

**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

**FOURTH REPORT OF GRANT THORNTON LIMITED
INFORMATION OFFICER**

August 4, 2006

Grant Thornton 

**Grant Thornton Limited,
Court-Appointed Information
Officer to Report on the Status
of the U.S. Proceedings**

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INTRODUCTION

1. On July 31, 2005, Allied Holdings, Inc. and the other Applicants (collectively, 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.

2. The Debtors also sought and obtained a number of orders (the "First Day Orders") from the United States Bankruptcy Court which, among other things, authorized the Debtors to continue to fund the employee benefit plans, pay critical suppliers, make appropriate financing arrangements and retain the firm of

Miller Buckfire & Co. LLC ("Miller Buckfire") as their financial advisors and investment banker effective as at the date of the Petition.

3. The Debtors continue to operate their business and manage their properties as "Debtors In Possession" pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

4. The Debtors are likely the largest transporter of new automobiles, sport-utility vehicles ("SUVs") and light trucks in North America. Allied's revenues in the year 2004 were approximately \$895 million. Approximately 97% of these revenues were attributable to the Debtors' delivery services. General Motors, Ford, DaimlerChrysler, Toyota and Honda account for approximately 88% of the revenues generated by delivery services.

5. As of the Petition Date, the Debtors had approximately 6,400 employees. Most of these employees are based at Allied's 133 terminals located throughout the United States, Canada and Mexico. Over 3,900 of these employees are unionized drivers represented by collective bargaining units affiliated with the International Brotherhood of Teamsters (the "Teamsters"). Allied also contracts with independent Teamster owner-operators. As of March 31, 2005, Allied owned 3,438 tractors and 4,275 trailers specially designed for transporting vehicles (each tractor-trailer unit a "Rig"). Allied also leases approximately 451 Rigs and uses 691 Rigs owned by its owner-operators. In total, Allied has 4,580 Rigs under management in its North American operations.

6. Pursuant to the Order of the Honourable Mr. Justice Farley dated August 2, 2005, (the "Initial CCAA Recognition Order") the Debtors sought and obtained an Order under section 18.6 of the Companies' Creditors Arrangement Act ("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 the First Day Orders, including specific recognition of the Interim DIP Order (hereinafter defined).

7. Pursuant to the Order of the Honourable Madam Justice Hoy dated October 14, 2005, among other relief, the stay of proceedings under the Initial CCAA Recognition Order was extended to February 28, 2006.

8. On February 14, 2006, the Honourable Justice Morawetz issued an Order extending the Initial CCAA Recognition Order and the stay of proceedings to June 30, 2006.

9. Pursuant to the Order of the Honourable Mr. Justice Campbell dated June 30, 2006, the Initial CCAA Recognition Order and the stay of proceedings were extended to October 31, 2006.

10. Pursuant to the Initial CCAA Recognition Order, Rea Godbold of Grant Thornton Limited or such other senior officer of Grant Thornton Limited was appointed as Information Officer (the "Information Officer") for the purpose of the Canadian proceedings to deliver to the Court a signed report, at least once every three months or at such other times as the Court may order or the Debtors and Grant Thornton

the Information Officer consider appropriate, summarizing the status of the U.S. Proceedings and such other information as the Information Officer believes to be material in connection therewith or as ordered by the Court (the "Information Reports").

11. The reporting of the Information Officer is based solely on information obtained through the U.S. Bankruptcy Court proceedings and from Gowlings. As addressed in the Information Officer's First and Second Reports, the Information Officer has been instructed by Gowlings to direct all queries in respect of this matter through Gowlings and is not to contact the Debtors directly.

