

Court File No. 05-CL-6007

**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

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

May 8, 2007

(VOLUME 1 OF 2)

Grant Thornton 

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

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

May 8, 2007

INTRODUCTION

1. On July 31, 2005, Allied Holdings, Inc. ("Allied") 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 of 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. The Debtors has approximately 5,600 employees. Most of these employees are based at Allied's 114 terminals located throughout the United States, Canada and Mexico. 2,900 of these employees are unionized drivers represented by collective bargaining units affiliated with the International Brotherhood of Teamsters (the "Teamsters"). Allied also contracts with 560 Teamster owner-operators in its sytem. Allied owns approximately 2,600 tractor-trailer units specially designed for transporting vehicles (each tractor-trailer unit constitutes a "Rig"). Allied also leases approximately 315

Rigs and uses approximately 500 Rigs owned by its owner-operators. In total, Allied has approximately 4,200 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. Pursuant to the Order of the Honourable Justice Morawetz dated February 14, 2006, among other relief, the stay of proceedings under the Initial CCAA Recognition Order was extended to June 30, 2006. Other Orders made in the United States Bankruptcy Court which may affect Canadian proceedings were also recognized in the Order made by the Honourable Mr. Justice Morawetz.

9. Pursuant to the Order of the Honourable Mr. Justice Campbell dated June 30, 2006, among other relief, the stay of proceedings under the Initial CCAA Recognition Order was extended to October 31, 2006.
10. Pursuant to the Order of the Honourable Mr. Justice Lederman dated October 26, 2006, among other relief, the stay of proceedings under the Initial CCAA Recognition Order was extended to March 31, 2007. Other Orders made in the United States Bankruptcy Court which may affect Canadian proceedings were also recognized in the Order made by the Honourable Mr. Justice Lederman.
11. Pursuant to the Order of the Honourable Mr. Justice Ground dated March 29, 2007, among other relief, the stay of proceedings under the Initial CCAA Recognition Order was extended to May 31, 2007.
12. 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").

13. The reporting of the Information Officer is based solely on information obtained through the U.S. Bankruptcy Court proceedings and from Gowlings. The Information Officer has been instructed by Gowlings to direct all queries in respect of this matter through Gowlings and not to contact the Debtors directly.

COLLECTIVE BARGAINING AGREEMENT

14. As previously reported, on February 5, 2007, the Teamsters filed a motion for mandatory withdrawal of the reference from the Bankruptcy Court for the Northern District of Georgia Atlanta Division to the District Court for the Northern District of Georgia in connection with the Motion to Reject the Collective Bargaining Agreement.

15. On February 14, 2007, a Consent Order was granted by the Court to stay the Debtors' motion to reject the Collective Bargaining Agreement. A copy of the February 14, 2007 Order is attached hereto as Appendix 1.

FINANCING

16. On March 16, 2007, the Debtors filed an Emergency Motion for Interim and Final Orders under 11 U.S.C. secs. 105 (a), 362, 363 and 364 and Bankruptcy Rules 2002, 4001, 6004 and 9014 (i) Authorizing Debtors to (a) Obtain New Secured Post-Petition Financing to Refinance Existing Post-petition Financing; (b) Convert New Post-Petition Financing into Exit

Financing; and (c) Pay related Fees and Expenses, and (ii) Granting Related Relief (the "Financing Motion").

17. The basis for the relief sought above was that the revolver portion of the DIP Financing would have expired on March 30, 2007. In addition, even if this date was extended, the Debtors faced a potential covenant default under the revolver in May 2007. The Debtors also faced the prospect of obtaining exit financing necessary to prove feasibility under the proposed plan of reorganization. As such, without replacement credit, the Debtors would likely not have been able to operate their businesses or complete the proposed plan of reorganization resulting in irreparable harm to the Debtors' estates.

18. The above noted Emergency Motion addressed the foregoing issues through seeking approval for comprehensive and favourable financing from Goldman Sachs Credit Partners L.P. (the "GS Financing"). The GS Financing refinances the entire DIP Facility, not just the revolver portion of the DIP facility. In addition, the GS financing resets the Debtor's covenants. Finally, if certain conditions precedent are met, upon the Effective Date of the plan of reorganization, the GS financing is convertible to an exit facility that provides the Reorganized Debtors with purportedly sufficient liquidity to operate successfully following the Effective Date of the Plan.

19. On March 20, 2007, the Court granted an Order approving the Debtors' above noted Emergency Motion and set a hearing date for March 26, 2007.

20. On April 11, 2007, the Court granted a Final Order approving the above noted post-petition GS Financing in the aggregate principal amount of \$315 million. A copy of this April 11, 2007 Order is attached as Appendix 2.

