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U.S. BANKRUPTCY COURT
PATRICIA GRAY, CLERK

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re: NATIONAL AIRLINES, INC., a Delaware corporation, Debtor.	In Proceedings Under Chapter 11 Case No. 00-19258-LBR Honorable Linda B. Riegle

PLAN OF REORGANIZATION OF THE DEBTOR UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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Dated: November 9, 2001
Las Vegas, NV

155

National Airlines, Inc., Debtor and Debtor-in-Possession in the above-captioned Chapter 11 case ("Debtor"), proposes the following plan of reorganization (the "Plan") for the resolution of the Debtor's outstanding claims and equity interests. All creditors and other parties-in-interest should refer to (i) the Disclosure Statement (as defined below) for a discussion of the Debtor's history, business, properties, results of operations, events leading up to the contemplated restructuring, financial projections for future operations and for a summary and analysis of the Plan and certain related matters, and (ii) the Plan Supplement (as defined below) for the material documentation necessary to implement the provisions of the Plan.

All holders of claims against, and equity interests in, the Debtor are encouraged to read the Plan, the Disclosure Statement and the related solicitation materials in their entirety before voting to accept or reject the Plan.

Subject to the restrictions on modifications set forth in Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, and those restrictions on modifications set forth in Section 13.1 of this Plan, the Debtor expressly reserves the right to alter, amend, or modify the Plan one or more times before its substantial consummation.

TABLE OF CONTENTS

		Page
ARTICLE 1.	DEFINITIONS AND RULES OF INTERPRETATION	1
1.1	Administrative Claim	1
1.2	Administrative Claim Bar Date	1
1.3	Affiliate	1
1.4	Aircraft Lease	1
1.5	Aircraft Lease Administrative Claim	1
1.6	Aircraft Lease Administrative Claim Bar Date	1
1.7	Aircraft Lease Claims	1
1.8	Aircraft Lease Cure Amount	2
1.9	Aircraft Lease Rejection Claim	2
1.10	Airline Stabilization Act	2
1.11	Allowed	2
1.12	Assets	2
1.13	Avoidance Actions	2
1.14	Ballot	2
1.15	Bankruptcy Code	2
1.16	Bankruptcy Court	2
1.17	Bankruptcy Rules	2
1.18	Bar Date	3
1.19	Business Day	3
1.20	Cash	3
1.21	Chapter 11 Case	3
1.22	Claim	3
1.23	Class	3
1.24	Collateral	3
1.25	Committee	3
1.26	Confirmation Date	3
1.27	Confirmation Hearing	3
1.28	Confirmation Order	3
1.29	Contingent Claim	3
1.30	Convenience Claims	4
1.31	Creditor	4
1.32	Cure	4
1.33	D&O Policy	4
1.34	Debtor	4
1.35	DIP Facility	4
1.36	DIP Financing Order	4
1.37	DIP Lender	4
1.38	DIP Lender Claims	4
1.39	Disclosure Statement	4
1.40	Disputed	4
1.41	Distribution	5
1.42	Distribution Record Date	5
1.43	Effective Date	5
1.44	Equity Interest	5
1.45	Equity Related Claim	5
1.46	Estate	5
1.47	Exchange Act	5
1.48	Executive Employment Agreements	5

TABLE OF CONTENTS

		Page
1.49	Exit Financing Facility	5
1.50	Final Distribution Date	5
1.51	Final Order	5
1.52	Fully Diluted	6
1.53	GAAP	6
1.54	GC	6
1.55	GC Claims	6
1.56	GC Note	6
1.57	GECC	6
1.58	GECC Claims	6
1.59	GECC Note	6
1.60	GECC Security Agreement	6
1.61	General Unsecured Claim	6
1.62	Harrah's	6
1.63	Harrah's Claims	6
1.64	Harrah's Ticket Program Agreement	6
1.65	Incentive Options	7
1.66	Initial Distribution Date	7
1.67	IRS	7
1.68	JFK/IAT	7
1.69	JFK/IAT Claims	7
1.70	Lien	7
1.71	Litigation Claims	7
1.72	LOC	7
1.73	Mercury	7
1.74	Monthly Exposure Reduction	7
1.75	Monthly LOC Fee	7
1.76	New Common Stock	7
1.77	New National	8
1.78	Person	8
1.79	Petition Date	8
1.80	PFC	8
1.81	Plan	8
1.82	Plan Supplement	8
1.83	Preferred Stock	8
1.84	Preserved Ordinary Course Administrative Claim	8
1.85	Priority Claim	8
1.86	Priority Tax Claim	8
1.87	Professionals	8
1.88	Professional Fee Bar Date	8
1.89	Professional Fees	8
1.90	Pro Rata	9
1.91	Restated By-Laws	9
1.92	Restated Certificate	9
1.93	Restated Harrah's LOC Agreement	9
1.94	RPA	9
1.95	Schedules	9
1.96	SEC	9
1.97	Secured Claim	9
1.98	Secured Tax Claim	9

TABLE OF CONTENTS

		Page
1.99	Securities Act	9
1.100	Senior Management	9
1.101	Series A Note	9
1.102	Series B Note	9
1.103	Trust	9
1.104	Trust Agreement	10
1.105	Trust Assets	10
1.106	Trustee	10
1.107	Unsecured Deficiency Claims	10
1.108	U.S. Bank	10
1.109	Warrants	10
1.110	Voting Record Date	10
ARTICLE 2.	TREATMENT OF AIRCRAFT LEASES AND PFCS	10
2.1	Assumption or Rejection of Aircraft Leases	10
2.2	Treatment of Assumed Aircraft Leases	10
2.3	Treatment of Rejected Aircraft Leases	10
2.4	Treatment of PFCs	11
ARTICLE 3.	TREATMENT OF UNCLASSIFIED CLAIMS	11
3.1	Unclassified Claims	11
3.2	Administrative Claims	11
3.3	Preserved Ordinary Course Administrative Claims	11
3.4	Priority Tax Claims	11
3.5	Claims for Professional Fees	12
3.6	DIP Lender Claims	12
ARTICLE 4.	CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS	12
4.1	Summary of Classification	12
4.2	Specific Classification	13
ARTICLE 5.	TREATMENT OF CLAIMS AND EQUITY INTERESTS	14
5.1	Class 1 – Priority Claims	14
5.2	Class 2 – Secured Tax Claims	14
5.3	Class 3 – JFK/IAT Claims	14
5.4	Class 4 – GC Claims	14
5.5	Class 5 – GECC Claims	15
5.6	Class 6 – Harrah's Claims	15
5.7	Class 7 – Miscellaneous Secured Claims	16
5.8	Class 8 - Convenience Claims	17
5.9	Class 9 – General Unsecured Claims	17
5.10	Class 10 – Equity Interests and Equity Related Claims	17
ARTICLE 6.	IMPLEMENTATION OF THE PLAN	18
6.1	New National	18
6.2	Funding of the Plan	19
6.3	Abandonment of Avoidance Actions	19
6.4	Subordination	19
6.5	Trust/Plan Administration	19
ARTICLE 7.	EXECUTORY CONTRACTS AND UNEXPIRED LEASES	21

TABLE OF CONTENTS

		Page
7.1	Executory Contracts	21
7.2	Unexpired Leases	21
7.3	Deemed Rejection	21
7.4	Approval of Assumption or Rejection	21
7.5	Cure of Defaults	22
7.6	Post-Petition Date Contracts and Leases	22
7.7	Bar Date	22
7.8	Indemnification Obligations	22
ARTICLE 8.	SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN	22
8.1	Uncertificated Beneficial Interests	22
8.2	New Common Stock	22
8.3	Preferred Stock	22
8.4	Warrants; Options	23
8.5	Section 1145 Exemption; Other Exemptions	23
ARTICLE 9.	CONDITIONS PRECEDENT	23
9.1	Conditions To Confirmation	23
9.2	Conditions To Effectiveness	24
9.3	Waiver Of Conditions	25
ARTICLE 10.	NON-ALLOWANCE OF PENALTIES AND FINES	25
ARTICLE 11.	TITLE TO PROPERTY; DISCHARGE; INJUNCTION	25
11.1	Revesting of Assets	25
11.2	Discharge	25
11.3	Injunction	25
11.4	Exculpation	26
11.5	Preservation Of Insurance	26
ARTICLE 12.	RETENTION OF JURISDICTION	26
12.1	Jurisdiction	26
ARTICLE 13.	AMENDMENT AND WITHDRAWAL OF PLAN	28
13.1	Amendment of the Plan; Modification of Plan Supplement	28
13.2	Revocation or Withdrawal of the Plan	28
ARTICLE 14.	ACCEPTANCE OR REJECTION OF THE PLAN	28
14.1	Impaired Classes to Vote	28
14.2	Acceptance by Class of Creditors and Holders of Interests	28
14.3	Cramdown	28
ARTICLE 15.	MISCELLANEOUS	28
15.1	Filing of Objections to Claims	28
15.2	Settlement of Objections After Effective Date	29
15.3	Distribution Record Date	29
15.4	Holding of, and Failure to Claim, Undeliverable Distributions	29
15.5	Time Bar to Cash Payments	29
15.6	Post-Effective Date Distributions	29
15.7	Fractional Amounts	29
15.8	Effectuating Documents; Further Transactions; Timing	30

TABLE OF CONTENTS

		Page
15.9	Exemption From Transfer Taxes	30
15.10	Binding Effect	30
15.11	Governing Law	30
15.12	Modification of Payment Terms	30
15.13	Setoffs	30
15.14	Notices	30
15.15	Delivery Of Notices	31
15.16	Severability	31
15.17	Withholding And Reporting Requirements	32
15.18	Quarterly Fees To The United States Trustee	32
15.19	Method Of Payment	32

ARTICLE 1. DEFINITIONS AND RULES OF INTERPRETATION

For purposes of this Plan, except as expressly provided or unless the context otherwise requires, all capitalized terms not otherwise defined have the meanings ascribed to them in Article 1 of the Plan. Any term used in the Plan that is not defined herein but is defined in the Bankruptcy Code or the Bankruptcy Rules retains the meaning ascribed to such term in the Bankruptcy Code or the Bankruptcy Rules. Whenever the context requires, such terms include the plural as well as the singular, the masculine gender includes the feminine gender, and the feminine gender includes the masculine gender.

As used in this Plan, the following terms have the meanings specified below:

1.1 Administrative Claim. A Claim for any cost or expense of administration of the Chapter 11 Case allowed under Sections 503(b), 507(b) or 546(c)(2) of the Bankruptcy Code and entitled to priority under Section 507(a)(1) of the Bankruptcy Code, excluding any Aircraft Lease Administrative Claim, but including, without limitation: (a) fees payable under 28 U.S.C. § 1930; (b) actual and necessary costs and expenses incurred in the ordinary course of the Debtor's business; (c) actual and necessary costs and expenses of preserving the Debtor's Estate or administering the Chapter 11 Case; and, (d) all Professional Fees to the extent Allowed by Final Order under Sections 330, 331, or 503 of the Bankruptcy Code.

1.2 Administrative Claim Bar Date. The date or dates established by the Bankruptcy Court for the filing of Administrative Claims, *except* Claims for Professional Fees, Preserved Ordinary Course Administrative Claims and DIP Lender Claims.

1.3 Affiliate. With respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person and, with respect to any specified natural Person, any other Person having a relationship by blood, marriage, or adoption not more remote than first cousins with such natural Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with regards to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement, or otherwise.

1.4 Aircraft Lease. Any agreement pursuant to which the Debtor leases one or more commercial aircraft.

1.5 Aircraft Lease Administrative Claim. Any Claim arising under an Aircraft Lease, Allowed under Sections 503(b), 507(b) or 546(c)(2) of the Bankruptcy Code and entitled to priority under Section 507(a)(1) of the Bankruptcy Code.

1.6 Aircraft Lease Administrative Claim Bar Date. The date for the filing of Aircraft Lease Administrative Claims, which date shall be the earlier to occur of: (a) five Business Days following the entry of an order by the Bankruptcy Court approving the assumption or rejection, as applicable, of the applicable Aircraft Lease; and (b) five Business Days following the entry of the Confirmation Order.

