

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

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

**STATUS REPORT ON OBJECTION TO
AMENDED DISCLOSURE STATEMENT**

COMES NOW, Daniel L. Jape (“Creditor”) files this Status Report in response to Debtor’s Second Amended Disclosure Statement to accompany Debtor’s First Amended Plan of Reorganization filed on July 6, 2007. On June 28, 2007, this Court held a hearing to consider approval of the Amended Disclosure Statement. At the hearing, the Debtor was directed to file a Second Amendment to the Disclosure Statement. The Second Amended Disclosure Statement does not provide adequate information in the following ways:

1. Section 5.2 of the Second Amended Disclosure Statement still does not state that the Debtor will be in material default if it does not make the required yearly distribution after one deferral. The proposed Collateral Trust Agreement attached as Exhibit “F” to the Second Amended Disclosure Statement outlines events of default in Section 1(c). Failure to make a distribution after one deferral is not, but should be, listed as an event of default in the Collateral Trust Agreement.
2. Section 1(c)(iii) of the Collateral Trust Agreement directs the Collateral Agent to provide notice of a material default by the Debtor only to the shareholders and to the Debtor. This provision should provide for notice to all creditors upon material default by the Debtor.

3. Section 6.2 of the Second Amended Disclosure Statement provides for “new stock in the reorganized debtor” to be “pledged for the benefit of the Beneficial Holders (defined in Section 1.9 of the amended plan as claimants holding allowed unsecured claims) as collateral for the Debtor’s obligations under the Plan, pursuant to the terms of a Collateral Trust Agreement.” The Collateral Agent is to hold the Pledged Securities on behalf of the unsecured creditors but has been chosen by the Debtor and will be compensated by the Debtor. The unsecured creditors should be allowed to choose the Collateral Agent who will represent their interest in the event of a material Default by the Debtor.
4. The Court specifically directed that the June 2007 Operating Report be attached to the Second Amended Disclosure Statement. The Debtor instead attached the May 2007 Operating Report as Exhibit “G”.
5. The Court directed the Debtor to provide the revised financial information to allow evaluation of the debtor’s financial condition during the last year. Exhibit “E” only provides financial data through February 28, 2007 and is, therefore, inadequate.

WHEREFORE, Daniel L. Jape prays that the Court sustain his objection to the (Second) Amended Disclosure Statement and issue an order ending the Debtor’s exclusivity period and for such other and further relief as is just and proper.

This 12th day of July, 2007.

Respectfully submitted,

HOWICK, WESTFALL, McBRYAN
& KAPLAN, LLP

/s/

Louis G. McBryan, Georgia Bar No. 480993
Virginia B. Bogue, Georgia Bar No. 069695
Suite 600, One Tower Creek
3101 Tower Creek Parkway
Atlanta, Georgia 30339
Telephone: 678-384-7000
Facsimile: 678-384-7034
lmcbryan@hwmklaw.com
vbogue@hwmklaw.com

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

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

CERTIFICATE OF SERVICE

This is to certify that I have served the **STATUS REPORT ON OBJECTION TO AMENDED DISCLOSURE STATEMENT** by placing a copy of the same in the United States Mail with adequate postage affixed to ensure proper delivery to the following interested parties:

J. Robert Williamson, Esq.
Ashley Reynolds Ray, Esq.
SCROGGINS & WILLIAMSON
1500 Candler Building
127 Peachtree Street, N.E.
Atlanta, Georgia 30303

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

This 12th day of July, 2007.

Respectfully submitted,

HOWICK, WESTFALL, McBRYAN
& KAPLAN, LLP

/s/
Louis G. McBryan, Georgia Bar No. 480993
Suite 600, One Tower Creek
3101 Tower Creek Parkway
Atlanta, Georgia 30339
Telephone: 678-384-7000
Facsimile: 678-384-7034
lmcbryan@hwmklaw.com