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**UNITED STATE BANKRUPTCY COURT  
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.	)	
_____	)	

**THIRD AND FINAL APPLICATION OF  
AMERICAN APPRAISAL ASSOCIATES, INC., FOR COMPENSATION  
AND REIMBURSEMENT FOR SERVICES RENDERED**

American Appraisal Associates, Inc. (“AAA”), expert valuation consultants for the debtors and debtors-in-possession in the above-captioned cases (collectively, the “Debtor,” “US Airways” or the “Company”), submits this Third and Final Fee Application seeking allowance and payment of compensation and reimbursement of expenses under 11 U.S.C. §§ 330 and 331 for the period from its date of retention (September 13, 2004) through the date of emergence (“Effective date”) on September 27, 2005 (collectively, the “Application Period”). AAA submits this Application for (a) allowance of compensation for professional services rendered by AAA to the Debtors (“fees”), and (b) reimbursement of actual and necessary charges and disbursements incurred by AAA in the rendition of required professional services on behalf of the Debtors (“expenses”).

AAA certifies that the Reorganized Debtors have received a copy of this Final Application, but have not completed their review. In addition, AAA certifies that a copy of this Final Application has been served on the Office of the United States Trustee, counsel for the Post-Effective Date Committee<sup>1</sup> and each member of the Joint Fee Review Committee (as defined below). For its Final Application, AAA seeks the entry of an order, substantially in the form attached hereto as Exhibit L, granting final approval of compensation in the amount of \$105,924.00 and reimbursement of expenses in the amount of \$0.00 for services rendered by AAA from May 1, 2005 through September 27, 2005 (the “Third Interim Application Period”), and final approval of compensation in the amount of \$134,309.00 and reimbursement of expenses in the amount of \$1,324.90 for services rendered by AAA from September 13, 2004 through September 27, 2005 (the “Final Application Period”).

In support of this Interim Application, AAA represents as follows:

## **JURISDICTION**

1. On September 12, 2004 (the “Petition Date”), each of the Reorganized Debtors filed with the United States Bankruptcy Court for the Eastern District of Virginia, Alexandria Division (the “Court”), its respective voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330 (as amended, the “Bankruptcy Code”) commencing the above-captioned chapter 11 cases. The Reorganized Debtors’ chapter 11 cases are being jointly administered for procedural purposes only.

2. On September 21, 2004, the United States Trustee appointed an Official Committee of Unsecured Creditors (the “Committee”). On October 28, 2004, the Court appointed an Official Committee of Retired Employees of US Airways for limited purposes

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<sup>1</sup> Capitalized terms used herein but not defined shall have the meaning ascribed to them in the Plan.

pursuant to section 1114 of the Bankruptcy Code (Docket No. 612) (the “1114 Committee”). No trustee (other than the United States Trustee) or examiner has been appointed in these cases. Pursuant to section 14.4 of the Plan (as defined below), the Committee and the 1114 Committee have dissolved and a Post-Effective Date Committee has formed.

3. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

4. The bases for the relief requested herein are sections 330, 331 and 503(b) of the Bankruptcy Code and Federal Rule of Bankruptcy Procedure (the “Bankruptcy Rules”) 2016.

## **BACKGROUND**

### **A. Business Operations**

5. At the time they filed their chapter 11 petitions, the Reorganized Debtors operated the seventh largest airline in the United States. Through their mainline and commuter operations, they employed approximately 34,000 people in 37 states and the District of Columbia and were the second largest air carrier east of the Mississippi, where more than 60% of the U.S. population resides. They provided regularly scheduled airline service to close to 200 destinations across the United States and in Canada, Mexico, the Caribbean and Europe. The Reorganized Debtors carried approximately 55.6 million passengers during 2004 and, as of the Petition Date, had a fleet that included approximately 282 mainline jets, as well as a growing regional jet fleet.

6. The Reorganized Debtors generated operating revenues of approximately \$7.1 billion for the year ended December 31, 2004. The Reorganized Debtors’ chapter 11 petitions listed assets of approximately \$8.8 billion (including \$2.5 billion of goodwill) and liabilities of

approximately \$8.7 billion on a consolidated basis, excluding future aircraft purchase obligations of \$2.6 billion and future lease obligations of \$4.9 billion.

7. The Reorganized Debtors' corporate structure consists of US Airways Group, Inc. ("Group"), its wholly owned subsidiary, US Airways, Inc. ("US Airways"), three other wholly owned debtor subsidiaries, Piedmont Airlines, Inc. ("Piedmont"), PSA Airlines, Inc. ("PSA"), and Material Services Company, Inc. ("MSC"), and one non-debtor foreign insurance subsidiary.

8. As of July 1, 2004, three mergers took place among Group's subsidiaries. Allegheny Airlines, Inc. was merged into Piedmont, and US Airways Services Corporation Inc. (f/k/a MidAtlantic Airways, Inc.) and US Airways Leasing and Sales, Inc., were both merged into US Airways.

9. The Reorganized Debtors' flight operations encompass the mainline operations of US Airways, as well as commuter operations under the name US Airways Express. The Reorganized Debtors' North American operations have a traditional "hub-and-spoke" structure in Charlotte and a "rolling hub" in Philadelphia. US Airways also has a significant presence in Boston, New York (LaGuardia) and Washington, D.C. (Reagan National), including US Airways Shuttle, its shuttle operation. While no longer a hub, Pittsburgh continues to have an important presence in the Reorganized Debtors' system.

#### **B. The Previous Chapter 11 Cases**

10. Each of the Reorganized Debtors in these chapter 11 cases had previously filed, on August 11, 2002, a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code. During the pendency of the previous chapter 11 cases, the debtors in those cases continued to operate their businesses as debtors-in-possession.

11. On March 18, 2003, this Court entered an order confirming the First Amended Joint Plan of Reorganization of US Airways Group, Inc. and Its Affiliated Debtors and Debtors-in-Possession, As Modified (the “2003 Plan”). The 2003 Plan became effective on March 31, 2003 (the “2003 Plan Effective Date”) and has been substantially consummated. On August 20, 2004, this Court entered an order closing all but one of the previous chapter 11 cases.<sup>2</sup> On October 13, 2005, the Reorganized Debtors filed their final report and motion for final decree seeking to close Case No. 02-83984.

12. A key element of the 2003 Plan was that US Airways received a \$900 million loan guarantee under the Air Transportation Safety and System Stabilization Act from the Air Transportation Stabilization Board (“ATSB”) in connection with a \$1 billion term loan financing (the “ATSB Loan”). The ATSB Loan was funded on the 2003 Plan Effective Date, and is guaranteed by Group and its other domestic subsidiaries. The ATSB Loan also is secured by substantially all otherwise unencumbered assets of Group and its subsidiaries. As part of receiving the ATSB Loan, the Reorganized Debtors agreed to a number of financial covenants, the breach of which would constitute a default under the loan agreements evidencing the ATSB Loan.