1.7 Aircraft Lease Claims. Collectively, Aircraft Lease Rejection Claims and Aircraft Lease Cure Amounts.

1.8 Aircraft Lease Cure Amount. All amounts payable in respect of an assumption of an Aircraft Lease, including any Aircraft Administrative Claim, pursuant to Section 365(b) of the Bankruptcy Code.

1.9 Aircraft Lease Rejection Claim. Any Claim arising out of or related to the rejection of an Aircraft Lease, including any unpaid Aircraft Lease Administrative Claim, under Section 365 of the Bankruptcy Code.

1.10 Airline Stabilization Act. The Air Transportation Safety and System Stabilization Act, Public Law 107-42, and all regulations promulgated thereunder, as each may be amended, modified or otherwise supplemented from time to time.

1.11 Allowed. With respect to any Claim against, or Equity Interest in, the Debtor: (a) proof of which, requests for payment of which, or application for allowance of which, was filed or deemed filed on or before the Bar Date, Administrative Claim Bar Date, or the Professional Fee Bar Date, as applicable, for filing proofs of claim or equity interest or requests for payment for Claims of such type against the Debtor; (b) if no proof of claim or equity interest is filed, which has been or is ever listed by the Debtor in the Schedules as liquidated in amount and not disputed or contingent; or (c) a Claim or Equity Interest that is allowed in any contract, instrument, indenture, or other agreement entered into in connection with the Plan and, in the case of (a), (b) or (c), a Claim as to which no objection to its allowance has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules, or the Bankruptcy Court. The term "Allowed," when used to modify a reference in the Plan to any Claim, Equity Interest, Class of Claims, or Class of Equity Interests, means a Claim or Equity Interest (or any Claim or Equity Interest in any such Class) that is so allowed, *e.g.*, an "*Allowed Secured Claim*" is a Claim that has been allowed to the extent of the value, as determined by the Bankruptcy Court under Section 506(a) of the Bankruptcy Code, of any interest in property of the Estate securing such Claim. If a Claim becomes Allowed by virtue of an Order of the Bankruptcy Court, it shall be deemed Allowed upon the order becoming a Final Order.

1.12 Assets. Collectively, each and every item of property and interests of the Debtor as of the Effective Date, whether tangible or intangible, real or personal, legal or equitable, liquidated or unliquidated, including, without limitation: (a) Cash; (b) any amounts owed to the Debtor, including accounts receivable and contract rights; (c) all of the Debtor's books and records; and (c) all contracts, agreements, licenses and leases of the Debtor.

1.13 Avoidance Actions. All statutory causes of action preserved for the Estate under Sections 510, 542, 543, 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code.

1.14 Ballot. The form of ballot or ballots distributed with the Disclosure Statement to holders of Claims entitled to vote on the Plan on which an acceptance or rejection of the Plan is to be indicated.

1.15 Bankruptcy Code. Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended from time to time and as applicable to the Chapter 11 Case.

1.16 Bankruptcy Court. The United States District Court for the District of Nevada having jurisdiction over the Chapter 11 Case and, to the extent of any reference under 28 U.S.C. § 157, the unit of such District Court under 28 U.S.C. § 151.

1.17 Bankruptcy Rules. Collectively, the Federal Rules of Bankruptcy Procedure as promulgated under 28 U.S.C. § 2075 and any Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Case.

1.18 Bar Date. The date or dates fixed by the Bankruptcy Court by which Persons asserting a Claim against the Debtor (*except* Administrative Claims, Preserved Ordinary Course Administrative Claims, and Claims for Professional Fees) must file a proof of claim or be forever barred from asserting a Claim against the Debtor or their property, from voting on the Plan, and sharing in Distributions under the Plan.

1.19 Business Day. Any day other than a Saturday, Sunday, or legal holiday, as defined in Bankruptcy Rule 9006(a).

1.20 Cash. Currency, checks drawn on a bank insured by the Federal Deposit Insurance Corporation, certified checks, money orders, negotiable instruments, and wire transfers of immediately available funds.

1.21 Chapter 11 Case. The case under Chapter 11 of the Bankruptcy Code in which the Debtor is a debtor and debtor-in-possession, pending before the Bankruptcy Court.

1.22 Claim. A claim against a Person or its property as defined in Section 101(5) of the Bankruptcy Code, including, without limitation: (a) any right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, mature, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured arising at any time before the Effective Date; or (b) any right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

1.23 Class. A category of holders of Claims or Equity Interests which are substantially similar in nature to the Claims or Equity Interests of other holders placed in such category, as designated in Article 4 of this Plan.

1.24 Collateral. Any property or interest in property of the Estate subject to a Lien to secure the payment or performance of a Claim, the Lien not being subject to avoidance under the Bankruptcy Code, disallowance under Section 506 of the Bankruptcy Code, or that otherwise is invalid under the Bankruptcy Code or applicable state law.

1.25 Committee. The Official Committee of Unsecured Creditors, appointed by the United States Trustee in the Chapter 11 Case in accordance with Section 1102(a)(1) of the Bankruptcy Code, as may be reconstituted from time to time.

1.26 Confirmation Date. The date on which the Bankruptcy Court enters the Confirmation Order.

1.27 Confirmation Hearing. The hearing or hearings held by the Bankruptcy Court to consider confirmation of the Plan under Section 1129 of the Bankruptcy Code, as such hearing may be adjourned from time to time.

1.28 Confirmation Order. The order of the Bankruptcy Court confirming the Plan in accordance with the Bankruptcy Code.

1.29 Contingent Claim. Any Claim for which a proof of claim has been filed with the Bankruptcy Court: (a) which was not filed in a sum certain, or which has not accrued and is dependent on a future event that has not occurred and may never occur, and (b) which has not been Allowed on or before the Effective Date, or such other date as the Bankruptcy Court may establish.

1.30 Convenience Claims. An Allowed General Unsecured Claim in an amount of $2,500 or less, or any General Unsecured Claim that is reduced to $2,500 by election of the holder thereof pursuant to Section 5.8.2 of the Plan; provided that, for purposes hereof, all such General Unsecured Claims held by an entity and any Affiliate of such entity shall be aggregated and treated as one such General Unsecured Claim. Holders are determined as of the Petition Date and the post-petition assignment of General Unsecured Claims does not consolidate General Unsecured Claims owed to separate holders on the Petition Date.

1.31 Creditor. Any holder of a Claim, whether or not such Claim is an Allowed Claim, encompassed within the statutory definition set forth in Section 101(10) of the Bankruptcy Code.

1.32 Cure. The distribution on the Effective Date (or as otherwise provided herein) of Cash, or such other property as may be agreed on by the parties or ordered by the Bankruptcy Court, with respect to the assumption of an executory contract or unexpired lease of nonresidential real property, in accordance with Section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations, without interest, or such other amount as may be agreed on by the parties, under such executory contract or unexpired lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable state law.

1.33 D&O Policy. Any directors and officers liability insurance policy or any applicable errors and omissions policy applicable to directors and officers of the Debtor or New National.

1.34 Debtor. National Airlines, Inc., a Delaware corporation, as debtor and debtor-in-possession in the Chapter 11 Case, in accordance with Section 1107 and 1108 of the Bankruptcy Code.

1.35 DIP Facility. Any debtor-in-possession financing facility or facilities approved by the Bankruptcy Court pursuant to a DIP Financing Order.

1.36 DIP Financing Order. The order or orders of the Bankruptcy Court, including any interim order or orders, approving and authorizing the terms of debtor-in-possession financing arrangements in the Chapter 11 Case.

1.37 DIP Lender. Any person or persons providing a DIP Facility to Debtor in the Chapter 11 Case pursuant to a DIP Financing Order, including, without limitation, Mercury.

1.38 DIP Lender Claims. All Claims of each DIP Lender arising under a DIP Financing Order.

1.39 Disclosure Statement. The written disclosure statement relating to the Plan including, without limitation, all exhibits and schedules to such disclosure statement, in the form approved by the Bankruptcy Court under Section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017.

1.40 Disputed. With respect to Claims, any Claim: (a) that is listed in the Schedules as unliquidated, disputed, or contingent; or (b) as to which the Debtor or any other party-in-interest has interposed a timely objection or request for estimation, or has sought to equitably subordinate or otherwise limit recovery in accordance with the Bankruptcy Code and the Bankruptcy Rules, or which is otherwise disputed by the Debtor in accordance with applicable law, such objection, request for estimation, action to limit recovery or dispute has not been withdrawn or determined by a Final Order; or (c) that is a Contingent Claim.

1.41 Distribution. A payment of Cash to the holder of an Allowed Claim pursuant to the Plan.

1.42 Distribution Record Date. The date or dates established by the Bankruptcy Court by which holders of Claims are determined for purposes of such holders' entitlement to receive Distributions under the Plan.

1.43 Effective Date. The later of: (a) the first Business Day that is at least eleven days after the Confirmation Date and on which no stay of the Confirmation Order is in effect; and (b) the Business Day on which all of the conditions set forth in Section 9.2 of the Plan have been satisfied or waived.

1.44 Equity Interest. Any interest in the Debtor represented by any class or series of common or preferred stock issued by the Debtor before the Effective Date, and any warrants, options, or rights to purchase, receive or otherwise acquire any such common or preferred stock.

1.45 Equity Related Claim. Any Claim arising from the rescission of a purchase or sale of an Equity Interest, or for damages arising from the purchase or sale of an Equity Interest, or any Claim by any Person that asserts equitable or contractual rights of reimbursement, contribution, or indemnification arising from such Claim, including any Claim that has been or may be asserted against the Debtor and their officers and/or directors asserting violations of federal securities laws including, without limitation, actions under Sections 11 and 15 of the Securities Act and Sections 10(b) and 20 of the Exchange Act, and Rule 10b-5 promulgated under the Exchange Act by the SEC, and any applicable non-federal law.

1.46 Estate. The estate of the Debtor created in the Chapter 11 Case in accordance with Section 541 of the Bankruptcy Code.

1.47 Exchange Act. The Securities Exchange Act of 1934, as amended, and the regulations promulgated under that act.

1.48 Executive Employment Agreements. The employment agreements to be dated as of the Effective Date, between New National and the members of Senior Management, which shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.49 Exit Financing Facility. A loan facility or facilities, in an aggregate principal amount of not less than $45,000,000 provided by a lender or lenders selected by the Debtor which shall be made available to New National on or about the Effective Date, including, without limitation, any loan facility guaranteed pursuant to the Airline Stabilization Act.

1.50 Final Distribution Date. The Distribution Date on which the Trust distributes the remaining proceeds of the Trust Assets.

1.51 Final Order. An order or judgment of the Bankruptcy Court: (a) as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired; or (b) as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing is pending; or (c) as to which any right to appeal, petition for certiorari, reargue, or rehear has been waived in writing in form and substance satisfactory to the Debtor or New National; or (d) if an appeal, writ of certiorari, or reargument or rehearing has been sought, as to which the highest court to which such order was appealed, or certiorari, reargument or rehearing has determined such appeal, writ of certiorari, reargument, or rehearing, or has denied such appeal, write of certiorari, reargument, or rehearing, and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing has expired; *provided, however,* that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil

Procedure, or any analogous rule under the Bankruptcy Rules, may be filed with respect to such order does not prevent such order from being a Final Order.

1.52 Fully Diluted. The amount (expressed as a percentage) of New Common Stock issued as of the Effective Date, assuming issuance on the Effective Date of the maximum amount of New Common Stock issuable upon the exercise of any warrants, options, rights to purchase, receive or otherwise acquire any New Common Stock.

1.53 GAAP. The generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession.

1.54 GC. Goodrich Corporation, formerly known as The B.F. Goodrich Company, and its subsidiaries and Affiliates, including, without limitation, B.F. Goodrich Aerospace MRO Group, Inc. and B.F. Goodrich Aerospace Component & Overhaul & Repair, Inc.

1.55 GC Claims. All Claims of GC against the Debtor.

1.56 GC Note. The promissory note, dated as of the Effective Date, to be executed by New National in favor of Goodrich, which shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.57 GECC. General Electric Capital Corporation and its subsidiaries and Affiliates, including, without limitation, GE Capital Aviation Services.

