

US Airways Voluntary Furlough with Limited Recall II Program (VFLR II)

Objective

As a result of the reduction of aircraft and the overstaffing created, the Company is implementing a Voluntary Furlough Limited Recall II Program (“VFLR II” or the “Program”). VFLR II will provide an opportunity for certain Flight Attendants to accept a voluntarily furlough (due to lack of work) from US Airways with limited recall rights in exchange for a cash payment and certain travel benefits, thereby reducing the number of involuntary furloughs.

Eligible Employees

A flight attendant must have been in an active status as of July 7, 2005 to apply for a VFLR II, and must be in an active status as of his/her awarded VFLR II release date of September 1, 2005 to be eligible for a VFLR II. Active status for purposes of VFLR II includes flight attendants actively flying the line, claiming paid sick leave, taking FMLA/PCL leave, on military leave or VPLOA. Flight attendants on non-FMLA/PCL or non-military leaves of absence such as personal, unpaid medical, long-term disability, or voluntary furlough shall not be considered active. The Program is limited in size to a total of 300 participants. If there is an oversubscription to the program, Flight Attendants will be selected based upon seniority using the competitive seniority bidding date.

Flight attendants awarded a December 2, 2005 release date in the original VFLR Program are not eligible to participate. Their release date will remain December 2, 2005.

Benefits

Eligible flight attendants who voluntarily furlough from US Airways under this VFLR II Program will receive the following benefits:

- 1) A cash payment in the amount of ten thousand dollars (\$10,000), less applicable taxes and withholdings, **to be paid on November 30, 2005**. However, a flight attendant claiming excessive sick after accepting a VFLR II but prior to being released on VFLR II may be denied such \$10,000 payment, but will still be required to accept the other conditions of VFLR II.
- 2) On-line travel privileges as outlined below, unless the flight attendant is entitled to a higher level of travel privileges pursuant to Section 22.J of the Collective Bargaining Agreement.
 - a) Employees who have completed at least five (5) but less than ten (10) years of Company service as of their awarded VFLR II release date are eligible to receive ten (10) non-revenue, space-available passes for the employee and each eligible family member for the calendar years 2005 through and including 2015.
 - b) Employees who have completed at least ten (10) years of Company service as of their awarded VFLR II release date will receive unlimited non-revenue, space-available passes for the employee and each eligible family member for the life of the employee after the VFLR II date.

- 3) A flight attendant leaving the service of the Company on VFLR II will receive payouts for any accrued pay benefits (e.g., vacation) but will cease to accrue any further seniority or benefits. All accrued vacation to date will be paid out. A flight attendant with seven (7) or more cumulative vacation days will be paid out at four hours (4:00) base pay and credit per day. A flight attendant with less than seven (7) cumulative vacation days will be paid out at three hours and thirty minutes (3:30) base pay and credit per day.
- 4) The Company will not contest unemployment compensation. The Company will provide a letter confirming that the flight attendant took a voluntary furlough pursuant to a program created due to headcount reductions.

Flight Attendants who participate in this Program are not eligible to receive severance benefits or furlough pay pursuant to any other policy, program or contractual provision.

VFLR II Process:

- 1) The Company is making a one-time offer for a total of 300 VFLR IIs.
- 2) The following release date and the number of VFLR IIs to be offered is as follows: September 1, 2005 (300 slots).
- 3) Flight attendants applying for VFLR II will bid, in seniority order, for VFLR IIs. See attached application and bid form.
- 4) The Company will process bids in system seniority order until all slots are filled.
- 5) If the Company receives more bids for VFLR IIs than the number of slots offered, the Company will be under no obligation to make additional VFLR II offers. (Note: The Company will still offer an Additional VFLR Offer prior to December 2, 2006, for the surplus number of flight attendants (323) who bid for the original VFLR. Eligibility for this Additional VFLR Offer and the program details will be pursuant to the terms of the VFLR Program set forth in the 2004 AFA-US Airways Flight Attendant Agreement ("VFLR Program").

Application/ Bid Form Deadline

Flight Attendants interested in participating in this Program should complete and return the Voluntary Furlough Limited Recall II Application and Bid Form to Inflight Administration (to be **received** by Inflight Administration) no later than August 26, 2005 at 11:59 pm. You may fax the Application and Bid form to 703-872-6476. You may verify receipt of your Application and Bid form by checking on theHub. Inflight Administration will post on theHub each afternoon (Monday through Friday) a searchable list of forms received. This list will be available after 5 pm and include forms received prior to 11 am that day.