13. On the 2003 Plan Effective Date, and pursuant to the terms of the 2003 Plan, the Retirement Systems of Alabama Holdings LLC (“RSA”) invested \$240 million in cash in exchange for approximately 36.2%, on a fully-diluted basis, of the equity in Group. As of the

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<sup>2</sup> On February 7, 2005, the Debtors filed a Motion to (I) Authorize the Adjudication and Resolution of US Airways Group, Inc.’s Remaining Bankruptcy Case Related Claims in the US Airways, Inc. Bankruptcy Case and (II) Relieve the Claims Agent of its Responsibilities in the US Airways Group, Inc. Bankruptcy Case (Docket No. 1770) (the “Claims Adjudication Motion”). On February 18, 2005, this Court entered an order granting the Claims Adjudication Motion, thereby providing the Debtors with the ability to adjudicate, resolve, and settle the 66 remaining claims from the Debtors’ previous chapter 11 cases in the context of the Debtors’ current chapter 11 cases.

2003 Plan Effective Date, in connection with its investment, RSA obtained a voting interest of approximately 71.6% in Group.

14. Before emerging from chapter 11, the Reorganized Debtors examined every phase of their contracts and operations. They had (i) reduced their costs by more than \$2 billion annually, including more than \$1.2 billion in labor cost reductions, (ii) reduced their mainline capacity, (iii) realigned their network to maximize yield, (iv) initiated a business plan to use more (and larger) regional jets and procured financing to acquire these aircraft, and (v) expanded their alliances with other carriers. Through their 2003 Plan, with the assistance of this Court and their customers and stakeholders, the Reorganized Debtors had effectively implemented all of the steps that then appeared necessary to compete with the other legacy carriers and return to profitability.

**C. Adverse Events Since the 2003 Plan Effective Date**

15. The Reorganized Debtors substantially achieved all of the objectives identified in the 2003 Plan that were within their control. Nonetheless, after emerging from bankruptcy in March 2003, the Reorganized Debtors continued to incur substantial losses from operations. For the nine-month period ending December 31, 2003, Group had an operating loss of approximately \$44 million and a net loss of approximately \$174 million. For the twelve-month period ending December 31, 2004, Group had a net loss of approximately \$611 million.

16. Primary factors contributing to these losses include an unprecedented reduction in domestic industry unit revenue and unprecedented increases in fuel prices. The downward pressure on domestic industry unit revenue is the result of the rapid growth of low-fare, low-cost airlines, the increasing transparency of fares available through Internet sources, and other changes in fare structures that result in substantially lower fares for many business and leisure

travelers. This development, although positive for consumers, has had a persistent and deleterious effect on the revenue side of the Reorganized Debtors' businesses and represents a new paradigm in the airline industry. Passenger levels are increasing, but the legacy carriers, like the Reorganized Debtors, are still losing money.

17. At the same time, fuel prices continued at historically high levels. While fuel prices are not at the core of the Reorganized Debtors' problems, they have clearly exacerbated the financial situation and accelerated the time at which the Reorganized Debtors were forced to address their core problems.

18. Although it was not apparent at the time the Reorganized Debtors emerged from chapter 11 in 2003, it later became apparent that the Reorganized Debtors were required fundamentally to transform in order to survive. During 2004, the Reorganized Debtors' management developed a plan for transforming the Reorganized Debtors into a fully competitive and profitable airline (the "Transformation Plan").

19. Throughout the Spring and Summer of 2004, the Reorganized Debtors communicated with key stakeholders and the public regarding their plan to seek to implement, by September 2004, the actions needed and the cost reductions necessary to transform the airline into a viable competitor. The Reorganized Debtors aggressively sought to obtain the necessary agreements to allow full implementation of their Transformation Plan without the need for filing new chapter 11 cases. An essential element of the Transformation Plan, however, was significant reductions in labor costs through changes in the Reorganized Debtors' collective bargaining agreements. The Reorganized Debtors were not able to achieve those reductions prior to the filing of these chapter 11 cases.

20. With losses mounting, available cash declining, and defaults or cross defaults looming under the Reorganized Debtors' key agreements with various parties, the Reorganized Debtors had no practical alternative but to file for chapter 11 protection again in order to preserve their assets while attempting to complete their implementation of the Transformation Plan.

**D. Summary of Significant Events During the Final Application Period**

21. The significant events during the Reorganized Debtors' chapter 11 cases have been summarized in the Reorganized Debtors' professionals' first and second interim applications for compensation and reimbursement of expenses, and those summaries are incorporated herein by reference (including any terms defined therein). The following is a brief summary of significant events that occurred during the Final Application Period.

22. In order to achieve unrestricted liquidity required to effectuate their successful emergence from bankruptcy, the Reorganized Debtors explored possible market transactions related to their fleet, including sales, sale/leaseback and financing transactions, that could realize substantial additional liquidity and foster the continued rationalization of their fleet. Accordingly, the Reorganized Debtors entered into such transactions with Mountain Capital Partners, LLC,<sup>3</sup> Fortress Investment Group LLC,<sup>4</sup> and RPK Capital V, LLC.<sup>5</sup>

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<sup>3</sup> Order Authorizing the Debtors to Enter Into a Sale and Leaseback Transaction With Mountain Capital Partners, LLC With Respect to Four (4) Boeing 767-200ER Aircraft and One (1) Spare Engine Pursuant to 11 U.S.C. Section 363 and Rules 2002 and 6004 of the Federal Rules of Bankruptcy Procedure (Docket No. 2868).

<sup>4</sup> Order Authorizing the Debtors to Enter into a Sale and Leaseback Transaction with Fortress Investment Group LLC with respect to Five (5) Airbus 330-300 Aircraft, Including Payment of Liquidated Damages (Docket No. 3230).

<sup>5</sup> Order (I) Authorizing the Debtor to Enter into a Sale and Leaseback Transaction with RPK Capital V, L.L.C. with Respect to (A) Nine (9) Airbus 319-112 Aircraft and (B) upon Exercise of a Certain Put Option and (II) Approving the Liquidated Damages Payment and Expense Reimbursement in Connection Therewith (Docket No. 3229).



23. In May 2005, the Reorganized Debtors announced a merger agreement (the “America West Transaction”) with America West Holdings Corporation (“America West”).

24. On May 20, 2005, the Reorganized Debtors filed a motion seeking this Court’s approval of a set of procedures governing the process by which any other qualified entity interested in funding and facilitating a plan of reorganization for the Reorganized Debtors may submit a proposal to compete with the proposed America West Transaction (the “Bidding Procedures Motion”).<sup>6</sup> On June 1, 2005, this Court entered an order approving the Bidding Procedures Motion and established a set of bidding procedures to ensure that the America West Transaction was the best possible transaction to serve as the primary basis for the Reorganized Debtors’ reorganization and their emergence from these Chapter 11 Cases.<sup>7</sup>

25. In an effort to increase the probability of the success of the America West Transaction, the Reorganized Debtors also filed a motion seeking this Court’s approval of a transaction retention plan that is designed to retain the Reorganized Debtors’ essential officers and salaried employees throughout the negotiations over a strategic transaction and during the approval and implementation process of any such transaction or other change of control (the “TRP Motion”).<sup>8</sup> The TRP Motion was approved in part on June 15, 2005.<sup>9</sup> Further, the

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<sup>6</sup> Debtors' Motion for an Order (A) Approving Procedures for the Consideration of Plan Funding Proposals, (B) Approving Form and Manner of Notice of Competing Offer Procedures, and (C) Approving Break-Up Fee and Related Provisions (Docket No. 2160).