1.58 GECC Claims. All Claims of GECC against the Debtor.

1.59 GECC Note. The promissory note, dated as of the Effective Date, to be executed by New National in favor of GECC, which shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.60 GECC Security Agreement. The security agreement, dated as of the Effective Date, by and between New National and GECC, pursuant to which New National's obligations under the GECC Note shall be secured by a Lien on the property of the Debtor on which GECC had a Lien immediately prior to the Effective Date. The GECC Security Agreement shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.61 General Unsecured Claim. Any Claim, including Unsecured Deficiency Claims, if any, against the Debtor as of the Petition Date not secured by a charge against or interest in property of the Estate, excluding: (a) Secured Claims, except that portion, if any, that is unsecured in accordance with Section 506 of the Bankruptcy Code; (b) Administrative Claims; (c) Preserved Ordinary Course Administrative Claims; (d) Priority Tax Claims; (e) Priority Claims; and (f) Claims for Professional Fees.

1.62 Harrah's. Harrah's Operating Company, Inc. and its subsidiaries and Affiliates.

1.63 Harrah's Claims. All Claims of Harrah's against the Debtors.

1.64 Harrah's Ticket Program Agreement. The agreement, dated as of the Effective Date, between Harrah's and New National pursuant to which New National will provide a ticket program to

Harrah's on terms mutually acceptable to both parties. The Harrah's Ticket Program Agreement shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.65 Incentive Options. Seven year options granted to the Senior Management of New National to purchase up to [___%] of New Common Stock on a Fully Diluted basis at a price per share equal to: (i) the per share price paid by any third party who invests in New Common Stock of New National on the Effective Date as determined by the Debtor's financial advisors; or (ii) if no such third party purchases New Common Stock, the value of such shares as determined by the Debtor's financial advisors based on the value assigned to the New Common Stock distributed to holders of Claims under the Plan. The form of the Incentive Options shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.66 Initial Distribution Date. The first Business Day after the Effective Date or as soon thereafter as is practical on which Distributions are made to holders of Allowed Claims under the Plan.

1.67 IRS. The Internal Revenue Service.

1.68 JFK/IAT. JFK International Air Terminal, L.L.C.

1.69 JFK/IAT Claims. All Claims of JFK/IAT against the Debtor.

1.70 Lien. A lien as defined in Section 101(37) of the Bankruptcy Code, except a lien that has been avoided in accordance with Sections 544, 545, 546, 547, 548, or 549 of the Bankruptcy Code.

1.71 Litigation Claims. All rights, claims, torts, liens, liabilities, obligations, actions, causes of action, Avoidance Actions, avoiding powers, proceedings, debts, contracts, judgments, offsets, damages and demands whatsoever in law or in equity, whether known or unknown, contingent or otherwise, that the Debtor or the Estate may have against any Person.

1.72 LOC. That certain Irrevocable Letter of Credit issued by Bank of America, N.A. for the benefit of U.S. Bank in the original principal amount of $16,000,000.

1.73 Mercury. Mercury Air Group, Inc.

1.74 Monthly Exposure Reduction. The monthly reduction to be effected by New National in accordance with Schedule A attached to the Restated Harrah's LOC Agreement, which reduction shall reduce Harrah's exposure on the LOC. The Monthly Exposure Reduction may be made through (a) a voluntary reduction of the face amount of the LOC by New National, (b) a Cash payment to Harrah's, (c) a voluntary reduction in the required principal amount of the LOC by U.S. Bank or (d) any combination of (a) through (c).

1.75 Monthly LOC Fee. A monthly non-refundable fee equal to: (i) the amounts, calculated on a monthly basis, charged to Harrah's in connection with the issuance of the LOC by the financial institution that issues the LOC, plus (ii) .067% of the average daily face amount of the LOC during such month.

1.76 New Common Stock. The common stock, $0.01 par value per share, to be authorized under the Restated Certificate to be filed with the Delaware Secretary of State as of the Effective Date, as further described in Section 6.1.2 of the Plan.

1.77 New National. The Debtor, or any successor to the Debtor by merger, consolidation, acquisition or otherwise, as reorganized pursuant to the Plan on the Effective Date.

1.78 Person. Any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated association or organization, governmental agency or associated political subdivision.

1.79 Petition Date. December 6, 2000, the date on which the Debtor filed its voluntary petition commencing the Chapter 11 Case.

1.80 PFC. Any passenger facility charge assessed against the Debtor.

1.81 Plan. This Plan of Reorganization, either in its present form or as it may be amended, supplemented or modified from time to time, including all its annexed exhibits and schedules and the Plan Supplement.

1.82 Plan Supplement. The supplement, including, without limitation, the forms of the material documents to implement the provisions of the Plan, that is to be filed with the Bankruptcy Court as early as is practicable (but in no event later than seven Business Days) before the deadline fixed for filing objections to Confirmation of the Plan, or on such other date as the Bankruptcy Court may determine. The Plan Supplement is incorporated into the Plan as if fully set forth in the Plan, and all references to the Plan refer also to the Plan Supplement.

1.83 Preferred Stock. One or more series of preferred stock having such rights, preferences and privileges as authorized by the Board of Directors of New National pursuant to the Restated Certificate.

1.84 Preserved Ordinary Course Administrative Claim. Administrative Claims that are based on liabilities incurred by the Debtor in the purchase, lease, or use of goods and services in the ordinary course of their businesses including, without limitation, Administrative Claims on account of services provided to the Debtor after the Petition Date by its employees.

1.85 Priority Claim. Any Claim (or portions of such Claim) entitled to priority under Section 507(a) of the Bankruptcy Code other than Priority Tax Claims, Administrative Claims, Preserved Ordinary Course Administrative Claims, and Claims for Professional Fees.

1.86 Priority Tax Claim. Any Claim of a governmental unit entitled to priority under Section 507(a)(8) of the Bankruptcy Code.

1.87 Professionals. Those Persons (a) employed in accordance with an order of the Bankruptcy Court under Sections 327 or 1103 of the Bankruptcy Code and to be compensated for services under Sections 327, 328, 329, 330, and 331 of the Bankruptcy Code, or (b) for which compensation and reimbursement has been Allowed by the Bankruptcy Court under Section 503(b) of the Bankruptcy Code.

1.88 Professional Fee Bar Date. The date by which all applications for compensation or expense reimbursement, including Professional Fees, must be filed with the Bankruptcy Court in accordance with Section 3.5 of the Plan.

1.89 Professional Fees. The Administrative Claims for compensation and reimbursement of expenses submitted in accordance with Sections 330, 331, or 503(b) of the Bankruptcy Code of Professionals not otherwise satisfied in accordance with other provisions of the Plan.

1.90 Pro Rata. A proportionate share, such that the ratio of the consideration distributed on account of an Allowed Claim in a Class to the amount of such Allowed Claim is the same as the ratio of the amount of the consideration distributed on account of all Allowed Claims in such Class to the amount of all Allowed Claims in such Class. With respect to the New Common Stock to be distributed to holders of Claims, Pro Rata shall mean a proportionate share based on the ratio of: (i) the Allowed amount of the Claim entitled to receive New Common Stock to (ii) an amount equal to the sum of (a) the Allowed amount of all Claims entitled to receive New Common Stock under the Plan, (b) the aggregate amount of Aircraft Lease Claims and (c) the aggregate amount of unpaid prepetition PFCs which are satisfied through the issuance of New Common Stock pursuant to Section 2.4 of the Plan.

1.91 Restated By-Laws. The Amended and Restated By-Laws of New National, which shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.92 Restated Certificate. The Amended and Restated Certificate of Incorporation of New National, which shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.93 Restated Harrah's LOC Agreement. That certain agreement, dated as of the Effective Date, between New National and Harrah's, which shall incorporate, among other things, the terms set forth in Sections 5.6.2 and 5.6.3 of this Plan. The Restated Harrah's LOC Agreement shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.94 RPA. RPA Airline Automation Services, Inc., and its successors and assigns.

1.95 Schedules. The schedules of assets and liabilities, the list of holders of interests, and the statements of financial affairs filed by the Debtor under Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007, as such schedules, lists, and statements may have been or may be supplemented or amended from time to time.

1.96 SEC. The United States Securities and Exchange Commission.

1.97 Secured Claim. Any Claim, to the extent reflected in the Schedules or a proof of claim as a Secured Claim, which is secured by a Lien on Collateral to the extent of the value of such Collateral, as determined in accordance with Section 506(a) of the Bankruptcy Code, or, if such Claim is subject to setoff under Section 553 of the Bankruptcy Code, to the extent of such setoff.

1.98 Secured Tax Claim. Any Claim of any governmental unit or associated political subdivision that is secured by a Lien on property of the Estate by operation of applicable law including, without limitation, every Claim for unpaid real, personal property, or *ad valorem* taxes.

1.99 Securities Act. The Securities Act of 1933, as amended, and its applicable regulations.

1.100 Senior Management. Collectively those Persons holding positions as officers of New National as of the Effective Date which shall be specified as part of the Plan Supplement.

1.101 Series A Note. The 10% Deferred Note A, dated May 10, 2001, executed by the Debtor in favor of B.F. Goodrich Aerospace MRO Group, Inc.

1.102 Series B Note. The 10% Deferred Note B, dated May 10, 2001, executed by the Debtor in favor of B.F. Goodrich Aerospace MRO Group, Inc.

1.103 Trust. The trust established pursuant to the Plan and the Trust Agreement.

1.104 Trust Agreement. The Trust Agreement that will, subject to the terms of the Plan, govern the Distributions to holders of Claims in Class 9. The Trust Agreement shall be filed with the Bankruptcy Court as part of the Plan Supplement.

1.105 Trust Assets. All of the New Common Stock to be distributed to the Trust in accordance with Section 5.9.2 of the Plan and all proceeds of the foregoing, including any dividends or distributions with respect thereto and including, without limitation, "proceeds" as defined in the Uniform Commercial Code.

1.106 Trustee. The Person selected by the Debtor and the Committee and appointed to serve as the trustee of the Trust after the Effective Date by the Bankruptcy Court pursuant to the Confirmation Order and any successor to such Person.

1.107 Unsecured Deficiency Claims. Any Claim by a Person holding a Secured Claim to the extent the value of such Creditor's Collateral, as determined in accordance with Section 506(a) of the Bankruptcy Code, is less than the Allowed amount of such Creditor's Claims as of the Petition Date, after taking into account any elections made pursuant to Section 1111(b) of the Bankruptcy Code.

1.108 U.S. Bank. U.S. Bank National Association and its successors and assigns or any replacement financial institution which provides merchant banking and credit card processing services to New National.

1.109 Warrants. The warrants, if any, for the purchase of New Common Stock issued in connection with the Exit Financing Facility or to any third party investors in New National.

1.110 Voting Record Date. The date established by the Bankruptcy Court by which holders of Allowed Claims and Equity Interests are determined for purposes of such holders' right to submit Ballots.

ARTICLE 2. TREATMENT OF AIRCRAFT LEASES AND PFCs

2.1 Assumption or Rejection of Aircraft Leases. Prior to the Confirmation Date, the Debtor shall elect whether to assume or reject each of the Aircraft Leases to which it is a party in accordance with Section 365 of the Bankruptcy Code.

2.2 Treatment of Assumed Aircraft Leases. Aircraft Leases shall be assumed and modified by agreement between each aircraft lessor and the Debtor, pursuant to the terms and conditions set forth in the Plan Supplement. The Debtor will file with the Bankruptcy Court a separate Motion requesting authority to assume, as modified, each of the Aircraft Leases to be assumed. The Aircraft Lease Cure Amounts shall be satisfied in full by the execution of the Aircraft Leases, as modified, with each of the aircraft lessors and by the issuance of New Common Stock which, at the option of each aircraft lessor, shall either be (i) distributed directly to the aircraft lessor or (ii) contributed to the Trust in exchange for such aircraft lessor's proportional share of uncertificated beneficial interests in the Trust.

