

**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

NOTICE OF MOTION
(returnable February 14, 2006)

The Applicants will make a motion to the Court, on Tuesday, February 14, 2006, at 10:00 a.m. or as soon after that time as the motion can be heard, at 393 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An order, in substantially the form attached as **Schedule "B"** hereto,:
 - (a) abridging the time for, or dispensing with, service or further service of this Notice of Motion on any parties other than those served with the Motion Record herein;
 - (b) extending the stay of proceedings in the Initial CCAA Recognition Order (hereinafter defined) to June 30, 2006 or such other date as to this Honourable appears just;
 - (c) recognizing the Orders issued by the United States Bankruptcy Court identified in paragraphs 19 and 21 to 25 of the affidavit of Thomas King, sworn February 9, 2006; and

- (d) granting such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background

1. On July 31, 2005, the Applicants filed voluntary petitions pursuant to Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court (the "**U.S. Proceeding**");
2. On August 1, 2005, the Applicants sought and obtained various first day orders from the U.S. Court (collectively, the "**First Day Orders**"), which provided additional protection to the Applicants and addressed other administrative matters, including the provision of post-petition debtor-in-possession financing ("**DIP Financing**");

Ancillary Proceedings in Canada

3. By Order dated August 2, 2005 (the "**Initial CCAA Recognition Order**"), this Honourable Court recognized the U.S. Proceeding as "foreign proceedings" as defined by section 18.6 of the *Companies' Creditors Arrangement Act*, R.S.C., 1985, chapter C-36, as amended (the "**CCAA**") and granted certain declaratory and other relief in connection with same, including recognition of certain of the First Day Orders (but not others as they were not available at that time);
4. By Order dated August 31, 2005, this Honourable Court recognized: (i) a number of the First Day Orders made by the United States Bankruptcy Court that were not available at the time of the hearing resulting in the Initial CCAA Recognition Order; and (ii) the final order of the United States Bankruptcy Court made August 24, 2005 authorizing the DIP Financing;
5. By Order dated September 30, 2005, this Honourable Court extended the stay of proceedings in the Initial CCAA Recognition Order to October 14, 2005 (the "**First Extension Order**");

6. By Order dated October 14, 2005, this Honourable Court extended the stay of proceedings to the Initial CCAA Recognition Order to February 28, 2006 (the "**Second Extension Order**");

Status of Canadian Collective Bargaining Agreements

7. 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

8. 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;
9. 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**");
10. The Claims Deadline Order has been served on all creditors of the Debtors, including those creditors located in Canada known to the Debtors;

Recognition of Certain Other Orders in the Chapter 11 Proceedings

11. 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;
12. 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; 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;

13. The United States Bankruptcy Court issued:

- (a) on December 19, 2005 an Order approving a Key Employee Retention Program (“KERP”) on certain conditions; and
- (b) on January 17, 2006, an Order approving the KERP, which had been amended to conform with the Conditional KERP Approval Order;

(b) Assumption Orders

14. 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;
- (b) on January 6, 2006 an Order authorizing the Debtors’ assumption of agreement as amended between Allied Automotive Group, Inc. and General Motors Corporation; and
- (c) on January 27, 2006 an Order authorizing the Debtors’ assumption of equipment lease with Chase Equipment Leasing Inc.;

(c) Rejection of Executory Contracts

15. 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;

- (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;

Extension of the Stay of Proceedings

- 16. The Debtors are in the intermediate stages of reorganizing their business so as to enable the Allied Group to continue to carry on business going forward. At this stage in the reorganization process, the Debtors are focussing on continuing to develop a restructuring plan, addressing labor issues in the United States and completing their efforts to obtain more favourable terms under their customer contracts;
- 17. 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;
- 18. The Debtors are requesting an Order further extending the stay of proceedings in the Initial CCAA Recognition Order and extended by the First Extension Order and further extended by the Second Extension Order to April 28, 2006;
- 19. The Debtors are diligently and in good faith working to develop a plan to reorganize the companies. The continuation of the stay in Canada is essential to ensure that all of the Debtors' creditors are treated equally;
- 20. The Initial CCAA Recognition Order;
- 21. The First Extension Order;
- 22. The Second Extension Order;

000006

23. The provisions of the CCAA;
24. Rules 2.03, 3.02 and 37 of the *Rules of Civil Procedure*; and
25. such other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The affidavit of Thomas King, sworn February 9, 2006 and the exhibits thereto;
2. The Second Report of the Information Officer dated January 31, 2006 and the appendices thereto; and
3. Such further and other materials as counsel may submit and this Honourable Court may permit.