<sup>7</sup> Order (A) Approving Procedures for the Consideration of Plan Funding Proposals, (B) Approving Form and Manner of Notice of Competing Offer Procedures, and (C) Approving Break-Up Fee and Related Provisions (Docket No. 2213).

<sup>8</sup> Debtors’ Motion Pursuant to Sections 105(a), 363(b)(1) and 365(a) of the Bankruptcy Code for an Order Approving and Authorizing a Transaction Retention Program Consisting of (1) Officer Employment Contracts and (2) Severance and Retention Policies for Salaried Employees (Docket No. 2125).

<sup>9</sup> Order Granting in Part, Denying in Part Motion Authorizing a Transaction Retention Program (Docket No. 2268).

Reorganized Debtors' sought approval of certain officer contracts in connection with confirmation of the Plan, which such contracts were ultimately approved on September 16, 2005.

26. On June 13, 2005, the Reorganized Debtors filed a motion to enter into a master merger memorandum of understanding (the "Merger MOU"). The key aspects of the Merger MOU included: (i) the early return to GECC of certain mainline aircraft from the Reorganized Debtors' fleet; (ii) the restructuring of the timing of certain rental payments under leases relative to certain regional jet aircraft, with no reduction in the aggregate rental obligations thereunder; and (iii) the modification of certain agreements relative to the financing of regional jet aircraft. The Merger MOU was approved on June 24, 2005 (Docket No. 2320).

27. On June 30, 2005, the Reorganized Debtors filed the Joint Plan of Reorganization of US Airways, Inc. and Its Affiliated Debtors and Debtors-in-Possession (Docket No. 2339) (as amended, the "Plan") and the disclosure statement in connection therewith (Docket No. 2340) (as amended, the "Disclosure Statement").

28. Upon entry of the order approving the Disclosure Statement,<sup>10</sup> the Reorganized Debtors began solicitation on the Plan. At the same time, the Reorganized Debtors were completing the analysis of their executory contracts and unexpired leases,<sup>11</sup> filing multiple claim objections<sup>12</sup> and motions in connection with the claims resolution process,<sup>13</sup> and preparing for the merger with America West.

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<sup>10</sup> Order Approving (I) Disclosure Statement; (II) Record Date, Voting Deadline and Procedures for Temporary Allowance of Certain Claims; (III) Procedures for Filing Objections to Plan; (IV) Solicitation Procedures for Confirmation; and (V) a Hearing Date to Consider Confirmation of the Plan (Docket No. 2794).

<sup>11</sup> Exhibit U-3 to Joint Plan of Reorganization of US Airways, Inc. and Its Affiliated Debtors and Debtors-in-Possession (Docket Nos. 2961, 3124, 3170 and 3182); Exhibit U-5 to Joint Plan of Reorganization of US Airways, Inc. and Its Affiliated Debtors and Debtors-in-Possession (Docket Nos. 2959, 3124, 3170 and 3183).

<sup>12</sup> Debtors' First Omnibus Objection to Certain (i) Duplicative Claims; (ii) Amended Claims; and (iii) Equity Claims (Docket No. 2322); Debtors' Second Omnibus Objection to Certain (i) No Liability Claims (Books and Records); (ii) No Liability Claims (Third Party Litigation); (iii) No Liability Claims (Current and Retired Employees); and (iv)

29. All classes entitled to vote on the Plan voted overwhelmingly in favor of the Plan,<sup>14</sup> and the Plan was confirmed on September 16, 2005.<sup>15</sup> On September 27, 2005 (the “Effective Date”), the merger with America West was completed and the Plan became effective.

30. As illustrated by the foregoing, the Reorganized Debtors achieved a significant number of substantive accomplishments in a relatively short period of time. In approximately one year, the Reorganized Debtors emerged from bankruptcy, merged with America West and now operate the largest low-fare airline in the world.

### **STATUS**

31. On September 13, 2004, the Court entered an order authorizing the employment of AAA as expert valuation consultants to the Debtors pursuant to Section 327(a) of the Bankruptcy Code (Docket No. 78) (the “Employment Order”).

32. By this Application, AAA is seeking, *inter alia*, compensation and reimbursement of expenses pursuant to the Employment Order and pursuant to 11 U.S.C. §§ 330, 331 and 503(b) for the period September 13, 2004 through September 27, 2005.

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No Liability Claims (Individual Bondholders) (Docket No. 2329); Debtors' Third Omnibus Objection (Non-Substantive) to Certain Claims for Reclassification Purposes (Docket No. 2337); Debtors' Fourth Omnibus Objection to Certain (i) Duplicative Claims and Amended Claims; (ii) Equity Claims; (iii) No Liability Claims (Books and Records); (iv) Tax, Governmental, and Environmental Claims; and (v) Modify Debtor and Amount Claims (Docket No. 2659).

<sup>13</sup> Motion for Order Establishing Bar Date for Filing Certain Non-Ordinary Course Administrative Claims, Approving Form and Manner of Notice Thereof and Approving Proof of Administrative Claim Form (Docket No. 2327); Motion to Authorize Claimants to Withdraw Proofs of Claim Consistent with the Debtors' Claims Resolution Authority (Docket No. 3144).

<sup>14</sup> Affidavit of Ronald Howard Certifying the Ballots Accepting or Rejecting the Joint Plan of Reorganization of US Airways, Inc. and Its Affiliated Debtors and Debtors-in-Possession Dated August 9, 2005 (Docket No. 3167).

<sup>15</sup> Findings of Fact, Conclusions of Law and Order under 11 U.S.C. §§ 1129(a) and (b) and Fed. R. Bankr. P. 3020 Confirming the Joint Plan of Reorganization of US Airways, Inc. and Its Affiliated Debtors and Debtors-In-Possession (Docket No. 3193).

33. Pursuant to the Employment Order, AAA initially charged its expert valuation services on a quarter of an hour basis at its staff's hourly rates, which are set in accordance with the appraiser's seniority and experience and are adjusted from time-to-time. AAA also charged the Debtors for its actual out-of-pocket expenses incurred such as copying, long distance telephone, travel, overnight mail, telecopies, computer research, and other disbursements. AAA's fee structure and expense reimbursement policies were disclosed in AAA's employment application, to which no party interposed an objection, and which this Court ultimately approved.

34. A summary of monthly fee statements is attached hereto and incorporated herein as Exhibit "A." The names of all AAA appraisers who have worked on this matter and their respective hourly rates are set forth on Exhibit "B" hereto. Exhibit "C" details the expenses in this matter. Exhibit "D" is a copy of the original retention letter by and between AAA and Arnold & Porter dated August 10, 2004. Exhibit "E" is the June 3, 2005 addendum letter setting a flat fee of \$45,000 for additional specific work to be performed by AAA (which letter was later amended to increase AAA's compensation by \$2,450). Exhibit "F" consists of the daily detail of AAA's work efforts for the month of September, 2005 (for which there were no expenses). Exhibit "G" is the daily summary of AAA's work efforts for the month of September, 2005. Exhibit "H" is the "Grand Summary" of all time records for the month of September, 2005. Exhibit "I" is the September 15, 2005 engagement letter with a retainer fee of \$80,000 against which AAA's pre- and post-emergence work efforts have and continue to be billed, subject to this Court's approval of all pre-emergence fees. Exhibit "J" is this Court's order approving the First Interim Fee Application of AAA; Exhibit "K" is this Court's order approving the Second Interim Fee Application of AAA. Exhibit "L" is the proposed Order relating to this fee application.