2.3 Treatment of Rejected Aircraft Leases. Any holder of an Allowed Aircraft Rejection Claim resulting from the rejection of an Aircraft Lease shall either (i) receive their Pro Rata share of New Common Stock or (ii) be treated in accordance with terms and conditions agreed upon between the Debtor and the holder of such Claim. If a holder of an Allowed Aircraft Rejection Claim receives New Common Stock, New National shall, at the option of such holder, distribute such New Common Stock directly to such holder or contribute such New Common Stock to the Trust in exchange for such aircraft lessor's proportional share of uncertificated beneficial interests in the Trust. All proofs of Claim with

respect to Aircraft Lease Rejection Claims shall be filed with the Bankruptcy Court by the Aircraft Lease Administrative Claim Bar Date.

2.4 Treatment of PFCs. On the Effective Date, in full and final satisfaction of any Allowed Claim arising from an unpaid PFC assessed prior to the Petition Date, New National shall (i) pay Cash to the holder of such Allowed Claim in the amount of such Allowed Claim, (ii) distribute to the holder of such Allowed Claim their Pro Rata share of New Common Stock or (iii) treat the holder of such Allowed Claim in such manner as agreed upon between such holder and the Debtor. All PFCs assessed after the Petition Date and prior to the Effective Date, which have not previously been paid by the Debtor shall be paid by the Debtor or New National, as applicable, upon the later of (a) the Effective Date and (b) such date as the holder of such Claim and New National may agree. All PFCs assessed after the Effective Date shall be paid by New National in the ordinary course of business.

ARTICLE 3. TREATMENT OF UNCLASSIFIED CLAIMS

3.1 Unclassified Claims. As provided in Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Preserved Ordinary Course Administrative Claims, Priority Tax Claims, Professional Fees and DIP Lender Claims against the Debtor are not classified for purposes of voting on, or receiving Distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with this Article 3 and in accordance with the requirements set forth in Section 1129(a)(9)(A) of the Bankruptcy Code.

3.2 Administrative Claims.

3.2.1 Generally. Each Allowed Administrative Claim, other than Preserved Ordinary Course Administrative Claims, Priority Tax Claims, Professional Fees and DIP Lender Claims, is to be paid in full in Cash (or otherwise satisfied in accordance with the terms of the Plan or the terms agreed to by the Debtor or New National and the holder of such Claim) by New National on the latest of: (a) the Effective Date, or as soon thereafter as practicable; (b) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (c) the tenth Business Day after such Claim is Allowed, or as soon thereafter as practicable; and (d) such date as the holder of such Claim and New National may agree.

3.2.2 Requests for Payment. All requests for payment of Administrative Claims (except for Preserved Ordinary Course Administrative Claims, Professional Fees and DIP Lender Claims) must be filed by the Administrative Claim Bar Date or the holders thereof shall be forever barred from asserting such Administrative Claims against the Debtor or New National.

3.3 Preserved Ordinary Course Administrative Claims. Each Allowed Preserved Ordinary Course Administrative Claim is to be paid by New National in accordance with either: (a) the terms and conditions under which such Claim arose; (b) in the ordinary course of New National's business; or (c) the terms and conditions of any agreement reached between New National and the holder of such Claim. Such payments are to be made by New National without further action by the holder of such Claim.

3.4 Priority Tax Claims. Any Allowed Priority Tax Claim is to be paid by New National in full in Cash on the Effective Date; *provided, however,* that New National may elect to pay such Claims through deferred Cash payments over a period not exceeding six (6) years after the date of assessment of such Claim, of a value as of the Effective Date, equal to the Allowed amount of such Claim. In that event, such payments are to be made in equal annual installments of principal, plus interest accruing from the Effective Date at the rate on the unpaid portion of the Allowed Priority Tax Claim set forth in the Sections 6621 and 6622 of the Internal Revenue Code of 1986, as amended. The first such payment is

payable on the latest of: (a) the Effective Date, or as soon thereafter as practicable; (b) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (c) the tenth Business Day after such Claim is Allowed, or as soon thereafter as practicable; and (d) such date as the holder of such Claim and New National may agree; *provided, however,* that New National retains the right to prepay any such Allowed Priority Tax Claim, or any remaining balance of such Claim, in full or in part, at any time on or after the Effective Date without premium or penalty.

3.5 Claims for Professional Fees. Each Person seeking an award by the Bankruptcy Court of Professional Fees: (a) must file its final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date on or before the Professional Fee Bar Date; and (b) if the Bankruptcy Court grants such an award, each such Professional must be paid (i) in full in Cash by New National in such amounts as are allowed by the Bankruptcy Court as soon thereafter as practicable or (ii) in accordance with the agreement of such Professional and National.

3.5.1 Post-Confirmation Professional Fees. All Professional Fees for services rendered in connection with the Chapter 11 Case and the Plan after the Confirmation Date are to be paid by New National upon receipt of an invoice for such services, or on such other terms to which New National and the applicable Professional may agree, without the need for further Bankruptcy Court authorization or entry of a Final Order. New National shall have ten days after the receipt of any such invoice to notify the applicable Professional of any objection to any item contained in such Professional's invoice. If New National and any Professional cannot agree on the amount of post-Effective Date fees and expenses to be paid to such Professional within ten days after New National objects to any item contained in such invoice, such dispute shall be adjudicated by the Bankruptcy Court. In the event the Debtor or New National, as applicable, objects to any post-Confirmation Date fees and expenses payable to any Professional, the Debtor or New National, as applicable, shall pay such Professional the amount of the undisputed fees and expenses, but may withhold the disputed fees and expenses until such dispute is resolved as set forth above.

3.6 DIP Lender Claims. Simultaneously with the closing of the Exit Financing Facility, all DIP Lender Claims shall be fully and finally satisfied in accordance with the terms of the applicable DIP Financing Order. Absent the consent of Mercury, on the Effective Date, New National shall pay Mercury in Cash an amount equal to the outstanding amount owing to Mercury, other than the amounts which represent the Secured Claim of RPA which shall be treated as a Miscellaneous Secured Claim.

ARTICLE 4. CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

4.1 Summary of Classification. In accordance with Section 1123(a)(1) of the Bankruptcy Code, all Claims of Creditors and holders of Equity Interests (except those Claims receiving treatment as set forth in Article 3) are placed in the Classes described below for all purposes, including voting on, confirmation of, and distributions under, the Plan:

Class 1	Priority Claims	Unimpaired, deemed to accept
Class 2	Secured Tax Claims	Unimpaired, deemed to accept
Class 3	JFK/IAT Claims	Unimpaired, deemed to accept
Class 4	GC Claims	Impaired entitled to vote
Class 5	GECC Claims	Impaired, entitled to vote

Class 6	Harrah's Claims	Impaired, entitled to vote
Class 7	Miscellaneous Secured Claims	Impaired or unimpaired depending on Debtor's election, may be entitled to vote
Class 8	Convenience Claims	Impaired, entitled to vote
Class 9	General Unsecured Claims	Impaired, entitled to vote
Class 10	Equity Interests and Equity Related Claims	Impaired, deemed to reject

4.2 Specific Classification.

4.2.1 Class 1 – Priority Claims. Class 1 consists of all Claims entitled to priority under Section 507(a) of the Bankruptcy Code.

4.2.2 Class 2 – Secured Tax Claims. Class 2 consists of all Secured Tax Claims. Each holder of a Secured Tax Claim is considered to be in its own separate subclass within Class 2, and each such subclass is deemed to be a separate Class for purposes of the Plan.

4.2.3 Class 3 – JFK/IAT Claims. Class 3 consists of all Claims of JFK/IAT against the Debtor.

4.2.4 Class 4 – GC Claims. Class 4 consists of all Claims of GC against the Debtor.

4.2.5 Class 5 – GECC Claims. Class 5 consists of all Claims of GECC against the Debtor.

4.2.6 Class 6 – Harrah's Claims. Class 6 consists of all Claims of Harrah's against the Debtor.

4.2.7 Class 7 – Miscellaneous Secured Claims. Class 7 consists of all Secured Claims, other than the Secured Tax Claims in Class 2 and the Secured Claims of any other Person which are subject to separate classification, including the Allowed Secured Claims of RPA. Each holder of a Miscellaneous Secured Claim is considered to be in its own separate subclass within Class 7, and each such subclass is deemed to be a separate Class for purposes of the Plan.

4.2.8 Class 8 – Convenience Claims. Class 8 consists of all Convenience Claims.

4.2.9 Class 9 – General Unsecured Claims. Class 9 consists of all General Unsecured Claims.

4.2.10 Class 10 – Equity Interests and Equity Related Claims. Class 10 consists of Equity Interests and Equity Related Claims.

ARTICLE 5. TREATMENT OF CLAIMS AND EQUITY INTERESTS

5.1 Class 1 – Priority Claims.

5.1.1 Impairment and Voting. Class 1 is unimpaired by the Plan; consequently, all holders of Allowed Claims in Class 1 are deemed to accept the Plan and are not entitled to vote on the Plan.

5.1.2 Distributions. Each holder of an Allowed Priority Claim shall be paid in full in Cash by New National upon the latest of: (a) the Effective Date, or as soon thereafter as practicable; (b) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (c) the tenth Business Day after such Claim is Allowed, or as soon thereafter as practicable; and (d) such date as the holder of such Claim and New National may agree.

5.2 Class 2 – Secured Tax Claims.

5.2.1 Impairment and Voting. Class 2 is unimpaired by the Plan; consequently, all holders of Allowed Claims in Class 2 are deemed to accept the Plan and are not entitled to vote on the Plan.

5.2.2 Distributions. Each Allowed Secured Tax Claim shall be paid in full in Cash by New National upon the latest of: (a) the Effective Date, or as soon thereafter as practicable; (b) such date as may be fixed by the Bankruptcy Court, or as soon thereafter as practicable; (c) the tenth Business Day after such Claim is Allowed, or as soon thereafter as practicable; and (d) such date as the holder of such Claim and New National may agree.

5.3 Class 3 – JFK/IAT Claims.

5.3.1 Impairment and Voting. Class 3 is unimpaired by the Plan; consequently, JFK/IAT is deemed to accept the Plan and is not entitled to vote on the Plan.

5.3.2 Treatment. In full and final satisfaction of the JFK/IAT Claims, New National shall abide by the "Stipulation and Agreed Order Regarding Assumption of that Certain Common Use Agreement as between the Debtor and JFK International Air Terminal, L.L.C." as modified by any subsequent agreement of the Debtor and JFK/IAT, and the note issued in connection with such stipulation shall be subordinate in payment priority to the Exit Financing Facility.

5.4 Class 4 – GC Claims.

5.4.1 Impairment and Voting. Class 4 is impaired by the Plan; consequently, GC is entitled to vote on the Plan.

5.4.2 Treatment. In full and final satisfaction of the GC Claims, New National shall: (i) issue to GC its Pro Rata share of the New Common Stock based on the amounts outstanding under the 10% Deferred Note B dated May 10, 2001 as of the Effective Date; (ii) extinguish the Series A Note; and (iii) issue the GC Note with a principal balance equal to the aggregate amount currently outstanding under the Series A Note. The GC Note shall bear interest at the same interest rate specified in the Series A Note, and principal payments under the GC Note shall be made monthly based on a ten-year amortization schedule. The unpaid principal balance of the GC Note, together with all accrued but unpaid interest, shall be due and payable on the fifth anniversary of the Effective Date. The GC Note shall be subordinate in payment priority to the Exit Financing Facility.

5.4.3 New Maintenance Contract. In addition to the treatment provided for in Section 5.4.2 above, New National shall enter into a long-term maintenance contract with GC (which shall supersede all prior agreements between GC and New National with respect to the subject matter of such contract) on terms and conditions acceptable to GC and New National. Such maintenance contract shall be filed with the Bankruptcy Court as part of the Plan Supplement.

5.4.4 Termination of GC Liens. On the Effective Date, GC's Liens on the aircraft leased under the Aircraft Leases assumed by the Debtor under Section 365 of the Bankruptcy Code shall automatically terminate without any further action by the Debtor or New National. GC shall release its Liens on the aircraft leased under the Aircraft Leases rejected by the Debtor under Section 365 of the Bankruptcy Code at the request of New National.

