

**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

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

October 28, 2005

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 Allied's 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 Debtor 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). 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.

7. 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 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").

8. The reporting of the Information Officer is based solely on information obtained through the U.S. Bankruptcy Court proceedings and from the Canadian counsel to the Debtors, Gowling Lafleur Henderson LLP ("Gowlings"). The Information Officer has requested of Gowlings to contact the Debtors directly in Grant Thornton ☺

order to establish an efficient protocol to obtain information related to the US Proceedings. The Debtors have requested that the Information Officer direct all queries through Gowlings.

DIP FINANCING

9. 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. ("GECMG") for the provision of post-petition debtor-in-possession financing ("DIP Financing"). On August 1, 2005, the United States Bankruptcy Court made an Order authorizing the DIP Financing on an interim basis pending the hearing of a motion to approve the DIP Financing (the "Interim DIP Order"). On August 24, 2005, the United States Bankruptcy Court made a final order authorizing the DIP Financing (the "Final DIP Order"). A copy of the Final DIP Order is attached as Appendix 1.

10. The DIP Facilities provide for aggregate financing of up to \$230 million comprised of (i) a \$130 million revolving credit facility, which includes a swing-line credit commitment of \$10 million and up to \$70 million in letters of credit, (ii) a \$20 million term loan and (iii) an \$80 million term loan. On August 2, 2005, using funds received from the DIP Facilities, the Debtors paid in full the amounts due and payable under the secured credit facility with Ableco Finance LLC.

REJECTION OF EXECUTORY CONTRACTS

11. On September 6, 2005, the Debtors filed a motion (the "Second Rejection Motion") with the United States Bankruptcy Court seeking , among other things, an order permitting the rejection of a) certain real property leases in Canada; b) a transportation agreement with Volkswagen of America, Inc., regarding the transportation of vehicles at one location in the United States; c) individual severance agreements with certain former employees of Allied Canada (the "Severance Agreements"), and d) a consulting agreement. On September 27, 2005, the United States Bankruptcy Court heard the Second Rejection Motion and made an order authorizing the rejection of all of the contracts the Debtors were seeking to reject save and except for the Severance Agreements, which request was adjourned to October 25, 2005. On October 26, 2005, the United States Bankruptcy Court heard the balance of the Second Rejection Motion and made an order granting partial relief to the Debtors in respect of the Severance Agreements.

FINANCIAL REPORTING

12. On September 28, 2005, the Debtors filed Monthly Operating Reports for the period from July 31, 2005 through to August 31, 2005 with the United States Bankruptcy Court for each of the Debtors under the Applicants. 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 make no representation concerning the accuracy of the information provided therein. The monthly operating report for Allied Holdings, Inc. is attached as Appendix 2. We have not included copies of the monthly operating reports for the other Applicants as there is significant duplication of documents therein. For each of the Debtors, the balance sheet as at August 31, 2005 and statement of operations for the period of July 31, 2005 to August 31, 2005 are provided in consolidated format. As at August 31, 2005, the Consolidated Statement of Operations identifies that the Debtors have earned income before income taxes and reorganization items of \$2.109 million, with a net loss after taxes and reorganization items of \$437,000.

13. As at August 31, 2005, the Debtors appear to have complied with the Tax Filing Requirements in the U.S. as evidenced by the Certificate of Compliance executed on September 28, 2005 by Thomas H. King, Chief Financial Officer of the Debtors.

14. As of August 31, 2005, the Debtors appear to have maintained insurance with a summary of their active insurance policies enclosed in their monthly operating reports.

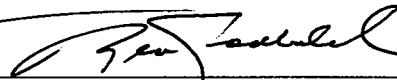
15. Pursuant to the Affidavit of Thomas H. King sworn October 12, 2005, the Debtors are in the early stages of reorganizing their business so as to enable the Debtors to continue to carry on business going forward. At this stage in the reorganization process, the Debtors are focussing on a comprehensive business review and planning process in order to assess opportunities to improve financial performance through reductions in costs and the enhancement of pricing with certain customers.

CONCLUSION

16. 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 28th day of October, 2005.

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


Per: M. Rea Godbold, 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.
Kar-Tainer International LLC
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.