35. To the best of AAA's knowledge, information and belief, the Debtors have paid postpetition operating expenses in the ordinary course, and there are currently no unpaid, undisputed ordinary course, postpetition operating expenses in these cases.

36. To the best of AAA's knowledge, information and belief, the Debtors have filed with the United States Trustee all monthly operating reports presently due, and have paid all quarterly fees to the United States Trustee that are presently due.

### **EEE PROCEDURES AND MONTHLY FEE STATEMENTS**

37. On October 14, 2004, this Court entered an Order Granting Motion to Authorize Procedures for Interim Compensation and Reimbursement of Expenses of Professionals Pursuant to 11 U.S.C. §§ 105(a) and 331 (Docket No. 489) (the "Administrative Order"). Pursuant to paragraph 2(a) of the Administrative Order, AAA is submitting this Application to the Debtors as well as to counsel to the Committee, and the United States Trustee. Notice of the Application has been served pursuant to the Order Establishing Omnibus Hearing Dates and Authorizing Certain Electronic Notice, Case Management and Administrative Procedures (Docket No. 121) (the "Procedures Order").

38. In order to minimize costs to the Debtors' estates and avoid duplicative efforts in the review of fee applications filed in these chapter 11 cases, the Debtors, the Official Committee of Unsecured Creditors, and the United States Trustee agreed to the formation of a joint fee review committee (the "Fee Review Committee") to review, comment on and, if necessary, object to the various fee applications filed in these cases. The Administrative Order authorized the establishment of the Fee Review Committee.

39. Pursuant to the Administrative Order, on or before the last day of each month following the month for which compensation is sought, AAA submitted monthly statements to

the parties described in the Administrative Order. The parties had twenty (20) days to review AAA's monthly statement. If there were no objections, at the expiration of the twenty (20) day period, the Debtors were ordered to promptly pay eighty-five percent (85%) of the fees and one hundred percent (100%) of the expenses identified in each monthly statement. AAA submitted monthly fee statements for each month during the Application Period. In regards to the December, 2004 monthly fee statement; the United States Trustee objected to the characterization of certain items listed as "expenses" and asserted that the items in question were properly categorized as "fees." Accordingly, AAA agreed to reclassify those expenses as fees and has summarized the payments received and amounts still due and owing (including the reclassified expenses) in the spreadsheets shown in Exhibit "A."

#### **SERVICES PERFORMED**

40. The Debtors requested that AAA render expert valuation services as described in detail in the Employment Order and AAA performed the services as summarized in Exhibit "B," which include the provision of expert valuation consulting services.

#### **REQUESTED FEES AND REIMBURSEMENT OF EXPENSES**

41. AAA has played an integral role in assisting the Debtors in implementing their restructuring strategy. As a result, AAA now seeks court approval of the fees and expenses as detailed below. AAA earned a total of \$176,816.50 in fees in this matter. A portion of the work performed for a flat fee of \$47,450.00, resulted in a voluntary write-off by AAA of \$42,507.50 in professional fees. AAA seeks approval of the resultant \$134,309.00 in fees. AAA incurred \$1,324.90 in costs of which \$1,169.90 has been paid leaving an amount due for costs of \$165.00.

42. In accordance with the Administrative Order, AAA has submitted Monthly Fee Statements for the period from September 13, 2004 through September 27, 2005, and now submits this Third Interim and Final Application covering the entire Application Period.

43. In staffing this case, in budgeting and incurring charges and disbursements, and in preparing and submitting this Interim Application, AAA has been mindful of the need to be efficient while providing full and complete services to the Debtors. AAA also has been especially cognizant of the standards established by this Court for compensation of professionals and reimbursement of charges and disbursements. *See In re Adventist Living Centers, Inc.* 137 B.R. 701 (Bankr. N.D. Ill. 1991); *In re Convent Guardian Corp.*, 103 B.R. 937 (Bankr. N.D. Ill. 1989). As described in detail herein, AAA believes that the requests made in this Third Interim and Final Fee Application comply with this Court's standards in the context of the unique circumstances surrounding this unusually large and complex case.

44. The Administrative Order provides that in order to seek interim compensation, professionals must submit Monthly Fee Statements to the Debtors, counsel for the Debtors' counsel for the Committee, and the United States Trustee. If no objection to the Monthly Fee Statements was made within 20 days after service of the Statements, the Debtors were authorized to pay 85% of the fees requested (with the remaining 15% of the fees requested referred to herein as the "Holdback") and 100% of the charges and disbursements ("expenses") requested. AAA believes that the amounts requested in this Third Interim and Final Fee Application are reasonable in relation to the services rendered.

#### **NOTICE**

45. AAA has served copies of the Application on the Debtors, counsel for the Post Effective Date Committee and the United States Trustee. In addition, AAA has served notice of

the filing of the Application on the parties as required by the Procedures Order. AAA submits that no other or further notice need be given.

**CONCLUSION**

**WHEREFORE**, AAA respectfully requests that the Court enter an Order approving the compensation and reimbursement of expenses requested herein, approving payments made or to be made from the retainer fees held in trust by AAA totaling **\$135,633.90** (**\$134,309** in fees and **\$1,324.90** in costs) and authorizing and directing the Debtors to immediately pay or authorize a transfer of funds held in trust as retainer fees being held for that purpose, and for such other and further relief as the Court deems appropriate.

Dated:           October 27, 2005 at Milwaukee, Wisconsin.

Respectfully submitted,

*/s/T. Michael Rathburn*  
T. Michael Rathburn  
Associate General Counsel

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	)	Hon. Stephen S. Mitchell
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**SUMMARY OF ATTACHED EXHIBITS**

Exhibit "A" Summary of Monthly Fee Statements  
Exhibit "B" Names of Appraisers Utilized in this Engagement  
Exhibit "C" Expenses  
Exhibit "D" Original Retention Letter Dated August 10, 2004  
Exhibit "E" June 3, 2005 Addendum Letter  
Exhibit "F" September, 2005 Monthly Fee Application: Daily Detail  
Exhibit "G" September, 2005 Monthly Fee Application: Daily Summary  
Exhibit "H" September, 2005 Monthly Fee Application: Grand Summary  
Exhibit "I" September 15, 2005 Engagement (Supplement) Letter  
Exhibit "J" Order Approving First Interim Fee Application of American Appraisal  
Exhibit "K" Order Approving Second Interim Fee Application of American Appraisal  
Exhibit "L" (Proposed) Order Approving American Appraisal Associates, Inc.'s Third and Final Fee Application for Compensation and Reimbursement for Services Rendered from September 14, 2004 to September 27, 2005