5.5 Class 5 – GECC Claims.

5.5.1 Impairment and Voting. Class 5 is impaired by the Plan; consequently, GECC is entitled to vote on the Plan.

5.5.2 Treatment. In full and final satisfaction of the GECC Claims, GECC shall receive the GECC Note which shall be secured pursuant to the GECC Security Agreement. The GECC Note shall have a principal amount equal to the amount of the Allowed Secured Claim of GECC. The GECC Note shall bear interest at the rate of 8% per annum and shall be payable in 60 equal monthly principal installments of $[58,333.33]. The GECC Note shall be subordinate in payment priority to the Exit Financing Facility.

5.5.3 Optional Treatment. In lieu of the treatment specified in Section 5.5.2, GECC at its option, may choose by so indicating on the Ballot for Class 5 to receive cash in the amount of $2,500,000 on the Effective Date or as soon thereafter as is practicable. GECC shall notify the Debtor in writing of its election to receive the treatment under this Section 5.5.3 no later than ten Business Days following the approval by the Bankruptcy Court of the Disclosure Statement.

5.6 Class 6 – Harrah's Claims.

5.6.1 Impairment and Voting. Class 6 is impaired by the Plan; consequently, Harrah's is entitled to vote on the Plan.

5.6.2 Treatment of Letter of Credit Related Claims. In full and final satisfaction of the Harrah's Claims relating to the letters of credit which Harrah's caused to be issued in favor of U.S. Bank, Harrah's and New National shall enter into the Restated Harrah's LOC Agreement which shall provide that:

(a) If the principal balance of the LOC is less than $14,000,000 on the Effective Date, Harrah's shall cause the principal amount of the LOC to be increased to $14,000,000 on the Effective Date.

(b) Harrah's shall cause the expiration date of the LOC to be extended from the Effective Date through the eighteen-month anniversary of the Effective Date.

(c) During the term of the LOC, New National shall pay to Harrah's the Monthly LOC Fee on the first Business Day of each month.

(d) During the term of the LOC, New National shall effect the Monthly Exposure Reduction on the first Business Day of each month. New National may at any time reduce Harrah's exposure on the LOC by an amount greater than the Monthly Exposure Reduction and any such reduction in excess of the Monthly Exposure Reduction then due shall be applied to any Monthly Exposure Reductions payable for the next succeeding subsequent monthly periods.

(e) Upon the expiration of the LOC, Harrah's shall remit to National an amount equal to (a) $1,608,727.77, if such amount has not been paid to New National in accordance with Section 5.6.2(f) below, plus (b) the aggregate of the cash payments made by the Debtor or New National to Harrah's with respect to the LOC, including, without limitation, any portion of the Monthly Exposure Reductions which were cash payments, plus (c) interest at 5% per annum from the Effective Date on the aggregate outstanding balance of cash transferred by New National to Harrah's in connection with the LOC (other than any Monthly LOC Fee), including the $1,608,727.77 held by Harrah's, minus (d) the aggregate amount of draws by U.S. Bank on the LOC from the Effective Date through the expiration date of the LOC to the extent not otherwise previously reimbursed or otherwise satisfied by New National. Harrah's shall not be obligated to remit to New National any Monthly LOC Fees paid by the Debtor or New National to Harrah's in respect of the LOC.

(f) On the Effective Date, New National may choose to reduce the principal amount of the LOC by $1,608,727.77, and upon providing notice to Harrah's of the same, Harrah's shall transfer to New National $1,608,727.77 in immediately available funds.

5.6.3 Treatment of All Other Harrah's Claims. In full and final satisfaction of the remainder of the Harrah's Claims not related to the letters of credit issued to U.S. Bank, New National and Harrah's shall enter into the Harrah's Ticket Program Agreement on the Effective Date.

5.7 Class 7 – Miscellaneous Secured Claims.

5.7.1 Impairment and Voting. Depending upon the option selected by the Debtor pursuant to Section 5.7.3 below, the holders of Allowed Secured Claims in Class 7 may be impaired pursuant to the Plan. If a particular Allowed Secured Claim in Class 7 is impaired under the Plan, the holder of such Claim is entitled to vote on the Plan. For purposes of voting and receiving Distributions under the Plan, each holder of an Allowed Secured Claim in Class 7 is considered to be in its own separate subclass within Class 7, and each such subclass is deemed to be a separate Class for purposes of the Plan.

5.7.2 Retention of Liens. The holders of Allowed Secured Claims shall retain their Liens on their Collateral, except as otherwise provided in Section 5.7.3.

5.7.3 Options; Treatment. On or before five (5) Business Days following approval by the Bankruptcy Court of the Disclosure Statement, with respect to each holder of an Allowed Secured Claim in Class 7, the Debtor shall elect one of the following alternative treatments for each such Allowed Secured Claim in a particular subclass.

4.8.3.1 ***Abandonment.*** Pursuant to the Plan, and prior to the Effective Date, the Debtor may abandon or surrender to the holder of such Allowed Secured Claim in Class 7 the Collateral securing such Allowed Secured Claim. Within 30 days following the Effective Date, New National may abandon or surrender to the holder of such Allowed Secured Claim in Class 7, the Collateral securing such Allowed Secured Claim. Any Unsecured Deficiency Claim asserted by a holder of an Allowed Secured Claim in Class 7 shall be filed with the Bankruptcy Court within 30 days following the date of

the surrender or abandonment of such Creditor's Collateral. Any such Allowed Unsecured Deficiency Claim shall be treated in accordance with Section 5.9 of the Plan.

4.8.3.2 ***Cash.*** Pursuant to the Plan, on or before the Effective Date, the holder of an Allowed Secured Claim in Class 7 may receive from New National, on account of such Allowed Secured Claim, Cash equal to its Allowed Secured Claim, or such lesser amount to which the holder of such Claim and New National shall agree, in full satisfaction and release of such Claim. Upon the payment of such Cash by New National, any Lien related to such Allowed Secured Claim shall automatically be deemed released and terminated.

4.8.3.3 ***Cure; Reinstatement.*** Any default, other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code, owed to a holder of an Allowed Secured Claim in Class 7 may be Cured or reinstated on or before the Effective Date.

4.8.3.4 ***Mutual Agreement.*** The holder of an Allowed Secured Claim may be treated in accordance with the terms and conditions of any agreement entered into by the Debtor and the holder of such Claim with respect to such Claim.

5.7.4 Notice. The Debtor shall promptly provide notice of the option elected by the Debtor with respect to each holder of an Allowed Secured Claim in Class 7.

5.8 Class 8 - Convenience Claims.

5.8.1 Impairment and Voting. Class 8 is impaired by the Plan; consequently, all holders of Allowed Claims in Class 8 are entitled to vote on the Plan.

5.8.2 Election; Deemed Acceptance. Any holder of an Allowed General Unsecured Claim may choose to voluntarily reduce the amount of its Claim to $2,500 in order to be treated in Class 8 by electing such treatment on the Ballot provided to such holder. Any holder of an Allowed General Unsecured Claim that voluntarily reduces the amount of its Claim in order to be treated in Class 8 shall be deemed to accept the Plan.

5.8.3 Distributions. Each holder of an Allowed Claim in Class 8 shall be paid in Cash by New National the lesser of: (a) the amount of such Allowed Claim; or (b) such holder's Pro Rata share of $500,000. Fifty percent (50%) of the amount payable to each holder of an Allowed Claim in Class 8 shall be paid by New National as soon as practicable after the Effective Date, and the remainder of such amount shall be payable on or before the nine-month anniversary of the Effective Date.

5.9 Class 9 – General Unsecured Claims.

5.9.1 Impairment and Voting. Class 9 is impaired by the Plan; consequently, all holders of Allowed General Unsecured Claims are entitled to vote on the Plan.

5.9.2 Distributions. Each holder of an Allowed Claim in Class 9 shall receive on the Effective Date its Pro Rata share of the uncertificated beneficial interests in the Trust. New National shall contribute to the Trust shares of New Common Stock which shall be based on the ratio of the Allowed amount of all General Unsecured Claims to the Allowed amount of all Claims entitled to receive New Common Stock under the Plan.

5.10 Class 10 – Equity Interests and Equity Related Claims.

5.10.1 Impairment and Voting. Class 10 is impaired by the Plan and is deemed to reject the Plan.

5.10.2 Treatment. Holders of Allowed Equity Interests and Equity Related Claims shall not receive or retain any rights, property or Distributions under the Plan. As of the Effective Date, all Equity Interests shall be cancelled and terminated.

ARTICLE 6. IMPLEMENTATION OF THE PLAN

6.1 New National.

6.1.1 Issuance of New Common Stock, Preferred Stock and Warrants. New National shall issue the New Common Stock on the Effective Date to those Persons entitled thereto in accordance with the provisions of the Plan, including, without limitation, the lessors under the Aircraft Leases, holders of Allowed Claims entitled to receive New Common Stock under Article 5 of the Plan, the Senior Management pursuant to Section 6.1.5, the holders of Claims related to PFCs under Section 2.4 of the Plan and to certain Persons whose executory contracts are assumed in accordance with Section 7.1 of the Plan. On the Effective Date, New National may issue Warrants and/or one or more series of Preferred Stock on terms and conditions negotiated between the Debtor and any third party.

6.1.2 Certificate of Incorporation and By-Laws. As of the Effective Date and without any further action by the stockholders or directors of the Debtor or New National, the Debtor's Certificate of Incorporation and By-Laws shall be amended and restated substantially in the forms of the Restated Certificate and the Restated By-Laws. The Restated Certificate and the Restated By-Laws shall provide for, among other things, the authorization of all acts necessary to implement this Plan including, without limitation, the issuance of the New Common Stock, the Preferred Stock, if any, the Warrants, if any, and the Incentive Options. After the Effective Date, New National may amend and restate its Restated Certificate and Restated By-Laws as permitted by applicable law.

6.1.3 New National's Officers. The existing officers of the Debtor immediately prior to the Effective Date shall be deemed terminated without cause as of the Effective Date and offered employment as the officers of New National pursuant to the Executive Employment Agreements. Each officer of the Debtor who is employed by New National pursuant to an Executive Employment Agreements shall waive all Claims that such Person may have against the Debtor in accordance with the provisions of the Executive Employment Agreements.

6.1.4 New National's Directors. The existing directors of the Debtor immediately prior to the Effective Date shall be deemed removed as of the Effective Date. The Board of Directors of New National shall be comprised of at least three, but not more than eleven members. The initial Board of Directors shall be comprised of the Chief Executive Officer of New National, one director designated by the Chief Executive Officer of New National, the Trustee (or a director designated by the Trustee) and up to two individuals selected by the lessors under the Aircraft Leases which are assumed by New National. Additional directors may also be appointed by the holders of any series of Preferred Stock issued by New National if authorized by the terms and conditions of such series of Preferred Stock.

6.1.5 Equity Incentive Program. On the Effective Date, New National shall issue the Incentive Options to Senior Management, and such Incentive Options shall be allocated as set forth in the Plan Supplement. The Incentive Options shall vest in the following manner: (i) ___% shall vest immediately on the Effective Date and (ii) the remainder in equal portions annually over a four year period. The issuance of New Common Stock upon exercise of the Incentive Options shall equally and ratably dilute the percentage ownership of all holders of New Common Stock. The Board of Directors of

New National may adopt an equity incentive program for the employees of New National, other than the members of Senior Management, with terms and conditions determined by the Board of Directors of New National. [On the Effective Date, the Senior Management of New National shall receive ___% of the New Common Stock on a Fully Diluted basis. The New Common Stock shall be allocated to Senior Management as set forth in the Plan Supplement.]

6.1.6 Plan Supplement. The Debtor shall file as early as is practicable (but in no event later than seven Business Days before the deadline fixed for filing objections to Confirmation of the Plan, or on such other date as the Bankruptcy Court may determine) the Plan Supplement which shall contain, among other things, the Trust Agreement, the Restated Certificate, the Restated By-Laws of New National, the Executive Employment Agreements, the GC Note, the GECC Note, the GECC Security Agreement, the Restated Harrah's LOC Agreement and the form of the Incentive Options.