21. On April 4, 2007, the Court granted an Interim Order authorizing the Debtors to obtain Rig Financing. The Rig Financing was provided in order for the Debtors to bid to acquire a substantial amount of the tractor and trailer units and related equipment of another vehicle transporter that was liquidating its assets. Yucaipa Transport, an affiliate of Yucaipa American Alliance Fund I, LP and Yucaipa American Alliance (Parallel) Fund I, LP, (collectively "Yucaipa") agreed to provide purchase money financing to the Debtors for the purchase of these assets and for the additional funds required for initial retrofitting. A copy of the April 4, 2007 Interim Order is attached as Appendix 3.

22. It should be noted that on April 3, 2007, Sopris Capital Advisors, LLC and Aspen Advisors LLC (collectively, "Sopris"), alleged equity holders of the Debtors, filed an Objection to the Emergency Motion for an Order approving the Rig Financing. Sopris also filed an Emergency Motion for a Stay pending their Appeal of the above noted Interim Order authorizing the Debtors to obtain Rig Financing, which was denied.

23. A final hearing regarding the Rig Financing was held on April 23, 2007 and the Court granted orally a Final Order authorizing the Debtors to obtain the Rig Financing.

EXTENSION TO FILE PLAN OF REORGANIZATION

24. As previously reported, the United States Bankruptcy Court issued several Orders approving the Debtors' requests for extensions of time during which the Debtors may propose and file plans of reorganization and solicit acceptances thereof.

25. On February 23, 2007, the Debtors filed a Stipulation Regarding Continued Exclusivity and Plan of Reorganization. This Stipulation confirms certain conditions and a timetable under which the Debtors shall support and become a co-proponent of a joint plan (the "Plan") with Yucaipa and the Teamsters National Automobile Transportation Industry Negotiating Committee ("TNATINC"), which represents the interests of approximately 3300 union members employed by the Debtors.

26. It should be noted that Paragraph 2 of the Stipulation confirms that the sale of the Canadian operations of the Debtors will be omitted from the Plan and Disclosure Statement, if among other things, in the judgement of Yucaipa the sale of the Canadian operations is shown (a) after consulting with the Debtors, to materially diminish the value of the bankruptcy estate, or (b) after consulting with the Debtors, to be impractical for reasons including, but not limited to, the time demands of Plan formulation and execution. A copy of this Stipulation is attached as Appendix 4.

DISCLOSURE STATEMENT TO FILE JOINT PLAN OF REORGANIZATION

27. On March 2, 2007, a Disclosure Statement was released for the Joint Plan of Reorganization for the Debtors as proposed by the Debtors, Yucaipa and TNATINC.
28. On April 5, 2007, the Disclosure Statement for the Second Amended Joint Plan of Reorganization (the "Disclosure Statement") as proposed by the Debtors, Yucaipa and TNATINC was released. On April 6, 2007, this Disclosure Statement was approved by the Court, having found that it provided adequate information to enable Holders of Claims that are Impaired under the Plan to make an informed judgement in exercising their right to vote for acceptance or rejection of the Plan.
29. The Court-approved Disclosure Statement provides a detailed account of the background, purpose and proposed implementation procedures for the Plan including: general information regarding the Debtors' past and present operations, and their proposed operations under the Plan; general information regarding prior Chapter 11 cases; a detailed summary of the Plan and its various provisions; the requirements for confirmation of the Plan; a feasibility review and best interests test as required under U.S. bankruptcy law; risk factors to be considered; the tax and securities law implications; and, an overall recommendation regarding the viability of the Plan.

30. The stated purposes of the Plan are to (i) provide for an equitable distribution to Holders of Allowed Claims of the Debtors; (ii) preserve the value of the Debtors' business as a going concern; and (iii) preserve the jobs of the Debtors' employees. According to the Disclosure Statement, the Plan is expected to provide Holders of Allowed Claims with greater and earlier recoveries under the Plan than those that would be achieved in a liquidation scenario.

31. As noted in the Plan, it is supported by Yucaipa and TNATINC (as well as the Debtors). Additionally, the Creditors' Committee provisionally supported the Plan subject to: approval rights set forth in the Plan and particularly the Disclaimer contained in Article VII therein concerning ongoing negotiations between the Creditors' Committee and Yucaipa regarding certain corporate governance, minority shareholder protection terms and other matters. On April 24, 2007, the Creditors' Committee, having reached a satisfactory conclusion of its negotiations with the Plan Proponents in respect of minority stockholder protections, filed with the Bankruptcy Court a statement recommending that unsecured creditors vote in favour of the Plan.

