

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF SECTION 18.6 OF THE
COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36

AND IN THE MATTER OF
ALLIED HOLDINGS, INC. AND THOSE
SUBSIDIARIES LISTED ON SCHEDULE "A" HERETO

Applicants

AFFIDAVIT OF THOMAS H. KING
(sworn February 9, 2006)

I, **Thomas H. King**, of the County of DeKalb, in the State of Georgia, **MAKE OATH AND SAY:**

1. I am the Executive Vice President and Chief Financial Officer of Allied Holdings, Inc. ("**Allied Holdings**" and, together with its direct and indirect subsidiaries, the "**Allied Group**"). In this capacity, I have knowledge of the corporate structure, business operations, lending relationships, and financial condition of Allied Holdings and the other applicants herein (collectively, the "**Debtors**"). As such I have personal knowledge of the matters hereinafter deposed, save and except those matters based expressly upon information, in which case I have stated the source of such information all of which I believe to be true.

Background

2. Allied Holdings is a publicly-held, Georgia corporation with its corporate headquarters located in Decatur, Georgia. I believe that the Allied Group is the largest transporter of new automobiles, sport-utility vehicles and light trucks in North America. Its business operations fall into two main categories. The largest category of business operations is providing "short-haul" delivery services for new and used vehicles over a distance averaging less than three hundred miles. A smaller category of business operations is providing various support services with respect to vehicle transportation and distribution.
3. The Allied Group has over 6,400 employees. Most of these employees are based at the Allied Group's 133 terminals located throughout the United States, Canada and Mexico. Over 3,900 of these employees are unionized drivers represented by the collective bargaining units affiliated with the International Brotherhood of Teamsters (the "**Teamsters**"). The Allied Group also contracts with Teamster owner-operators in its system.
4. The Allied Group owns approximately 3,100 tractors and over 3,800 trailers specially designed for transporting vehicles. Allied also leases approximately 450 tractor-trailer units and uses over 650 tractor-trailer units owned by its owner-operators. Thus, in total, Allied has approximately 4,200 tractor-trailer units under management in its North American operations.
5. Three of the Debtors, Allied Systems (Canada) Company ("**Allied Canada**"), Axis Canada Company ("**Axis Canada**") and AH Industries, Inc. ("**AH**" and, together with Allied Canada and Axis Canada, the "**Canadian Debtors**") are headquartered and carry on business in Canada.
6. Allied Canada and Axis Canada are unlimited liability companies incorporated pursuant to the laws of Nova Scotia. AH is a corporation incorporated pursuant to the laws of Alberta.

7. There is a significant degree of inter-dependence between the Canadian Debtors and the other members of the Allied Group such that the companies are reliant upon each other for their individual continued operation.
8. On July 31, 2005, the Debtors filed voluntary petitions for relief pursuant to Chapter 11 of the United States Bankruptcy Code (the "**Chapter 11 Proceedings**"). Pursuant to the terms of the *United States Bankruptcy Code*, all actions and proceedings have been stayed as against the Debtors. The facts leading up to the commencement of the Chapter 11 Proceedings are further described in my affidavit sworn August 2, 2005 filed with this Honourable Court.
9. The Debtors also sought and obtained a number of orders (collectively the "**First Day Orders**") from the United States Bankruptcy Code that, among other things, authorized the Debtors to continue to fund employee benefit plans, pay critical suppliers and obtain financing detailed below.
10. To provide financing for Allied during the reorganization, Allied entered into an agreement with General Electric Capital Corporation ("**GE Capital**"), Morgan Stanley Senior Funding, Inc. ("**Morgan Stanley**"), Marathon Structured Finance Fund, L.P. ("**Marathon**") and GECC Capital Markets Group, Inc. ("**GECCMG**") for the provision of post-petition debtor-in-possession financing ("**DIP Financing**"). On August 1, 2005, the United States Bankruptcy Court made an order (the "**Initial DIP Order**") authorizing the DIP Financing on an interim basis pending the hearing of a motion to approve the DIP Financing could made on proper notice to all affected parties. On August 24, 2005, the United States Bankruptcy Court made a final order (the "**Final DIP Order**") authorizing the DIP Financing.

Ancillary Proceedings in Canada

11. On August 2, 2005, the applicants sought and obtained an order (the "**Initial CCAA Recognition Order**") under section 18.6 of the Companies' Creditors Arrangement Act (the "**CCAA**") which, among other things, (a) recognized the Chapter 11 Proceeding as "foreign proceedings" as defined by section 18.6 of

the CCAA; (b) imposed a stay of proceedings in respect of the Debtors until October 3, 2005; and (c) recognized three of the First Day Orders and the Initial DIP Order. Attached and marked as **Exhibit "A"** hereto is a true copy of the Initial CCAA Recognition Order.

12. A number of the First Day Orders made by the United States Bankruptcy Court were not available at the time of the hearing resulting in the Initial CCAA Recognition Order. On August 31, 2005, an order was made recognizing these other First Day Orders as well as the Final DIP Order. Attached and marked as **Exhibit "B"** hereto is a true copy of this Order.
13. On September 30, 2005 Allied Canada sought and obtained an Order extending the stay of proceedings in the Initial CCAA Recognition Order to October 14, 2005 (the "**First Extension Order**"). Attached and marked as **Exhibit "C"** hereto is a true copy of the First Extension Order.
14. On October 14, 2005, Allied Canada sought and obtained an Order further extending the stay of proceeding in the Initial CCAA Recognition Order to February 28, 2006 (the "**Second Extension Order**"). Attached and marked as **Exhibit "D"** hereto is a true copy of the Second Extension Order.