COLLECTIVE BARGAINING AGREEMENT

12. The Debtors are currently negotiating with the Teamsters in order to obtain wage and benefit relief to assist the Debtors. On May 1, 2006, the U.S. Bankruptcy Court orally granted and on May 2, 2006, an Order was issued granting interim relief from the collective bargaining agreement ("CBA"), providing for a temporary 10% compensation reduction for United States Teamsters bargaining employees. The Order stated that the interim relief would expire on June 30, 2006. On May 11, 2006, the Teamsters brought a Motion for leave to appeal the May 2, 2006 Order. On June 8, 2006, the Debtors filed a Motion to request an extension to the Debtors' Emergency Motion for Interim Relief from the CBA as opposed to rejecting the current CBA outright. A copy of the Debtors' Motion is attached as Appendix 1. Subsequently, the Teamsters filed a Grant Thornton

Motion on June 22, 2006 to supplement the Record on Appeal with the Debtors' Motion for an Extension of Interim Relief. A copy of the Teamster's Motion for Appeal is attached as Appendix 2. The Debtors responded to the Teamster's Motion to Supplement the Record on Appeal on July 10, 2006. The Debtors' response to the Teamsters Motion for Appeal is attached as Appendix 3. The Debtors withdrew the Motion for an Extension of Interim Relief following the withdrawal by the DIP Lender of the condition that such an extension be obtained in connection with the Fifth Amendment to the DIP Facility Agreement.

FINANCING

13. As previously reported, on August 24, 2005, the United States Bankruptcy Court made a final order authorizing the DIP financing. As at March 31, 2006, April 30, 2006 and May 31, 2006, the Debtors have reported that they continued to make required payments related to the DIP financing arrangement based on its daily cash requirements.

14. The Debtors have reported that they are not delinquent on any post petition payments of any secured lease arrangements as at March 31, 2006, April 30, 2006 and May 31, 2006.

15. On March 3, 2006, the Debtors notified post-petition lenders who are party to the DIP Facility granted to the Debtors advising that certain financial covenants were not being met. The Debtors entered into a forbearance

agreement with the DIP Facility Lenders. Pursuant to the forbearance agreement, the Debtor's lenders agreed to refrain from exercising any remedies until April 3, 2006. On April 3, 2006, the forbearance agreement was amended to extend the deadline until April 18, 2006. On April 18, 2006 the agreement was further extended until May 18, 2006. On May 17, 2006, an Order was made approving the Fourth Amendment to the DIP Facility Agreement (the "Fourth Amendment Order"). The Fourth Amendment to the DIP Facility Agreement provided the Debtors with a \$5 million over advance on the \$80 million term loan in the original DIP Facility. The over advance facility carried an interest rate equal to one-month LIBOR plus 9.5%. In addition and as a result of the further extension of the DIP Facility financial covenant breaches, a 2% increase over the otherwise applicable interest rates was added. The overall effect of the forbearance agreements resulted in a \$2.5 million interest expense on the March 31, 2006 monthly financial statements. Under the terms of the Fourth Amendment, if the Debtors are able to secure a commitment for additional funds to be provided before June 19, 2006 in an amount not less than \$20 million, the interest rates under the DIP Facility will revert back to the non-default rates provided there are no additional covenant violations. A copy of the Fourth Amendment Order is attached as Appendix 4.

16. On June 30, 2006, an Interim Order authorizing the Debtors to enter into a Fifth Amendment to the DIP Facility Agreement was granted (the "Interim Fifth Amendment Order"). A further Order was entered by Canadian Courts on July 6, 2006 which recognized the Interim Fifth Amendment Order. A copy of the Interim

Fifth Amendment Order is attached as Appendix 5. The Fifth Amendment authorized the Debtors to borrow up to \$10 million in principal amount from the Term Loan C Lenders. As a condition to effectiveness of the Consent and Fourth Amendment, the DIP Lenders required the Debtors to retain Glass & Associates, Inc. as operational consultants. The Bankruptcy Court approved Glass's retention over the objections of the United States Trustee, The Official Committee of Unsecured Creditors and the International Brotherhood of Teamsters, effective as of March 21, 2006. The Committee served notices of objection in respect of Glass's monthly fee statements covering the period from the commencement of their engagement on March 21, 2006 through June 30, 2006. Glass's engagement was terminated as of July 31, 2006. The Final Order of the Fifth Amendment was granted on July 13, 2006 (the "Final Fifth Amendment Order"), pursuant to which the DIP Lenders have provided the Debtors with an additional \$30 million Term Loan C Facility and have made certain modifications to the Term Loan B Facility favourable to the Debtors. A copy of the Final Fifth Amendment Order is attached as Appendix 6.

