable to GECC.

12.2. Conditions to Consummation for All Debtors. The Effective Date shall occur on or prior to December 31, 2005, unless such date is extended by the Debtors. The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Section 12.3 of this Plan:

- a. the Bankruptcy Court shall have entered one or more orders (which may include the Confirmation Order) authorizing the assumption of unexpired leases and executory contracts by the Debtors as contemplated by Section 8.1 of this Plan;
- b. the Plan Investors shall have invested or committed to invest an aggregate of at least \$375 million and such investments shall have been made;
- c. all conditions precedent to the funding under the Investment Agreements shall have been satisfied or waived in accordance with the terms thereof;
- d. all conditions precedent to consummation of the Merger, pursuant to the Merger Agreement, shall have occurred;
- e. the Confirmation Order shall have been entered by the Bankruptcy Court and shall remain unstayed;
- f. there shall not exist more than \$10,000,000 of Administrative Claims (including contingent liabilities) arising out of or related to any compensation and benefit plan of the Debtors that is subject to Section 302 of ERISA or Section 412 of the Internal Revenue Code other than any claims relating to Amounts incurred in the ordinary course of business; and
- g. the Confirmation Date shall have occurred.

12.3. Waiver of Conditions to Confirmation or Consummation. The conditions set forth in Section 12.2 of this Plan may be waived by the Debtors, such waiver to be acceptable to America West, without any notice to parties-in-interest or the Bankruptcy Court and without a hearing; **provided, however, that no such waiver shall be binding on any party to any Investment**

Agreement or any agreement entered into in connection therewith, except in each case as permitted thereunder. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors in their sole discretion regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors in their sole discretion). The failure of the Debtors in their sole discretion to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

ARTICLE XIII

RETENTION OF JURISDICTION

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and this Plan, including, among others, the following matters:

- a. to hear and determine pending motions for (i) the assumption or rejection or (ii) the assumption and assignment of executory contracts or unexpired leases to which the Debtors are a party or with respect to which the Debtors may be liable, and to hear and determine the allowance of Claims resulting therefrom including the amount of Cure, if any, required to be paid;
- b. to adjudicate any and all adversary proceedings, applications, and contested matters that may be commenced or maintained pursuant to the Chapter 11 Cases or the Plan, proceedings to adjudicate the allowance of Disputed Claims and Disputed Interests, and all controversies and issues arising from or relating to any of the foregoing;
- c. to adjudicate any and all disputes arising from or relating to the distribution or retention of the New Common Stock or other consideration under this Plan;
- d. to ensure that distributions to Allowed Claimholders and Allowed Interestholders are accomplished as provided herein;
- e. to hear and determine any and all objections to the allowance of Claims and Interests and the estimation of Claims, both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and to allow or disallow any Claim or Interest, in whole or in part;
- f. to enter and implement such orders as may be appropriate if the Confirmation Order is for any reason stayed, revoked, modified, or vacated;
- g. to issue orders in aid of execution, implementation, or consummation of this Plan;

- h. to consider any modifications of this Plan, to cure any defect or omission, or to reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- i. to hear and determine all applications for compensation and reimbursement of Professional Claims and Ordinary Course Professional Claims under this Plan or under sections 330, 331, 503(b), 1103 and 1129(a)(4) of the Bankruptcy Code;
- j. to determine requests for the payment of Claims entitled to priority under section 507(a)(1) of the Bankruptcy Code, including compensation of and reimbursement of expenses of parties entitled thereto;
- k. to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan and/or the Confirmation Order, including, except as expressly set forth therein, disputes arising under agreements, documents, or instruments executed in connection with this Plan;
- l. to hear and determine all suits or adversary proceedings to recover assets of the Debtors and property of their Estates, wherever located;
- m. to hear and determine any dispute arising under or in connection with the Investment Agreements, the Merger Agreement, or except as expressly set forth therein, any instruments, documents or agreements executed or delivered pursuant thereto or in connection therewith or any dispute otherwise related to the transactions contemplated thereby;
- n. to hear and determine any disputes arising under or relating to the Procedures Motion or the Procedures Order;
- o. to determine whether Debtors are in grave and imminent danger such that they will be forced to suspend, discontinue, or materially reduce their mainline flight operations, as compared to the operations as of the effective date of their section 1114 agreements with the IAMAW and the Retiree Committee, such that they may seek relief pursuant section 1114 in accordance with the Consent Order Approving Agreement to Modify Certain Retiree Benefits, entered on January 11, 2005 and the January 11, 2005 Consent Order Approving Agreement With the International Association of Machinists and Aerospace Workers to Modify Certain Retiree Health Benefits;
- p. to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- q. to hear any other matter not inconsistent with the Bankruptcy Code;
- r. to hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment or the termination of any employee or

retiree benefit program, regardless of whether such termination occurred prior to or after the Effective Date;

- s. to enter a final decree closing the Chapter 11 Cases; and
- t. to enforce all orders previously entered by the Bankruptcy Court.

