

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

<b>IN RE:</b>	)	<b>CASE NO. 05-85627</b>
	)	
<b>RELIABLE AIR, INC. d/b/a</b>	)	<b>Chapter 11</b>
<b>RELIABLE HEATING AND AIR,</b>	)	
	)	<b>JUDGE MASSEY</b>
<b>Debtor.</b>	)	

**DEBTOR’S RESPONSE TO STATUS REPORT ON OBJECTION TO  
AMENDED DISCLOSURE STATEMENT**

COMES NOW Reliable Air, Inc., d/b/a Reliable Heating and Air, debtor and debtor-in-possession in the above-referenced Chapter 11 case (“Debtor”), and files this Response to Status Report on Objection to Amended Disclosure Statement (“Response”) and shows the Court as follows:

1.

On July 6, 2007, the Debtor filed its Second Amended Disclosure Statement to Accompany Debtor’s First Amended Plan of Reorganization (the “Disclosure Statement”).

2.

On July 12, 2007, Daniel L. Jape (“Jape”) filed a Status Report on Objection to Amended Disclosure Statement (the “Objection”) asserting five sections in which he contends that the Disclosure Statement does not contain adequate information. The Debtor believes that the Disclosure Statement contains adequate information and addresses each of the asserted deficiencies below.

3.

First, Jape asserts that Section 5.2 of the Disclosure Statement does not adequately describe the Debtor’s ability to defer a scheduled payment or the consequences thereof. Jape raised this

objection at the hearing on the Debtor's Amended Disclosure Statement which was held on June 28, 2007 (the "Hearing"), and the Court considered and overruled this objection. Section 5.2 contains adequate information and no further disclosure is required.

4.

Second, Jape does not like the terms of the notice provision contained in Section 1(c)(iii) of the Collateral Trust Agreement. This is not an issue of adequate disclosure, but one of dissatisfaction with the terms of the Plan itself. Jape's remedy is to vote against the Plan. No further disclosure is required.

5.

Third, Jape does not like the fact that the Plan allows the Debtor to select and compensate the Collateral Agent. Again, this is not an issue of adequate disclosure, but one of dissatisfaction with the terms of the Plan itself. Jape's remedy is to vote against the Plan. No further disclosure is required.

6.

Fourth, Jape inaccurately asserts that the Court directed the Debtor to attach the June 2007 operating report as an exhibit to the Disclosure Statement. At the Hearing, the Court directed the Debtor to attach the most recent monthly operating report to the Disclosure Statement. May 2007 is the most recent operating report and is the report which the Debtor attached to the Disclosure Statement. In fact, the Debtor had not received its June bank statements at the time the Disclosure Statement was filed and was not able to complete the June report prior to filing. The June 2007 report will be filed with the Court by the July 20, 2007 deadline and available for creditors' review at that time.

7.

Fifth, Jape inaccurately asserts that the Court directed the Debtor to update the financial information from February 28, 2007, to the present. This is not accurate. The Court directed the Debtor to provide information sufficient to compare the financial records from July 1, 2006, through and including February 28, 2007, which is presented on a cash basis, with those of the two prior fiscal years, which are presented on an accrual basis. Additionally, the Court directed the Debtor to attach as an exhibit to the Disclosure Statement, the most recent monthly operating report. The Debtor complied with these instructions and the Disclosure Statement contains adequate information.

WHEREFORE, the Debtor prays that the Objection be overruled, that the Disclosure Statement be approved, and that the Debtor have such other and further relief as the Court deems just and appropriate.

This 16<sup>th</sup> day of July, 2007.

Respectfully submitted,

SCROGGINS & WILLIAMSON

/s/ Ashley R. Ray

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**CERTIFICATE OF SERVICE**

This is to certify that I have this day served a copy of the within and foregoing **Debtor's Response to Status Report on Objection to Amended Disclosure Statement** by depositing same in the United States Mail in an envelope with adequate postage affixed thereto to assure delivery addressed as follows:

Louis G. McBryan  
Howick, Westfall, McBryan & Kaplan, LLP  
Suite 600, One Tower Creek  
3101 Tower Creek Parkway  
Atlanta, Georgia 30339

Office of the United States Trustee  
362 Richard Russell Building  
75 Spring Street, S.W.  
Atlanta, Georgia 30303

This 16<sup>th</sup> day of July, 2007.

SCROGGINS & WILLIAMSON

/s/ Ashley R. Ray

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