6.2 Funding of the Plan. Funds to be used to make Cash payments under the Plan shall derive principally from four sources: (a) operation of the Debtor's business prior to the Effective Date; (b) the Exit Financing Facility; (c) the proceeds of any securities issued by New National; and (d) operation of New National's business on and after the Effective Date.

6.2.1 Exit Financing Facility. On or before the Effective Date, the Exit Financing Facility shall have been obtained and shall have been approved by separate, prior Final Order of the Bankruptcy Court. The terms and conditions of the Exit Financing Facility shall be acceptable to New National and may include a guarantee from the United States federal government in accordance with the Airline Stabilization Act of the principal amount of the Exit Financing Facility. As part of the Exit Financing Facility: (i) the indebtedness under the Plan shall be subordinate in payment priority to the Exit Financing Facility; (ii) the maturity date of the Exit Financing Facility shall occur on or prior to the seventh anniversary of the Effective Date; (iii) the loan documentation shall contain a limitation on the incurrence of indebtedness by New National for so long as the Exit Financing Facility is outstanding; (iv) the loan documentation shall contain a limitation on the payment of dividends by New National and on the payments by New National to its Affiliates so long as the Exit Financing Facility is outstanding; and (v) the loan documentation shall contain a restriction on future capital expenditures to be made by New National so long as the Exit Financing Facility is outstanding.

6.2.2 Securities Issued by New National. On the Effective Date and from time to time thereafter, New National may issue Preferred Stock, New Common Stock, Warrants or other equity securities to third parties on terms and conditions acceptable to New National and such third parties.

6.3 Abandonment of Avoidance Actions. On the Effective Date, the Debtor and New National shall abandon and waive all avoidance actions, if any, under Sections 544, 547, 548, 549 and 552 of the Bankruptcy Code.

6.4 Subordination. All indebtedness issued under the Plan to existing holders of Claims against the Debtor shall be subordinate in payment priority to the payment of all amounts due under the Exit Financing Facility.

6.5 Trust/Plan Administration.

6.5.1 Creation of the Trust; Transfer of Assets. On the Effective Date, the Trust shall be established. Pursuant to Section 1123(a)(5)(B) of the Bankruptcy Code, on the Effective Date or as soon thereafter as practicable, the New Common Stock to be issued under Section 5.9.2 of the Plan shall be irrevocably transferred and assigned to the Trust, to be held in trust for the benefit of all holders of Allowed Claims in Class 9 pursuant to the terms of the Plan and the Trust Agreement. Except as

otherwise provided in the Plan or in the Trust Agreement, title to such New Common Stock shall transfer to the Trust free and clear of all Claims, Equity Interests and Liens. For federal income tax purposes, the holders of Allowed Claims in Classes 10 shall be treated as the grantors, deemed owners and beneficiaries of the Trust. Accordingly, for federal income tax purposes, the transfer of the New Common Stock to the Trust in accordance with Section 5.9.2 of the Plan shall be a deemed transfer by the Debtor of such New Common Stock to the holders of Allowed Claims in Class 9, followed by a contribution of the New Common Stock to the Trust by the holders of the Allowed Claims in Class 9.

6.5.2 Expenses of the Trust. The costs and expenses of the Trust shall be paid by New National in accordance with the Trust Agreement. Professional Fees for services rendered after the Effective Date by Professionals retained by the Trust shall be paid by the Trust. In addition, all fees and expenses of the Trustee shall be paid by the Trust.

6.5.3 Voting and Distribution of New Common Stock. The Trust shall be bound by a voting agreement as part of the Trust Agreement pursuant to which the shares of New Common Stock held by the Trust shall be voted in the same proportion as the shares of New Common Stock held by other parties in all matters upon which a vote of the holders of the New Common Stock is taken. The Trust shall distribute the New Common Stock held by it upon the earliest to occur of (i) the fifth anniversary of the Effective Date, (ii) the date on which New National becomes a reporting company under the Exchange Act and (iii) the date on which New National consummates a public offering of common stock which is registered under the Securities Act of 1933, as amended.

6.5.4 Registration of the Trust under the Exchange Act. The Trustee shall take all reasonable actions to ensure that the Trust shall not be required to register as a reporting company under the Exchange Act. Such actions include, without limitation, the following: (i) the beneficial interests in the Trust shall be uncertificated; (ii) the beneficial interests in the Trust shall be non-transferable; and (iii) the sole purpose of the Trust shall be to hold the New Common Stock in trust for the General Unsecured Creditors in Class 9 and to liquidate and/or distribute the same.

6.5.5 Trustee. The Trust shall have one Trustee who shall be selected by the Debtor after consultation with the Committee and approved by the Bankruptcy Court as part of the Confirmation Hearing. Pursuant to the Trust Agreement, New National shall have the power to nominate a successor Trustee upon any vacancy created by the death, resignation or removal of the Trustee, and such nominee shall become the Trustee upon the approval of a majority of the holders of the uncertificated beneficial interests based on the outstanding amount of uncertificated beneficial interests.

6.5.6 Authority. The Trustee shall have the powers, authorities and duties set forth in the Trust Agreement.

6.5.7 Amendments to Trust Agreement. The Trust Agreement may be amended from time to time, without modifying the Plan, with the approval of the holders of a majority of the uncertificated beneficial interests in the Trust.

6.5.8 Termination of Trust. Upon the distribution of all of the Trust Assets and the preparation and filing of any tax returns, the Trust shall be terminated, and the Trustee shall have no further responsibilities or duties; provided, however, that the Trust shall terminate no later than the fifth anniversary of the Effective Date, unless otherwise ordered by the Bankruptcy Court in accordance with the provisions of the Trust Agreement.

6.5.9 Dispute Resolution. In the event of a dispute between the Trustee and New National involving an allegation that either party has failed to act in a manner consistent with the Plan or

the Trust Agreement, or is in breach of any applicable fiduciary duty, the parties shall meet and confer and attempt to reach a consensual resolution of the dispute. Should a consensual resolution not be reached, either party may seek appropriate relief from a court of competent jurisdiction.

6.5.10 Limitations on Trustee's Liability. Subject to applicable law, the Trustee shall not be liable for any act or omission, except to the extent that such act or omission is determined by a court of competent jurisdiction to be the result of such Person's own gross negligence, willful fraud or other willful misconduct. The foregoing limitation on liability shall apply equally to the agents, employees or Professionals of the Trustee acting on behalf of the Trustee in the fulfillment of their duties under the Plan and the Trust Agreement. Neither the Trustee nor any of the holders of beneficial interests in the Trust shall be personally liable with respect to any liabilities or obligations of the Trust or any liabilities or obligations relating to the Trust Assets, including, without limitation, those arising under the Trust Agreement or with respect to the Trust or the Trust Assets, and all persons dealing with the Trust must look solely to the Trust Assets for the enforcement of any claims against the Trust or the Trust Assets.

6.5.11 Allocations for Tax Purposes. The Trustee shall be responsible for allocating the Trust's tax-related items each year to the holders of Allowed Claims in Class 9. For each tax-related item, the amount allocated to each holder of an Allowed Claim in Class 9 shall equal the product of (A) the total tax-related item, multiplied by (B) a fraction, the numerator of which is the value of the holder's Allowed Claim in Class 9 on the Effective Date, and the denominator of which is the sum of the value of all Allowed Claims in Class 9 on the Effective Date. Each holder of an Allowed Claim in Class 9 shall be responsible for the tax due on its pro rata share of the Trust's tax-related items.

ARTICLE 7. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

7.1 Executory Contracts. All executory contracts set forth on the schedule of assumed executory contracts filed with the Bankruptcy Court by separate motion filed prior to the commencement of the Confirmation Hearing, other than the Aircraft Leases, shall be deemed assumed by New National, as of the Effective Date, except for any executory contract: (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date or (ii) as to which a motion for approval of the rejection of such executory contract, if applicable, has been filed with the Bankruptcy Court prior to the Effective Date.

7.2 Unexpired Leases. All unexpired leases set forth on the schedule of assumed unexpired leases filed with the Bankruptcy Court by separate motion filed prior to the commencement of the Confirmation Hearing shall be deemed assumed by New National, as of the Effective Date, except for any unexpired lease: (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Effective Date; or (ii) as to which a motion for approval of the rejection of such unexpired lease, if applicable, has been filed with the Bankruptcy Court prior to the Effective Date.

7.3 Deemed Rejection. All executory contracts and unexpired leases not specified on the schedule of assumed executory contracts and unexpired leases filed with the Bankruptcy Court by separate motion prior to the Effective Date shall be deemed rejected as of the Effective Date, except for any executory contract or unexpired lease: (a) that has been assumed pursuant to a Final Order entered on or before the Effective Date, or (b) that is the subject of a pending motion to assume or an order relating to assumption that has not yet become a Final Order as of the Effective Date.

7.4 Approval of Assumption or Rejection. Entry of the Confirmation Order shall constitute: (i) the approval, pursuant to Section 365(a) of the Bankruptcy Code, of the assumption of the executory contracts and unexpired leases assumed pursuant to the Plan or otherwise during the Chapter 11

Case; and (ii) the approval, pursuant to Section 365(a) of the Bankruptcy Code, of the rejection of the executory contracts and unexpired leases rejected pursuant to the Plan or otherwise during the Chapter 11 Case. Notwithstanding anything contained herein to the contrary, the Debtor shall have the right to add or delete any executory contract or unexpired lease that is initially an assumed executory contract or an assumed unexpired lease on the schedules filed with the Bankruptcy Court by separate motion on or before the Effective Date.

7.5 Cure of Defaults. On the Effective Date or as soon thereafter as is practicable, New National, shall Cure any defaults under any executory contract or unexpired lease assumed pursuant to this Plan in accordance with Section 365(b)(1) of the Bankruptcy Code.

7.6 Post-Petition Date Contracts and Leases. Executory contracts and unexpired leases entered into and other obligations incurred after the Petition Date by the Debtor shall be performed by the Debtor or New National, as applicable, in the ordinary course of their business.

7.7 Bar Date. All proofs of Claim with respect to Claims arising from the rejection of any executory contract or unexpired lease shall be filed with the Bankruptcy Court no later than 30 days after the Effective Date. Any such Claim not so filed by that date shall be forever barred.

7.8 Indemnification Obligations. Any obligations of the Debtor to indemnify any Person serving as a fiduciary of any employee benefit plan or employee benefit program of the Debtor, under charter, by-laws, contract, or applicable state law shall be deemed to be, and shall be treated as, an executory contract and assumed by New National on the Confirmation Date. Any obligation of the Debtor to indemnify, reimburse, or limit the liability of any Person, including but not limited to any officer or director of the Debtor, or any agent, professional, financial advisor, or underwriter of any securities issued by the Debtor, relating to any acts or omissions occurring before the Petition Date, whether arising pursuant to charter, by-laws, contract or applicable state law, shall be deemed to be, and shall be treated as, an executory contract and shall be deemed to be assumed by New National on the Confirmation Date. In addition, nothing contained in the Plan impacts, impairs or prejudices the rights of any Person covered by any applicable D&O Policy with respect to such policy or policies. Moreover, New National shall maintain in force for a period of 2 years following the Effective Date appropriate D&O Policies covering pre-Effective Date directors and officers of the Debtor and containing substantially the same provisions and limits of coverage as the policies that were in force on the Petition Date.

ARTICLE 8. SECURITIES TO BE ISSUED IN CONNECTION WITH THE PLAN

8.1 Uncertificated Beneficial Interests. On the Effective Date, holders of Allowed Claims in Class 9, and certain holders of Aircraft Lease Claims in accordance with Article 2, shall own uncertificated beneficial interests in the Trust, which shall entitle such holders of Allowed Claims to the Distributions specified by the provisions of the Plan and the Trust Agreement. Such uncertificated beneficial interests shall not be transferable other than by operation of law or as specifically set forth in the Trust Agreement.

8.2 New Common Stock. On the Effective Date, New National shall issue the New Common Stock in accordance with Section 6.1.1 of the Plan. The New Common Stock shall have those rights, preferences and privileges as are set forth in the Restated Certificate.