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**EXHIBIT "A"**

# EXHIBIT A

## SUMMARY OF MONTHLY FEE STATEMENTS Third Interim & Final Fee Application

### First Interim Period

<u>Period Covered</u>	<u>Gross Fees Incurred</u>		<u>Net Fees</u>	<u>Fees Requested @ 85% of Net Fees</u>	<u>Fees Paid Directly on Monthly Basis</u>	<u>Fees Paid Directly on Approval of Interim Fee Application</u>		<u>Fees Outstanding</u>		<u>Expenses Incurred</u>	<u>Expenses Paid</u>	<u>Expenses Out-standing</u>
9/13/04 - 9/30/04	3,200.00		3,200.00	2,720.00	2,720.00	480.00		0.00		1,057.06	1,057.06	0.00
10/1/04 - 10/31/04	1,400.00		1,400.00	1,190.00	1,190.00	210.00		0.00		0.00	0.00	0.00
11/1/04 - 11/30/04	900.00		900.00	765.00	646.75	253.25		0.00		165.00	0.00	165.00
12/1/04 - 12/31/04	2,141.25		2,141.25	1,820.06	0.00	2,141.25		0.00		82.20	82.20	0.00

### Second Interim Period

<u>Period Covered</u>	<u>Gross Fees Incurred</u>		<u>Net Fees</u>	<u>Fees Requested @ 85% of Net Fees</u>	<u>Fees Paid Directly on Monthly Basis</u>	<u>Fees Paid Directly on Approval of Interim Fee Application</u>		<u>Fees Outstanding</u>		<u>Expenses Incurred</u>	<u>Expenses Paid</u>	<u>Expenses Out-standing</u>
1/1/05 - 1/31/05	20,743.75		20,743.75	17,632.19	0.00	20,743.75		0.00		20.64	20.64	0.00

### Third Interim Period

<u>Period Covered</u>	<u>Gross Fees Incurred</u>	<u>Fees Forfeited Due to Flat Fees</u>	<u>Net Fees</u>	<u>Fees Requested @ 85% of Net Fees</u>	<u>Fees Paid Directly on Monthly Basis</u>	<u>Fees Paid Directly on Approval of Interim Fee Application</u>	<u>Fees Paid from Retainer</u>	<u>Fees Outstanding</u>	<u>Retainer Fee Deposits/ (Charges)</u>	<u>Expenses Incurred</u>	<u>Expenses Paid</u>	<u>Expenses Out-standing</u>
Retainer Fee Received 5/05									45,000.00			
5/31/05 - 6/30/05 -- Flat Fee of \$47,450*	89,957.50	42,507.50	47,450.00	47,082.75	0.00	0.00	47,082.50	367.50	(47,082.50)	0.00	0.00	0.00
Retainer Fee Received 9/05									80,000.00			
9/1/05 - 9/27/05**	58,474.00	0.00	58,474.00	49,702.90	0.00	0.00	58,474.00	0.00	(58,474.00)	0.00	0.00	0.00
<b>TOTALS</b>	<b>176,816.50</b>	<b>42,507.50</b>	<b>134,309.00</b>	<b>120,912.90</b>	<b>4,556.75</b>	<b>23,828.25</b>	<b>105,556.50</b>	<b>367.50</b>	<b>19,443.50</b>	<b>1,324.90</b>	<b>1,159.90</b>	<b>165.00</b>

\*See Exhibit E: Engagement Letter dated June 3, 2005. An addendum to this letter raised the flat fee from \$45,000 to \$47,450

\*\*See Exhibit I: Engagement letter dated September 15, 2005

T. Michael Rathburn  
American Appraisal Associates, Inc.  
411 East Wisconsin Avenue  
Suite 1900  
Milwaukee, WI 53202  
Expert Valuation Consultants for  
Debtors and Debtors-in-Possession

**UNITED STATE BANKRUPTCY COURT  
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.	)	
_____	)	

**EXHIBIT “B”**

## EXHIBIT B

### SUMMARY OF TIME

In re: U.S. Airways Group, Inc. et al (Chapter 11)			
Case Number 04-13819 (Jointly Administered)			
Name of Applicant: American Appraisal Associates, Inc.			
Role: Expert Valuation Consultants for Debtors			
Current Applications:			
Fees Requested:	134,309.00		
Expenses Requested:	1,324.90		
Retainer Paid:	125,000		
\$45,000 and \$80,000			
Previous Fees Requested:	0		
Previous Fees Awarded:	0		
Previous Expenses Requested:	0		
Previous Expenses Awarded:	0		

### SUMMARY OF TIME

Professionals				
Consultants	Title	Rate	Hours	Amount
Anthony Wells	Vice President	400.00	8.00	3,200.00
Anthony Wells	Vice President	400.00	2.00	800.00
Anthony Wells	Vice President	400.00	0.75	300.00
Anthony Wells	Vice President	400.00	10.00	4,000.00
Anthony Wells	Vice President	400.00	44.00	17,600.00
Anthony Wells	Vice President	350.00	2.00	700.00
Christopher Luedtke	Senior Valuation Consultant	250.00	32.00	8,000.00
Christopher Luedtke	Senior Valuation Consultant	250.00	64.00	16,000.00
James Austria	Associate Appraiser	175.00	4.00	700.00
Keith Klemowits	Valuation Consultant	225.00	52.00	11,700.00
Keith Klemowits	Valuation Consultant	225.00	1.00	225.00
Gary Loke	Principal	325.00	12.00	3,900.00
Gary Loke	Principal	325.00	24.00	7,800.00
Kevin Reilly	Valuation Consultant	250.00	8.00	2,000.00
Kevin Reilly	Valuation Consultant	225.00	32.00	7,200.00
Kevin Reilly	Valuation Consultant	225.00	16.00	3,600.00
Kimberly Meyers	Paraprofessional	150.00	2.33	349.50
Linda Sweet	Engagement Director	300.00	2.00	600.00
Linda Sweet	Engagement Director	300.00	3.00	900.00
Linda Sweet	Engagement Director	300.00	6.00	1,800.00
Linda Sweet	Engagement Director	300.00	48.00	14,400.00
Linda Sweet	Engagement Director/Subcontractor	300.00	16.00	4,800.00
Linda Sweet	Engagement Director	300.00	52.00	15,600.00
Michelle LeFever	Associate Appraiser	175.00	0.50	87.50
Monica Bartoshevich	Paraprofessional	130.00	6.50	845.00
Monica Bartoshevich	Paraprofessional	150.00	0.33	49.50
Nancy Czaplinski	Vice President and Managing Principal	400.00	16.00	6,400.00
Nancy Czaplinski	Vice President and Managing Principal	350.00	12.00	4,200.00
Paul Yoon	Associate Appraiser	175.00	2.00	350.00
Philip Cook	Engagement Director	300.00	27.75	8,325.00
Philip Cook	Engagement Director	300.00	9.50	2,850.00
Richard Palchak	Engagement Director	300.00	36.00	10,800.00
Richard Palchak	Engagement Director	300.00	5.00	1,500.00
Robert Wells	Engagement Director	300.00	32.00	9,600.00
Scott Kellenberger	Engagement Director	300.00	17.50	5,250.00
	Sub-Total			176,431.50

