

**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

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

January 30, 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 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. We are advised by Gowlings Lafleur Henderson LLP ("Gowlings"), Canadian counsel to the Debtors that the Debtors will likely file for a further extension of the CCAA Recognition Order in due course.

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 Gowlings. As addressed in the Information Officer's First Report dated October 28, 2005, 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 Debtor directly.

FINANCING

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

10. The Debtors have reported that they are not delinquent on any post petition payments of any secured lease arrangements as at September 30, 2005, October 31, 2005 and November 30, 2005.

11. On November 16, 2005, a Final Order was granted by the United States Bankruptcy Court authorizing the Debtors to i) enter into and execute post-petition insurance premium financing agreements ("PFAs") with premium financing companies; and ii) grant (a) a lien and security interest in any and all unearned or returned premiums that may become payable under such PFAs, and (b) a lien and security interest to secure any loss payment under such PFAs but

only to the extent such loss payments would reduce the unearned premiums, subject to the interest of any mortgagees or other payees (the "Financing Order"). A copy of the Financing Order is attached as Appendix 1.

SALE OF KAR-TAINER INTERNATIONAL LLC

12. On October 28, 2005, Axis Group, Inc. and Kar-Tainer International Limited, a wholly owned subsidiary of Axis Group, Inc., sold the outstanding securities of Kar-Tainer International LLC and Kar-Tainer International LTD pursuant to a security purchase agreement for \$2,000,000.

13. Accordingly, on December 1, 2005, Kar-Tainer International LLC's bankruptcy case was dismissed by the United States Bankruptcy Court.

DEADLINE FOR FILING PRE-PETITION PROOFS OF CLAIM

14. On November 16, 2005, the United States Bankruptcy Court issued an Order wherein a deadline of February 17, 2006 was set 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"). Pursuant to the Claims Deadline Order, any entity who fails to file a Proof of Claim by the Bar Date shall be barred from participating in any distribution under the plan of reorganization that may be

confirmed in this case. A copy of the Claims Deadline Order is attached as Appendix 2.

EXTENSION TO FILE PLAN OF REORGANIZATION

15. On November 16, 2005, 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 April 28, 2006 and June 27, 2006, respectively (the "Extension Order"). A copy of the Extension Order is attached as Appendix 3.

KEY EMPLOYEE RETENTION PROGRAM

16. The Debtors brought a Motion for approval of a Key Employee Retention Program ("KERP"). The Debtors proposed a program of compensation designed to ensure that approximately 80 non-bargaining employees did not leave the Company. The Official Committee of Unsecured Creditors, as well as the Debtors' post-petition lenders supported such Motion while the Teamsters National Transportation Industry Negotiating Committee and the Office of the United States Trustee opposed the Motion. The Court agreed to grant the Debtor's Motion for approval of the KERP on the condition that the Debtor agree to amend the Program as set out in the Court Order dated December 19, 2005 (the "Conditional KERP Approval Order"). A copy of the Conditional KERP Approval Order is attached as Appendix 4.

17. We understand that the KERP Plan was amended to conform with the December 19, 2005 Order, and the Debtors, the Committee and the United States Trustee have agreed upon the percentages of installment payments of retention bonuses to the Tier 1b and Tier 2 employees. A Supplementary Court Order dated January 6, 2006 approved the Debtor's KERP Plan (the "Supplementary KERP Approval Order"). A copy of the Supplementary KERP Approval Order is attached as Appendix 5.

FINANCIAL REPORTING

18. The Debtor's have filed Monthly Operating Reports for the periods September 1, 2005 to September 30, 2005, October 1, 2005 to October 31, 2005, and November 1, 2005 to November 30, 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 reports for Allied Holdings, Inc. for these three reporting periods are attached as Appendix 6. We have not included copies of the monthly operating reports for the other Applicants as there is significant duplication of documents therein.

19. For each of the Debtors, the balance sheet as at September 30, 2005, October 31, 2005 and November 30, 2005 and the statement of operations for the period of September 1, 2005 to September 30, 2005, October 1, 2005 to October 31, 2005 and November 1, 2005 to November 30, 2005 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 \$(2.707 million), \$4.608 million, and \$2.115 million for September 2005, October 2005 and November 2005, respectively, with a net income (loss) after taxes and reorganization items of \$(4.109 million), \$3.843 million, and \$896,000 for September 2005, October 2005 and November 2005, respectively.

20. As at September 30, 2005, October 31, 2005 and November 30, 2005, 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.

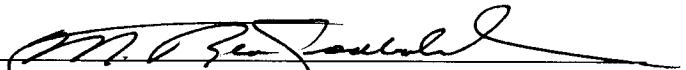
21. As of September 30, 2005, October 31, 2005 and November 30, 2005, the Debtors appear to have maintained insurance with a summary of their active insurance policies enclosed in their monthly operating reports.

CONCLUSION

22. 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 30th day of January, 2006.

**Grant Thornton Limited,
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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.