EXTENSION TO FILE PLAN OF REORGANIZATION

17. On April 11, 2006, the United States Bankruptcy Court issued 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 July 15, 2006 and September 13, 2006, respectively. On July 7, 2006 a Bridge

Order was granted extending the period during which the Debtors may file a plan of reorganization and solicit acceptances thereof (the "Bridge Order"). The Bridge Order allowed for an interim extension from July 15, 2006 until August 3, 2006 when the Court more fully considered the Debtor's Motion for an extension. A copy of the Bridge Order is attached as Appendix 7. On August 3, 2006, the United States Bankruptcy Court issued an Order (the "Further Extension Order") further extending the periods of time during which only the Debtors may propose and file plans of reorganization and solicit acceptances thereof through and including November 1, 2006 and January 2, 2007, respectively. A copy of the Further Extension Order is attached as Appendix 8. The Official Committee of Unsecured Creditors filed a Response to the Debtors' Motion to Extend Exclusive Periods on August 2, 2006. The Committee's Response reserved all of its rights to move for early termination of exclusivity if it believed that the scope and pace of reorganization efforts were inadequate or that the appropriate level of transparency regarding negotiations of the Debtors with all constituencies were not being maintained.

REJECTION OF UNEXPIRED LEASES AND EXECUTORY CONTRACTS

18. On May 31, 2006, the Debtors filed their Sixth Motion for an Order authorizing the rejection certain executory contracts and unexpired leases. The Motion requested that the Court authorize the Debtors to cancel a contract with Software Engineering of America, Inc. ("SEA"). The Debtors had entered into a contract with SEA in 2002 for a software program product license and

maintenance agreement. The Debtors noted that they had already cancelled the contract and are requesting a Court Order out of an abundance of caution. An Order dated June 21, 2006 was issued whereby the Court granted the Debtor's Sixth Motion for an Order authorizing the rejection of certain executory contracts (the "June 21, 2006 Executory Contract Order"), including the cancellation of the SEA contract. A copy of the June 21, 2006 Executory Contract Order is attached as Appendix 9.

19. In that same Motion, the Debtors sought an Order granting an extension of time to assume or reject non-residential real property leases pursuant to Section 365 of the Bankruptcy Code. Pursuant to an Order dated June 21, 2006, the Court extended the time for the Debtors to assume or reject non-residential property leases from June 26, 2006 to September 24, 2006. (the "June 21, 2006 Non-Residential Real Property Lease Order"). A copy of the June 21, 2006 Non-Residential Real Property Lease Order is attached as Appendix 10.

20. As well, in that same Motion, the Debtors sought an Order authorizing the assumption of the non-residential real property lease with LEPERCQ Corporate Income Fund L.P. for their corporate headquarters located at 160 Clairemont Avenue, Decatur, Georgia (the "Headquarters Lease"). An Order was granted by the Court authorizing the Debtors to assume the Headquarters Lease (the "June 21, 2006 Headquarters Lease Order"). A copy of the June 21, 2006 Headquarters Lease Order is attached as Appendix 11.

SALE OF PROPERTY

21. On May 17, 2006, the Debtors filed a Motion seeking the approval of bidding procedures and terms of auction for the sale of a property, no longer necessary for the Debtors' reorganization, located in Georgetown, Kentucky. An Order was granted on May 17, 2006 approving the bidding procedures and terms of auction (the "Georgetown Bidding Approval Order"). A copy of the Georgetown Bidding Approval Order is attached as Appendix 12. On June 21, 2006, the Court authorized the sale of the Georgetown property to Jack Cooper Transport Company, Inc. (the "Sale Approval Order") A copy of the Sale Approval Order is attached as Appendix 13.

HONDA AGREEMENT

22. On April 1, 2002, Allied Systems, one of the Debtor companies, and American Honda Motor Co. ("Honda"), Inc. entered into a Motor Transportation Contract (the "Agreement"). Pursuant to the terms of the Agreement, Allied Systems provided delivery and transportation services to Honda in return for which Honda made payments to Allied Systems. On January 30, 2006, the parties executed an amendment to the Agreement, which contained mutually agreed upon revisions (the "Amended Agreement"). The terms of the Amended Agreement have not been disclosed to the public, however, the Debtors advise that the amendments were necessary and will be of value to the ongoing business of the Debtors. On June 21, 2006, the Court authorized the Amended Agreement between the Debtors and Honda.