## EXHIBIT B

### SUMMARY OF TIME

In re: U.S. Airways Group, Inc. et al (Chapter 11)				
Case Number 04-13819 (Jointly Administered)				
<b>Administrative</b>				
Kevin Kelsay	Senior Administrator II	55.00	0.25	13.75
Kevin Kelsay	Senior Administrator II	55.00	3.25	178.75
Nancy Cruz	Contract Manager	55.00	0.50	27.50
Nancy Cruz	Contract Manager	55.00	3.00	165.00
	Sub-Total			385.00
<b>Total Fees</b>				<b>176,816.50</b>
<b>Less Adjustments</b>				<b>-42,507.50</b>
Actual fees incurred were \$89,957.50, but matter was "flat fee" at \$45,000; the only additional fees approved were \$2,450, of which \$2,082.50 (85 percent) were approved by the Bankruptcy Court and paid, remaining balance is \$367.50. Adjustment amount is -\$42,507.50. [89,957.50 - 47,450 = 42,507.50]				
<b>Total Adjusted Fees</b>				<b>134,309.00</b>

T. Michael Rathburn  
American Appraisal Associates, Inc.  
411 East Wisconsin Avenue  
Suite 1900  
Milwaukee, WI 53202  
Expert Valuation Consultants for  
Debtors and Debtors-in-Possession

**UNITED STATE BANKRUPTCY COURT  
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.	)	
_____	)	

**EXHIBIT “C”**

## EXHIBIT C

**Actual and Necessary Expenses Incurred by American Appraisal Associates, Inc.**  
**On Behalf of U.S. Airways, Inc.**  
**May 31st through September 27, 2005**

Description								Amount
Airfare								566.69
Hotel								319.46
Meals								78.91
Personal Auto								9.00
Taxi Tolls & Parking								73.00
Additional Expenses								10.00
Kevin Kelsay's time*								165.00
Postage								82.20
Postage								20.64
<b>Total Expenses</b>								<b>1,324.90</b>
*Administrative Expense (initially recorded as an expense)								



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American Appraisal Associates, Inc.  
411 East Wisconsin Avenue  
Suite 1900  
Milwaukee, WI 53202  
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**UNITED STATE BANKRUPTCY COURT  
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.	)	
_____	)	

**EXHIBIT “D”**

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**ARNOLD & PORTER LLP**

Joel M. Gross  
Joel\_Gross@porter.com  
202.942.5705  
202.942.5888 Fax  
301.618.0997 Cell  
555 Twelfth Street, NW  
Washington, DC 20004-1208

August 10, 2004

**VIA FACSIMILE AND U.S. MAIL**

Michael Rathburn  
American Appraisal Associates, Inc.  
411 E. Wisconsin Ave., Suite 1900  
Milwaukee, WI 53202

Re: *Expert Consulting for US Airways Group, Inc. and its subsidiaries*

Dear Mr. Rathburn:

This letter is to confirm that American Appraisal Associates, Inc. ("AAAI") has agreed to serve as an expert consultant to Arnold & Porter LLP and to our clients, US Airways Group, Inc, US Airways Inc., Piedmont Airlines, Inc., PSA Airlines, Inc. and Material Services Company, Inc. (collectively "Airways"). Your consulting work will relate to the value of certain of Airways' assets. These services will be performed in anticipation of potential legal proceedings that Airways may become involved with. In addition to providing expert consulting services, you may, at a later time, be designated to provide expert testimony in administrative or judicial proceedings.

The initial phase of your work ("Phase I") will be to review a series of seven appraisal reports, dated March 12, 2004, which were prepared for Airways by BACK Aviation Solutions ("BACK") and reflected valuations as of December 31, 2003. You will prepare your own independent valuations as of August 30, 2004 of each of the categories of assets valued by BACK, on both a fair market value and distressed sale basis. You will provide us by August 30, 2004 with an oral report on the results of your analysis, and a written summary of your analysis and conclusions by September 3, 2004.

We may also request that you prepare a more comprehensive summary appraisal report of your analysis and conclusions ("Phase II") to be delivered by a date in September 2004 to be mutually agreed upon. The specific expectations and obligations of Phase II shall be specifically set forth in an addendum to this agreement, entered into prior to the commencement of the Phase II work effort.

You agree to keep the following confidential: all information provided to you pursuant to this agreement, all work performed by you pursuant to this agreement, and

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## ARNOLD & PORTER LLP

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Michael Rathburn  
August 9, 2004  
Page 2

the fact that you have been retained to perform these services. You agree not to share this information with anyone outside of AAAI or our firm, other than at our direction. You also agree to ensure that all employees of AAAI working on this project or with access to any information related thereto are informed of the confidentiality requirements of this agreement. Workpapers prepared by you in connection with this matter shall be considered attorney work product and proprietary to Airways. In the event anyone seeks to compel AAAI to disclose any information deemed confidential hereunder, you will provide us with prompt written notice so that we or Airways may seek a protective remedy, if available.

Your fee for Phase I of this project as described above will be \$125,000, which will be inclusive of any out-of-pocket expenses or disbursements that you may incur. Once you have signed this letter, we will request Airways to disburse \$125,000 to you as an advance retainer for this portion of the work. Once this portion of the work is complete, you should provide Airways with an invoice for the services performed, and you may then credit the amount of the invoice against the retainer. Your fee for Phase II of the project will be \$30,000, again inclusive of expenses and disbursements. Should we ask you to undertake Phase II, we will request that Airways provide you with an additional retainer of \$30,000 with respect to this phase of the work. Again, once this portion of the work is complete, please provide Airways with an invoice for the services performed, and you may then credit the amount of the invoice against the retainer.

Once the reports are complete, you may be asked or provide further consulting services or to provide expert testimony in litigation proceedings. Airways will compensate you for those services at your usual hourly rates, which we understand is \$400 an hour for Tony Wells and \$300 an hour for Linda Sweet. Airways will also reimburse you for your reasonable actual, out-of-pocket expenses in connection with such additional services.

The obligation to pay your fees and expenses as set forth above shall be solely that of Airways, and Arnold & Porter LLP shall have no obligations in that regard.

This agreement represents the entire agreement between us and supersedes any prior oral or written agreement and may not be altered except by our mutual written agreement. The rights and obligations hereunder may not be assigned, transferred or delegated without the consent of both of us. We agree that your compensation is not contingent in any way upon any opinions or conclusions you reach or on any subsequent event directly related to those opinions or conclusions. We expect that all opinions or

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ARNOLD & PORTER LLP

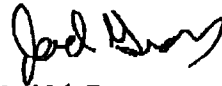
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Michael Rathburn  
August 9, 2004  
Page 3

conclusions you provide us shall be your best, independent professional judgment. AAAI will perform its services in accordance with applicable professional standards. We recognize that your services will involve judgments, and may be based on an analysis of information or data that may be unverified or subject to change over time. It is agreed that no party shall be liable for failure to perform hereunder as a result of delays due to circumstances that are beyond their control.

Please sign and return a copy of this letter to signify your agreement to these terms. We look forward to working with you on this matter.