Unless otherwise specifically provided herein or in a prior order of the Bankruptcy Court, the Bankruptcy Court shall have exclusive jurisdiction to hear and determine disputes concerning Claims, Interests and Retained Actions. Notwithstanding the foregoing, the Debtors and any party may agree in writing that (i) the jurisdiction of the Bankruptcy Court, as delineated in this Article XIII, shall not be exclusive, but concurrent with other courts of competent jurisdiction or (ii) such other court of competent jurisdiction shall have sole jurisdiction with respect to any dispute relating to any agreements to be entered into in connection with this Plan.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

- 14.1. Binding Effect.** This Plan shall be binding upon and shall inure to the benefit of the Debtors, the Reorganized Debtors, all present and former Claimholders, all present and former Interestholders, other parties-in-interest and their respective heirs, successors, and assigns.
- 14.2. Modification and Amendments.** The Debtors may, with the consent of America West, alter, amend, or modify this Plan or any Exhibits hereto under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Hearing, including, without limitation, to withdraw or terminate the Equity Offering and the Offering of shares of General Unsecured Subscription Stock to holders of Allowed General Unsecured Claims under Article V or to amend or modify this Plan in order to satisfy section 1129(b) of the Bankruptcy Code. ~~Notwithstanding the foregoing, the Debtors may modify this Plan to delete the Merger (and related provisions) and replace it with one or more alternative transactions in the event that a Person other than America West is designated as the Winning Plan Sponsor in accordance with the Procedures Order.~~ After the Confirmation Date and prior to substantial consummation of this Plan as defined in section 1101(2) of the Bankruptcy Code, the Debtors may, with the consent of America West, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of this Plan; provided,

however, that this Section 14.2, any other provision of this Plan or any other document filed in connection with this Plan, including the Confirmation Order, shall not in any manner modify the ~~Debtor's~~ **rights and obligations of the Debtors and the other parties thereto** under the Merger Agreement ~~or any of~~ the Investment Agreements ~~should the Debtors seek to enter into an alternative transaction~~ **or any of the agreements entered into in connection therewith, except in each case as permitted thereunder.**

14.3. Withholding and Reporting Requirements. In connection with this Plan and all instruments issued in connection herewith and distributions hereunder, the Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all distributions hereunder shall be subject to any such withholding and reporting requirements.

14.4. Committees.

- a. Dissolution of Committees Effective on the Effective Date, the Creditors' Committee, the Retiree Committee and any other committee appointed in the Chapter 11 Cases shall dissolve automatically, whereupon its members, professionals, and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to applications for Professional Claims or reimbursement of expenses incurred as a member of the Creditors' Committee or the Retiree Committee and any motions or other actions seeking enforcement or implementation of the provisions of this Plan or the Confirmation Order or pending appeals of Orders entered in the Chapter 11 Cases.
- b. Post-Effective Date Committee On the Effective Date, there shall be formed a Post-Effective Date Committee (the "Post-Effective Date Committee") with its duties limited to:
 - (a) overseeing the general unsecured claims reconciliation and settlement process conducted by or on behalf of the Reorganized Debtors;
 - (b) formulating with the Reorganized Debtors appropriate procedures for the settlement of claims;
 - (c) overseeing (i) the establishment (including the determination of the amount of New Common Stock to be withheld) and (ii) the maintenance of, the Distribution Reserve;
 - (d) overseeing the distributions to the holders of General Unsecured Claims under this Plan;
 - (e) appearing before and being heard by the Bankruptcy Court and other Courts of competent jurisdiction in connection with the

above limited duties; and (f) such other matters as may be agreed upon between the Reorganized Debtors and the Post-Effective Date Committee or specified in this Plan. The Post-Effective Date Committee shall consist of not less than three nor more than five members to be appointed by the Creditors' Committee and may adopt by-laws governing its conduct. For so long as the claims reconciliation process shall continue, the Reorganized Debtors shall make regular reports to the Post-Effective Date Committee as and when the Reorganized Debtors and the Post-Effective Date Committee may reasonably agree upon. The Post-Effective Date Committee may employ, without further order of the Court, professionals to assist it in carrying out its duties as limited above, including any professionals retained in these Reorganization Cases, and the Reorganized Debtors shall pay the reasonable costs and expenses of the Post-Effective Date Committee, including reasonable professional fees, in the ordinary course without further order of the Court.

14.5. Revocation, Withdrawal, or Non-Consummation.

- a. Right to Revoke or Withdraw The Debtors, with the consent of America West, reserve the right to revoke or withdraw this Plan, if necessary, at any time prior to the Effective Date, either entirely or with respect to any one or more of the Debtors. If this Plan is revoked or withdrawn with respect to fewer than all of the Debtors, such revocation or withdrawal of this Plan shall not affect the enforceability of this Plan as it relates to the Debtors for which this Plan is not revoked.—~~Without in any way limiting the foregoing, the Debtors reserve the right to revoke or withdraw this Plan in the event that a Person other than America West is designated as the Winning Plan Sponsor in accordance with the Procedures Order.~~
- b. Effect of Withdrawal, Revocation, or Non-Consummation If the Debtors revoke or withdraw this Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, then this Plan, any settlement, or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests), the assumption or rejection of executory contracts or unexpired leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be null and void, in such event, nothing contained herein, and no acts taken in preparation for consummation of this Plan, shall be deemed to constitute a waiver or release of any Claims by or against or Interests in the Debtors or any

other Person, to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, or to constitute an admission of any sort by the Debtors or any other Person.