32. As stated in the Disclosure Statement, the linchpin to the reorganization of the Debtors and the Plan is an amendment to the Collective Bargaining Agreement between TNATINC and the Debtors. The Plan incorporates that amendment and TNATINC asserts that no better labour deal for the

Debtors and their creditors will be obtainable than the one provided by that amendment. It is also noted that this deal was reached to avoid the possibility of a strike and the possible liquidation of the Debtors.

33. As provided in the Disclosure Statement, the Plan Proponents believe that the Plan will lead to reorganization, satisfaction in whole or in part of hundreds of millions of dollars of Claims and the preservation of thousands of jobs.

34. The Disclosure Statement provides that under the Plan, the Debtors will be reorganized through, among other things, the consummation of the following transactions: (i) the conversion of the DIP Facility into the Exit Financing Facility; (ii) payment in cash, reinstatement, return of collateral or other treatment of other secured claims agreed between the Holder of each such claim and Yucaipa; (iii) distribution of New Common Stock on a pro rata basis to the Holders of Allowed general unsecured Claims; (iv) cancellation of the existing Interests in the Debtors; (v) assumption of assumed contracts and (vi) the potential conversion of the equipment financing facility into New Allied Common Stock. We attach as Appendix 5, the April 5, 2007 Disclosure Statement.

35. It should be noted that the Rutland Family, who hold approximately 30% of the Debtors' common stock, and the Ad Hoc Equity Committee filed numerous objections to the Disclosure Statement and the Debtors' related court filings. These objections allege, among other things, that there had

been inadequate disclosure provided to the equity holders with respect to the labour deal negotiated with TNATINC. The Rutland Family and Equity Committee further contend that the Debtors could have reached a labour deal that would have been more favourable to the interests of equity holders.

36. To date, the Court has denied objections filed by the Rutland Family and Ad Hoc Equity Committee with respect to the Disclosure Statement.

37. On April 20, 2007, the Debtors filed a notice of filing of the List of Class 1 Claims and Treatment as required by Section 3.1 of the Second Amended Joint Plan of Reorganization. A copy of the notice of Class 1 claims and Treatment is attached as Appendix 6.

38. The hearing to consider confirmation of the Plan is scheduled to commence on May 9, 2007. Objections to confirmation were scheduled to be filed on May 1, 2007.

INSURANCE

39. On February 14, 2007, the court granted two Orders approving the Debtors' two related motions filed on January 23, 2007 as follows: i) to Enter into an Insurance Renewal Agreement for 2007 with National Union Fire Insurance Co. of Pittsburgh, Pennsylvania and certain affiliates of American International Group Inc. (collectively, "National Union") for the U.S. Insurance Programs in accordance with Section 363 of the Bankruptcy

Code ("First Insurance Motion") and to Enter into a 2007 Insurance Renewal Agreement; and ii) to Enter into a 2007 Insurance Renewal Agreement with certain affiliates of American International Group, Inc. ("AIG") for Canadian Insurance Programs ("Second Insurance Motion"). Details of these motions were included in the Sixth Report of the Information officer. Copies of the Orders approving the First and Second Insurance Motions are attached as Appendix 7 and Appendix 8, respectively.

SALE OF PROPERTY

40. In its Sixth Report, the Information Officer reported on the sale of property located in Windsor, Ontario. The sale of this property closed on December 8, 2006. The resulting gain on this transaction is detailed in paragraph 55 below. We are not aware of any further property sales completed by the Debtors since the last report.

NON-RESIDENTIAL REAL PROPERTY LEASES

41. On March 14, 2007, the Court issued an Order granting the Debtors' Seventh Motion requesting an Order Extending Time to Assume or Reject Non-Residential Real Property Leases to May 31, 2007 pursuant to section 365 of the Bankruptcy Code. A copy of the March 14, 2007 Order is attached as Appendix 9.

42. On April 17, 2007, Axis Group Inc. and its affiliates, as debtors and debtors-in-possession, filed the Debtors' motion to assume and assign a non-residential real property lease with Hunt Enterprises Inc. for the premises located at 1500 Lomita Boulevard, City of Wilmington, California. The property is a 22,330 square foot building situated on twenty (20) acres of land. Base rent for the property is approximately \$108,000 per month. We are not aware of any further activity concerning non-residential real property leases since the last report.

AD HOC COMMITTEE OF EQUITY SECURITY HOLDERS

43. As reported in the Sixth Report of the Information Officer, on January 3, 2007, the Rutland Family filed with the Court a joinder to the Renewed Motion. This joinder is a further request for an Order to mandate the appointment of an Equity Committee. On January 22, 2007, Morgan Stanley Senior Funding, Inc., as agent for each of the term loans, A, B and C, as well as agent for the lender under the DIP Facility, filed an objection to the Renewed Motion.