8.3 Preferred Stock. On the Effective Date, New National may issue one or more series of Preferred Stock in accordance with Section 6.1.1 of the Plan. The Preferred Stock shall have those rights, preferences and privileges as are set forth in the Restated Certificate and as designated by the Debtor

consistent with the Restated Certificate, and shall be issued on such terms as determined by the Debtor or New National, as applicable.

8.4 Warrants; Options. On the Effective Date, New National shall issue the Incentive Options and the Warrants, if any.

8.5 Section 1145 Exemption; Other Exemptions. In accordance with Section 1145 of the Bankruptcy Code, the issuance of the uncertificated beneficial interests in the Trust in accordance with the Plan and the issuance of the New Common Stock in exchange for Claims under the Plan are exempt from the registration requirements of Section 5 of the Securities Act, and any state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker dealer in such securities and is deemed to be a public offer of such securities. Any other securities issued by New National in connection with the Plan shall be issued pursuant to other available exemptions from the registration requirements of Section 5 of the Securities Act, and any state or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker dealer in such securities.

ARTICLE 9. CONDITIONS PRECEDENT

9.1 Conditions To Confirmation. The following are conditions precedent to confirmation of this Plan:

(a) The Bankruptcy Court shall have entered Final Order approving the Disclosure Statement with respect to this Plan;

(b) The Confirmation Order has been entered in form and substance reasonably acceptable to the Debtor; and

(c) The Confirmation Order:

(i) contains only provisions that are nonseverable and mutually dependent;

(ii) provides that all executory contracts or unexpired leases assumed by New National during the Chapter 11 Case or under this Plan shall remain in full force and effect for the benefit of New National notwithstanding any provision in such contract or lease (including those described in Sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits such assignment or transfer or that enables, permits or requires termination of such contract or lease;

(iii) except as expressly provided in this Plan, discharges the Debtor as of the Confirmation Date from all Claims and any "debt" (as that term in defined in Section 101(12) of the Bankruptcy Code) that arose on or before the Confirmation Date, and the Debtor's liability in respect of such Claims and debts shall be extinguished completely, whether reduced to judgment or not, liquidated or unliquidated, contingent or noncontingent, asserted or unasserted, fixed or unfixed, matured or unmatured, disputed or undisputed, legal or equitable, or known or unknown, or that arose from any agreement of the Debtor that has either been assumed or rejected in the Chapter 11 Case or under this Plan, or obligation of the Debtor incurred before the Confirmation Date, or from the Debtor's conduct before the Confirmation Date, or that otherwise arose before the Confirmation Date including, without limitation, all interest, if any, on any such debts, whether such interest accrued before or after the Petition Date;

(iv) does not provide for the liquidation of all or substantially all of the Debtor's property and Confirmation must not likely be followed by the liquidation of New National or the need for further financial reorganizations; and,

(v) approves the Trust Agreement and specifically appoints the Trustee in accordance with the Plan.

9.2 Conditions To Effectiveness. The following are conditions precedent to the occurrence of the Effective Date:

(a) The Confirmation Date has occurred;

(b) The Confirmation Order is a Final Order, except that the Debtor reserves the right to cause the Effective Date to occur notwithstanding the pendency of an appeal of the Confirmation Order, under circumstances that would moot such appeal;

(c) No request for revocation of the Confirmation Order under Section 1144 of the Bankruptcy Code has been made, or, if made, remains pending;

(d) The Bankruptcy Court in the Confirmation Order has approved the retention of jurisdiction provisions in Article 12 of the Plan;

(e) All documents necessary to implement the transactions contemplated by this Plan are made in form and substance reasonably acceptable to the Debtor and the Committee;

(f) New National retains sufficient Cash on the Effective Date to make required Distributions in accordance with the Plan to holders of Allowed Claims on or about the Effective Date;

(g) New National shall have entered into the Executive Employment Agreements;

(h) New National receives all regulatory approvals including, if applicable, Federal Aviation Administration approval and Department of Transportation approval, which have become final and nonappealable or any period of objection by regulatory authorities has expired, as applicable, and all other material approvals, permits, authorization, consents, licenses, and agreements from other third parties necessary or appropriate to permit the transactions contemplated by the Plan and any related agreements and to permit New National to carry on its business after the Effective Date in a manner consistent in all material respects with the manner in which it was carried on before the Effective Date (collectively, the "Approvals"). The Approvals must not contain any condition or restriction that materially impairs New National's ability to carry on its business in a manner consistent in all respects with the manner as proposed to be carried on by New National under the Plan;

(i) New National has obtained Bankruptcy Court approval for the Exit Financing Facility and received authorization under the documents executed in connection with the Exit Financing Facility to borrow funds under the Exit Financing Facility;

(j) The Bankruptcy Court has approved the appointment of the Trustee; and

(k) Any Allowed Aircraft Lease Rejection Claim shall have been resolved on terms acceptable to the Debtor in its sole and absolute discretion.

9.3 Waiver Of Conditions. The conditions to the Effective Date contained in Sections 9.2(a), (f), (h) and (i) may be waived in whole or in part by the Debtor at any time without (i) notice, (ii) an order of the Bankruptcy Court, or (iii) any further action other than proceeding to Confirmation and consummation of the Plan.

ARTICLE 10. NON-ALLOWANCE OF PENALTIES AND FINES

Except as expressly provided for in the Plan, no Distribution shall be made under this Plan on account of, and no Allowed Claim (whether Secured, Unsecured, Priority or Administrative) shall include, any fine, penalty, or exemplary or punitive damages relating to or arising from any default or breach by the Debtor, and any Claim on account of such fine, penalty, or exemplary or punitive damages shall be deemed to be disallowed, whether or not an objection is filed to such Claim.

ARTICLE 11. TITLE TO PROPERTY; DISCHARGE; INJUNCTION

11.1 Revesting of Assets. Subject to the provisions of this Plan, the property of the Estate of the Debtor shall vest in New National, and the Trust Assets shall vest in the Trust, on the Effective Date. As of the Effective Date, all such property shall be free and clear of all Liens, Claims, and Equity Interests, except as otherwise provided in this Plan. From and after the Effective Date, New National may operate its business, and may use, acquire, and dispose of its property free of any restrictions of the Bankruptcy Code, including the employment of, and payment to, Professionals, except as otherwise provided in the Plan or the Confirmation Order.

11.2 Discharge. Except as provided in the Plan or the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Equity Interests under the Plan are in exchange for and in complete satisfaction, discharge, and release of, all Claims including any interest accrued on General Unsecured Claims from the Petition Date and termination of all Equity Interests. Except as provided in the Plan or the Confirmation Order, Confirmation: (a) discharges the Debtor and New National from all Claims or other debts that arose before the Confirmation Date, and all debts of the kind specified in Sections 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not: (i) a proof of claim based on such debt is filed or deemed filed under Section 501 of the Bankruptcy Code; (ii) a Claim based on such debt is Allowed under Section 502 of the Bankruptcy Code; or (iii) the holder of a Claim based on such debt has accepted the Plan; and (b) terminates all Equity Interests and other rights of Equity Interests in the Debtor except as expressly provided in the Plan.

11.3 Injunction. Except as provided in the Plan or the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Equity Interest, Equity Related Claim, or other right of an equity security holder that is terminated under the Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts, liabilities, or terminated Equity Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Debtor, the Trust or New National (including any officer or director acting as a representative of the Debtor or New National) or any of their respective Professionals to the extent that such action or proceeding arises from any act or omission of such party in connection with, relating to, or arising out of the Chapter 11 Case, the negotiation and pursuit of Confirmation of the Plan or the consummation of the Plan except for such party's acts or omissions constituting gross negligence or willful misconduct as finally determined by a court of competent jurisdiction; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against the Debtor, the Trust, New National, or their respective property; (c) creating, perfecting, or enforcing any lien or encumbrance against the Debtor, the Trust, New National, or their respective property; (d) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability, or obligation due to the Debtor, the Trust, New National, or their

respective property; and (e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

11.4 Exculpation. None of the Debtor, New National, the Trust, the Trustee, the Committee, or any of their respective members, officers, directors, employees or Professionals have or may incur any liability to any holder of a Claim or Equity Interest, including the holder of any Equity Related Claim, or any other party in interest, or any of their respective members or former members, 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 Chapter 11 Case, the negotiation and pursuit of confirmation of the Plan, the consummation of the Plan or the administration of the Plan (the "Chapter 11 Activities") *except for* their acts or omissions constituting willful misconduct or gross negligence, as finally determined by a court of competent jurisdiction, and in all respects are entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities in connection with the Chapter 11 Activities. No holder of a Claim, Equity Interest or Equity Related Claim or any other party in interest, including their respective agents, employees, representatives, financial advisors, attorneys or affiliates, have any right of action against the Debtor, the Trust, the Trustee, the Committee or New National or any of their respective officers, directors, employees or Professionals for any act or omission in connection with the Chapter 11 Activities, *except for* their acts or omissions constituting willful misconduct or gross negligence as finally determined by a court of competent jurisdiction. As of the Effective Date, the Debtor shall be deemed to have released its current and prior directors and officers from any claims or causes of action the Debtor may have against such parties, unless such claims or causes of action arise out of acts or omissions by such parties constituting willful misconduct or gross negligence. Nothing set forth above shall preclude or otherwise impair the rights of the SEC to administer and enforce the United States federal securities laws.

11.5 Preservation Of Insurance. The Debtor's discharge and release from Claims as provided in the Plan, except as necessary to be consistent with this Plan, do not diminish or impair the enforceability of any insurance policy that may cover Claims against the Debtor or any other Person.

ARTICLE 12. RETENTION OF JURISDICTION

12.1 Jurisdiction. Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court retains such jurisdiction over the Chapter 11 Case after the Effective Date as is legally permissible including, without limitation, jurisdiction to:

(a) Allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims;

(b) Grant or deny any applications for allowance of compensation or reimbursement of expenses authorized under the Bankruptcy Code or the Plan;

(c) Resolve any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor are parties and to hear, determine and, if necessary, liquidate, any Claims arising from, or cure amounts related to, such assumption or rejection;

(d) Ensure that Distributions to holders of Allowed Claims are accomplished in accordance with the Plan;

(e) Decide or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters and grant or deny any applications or motions involving the Debtor that may be pending on the Effective Date;

(f) Enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan or the Disclosure Statement, except as otherwise provided in the Plan;

(g) Resolve any cases, controversies, suits or disputes that may arise in connection with the consummation, interpretation or enforcement of the Plan or any Person's obligations incurred in connection with the Plan;

(h) Modify the Plan before or after the Effective Date under Section 1127 of the Bankruptcy Code or modify the Disclosure Statement or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Disclosure Statement; or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with the Plan or the Disclosure Statement, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code;

(i) Issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any entity with consummation or enforcement of the Plan, except as otherwise provided in the Plan;

(j) Enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked, or vacated;

(k) Determine any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order, the Trust Agreement or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement, the Confirmation Order or the Trust Agreement except as otherwise provided in the Plan;

(l) Enter an order closing the Chapter 11 Case which provides for retention of jurisdiction for the Bankruptcy Court for purposes of Section 11.4;

(m) Adjudicate the Litigation Claims, and any other cause of action or claims of the Debtor;

(n) Resolve any disputes between the Trustee and New National;

(o) Approve settlements of any Litigation Claims;

(p) Resolve any disputes between New National and any governmental entity regarding any taxes assessed against the Debtor or against New National in connection with the Plan; and

(q) Resolve any disputes between the Professionals and New National in accordance with Section 3.5.1.

ARTICLE 13. AMENDMENT AND WITHDRAWAL OF PLAN

13.1 Amendment of the Plan; Modification of Plan Supplement. At any time before the Confirmation Date, the Debtor may alter, amend, or modify the Plan under Section 1127(a) of the Bankruptcy Code *provided* that such alteration, amendment, or modification does not materially and adversely affect the treatment and rights of holders of Claims under the Plan. After the Confirmation Date and before substantial consummation of the Plan as defined in Section 1101(2) of the Bankruptcy Code, the Debtor may, 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 the Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan so long as such proceedings do not materially and adversely affect the treatment of holders of Claims under the Plan; *provided, however*, that prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or applicable order of the Bankruptcy Court. The forms of the documents set forth in the Plan Supplement shall be substantially similar, in form and substance, to the final, execution copies of such documents, and the parties thereto may make any modifications thereto which do not affect the material terms of such documents without Bankruptcy Court approval.

