

AIR TRANSPORTATION STABILIZATION BOARD

July 10, 2002

David N. Siegel
President and Chief Executive Officer
US Airways, Inc.
Crystal Park Four
2345 Crystal Drive
Arlington, VA 22227

Re: Application for a Loan Guarantee Under the Air
Transportation Safety and System Stabilization Act

Dear Mr. Siegel:

We refer to the application of US Airways, Inc. (the "Applicant"), dated June 7, 2002 and supplemented on June 27, 2002 (the "Application"), for a Federal loan guarantee under the Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42, 115 Stat. 230 (the "Act") and the regulations promulgated thereunder, 14 CFR Part 1300 (the "Regulations"). The Applicant has requested a Federal guarantee in connection with a \$1 billion financing. The Air Transportation Stabilization Board (the "Board") is asked to participate by providing a Federal government guarantee of \$900 million, representing 90 percent of the total financing.

The Board has carefully considered the Application under the standards set out in the Act and Regulations. The Board's consideration has included a review and analysis of the Application by the Board's staff and the Board's financial and industry consultants. Based on its review, the Board has determined that, except as noted below, the Application meets the requirements for a Federal loan guarantee under the Act and the Regulations. In particular, the Board has determined that the Applicant has demonstrated a reasonable assurance that it will be able to repay the loan according to its terms. Among other factors, the Board's determination is based on the proposed achievement of substantial cost savings and the reasonable assumptions that underlie the business plan submitted. In addition, the Board notes favorably the Applicant's disciplined approach to executing its restructuring plan.

Relying upon the information set forth in the Application and information conveyed to Board staff during recent discussions with the Applicant, the Board has determined to extend an offer of a guarantee, subject to satisfaction, as determined by the Board in its sole discretion, of all the conditions in the Act and the Regulations and the following:

- > The Applicant must conclude legally binding agreements, satisfactory to the Board, regarding the concessions and initiatives described in the business plan.

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- > The Board does not consider the stock purchase warrants described in the Application to represent sufficient participation in the Applicant's potential future gains. The Board must receive additional warrants in an amount and at a strike price acceptable to the Board.
- > Certain issues as to collateral (including slots and gates) must be resolved.
- > Final loan documents, including related collateral security documents and filings, affiliate guarantees, certifications, the warrant and registration rights agreement, and appropriate opinions of counsel, all in form and substance satisfactory to the Board, remain to be negotiated by the Board. We note that the Board may require control rights, representations, warranties, covenants (including, without limitation, covenants relating to the Applicant's financial ratios), anti-dilution protections and registration rights in connection with the warrants, and other customary lending provisions which are different from or in addition to those described in the Summary of Indicative Terms and Conditions included in the Application. All the conditions referred to in the Summary of Indicative Terms and Conditions must be satisfied.

The Board will continue to perform business and legal due diligence as the transaction progresses. The Board's willingness to issue the guarantee, and the specific terms it may require in the loan documents, are subject, therefore, to on-going due diligence and the Board's satisfaction with the results thereof. In the event that the Board discovers any materially negative information concerning the Applicant not currently known to it, the Board in its sole discretion may decline to issue its guarantee. The issuance of the Board's guarantee is subject also to the absence, in the sole judgement of the Board, of any material adverse change in the condition (financial or otherwise), business, property, operations, prospects, assets or liabilities of the Applicant, or in the Applicant's ability to repay the loan, or in the value of the collateral between the date of the Application and the date the guarantee is issued.

The Board and Board staff look forward to working with you toward the successful completion of this transaction and are prepared to devote all of the resources necessary to accomplish this end.

Sincerely,

Daniel G. Montgomery
Executive Director

Cc: Edward Gramlich
Kirk Van Tine
Peter Fisher