Sincerely,



Joel M. Gross

ACCEPTED AND AGREED TO:  
this 11th day of AUGUST, 2004

  
GENERAL COUNSEL

T. Michael Rathburn  
American Appraisal Associates, Inc.  
411 East Wisconsin Avenue  
Suite 1900  
Milwaukee, WI 53202  
Expert Valuation Consultants for  
Debtors and Debtors-in-Possession

**UNITED STATE BANKRUPTCY COURT  
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.	)	
_____	)	

**EXHIBIT “E”**

**United States**

Atlanta  
Boston  
Charlotte  
Chicago  
Cincinnati  
Dallas  
Denver  
Detroit  
Houston  
Irvine  
Los Angeles  
Milwaukee  
New Orleans  
New York  
Oak Brook  
Philadelphia  
Pittsburgh  
Princeton  
San Francisco  
Schaumburg  
Stamford  
Washington D.C.



**American Appraisal Associates®**

411 East Wisconsin Avenue  
Suite 1900  
P.O. Box 664  
Milwaukee, Wisconsin 53201-0664

Telephone (414) 271-7240  
www.american-appraisal.com

**International**

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Greece  
Hungary  
Italy  
Japan  
Portugal  
Russia  
Spain  
Thailand  
United Kingdom

June 3, 2005

Ms. Anita P. Beier  
Senior Vice President - Finance & Controller  
US Airways, Inc.  
2345 Crystal Drive  
Arlington, Virginia 22227

Dear Ms Beier:

American Appraisal Associates, Inc. ("American Appraisal") is pleased to present our recommendations and proposal for professional consultation services to US Airways, Inc. ("US Airways" or "the client").

**BACKGROUND:**

On September 13, 2005 the United States Bankruptcy Court for the Eastern District of Virginia Alexandria Division issued its "*Order Authorizing the Employment and Retention of American Appraisal Associates, Inc. as Expert Valuation Consultants for the Debtors §327(a)*" (the "Retention Order"). Pursuant to the Retention Order, and Exhibit C thereof (the "August 2004 Engagement Agreement"), AAA was retained by US Airways to provide valuation consulting services to US Airways of various assets to be used in support of US Airways first day motion to use cash collateral. This engagement letter is an addendum to the August 2004 Engagement Agreement and is subject to the Retention Order.

The Retention Order and the August 2004 Engagement Agreement contemplated and anticipated that US Airways would need American Appraisal to provide additional consultation services. The Retention Order proscribes that any additional services requested must be set forth in an addendum to the 2004 Engagement Agreement. Please accept the following as an Addendum to the 2004 Engagement Agreement.

*We value your business.®*

## **INTENDED USE**

American Appraisal's valuation-consulting services are intended to assist US Airways in establishing a pre-emergence balance sheet. We understand that US Airways anticipates emerging on or about September 30, 2005. It is also our understanding that US Airways will be required to file limited pre-emergence information with the SEC which include, but are not limited to its financial condition as of March 31, 2005. To assist with that filing, American Appraisal has been asked, by US Airways, to provide consulting services related to certain asset categories, as well as certain debt securities.

US Airways may disclose our findings to third parties in connection with bankruptcy court filings and/or in connection with the preparation of financial statements.

## **SCOPE**

American Appraisal has been asked to provide consultation services related to various asset and liability categories, as follow:

- Aircraft and Spare Engines
- Slots
- Ground Equipment
- Inventory & Rotables
- Fixed Rate Debt (as reported in Accounts 20771, 20772, 20773 & 20774)

As a firm, we adhere to the methodology, procedures, and standard requirements as set forth by the Uniform Standards of Professional Appraisal Practice ("USPAP") of the Appraisal Foundation. However, any documents, which may be provided for this service will not be considered an appraisal under USPAP, nor should such documents be considered to be legal advice. Supporting documentation concerning the data, reasoning, and analyses will be retained as a part of the work file.

## **Effective Date of the Work**

Our consulting services will be presented as of a March 31, 2005 date.

## **Reporting Commitments**

The results of our consulting service will be provided to you in summary written form on Friday, June 3, 2005.

## **ENVIRONMENTAL POLICY**

We will make no investigation of, nor assume any responsibility for the existence or impact of any hazardous substance, which may or may not be present on the property, in the development of our conclusion.

## **GENERAL SERVICE CONDITIONS**

This engagement is subject to our General Service Conditions, which are attached hereto as Appendix A, and embodied herein by reference, and the Retention Order.

## **FEE AND PAYMENT TERMS**

Our fee for this engagement is \$45,000, plus reasonable expenses. This fee is based on our estimate of professional services to be furnished, according to our understanding of your requirements. Should the scope of these requirements change, American Appraisal and US Airways, Inc. will mutually revise the fee to reflect those changes in services. Our fee is in no way contingent upon our opinions or conclusions.

Fees include professional time for planning and executing the work through, and including, our final report. Should you require additional consultation based on your reviews of our work or those of your advisors, we will bill US Airways for those services at our prevailing hourly rate for the personnel involved.

Expenses include those costs for such items as office and report processing, travel, living, computer charges, postage copying and reasonable outside legal fees incurred by American Appraisal associated with, but not limited to the preparation, submission or defense of any American Appraisal fee applications, or other court related filings and the attendance of any hearings or appearances before the bankruptcy court associated therewith which are incurred by American Appraisal while executing the work. American Appraisal will provide US Airways detailed back-up for its expenses including non-privileged time records for any reasonable outside legal fees incurred by American Appraisal similar to the information provided by other professionals retained by US Airways in its bankruptcy cases.

Because of the uncertain nature as to the time that may be requested to review our findings with US Airways and auditors, counsel, or other consultants, we will bill for these review services on an hourly rate dependent upon the consultants involved.

It is understood that our fees will be net of any applicable remittance or withholding taxes; any such applicable taxes will be the responsibility of US Airways.

It is understood that American Appraisal will receive the full amount of \$45,000 directly from US Airways, Inc. in advance of the provision of any services, and that amount shall be treated as a retainer.

For US Airways' convenience, we are providing our remittance address and wire transfer instructions.



Ms. Anita P. Beier  
US Airways, Inc.

June 3, 2005  
Page 4 of 7

**Remittance Address:**

American Appraisal Associates, Inc.  
Bin 391  
Milwaukee, WI 53288-0391

**Wire Transfer Instructions:**

Bank Name/Address: M & I Bank  
770 North Water Street  
Milwaukee, WI 53202

Routing Number: 075000051

For the Credit to the Account of: American Appraisal Associates, Inc.  
Account Number 0024274888

We reserve the right to withhold delivery of our preliminary conclusions or final report(s) if, when either of these are ready for delivery, any previously issued invoice remains unpaid. Further, we reserve the right to issue our final invoice if preliminary conclusions or a draft report have been outstanding for more than 30 days.

In the event that US Airways issues a purchase order to us covering this engagement, it is agreed that such purchase order is issued for purposes of authorization and US Airways' internal use only, and none of its terms and conditions shall modify the terms and conditions of this letter and/or related documentation, or affect either party's responsibility to the other party as defined in this letter.

US Airways has the right to terminate this assignment at any time, in which case there will be no further obligation on the part of either party to continue. In such event, US Airways will be obligated to pay only for the actual expenses incurred through the date of cessation. If we have not reached a final conclusion at the time of such termination, we will destroy all work file contents, unless US Airways requests at that time that the materials furnished by US Airways or others on its behalf are returned.

Ms. Anita P. Beier  
US Airways, Inc.