GATEWAY SETTLEMENT

23. On August 3, 2006, the United States Bankruptcy Court issued an Order approving the compromise and settlement (the "Gateway Settlement") with Gateway Development and Manufacturing, Inc. ("Gateway"). Under the Gateway Settlement, the parties granted mutual releases, the Debtors will pay nothing and Gateway will withdraw, with prejudice, all of its claims against the Debtors and will waive any and all rights to seek allowance or reconsideration of such claims. A copy of the Gateway Settlement Order is attached as Appendix 14.

OTHER MATTERS

24. On June 21, 2006, an Order was granted on the Debtor's Third Motion to further enlarge the time within which the Debtors may remove causes of action. Therefore, the time in which the Debtors may determine to remove any Cause of Action will be enlarged to October 13, 2006 to the extent the removal period may expire as to any Cause of Action before such time. A copy of this June 21, 2006 Order is attached as Appendix 15.

FINANCIAL REPORTING

25. The Debtors' have filed Monthly Operating Reports for the periods March 1, 2006 to March 31, 2006, April 1, 2006 to April 30, 2006, and May 1, 2006 to May 31, 2006 with the United States Bankruptcy Court for each of the Debtors under the Applicants. (As is customary for Monthly Operating Reports for those months coinciding with the end of a quarter, the Debtors are permitted additional

time within which to file. Accordingly, the Monthly Operating Reports for the month of June 2006 will be filed during the month of August 2006.) The Monthly Operating Reports are prepared in accordance with the Guidelines established by the United States Trustee and Federal Rule of Bankruptcy Procedure 2015. As it is outside its mandate, the Information Officer has not reviewed the Debtors' business records upon which the Debtors' periodic financial reports are based and makes no representation concerning the accuracy of the information provided therein. The monthly operating reports for Allied Holdings, Inc. for these three reporting periods are attached as Appendix 16. We have not included copies of the monthly operating reports for the other Applicants as there is significant duplication of documents therein.

26. For each of the Debtors, the balance sheet as at March 31, 2006, April 30, 2006 and May 31, 2006 and the statement of operations for the period of March 1, 2006 to March 31, 2006, April 1, 2006 to April 30, 2006, and May 1, 2006 to May 31, 2006 are provided in consolidated format. The Consolidated Statement of Operations identifies that the Debtors have earned income (loss) before income taxes and reorganization items of \$868 thousand, \$2.151 million, and \$1.989 million for March 31, 2006, April 30, 2006 and May 31, 2006, respectively, with a net income (loss) after taxes and reorganization items of \$(416) thousand, \$648 thousand, and \$571 thousand for March 31, 2006, April 30, 2006 and May 31, 2006, respectively.

27. As at March 31, 2006, April 30, 2006 and May 31, 2006, the Debtors appear to have complied with the Tax Filing Requirements in the U.S. as evidenced by the respective Certificates of Compliance executed by Thomas H. King, Chief Financial Officer of the Debtors.

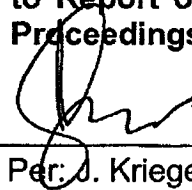
28. As of March 31, 2006, April 30, 2006 and May 31, 2006, the Debtors appear to have maintained insurance with a summary of their active insurance policies enclosed in their monthly operating reports.

CONCLUSION

29. There are no further developments which have come to the Information Officer's attention which warrant reporting at this time.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 4th day of August, 2006.

**Grant Thornton Limited,
Court-Appointed Information Officer
to Report on the Status of the U.S.
Proceedings**



Per: J. Krieger, CA•CIRP

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
Logistics Technology, LLC
Logistics Systems, LLC
CT Services Inc.
Cordin Transport LLC
Terminal Services LLC
Axis Canada Company
Ace Operations, LLC
AH Industries, Inc.