- 14.6. Notices.** Any notice required or permitted to be provided to the Debtors, the Plan Investors, America West, or the Creditors' Committee under the Plan shall be in writing and served by (a) certified mail, return receipt requested, (b) hand delivery, or (c) overnight delivery service, to be addressed as follows:

If to the Debtors:

US Airways Group, Inc.
2345 Crystal Drive
Arlington, VA 22227
Attention: General Counsel

with a copy to:

Brian P. Leitch, Esq.
Arnold & Porter LLP
370 Seventeenth Street, Suite 4500
Denver, CO 80202-1370

- and -

Thomas Wardell, Esq.
McKenna Long & Aldridge LLP
303 Peachtree Street, NE
Atlanta, GA 30308

- and -

Lawrence E. Rifken, Esq.
Douglas M. Foley, Esq.
McGuireWoods LLP
1750 Tysons Boulevard
Suite 1800
McLean, VA 22102-4215

If to America West:

America West Holdings Corporation
111 West Rio Salado Parkway
Tempe, Arizona 85281
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
333 West Wacker Drive
Suite 2100
Chicago, Illinois 60606
Attention: Timothy R. Pohl, Esq.
Chris L. Dickerson, Esq.

If to the Creditors' Committee:

Otterbourg, Steindler, Houston & Rosen, P.C.
230 Park Avenue
New York, NY 10169
Attention: Scott L. Hazan, Esq.
Brett H. Miller, Esq.

with a copy to:

Vorys, Sater, Seymour and Pease LLP
277 South Washington Street, Suite 310
Alexandria, VA 22314-3674
Attention: Malcolm M. Mitchell Jr., Esq.

If to the Plan Investors:

Eastshore Aviation, LLC
W6390 Challenger Drive, Suite 203
Appleton, WI 54924
Attention: Christine Deister

with a copy to:

Reinhart Boerner Van Deuren s.c.
1000 North Water Street, Suite 1900
Milwaukee, WI 53202
Attention: Peter C. Blain, Esq.

- and -

ACE Aviation Holdings Inc.
5100 de Maisonneuve Boulevard West,
Montreal, Quebec H4A 3T2
Canada
Attention: Chief Legal Officer

with a copy to:

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street
New York, NY 10019
Attention: Mark Gordon

- and -

Par Investment Partners, L.P.
One International Place Suite 2401
Boston, MA 02110
Attention: Edward L. Shapiro

with a copy to:

Goodwin Procter LLP
Exchange Place
Boston, MA 02109
Attention: Jeffrey C. Hadden, Esq.

- and -

Peninsula Capital Advisors, LLC
404B East Main Street
Charlottesville, VA 22902
Attention: Ted Weschler

with a copy to:

Goodwin Procter LLP
Exchange Place
Boston, MA 02109
Attention: Jeffrey C. Hadden, Esq.

- and -

Wellington Management Company, LLP
75 State Street
Boston, MA 02109
Attention: Legal Services Department

- and -

Tudor Investment Corp.
1275 King Street
Greenwich, CT 06831
Attention: Steven N. Waldman

- 14.8. Governing Law.** Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware shall govern the construction and implementation of the Plan, any agreements, documents, and instruments executed in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreement shall control), and, with respect to the Debtors incorporated in Delaware, corporate governance matters. Corporate governance matters relating to Debtors not incorporated in Delaware shall be governed by the laws of the state of incorporation of the applicable Debtor.
- 14.9. No Waiver or Estoppel.** Each Claimholder or Interestholder shall be deemed to have waived any right to assert that its Claim or Interest should be Allowed in a certain amount, in a certain priority, secured or not subordinated by virtue of an agreement made with the Debtors and/or their counsel, the Creditors' Committee and/or its counsel, or any other Person, if such agreement was not disclosed in the Plan, the Disclosure Statement, or papers filed with the Bankruptcy Court prior to the Confirmation Date-. **This Section 14.9 shall not apply to the United States.**
- 14.10. Substantive Consolidation.** The Debtors reserve the right to file a motion seeking partial or complete substantive consolidation of the Debtors, their Estates and the Chapter 11 Cases.

Dated: Arlington, Virginia
~~June 30,~~ July 27, 2005

US AIRWAYS GROUP, INC.
US AIRWAYS, INC.
PSA AIRLINES, INC.
PIEDMONT AIRLINES, INC.
MATERIAL SERVICES COMPANY, INC.

By: /s/ Bruce R. Lakefield
President and Chief Executive Officer, USAI,
Inc. and USAI Group, Inc.

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- and -

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