Date: February 9, 2006

GOWLING LAFLEUR HENDERSON LLP
Barristers & Solicitors
Suite 1600, First Canadian Place
100 King Street West
Toronto, Ontario M5X 1G5

Heath P.L. Whiteley (LSUC No. 38528P)
Tel: (416) 862-4400
Fax: (416) 863-3403

Solicitors for the Applicants

000007

TO: THE SERVICE LIST

SACK GOLDBLATT MITCHELL

Suite 1130
20 Dundas Street West
Toronto, Ontario
M5G 2G8

Sean Dewart

Tel: 416-979-6970
Fax: 416-591-7333
seandewart@sgmlaw.com

Solicitors for Teamsters Local Unions No.
938, 106, 880 and 69

BLANEY MCMURTRY LLP

Sutie 1400
20 Queen Street West
Toronto, Ontario
M5H 2V3

Deborah S. Grieve

Tel: 416-593-2951
Fax: 416-593-5437
dgrieve@blaney.com

MCMILLAN BINCH MENDELSON LLP

BCE Place, Suite 4400
Bay Wellington Tower
181 Bay Street
Toronto, Ontario
M5J 2T3

Jeffrey B. Gollob

Tel: 416-865-7206
Fax: 416-865-7048
jeff.gollob@mcmbm.com

Solicitors for Honda Canada Inc.

BLAKE, CASSELS & GRAYDON LLP

199 Bay Street, Suite 2800
Commerce Court West
Toronto, Ontario
M5L 1A9

Kevin P. McElcheran

Tel: 416-863-2566
Fax: 416-863-2653
kevin.mcelcheran@blakes.com

Solicitors for the DIP Lender

MCCARTHY TETRAULT LLP

Suite 4700
Toronto Dominion Tower
Toronto, Ontario
M5K 1E6

Barbara J. Boake

Tel: 416-601-7557
Fax: 416-868-0673
bboake@mccarthy.ca

Solicitors for Nissan Canada Inc.

BORDEN LADNER GERVAIS LLP

Scotia Plaza
40 King Street West
Toronto, Ontario
M5H 3Y4

John D. Marshall

Tel.: 416-367-6024
Fax: 416-361-2763
jmarshall@blgcanada.com

Solicitors for The Bank of Nova Scotia

**GADREAU, DUBÉ, PERRAS, HÉNAULT,
LAUZON**

1600 St-Martin E,
Tour A, Suite 400
Laval (Vimont), QC
H7G 4R8

Sylvain Lauzon

Tel: 450-667-3555
Fax: 450-667-1455
slauzon@gaudreadube.ca

Solicitors for Globocam

FURLONG CHODOLA REYNOLDS

720 Walker Road
Windsor, Ontario
N8Y 2N3

Robert J. Reynolds

Tel: 519-254-6433
Fax: 519-254-7990
reynolds@furlaw.com

FASKEN MARTINEAU DUMOULIN LLP

TD Bank Tower, P.O. Box 20
Toronto-Dominion Centre
Toronto, ON
M5K 1N6

Sheryl E. Seigel

Tel: 416-868-3475
Fax: 416-364-7813
sseigel@tor.fasken.com

Solicitors for the Unsecured Creditors
Committee

SCHEDULE "A"

000009

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.

**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**

**ONTARIO
SUPERIOR COURT OF JUSTICE**
(PROCEEDING COMMENCED AT TORONTO)

NOTICE OF MOTION

GOWLING LAFLEUR HENDERSON LLP
Barristers & Solicitors
1600 – 1 First Canadian Place
100 King Street West
Toronto, Ontario
M5X 1G5

Heath P.L. Whiteley
(L.S.U.C. No. 38528P)

Tel: (416) 862-4400
Fax: (416) 862-3403

000010

Solicitors for the Applicants