13.2 Revocation or Withdrawal of the Plan. The Debtor reserves the right to revoke or withdraw this Plan at any time before the Confirmation Date. If the Plan is withdrawn or revoked, then the Plan shall be deemed null and void and nothing contained in the Plan shall be deemed a waiver of any Claims by or against the Debtor or any other Person in any further proceedings involving the Debtor or an admission of any sort, and this Plan and any transaction contemplated by this Plan shall not be admitted into evidence in any proceeding.

ARTICLE 14. ACCEPTANCE OR REJECTION OF THE PLAN

14.1 Impaired Classes to Vote. Each holder of a Claim or Equity Interest in an impaired Class shall be entitled to vote separately to accept or reject this Plan unless such holder is deemed to accept or reject this Plan.

14.2 Acceptance by Class of Creditors and Holders of Interests. An impaired Class of holders of Claims shall have accepted this Plan if this Plan is accepted by at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class that have voted to accept or reject this Plan. An impaired Class of holders of Equity Interests shall have accepted this Plan if this Plan is accepted by at least two-thirds in amount of the Allowed Equity Interests of such Class that have voted to accept or reject this Plan. A Class of holders of Claims shall be deemed to accept this Plan in the event that no holder of a Claim within that Class submits a Ballot by the Ballot Date.

14.3 Cramdown. If any impaired Class of Claims entitled to vote shall not accept this Plan by the requisite statutory majorities provided in Section 1126(c) of the Bankruptcy Code, the Debtor reserves the right to request that the Bankruptcy Court confirm this Plan under Section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject this Plan, the Debtor shall request the Bankruptcy Court to confirm this Plan under Section 1129(b) of the Bankruptcy Code.

ARTICLE 15. MISCELLANEOUS

15.1 Filing of Objections to Claims. After the Effective Date, objections to Claims may be made, and objections to Claims made before the Effective Date may be pursued, by the Trust, New National or any other Person properly entitled to do so after notice to New National and approval by the Bankruptcy Court. Any objections to Administrative Claims and Claims made after the Effective Date

shall be filed and served on the holders of such Administrative Claims and Claims not later than 90 days after notice of such Claim after the Effective Date is received by New National or such later date as may be approved by the Bankruptcy Court.

15.2 Settlement of Objections After Effective Date. From and after the Effective Date, New National may litigate to Final Order, propose settlements of, or withdraw objections to, all pending or filed Disputed Claims and may settle or compromise any Disputed Claim without notice and a hearing and without approval of the Bankruptcy Court.

15.3 Distribution Record Date. At the close of business on the Distribution Record Date, the claims register (for Claims), and the stock transfer ledgers of the Debtor (for Equity Interests) shall be closed, and no further changes in the record holders of any Claims or Equity Interests shall be permitted. New National and the Trust shall have no obligation to recognize any transfer of any Claim or Equity Interest occurring after the Distribution Record Date. New National and the Trust shall be entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register or stock transfer ledgers of the Debtor as of the close of business on the Distribution Record Date.

15.4 Holding of, and Failure to Claim, Undeliverable Distributions. All Distributions under the Plan are to be made by New National or the Trust to the holder of each Allowed Claim at the address of such holder as listed on the Schedules as of the Distribution Record Date, unless New National has been notified in writing of a change of address, including without limitation, by the filing of a proof of claim or notice of transfer of claim filed by such holder that provides an address for such holder different from the address reflected on the Schedules. If any holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless and until New National or the Trust, as applicable, is notified of such holder's then current address, at which time all required Distributions shall be made to such holder. Undeliverable Distributions shall be held by New National or the Trust, as applicable, until such Distributions are claimed. All claims for undeliverable Distributions shall be made on or before the earlier of (i) the six-month anniversary of the distribution date established by the Trustee and related to such undeliverable Distributions and (ii) sixty days prior to the final distribution date established by the Trustee. After such date, all unclaimed Distributions held by New National or the Trust shall revert to New National, and the Claim of any holder or successor to such holder with respect to such Distribution shall be discharged and forever barred notwithstanding any federal or state escheat laws to the contrary.

15.5 Time Bar to Cash Payments. Checks issued on account of Allowed Claims, whether issued by New National or the Trust, shall be null and void if not negotiated within sixty (60) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to New National or the Trust, as appropriate, by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such avoided check shall be made on or before the later of (a) the first anniversary of the Effective Date or (b) ninety (90) days after the date of issuance of such check; if such check represents a Distribution under this Plan on account of such Claim. After such date, all Claims in respect of voided checks shall be discharged and forever barred and shall revert to New National.

15.6 Post-Effective Date Distributions. Distributions made after the Effective Date to holders of Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims, shall be deemed to have been made on the Effective Date.

15.7 Fractional Amounts. Notwithstanding anything contained herein to the contrary, payments of fractions of dollars shall be made, but payments of fractions of cents shall not be made. Whenever any payment of a fraction of a cent under this Plan would otherwise be called for, the actual

payment made shall reflect a rounding of such fraction to the nearest cent (up or down), with half a cent being rounded down.

15.8 Effectuating Documents; Further Transactions; Timing. The Debtor, New National and the Trust shall be authorized and directed to execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents, and to take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, the Trust Agreement and any securities issued in accordance with the Plan. All transactions required to occur on the Effective Date under the terms of the Plan shall be deemed to have occurred simultaneously.

15.9 Exemption From Transfer Taxes. In accordance with Section 1146(c) of the Bankruptcy Code: (a) the issuance, distribution, transfer, or exchange of the New Common Stock, the Preferred Stock, the uncertificated beneficial interests or other Estate property, including the transfer of the Trust Assets from the Debtor to the Trust; (b) the creation, modification, consolidation, or recording of any deed of trust or other security interest, the securing of additional indebtedness by such means or by other means in furtherance of, or connection with, this Plan or the Confirmation Order; (c) the making, assignment, modification, or recording of any lease or sublease; or (d) the making, delivery, or recording of a deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, the Confirmation Order, or any transaction contemplated above, or any transactions arising out of, contemplated by, or in any way related to, the foregoing shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act or real estate transfer tax, mortgage recording tax or other similar tax or governmental assessment and the appropriate state or local government officials or agents shall be directed to forego the collection of any such tax or assessment and to accept for filing or recordation any of the foregoing instruments or other documents without the payment of any such tax or assessment.

15.10 Binding Effect. The Plan shall be binding on, and shall inure to the benefit of, the Debtor, New National, the Trust, the Trustee and the holders of all Claims and Equity Interests, including the holders of Equity Related Claims, and their respective successors and assigns.

15.11 Governing Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations of the Debtor, New National, the Trust, the Trustee and any other Person arising under the Plan shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Nevada, without giving effect to Nevada's choice of law provisions.

15.12 Modification of Payment Terms. New National and the Trust may modify the treatment of any Allowed Claim or Equity Interest in any manner adverse only to the holder of such Claim or Equity Interest at any time after the Effective Date upon the prior written consent of the holder whose Allowed Claim or Equity Interest treatment is being adversely affected.

15.13 Setoffs. The Debtor, New National, or the Trust may, but are not required to, set off or recoup against any Claim or Equity Interest and the payments or other Distributions to be made under the Plan in respect of such Claim, claims of any nature whatsoever that arose before the Petition Date that the Debtor may have against the holder of such Claim or Equity Interest to the extent such Claims may be set off or recouped under applicable law, but neither the failure to do so nor the Allowance of any Claim or Equity Interest under the Plan shall constitute a waiver or release by the Debtor, New National or the Trust of any such claim that it may have against such holder.

15.14 Notices. Any notice required or permitted to be provided under the Plan shall be in writing and served by either: (a) certified mail, return receipt requested, postage prepaid; (b) hand delivery; (c) reputable overnight courier service, freight prepaid; or (d) by fax; addressed as follows:

If to the Debtor or New National:	NATIONAL AIRLINES, INC. 6020 Spencer Street Las Vegas, Nevada 89119-2934 Attn: Kevin Tourek Fax: (702) 944-2755
Copy to:	SQUIRE, SANDERS & DEMPSEY, L.L.P. 40 N. Central Avenue, Suite 2700 Phoenix, Arizona 85004 Attn: Sean T. Cork, Esq. Fax: (602) 253-8129
If to the Committee:	HAYNES & BOONE, LLP 901 Main Street, Suite 3100 Dallas, Texas 75202-3789 Attn: Robin E. Phelan, Esq. Fax: (214) 200-0649
If to the Trust:	THE NATIONAL AIRLINES LIQUIDATION TRUST Attn: Trustee Fax: (____) _____
If to the United States Trustee:	OFFICE OF THE UNITED STATES TRUSTEE United States Department of Justice 600 Las Vegas Boulevard, Suite 430 Las Vegas, Nevada 89101 Attn: Barry Jenkins, Esq. Fax: (702) 388-6658

15.15 Delivery Of Notices. If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted in accordance with this Plan, such communication shall be deemed delivered by the next noon at point of arrival occurring on a Business Day following transmission; if sent by overnight courier in accordance with this Plan, such communication shall be deemed delivered within twenty-four hours of deposit with such courier or noon of the first Business Day following such deposit, whichever first occurs; and if sent by U.S. Mail in accordance with this Plan, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service; or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Plan may change its address for the purposes of this Plan by giving notice of such change in accordance with this section.

15.16 Severability. If any provision of this Plan is found by the Bankruptcy Court to be invalid, illegal or unenforceable, if this Plan is found by the Bankruptcy Court to be invalid, illegal or unenforceable, or if this Plan cannot be Confirmed under Section 1129 of the Bankruptcy Code, the Bankruptcy Court, at the Debtor's request, shall retain the power to alter and interpret such term to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregone, is valid and enforceable in accordance with its terms.

15.17 Withholding And Reporting Requirements. In connection with this Plan and all instruments and securities issued in connection with the Plan, New National and the Trust, as the case may be, shall comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all Distributions under the Plan remain subject to any such withholding and reporting requirements. New National and the Trust, as the case may be, shall be authorized to take all actions necessary to comply with such withholding and recording requirements. Notwithstanding any other provision of this Plan, each holder of an Allowed Claim that has received a Distribution of Cash, shall have sole and exclusive responsibility for the satisfaction or payment of any tax obligation imposed by any governmental unit, including income, withholding and other tax obligation on account of such Distribution. For tax purposes, Distributions received in respect of Allowed Claims shall be allocated first to the principal amount of such Claims, with any excess allocated to unpaid accrued interest. Each holder of an Allowed Claim shall provide to New National or the Trust, as applicable, such information as is reasonably requested by such party to ensure compliance with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and New National or the Trust may withhold Distributions to any holder of a Claim which does not provide the requested information.

15.18 Quarterly Fees To The United States Trustee. New National shall pay all quarterly fees payable to the Office of the United States Trustee for the Debtor after Confirmation, consistent with applicable provisions of the Bankruptcy Code, Bankruptcy Rules, and 28 U.S.C. § 1930(a)(6).

15.19 Method Of Payment. Payments of Cash required to be made under the Plan shall be made by check drawn on a domestic bank or by wire transfer from a domestic bank at the election of the Person making such payment. Whenever any payment or Distribution to be made under the Plan is due on a day other than a Business Day, such payment or Distribution may instead be made, without interest, on the immediately following Business Day.

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Dated: Las Vegas, Nevada
November 9, 2001

Respectfully submitted,

NATIONAL AIRLINES, INC.

By: _____
Name: Michael J. Conway
Title: President

SQUIRE, SANDERS & DEMPSEY L.L.P.

By: _____
Craig D. Hansen, Esq.

BRYAN CAVE LLP

By: _____
Laurence M. Frazen, Esq.

EXHIBIT 2

SELECTED FINANCIAL STATEMENTS

[SEE ATTACHED]

EXHIBIT 3

LIQUIDATION VALUATION

[SEE ATTACHED]

EXHIBIT 4

GOING CONCERN VALUATION

[SEE ATTACHED]