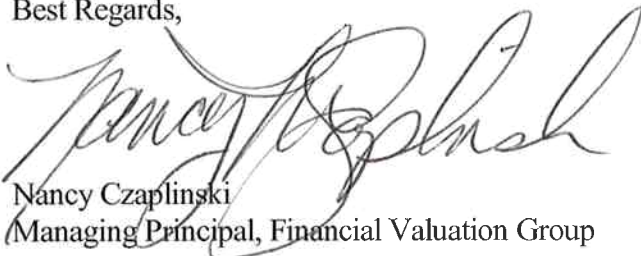
June 3, 2005  
Page 5 of 7

**CONCLUSION**

We appreciate this opportunity to provide our recommendations for valuation-consulting services and look forward to working with you on this important engagement. We are uniquely qualified to perform this assignment, by virtue of our independence, experience, reputation, and expertise, and we are committed to completing the work in an efficient and timely manner.

If you have any questions or comments, please call me at 414-225-1035. An executed copy of this letter, faxed to 414-225-2035, or emailed to [nczaplinski@american-appraisal.com](mailto:nczaplinski@american-appraisal.com), will be considered confirmation of this consulting engagement.

Best Regards,



Nancy Czaplinski  
Managing Principal, Financial Valuation Group

**ACKNOWLEDGEMENT**

If the contents of this document including all of its appendices correctly reflect your understanding of our agreement, please sign and return. This agreement shall remain open and valid for signature for 90 days from the issue date; however, any significant delay in executing this agreement could adversely impact our ability to meet the delivery commitments described herein. Please note, we will be unable to begin this engagement until we are in receipt of this acknowledgment. Please fax the signed acknowledgment to 414-225-2035. Thereafter, please forward the original to us.

CLIENT:                    US Airways, Inc.

SIGNATURE:             \_\_\_\_\_

NAME:                     \_\_\_\_\_

TITLE:                     \_\_\_\_\_

DATE:                     \_\_\_\_\_

## APPENDIX A - GENERAL SERVICE CONDITIONS

**Agreement** - The Contract governing this engagement including these General Service Conditions represents the entire agreement between American Appraisal and the Client. It supersedes any prior oral or written agreement and may not be altered except by the mutual written agreement of all parties thereto.

**Assignment** - Neither party may assign, transfer, or delegate any of the rights or obligations hereunder without the prior written consent of the other party; unless such assignment is based upon the lawful transfer to a successor in interest of all or substantially all of the party's assets or business interests.

**Client of Record** - Only the signed Client(s) of Record may rely on the results of American Appraisal's work. No third party shall have the reliance or contractual rights of American Appraisal's Client(s) of Record without American Appraisal's prior written consent. No party should rely on the results of American Appraisal's work as a substitute for its own due diligence.

**Communication** - Electronic media including voice-mail, e-mail, and faxes are acceptable vehicles to communicate all materials unless such communication forms are expressly prohibited in the Contract. Client shall not assume or deem the Client Service Team assigned by American Appraisal to any work contemplated by the Contract to have knowledge of information provided to others not part of that team.

**Contingent Fees** -- American Appraisal's compensation is not contingent in any way upon its opinions or conclusions or upon any subsequent event directly related to those opinions or conclusions. Client shall pay American Appraisal's invoices in accordance with their stated terms.

**Confidentiality** - American Appraisal will maintain the confidentiality of the Client's confidential information with the same degree of care that American Appraisal uses to keep its own materials confidential and shall not disclose it to anyone or use it for any purpose whatsoever other than Client's engagement, provided that in the event that American Appraisal is legally compelled to disclose such information, American Appraisal shall provide Client with prompt written notice so that Client may seek a protective remedy, if available. American Appraisal shall have the right to provide access to work files as required to comply with any quality or compliance audits administered by any necessary accreditation or standards organizations with which its employees are associated. Any such access shall continue to be subject to the same confidence by both American Appraisal and the applicable organization. Information shall not be treated as confidential if: (i) it is now or later available to the public, (ii) at the time of disclosure to American Appraisal, the information was already in its possession, or (iii) the information was obtained from a third party under no obligation of confidentiality to Client.

Unless mandated by applicable laws or governmental regulations, Client shall not disclose any part of American Appraisal's work product, its confidential materials, or its role in the engagement to anyone not stipulated in the Contract, without the prior written consent of American Appraisal. American Appraisal shall have the right to include Client's name in American Appraisal's client list.

**Force Majeure** - Neither the Client nor American Appraisal shall be liable for delays or for failures to perform according to the terms of the Contract due to circumstances that are beyond their individual control.

## APPENDIX A - GENERAL SERVICE CONDITIONS

**Indemnification** - Client shall indemnify and hold harmless American Appraisal against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which American Appraisal may become subject in connection with this engagement, except to the extent finally judicially determined to have resulted from the negligence or intentional misconduct of American Appraisal. Client's obligation for indemnification and reimbursement shall extend to any controlling person of American Appraisal including any director, officer, employee, subcontractor, affiliate, or agent. American Appraisal's liability to Client shall in no event exceed the fees it receives as a result of the engagement, except to the extent determined to have resulted from the negligence or intentional misconduct of American Appraisal.

American Appraisal shall indemnify and hold harmless Client against and from any and all losses, claims, or expenses for bodily injury or property damage, in proportionate part to that which is caused by American Appraisal personnel or representatives during the performance of the engagement, except to the extent of Client's negligence. While on Client's premises, the personnel assigned by American Appraisal to any work contemplated by the Contract shall comply with all posted safety instructions or safety procedures requested by Client.

**Independent Contractor** - American Appraisal and Client shall be independent contractors with respect to each other. American Appraisal reserves the right to use subcontractors in executing the engagement. American Appraisal is an equal opportunity employer.

**Limits on the Use of the Work** - American Appraisal's report may be used only for the specific use or uses stated in the Contract, and any other use is invalid.

**Reliance on Information Provided by Client** - American Appraisal is entitled to rely without independent verification on the accuracy and completeness of all of the information provided by Client or its advisors.

**Retention** - Unless stipulated to the contrary in the Contract or in a related written agreement, American Appraisal will retain as its property all files, documents, work papers, and other results, developed during the course of the engagement. Such materials will be retained for a period of at least seven years. During this retention period, Client shall have access to these documents to assist it in completing the specific use or uses stated in the Contract, subject only to reasonable notification.

**Scope of the Work** - American Appraisal shall be obligated only for services specified in the Contract, and only for changes to the scope of those services that are set forth in any subsequent written agreement. As a result, the scope of the work does not include unrelated services or the responsibility to update any of the work after its completion. Further, American Appraisal reserves the right to decline to perform any additional services, if American Appraisal believes such services would create an actual or perceived conflict of interests, or would be illegal or in violation of applicable regulations or professional standards.

**Standards of Performance** - American Appraisal shall perform the engagement in accordance with applicable professional standards. However, professional services usually involve judgments made in an uncertain environment and based on an analysis of data that may be unverified or subject to change over time. Client and other parties to whom Client provides access to the results of American Appraisal's work shall evaluate the performance of American Appraisal based on the specifications of the Contract as well as on the applicable professional standards.

**Testimony** - American Appraisal's services do not include giving testimony or participating in or attending court or any other legal or regulatory hearing or inquiry unless provided for in the Contract or in a subsequent written agreement.