Selection and Release Process

The Company will process bids in system seniority order, awarding the September 1, 2005 date to eligible flight attendants until all slots are filled. Flight attendants will be required to sign a VFLR II release on their release date in order to receive the cash benefits outlined in this Program. **Once you submit an application and the Company awards you a VFLR II date, you cannot rescind your acceptance to participate in the Program.** If you refuse or fail to sign the VFLR II release, you will still be considered to have gone out on a Voluntary Furlough Limited Recall II, but you will not receive any of the cash benefits under the VFLR II Program as outlined in this document.

Miscellaneous Program Details

1. A flight attendant who leaves the service of the Company on a VFLR II will be offered one recall opportunity but only after the actual recall of all other voluntary and involuntary furlougees, and subject to the forfeiture of his/her prior longevity and seniority (i.e., he/she will start as a new hire employee in all ways except that he/she will not be subject to the normal probationary period). A flight attendant who is offered such recall and declines it will be deemed to have resigned. If the flight attendant accepts the recall, all non-cash benefits under the VFLR II Program shall immediately cease upon return to work.
2. Company subsidized medical and dental benefits will terminate on the effective date of the VFLR II. COBRA will be offered in accordance with applicable law.
3. A flight attendant eligible to retire (i.e., of age 55 or more and with 5 or more years of service) who is also offered a VFLR II may choose either to retire or to take the VFLR II, but cannot do both. Moreover, those flight attendants who elect to participate in and are released pursuant to the VFLR II Program, and who subsequently become pension eligible because they reach age 55 and have 5 (five) or more years of service, will NOT be eligible to then retire from VFLR II status with retirement benefits (e.g., medical). If you decide to receive your pension after taking VFLR II, you will need to resign your employment from the Company by notifying Inflight Administration in writing. Please be advised that notifying the Company of your resignation does not satisfy your obligation to notify the Pension Benefit Guaranty Corporation (PBGC) of your desire to apply for a pension benefit under the Retirement Plan for Flight Attendants in the Service of US Airways, Inc. Any recall rights shall cease upon your resignation.
4. The Company may delay the release date of a flight attendant leaving the service on a VFLR II for the time necessary to train such flight attendant's replacement.
5. Employees are expected to continue to be in compliance with all US Airways employment policies and practices during the offering period and in the period prior to their VFLR II date, including attendance rules. Failure to do so may result in your VFLR II award being denied or your participation in the program revoked by US Airways.
6. If you apply to the VFLR II Program and do not meet the eligibility requirement, your application will be deemed null and void.
7. Clarification or resolution of unspecified administrative issues concerning the benefits offered will be determined by US Airways, Inc. in its sole discretion.

Travel Details

8. No registered guest or companion pass privileges will be available.
9. Passes for the Participant and eligible family members will be issued at any ATO/CTO. Travel cards will not be issued.
10. As required by Internal Revenue Service regulations, the fair market value of all passes will be reported as income of the Participant. Currently, the fair market value of a pass is considered to be 10% of the unrestricted US Airways "Y Fare" on the date of issuance. Each year, Participants will receive a Form 1099 from US Airways reporting the fair market value of passes issued to the Participant and eligible family members. The former employee will be responsible for any and all tax liability resulting from his/her travel and that of eligible family members.
11. Travel will be provided on US Airways, US Airways Express, and US Airways Shuttle only.
12. Pass privileges will terminate upon the death of the former employee or upon employment of the employee by any air carrier.
13. Passes may not be used for any business purposes, whether for profit or non-profit.
14. Participants with less than twenty (20) years of Company Service as of their awarded VFLR II release date and their eligible family members traveling under this program will be given a boarding priority below that of active mainline employees and their eligible family members. Participants with twenty (20) years or more of Company Service as of their awarded VFLR II release date and their eligible family members traveling under this program will be given a boarding priority the same as that of active mainline employees and their eligible family members.
15. "Eligible family member" is defined in the Employee Travel Manual. Former employees and their eligible family members traveling under this program are subject to conduct, dress and other rules published by US Airways regarding employee travel. Any violation of these or other appropriate non-revenue travel rules and policies will result in the immediate and permanent revocation of the non-revenue pass privileges provided under this program. Applicable travel rules and policies will be those in effect at the time of travel.