Financial Reporting

15. As stated in paragraph 18 of the Second Report of the Information Officer dated January 30, 2006 (the "**Information Officer's Second Report**"), the Debtors have filed Monthly Operating Reports for the periods ending September 30, October 31 and November 30, 2005, respectively. The Information Officer's Second Report has been served on the service list, filed with this Honourable Court and posted on the website at www.gowlings.com/restructuring/allied/.
16. The Debtors expect to file Monthly Operating Reports for the period ending December 31, 2005 by February 14, 2006.

Status of Canadian Collective Bargaining Agreements

17. Allied Canada negotiated a new collective bargaining agreement with the Teamsters, which was ratified by the latter's membership on or about November 20, 2005. This new agreement expires on October 31, 2006.

Status of Claims Process

18. As stated in paragraph 31 of my affidavit sworn October 12, 2005, Allied Canada intends to put in place a procedure for determining all claims against the companies by Canadian creditors and, in terms of timing, the date by which Allied's creditors will be required to file proofs of claim will be the same in the United States and Canada.
19. As stated in paragraph 14 of the Information Officer's Second Report, the United States Bankruptcy Court issued on November 16, 2005 an Order setting a deadline of February 17, 2006 as the bar date (the "**Bar Date**") for each person or entity that has or asserts any claim that arose on or before July 31, 2005 against any of the Debtors, their property or their estates (the "**Claims Deadline Order**"). The Claims Deadline Order is appended to the Information Officer's Second Report as Appendix 2.
20. The Claims Deadline Order has been served on all creditors of the Debtors, including those creditors located in Canada known to the Debtors (the "**Canadian Creditors**"). Attached and marked as **Exhibit "E"** hereto is a true copy of the list of Canadian Creditors.

Recognition of Certain Other Orders in the Chapter 11 Proceedings

21. As stated in paragraphs 12 and 13 of the Information Officer's Second Report, the United States Bankruptcy Court on December 1, 2005 dismissed the bankruptcy case of Kar-Tainer International LLC (the "**Kar-Tainer Dismissal Order**") following the sale of its outstanding shares by Axis Group, Inc. (one of the Debtors) and its wholly owned subsidiary Kar-Tainer International Limited.

Attached and marked as **Exhibit "F"** hereto is a true copy of the Kar-Tainer Dismissal Order.

22. As stated in paragraphs 11 and 15 of the Information Officer's Second Report, the United States Bankruptcy Court issued on November 16, 2005:
- a. a Final Order authorizing the Debtors to enter into and execute post-petition insurance premium financing agreements and grant a lien and security interest in connection therewith (the "**IPFA Order**"); and
 - b. an Order extending the periods of time during which only the Debtors may propose and file plans of reorganization and solicit acceptances thereof through and including April 28, 2006 and June 27, 2006, respectively (the "**Chapter 11 Extension Order**").

The IPFA Order and the Chapter 11 Extension Order are appended to the Information Officer's Second Report as Appendix 1 and Appendix 3, respectively.

(a) KERP Orders

23. As stated in paragraphs 16 and 17 of the Information Officer's Second Report, the United States Bankruptcy Court issued:
- a. on December 19, 2005 an Order approving a Key Employee Retention Program ("**KERP**") on certain conditions (the "**Conditional KERP Approval Order**"); and
 - b. on January 17, 2006, an Order approving the KERP, which had been amended to conform with the Conditional KERP Approval Order (the "**Supplementary KERP Approval Order**").

The Conditional KERP Approval Order and the Supplementary KERP Approval Order are appended to the Information Officer's Second Report as Appendix 4 and Appendix 5, respectively.

(b) Assumption Orders

24. The United States Bankruptcy Court issued:
- a. on December 19, 2005 an Order authorizing the Debtors' assumption of equipment lease with Banc of America Leasing & Capital, LLC (the "**BoA Assumption Order**");
 - b. on January 6, 2006 an Order authorizing the Debtors' assumption of agreement as amended between Allied Automotive Group, Inc. and General Motors Corporation (the "**GM Assumption Order**"); and
 - c. on January 27, 2006 an Order authorizing the Debtors' assumption of equipment lease with Chase Equipment Leasing Inc. (the "**Chase Assumption Order**").

Attached and marked as **Exhibit "G"** hereto is a true copy of the BoA Assumption Order, the GM Assumption Order and the Chase Assumption Order.

(c) Rejection of Executory Contracts

25. Further to paragraphs 17 to 20 of my affidavit sworn October 14, 2005, the United States Bankruptcy Court issued:
- a. on November 17, 2005 a Final Order granting the rejection of certain executory contracts and unexpired leases in connection with the Second Rejection Motion (as defined in my affidavit sworn October 12, 2005);
 - b. on December 21, 2005 an Order extending the time to assume or reject non-residential real property leases;
 - c. on January 6, 2006 an Order further enlarging the time within which to remove causes of action; and
 - d. on January 27, 2006 a Final Order granting the rejection of certain executory contracts and unexpired leases.

SCHEDULE "A"

Allied Automotive Group, Inc.
Allied Systems, Ltd. (L.P.)
Allied Systems (Canada) Company
QAT, Inc.
RMX LLC
Transport Support LLC
F. J. Boutell Driveaway LLC
Allied Freight Broker LLC
GACS Incorporated
Commercial Carriers, Inc.
Axis Group, Inc.
Axis Netherlands, LLC
Axis Areta, LLC
Logistic Technology, LLC
Logistic Systems, LLC
CT Services Inc.
Cordin Transport LLC
Terminal Services LLC
Axis Canada Company
Ace Operations, LLC
AH Industries, Inc.