44. On March 13, 2007, the Court issued an Order denying the Renewed Motions for an Order Directing the Appointment of an Official Committee of Equity Security Holders, holding that the Movants failed in their burden to prove that Shareholders are not being adequately represented. A copy of this Order is attached as Appendix 10.

45. On February 23, 2007, the Ad Hoc Committee of Equity Security Holders (“Ad Hoc Equity Committee”) submitted a Post-Hearing Brief in Support of the Motion for an Order Compelling Allied to Convene a Shareholders Meeting for an Order Compelling Allied to Convene Annual Shareholders Meetings in thirty (30) days. A copy of this brief is attached as Appendix 11.
46. On February 12, 2007 and February 23, 2007 respectively, the Debtors filed a response and supplemental response to this Motion of the Ad Hoc Equity Committee for an Order Compelling Allied to Convene an Annual Shareholders Meeting. In their response and supplemental response, the Debtors address whether Allied can lawfully hold an annual meeting to elect directors in 2007 without providing its shareholders with its audited financial statements for the calendar year 2006. A copy of the response and supplemental response of the Debtors is attached as Appendix 12.
47. On April 19, 2007, the Court granted an Order denying the above noted Motion of the Ad Hoc Equity Committee for an Order compelling the Debtors to convene an annual shareholders meeting. The Court agreed that SEC regulations require the Debtors to provide shareholders with audited financial statements for the prior year at least twenty calendar days prior to the annual meeting. The Debtors do not expect its accountants to have completed the audit of its 2006 financial statements until April 2007. A copy of the April 19, 2007 Order is attached as Appendix 13.

48. As noted in the April 19, 2007 Order above, the Debtors scheduled a shareholders' meeting for May 17, 2007. The shareholders' meeting has been rescheduled to June 28, 2007 as a result of the Plan confirmation hearing scheduled to commence on May 9, 2007 and the financial statements of the Debtors not being available.
49. On April 24, 2007, the Bankruptcy Court entered an Order Approving Settlement and Compromise Pursuant to Federal Rule of Bankruptcy Procedure 9019(a), under which the Ad Hoc Equity Committee was dissolved and all objections brought by Sopris Capital Advisors, LLC, Aspen Advisors, LLC and Armory Advisors, LLC (collectively, the "Settling Members") were withdrawn and all pending litigation was dismissed in exchange for a payment of up to \$525,000 and the right to participate in the Cash Out Contribution required to fund the Cash Option under the Plan. In addition, the professionals representing the Ad Hoc Equity Committee and the Settling Members agreed to no longer represent either the Settling Members or the Ad Hoc Equity Committee in connection with the Debtors or the Bankruptcy Cases. A modification to the Plan was filed simultaneously in order to effectuate the Settling Members' participation right in the Cash Out Contribution.
50. The Debtors stated their belief that this settlement will reduce litigation expense, reduce management distraction, reduce the risk of a costly delay of the confirmation of the Plan and reduce the negative perception, by

financial institutions and others, of dealing with the Debtors. A copy of the motion filed by the Debtors on April 20, 2007 is attached as Appendix 14.

OTHER MATTERS

51. On March 6, 2007, a notice of rescheduled hearings was filed to confirm the Debtor's Motions in respect of the following matters: (i) Motions for an Order confirming termination of certain retiree benefits (Allied Retiree Benefit Plan and Allied Death Benefit Plan); (ii) Motion for Order Confirming Termination of Certain Retiree Benefits (Allied Death Benefit plan); (iii) Motion for authority to enter into post-petition loan agreements and obtain post-petition financing related to certain life insurance policies; and (iv) Motion to appoint official committee of retirees, were rescheduled to May 9, 2007.

52. On March 14, 2007, the Court granted an Order to enlarge the time frame within which the Debtors may determine to remove any cause of action to May 31, 2007. Certain of the Debtors are parties to numerous civil lawsuits in courts throughout the United States and Canada (the "Causes of Action"). The majority of the Causes of Action are for automobile and product liability claims.

FINANCIAL REPORTING

53. The Debtors have filed Monthly Operating Reports for the periods December 1, 2006 to December 31, 2006, January 1, 2007 to January 31,

2007 and February 1, 2007 to February 28, 2007 with the United States Bankruptcy Court for each of the Debtors. 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 three monthly operating reports for Allied Holdings, Inc. are attached as Appendix 15. We have not included copies of the monthly operating reports for the other Applicants since the attached monthly operating reports represent consolidated statements for all the Applicants.

54. The Consolidated Statement of Operations identifies that the Debtors have earned an income (loss) before income taxes and reorganization items of (\$3.632) million, (\$6.366) million and (\$3.160) million for December 31, 2006, January 31, 2007 and February 28, 2007 respectively, with a net income (loss) after taxes and reorganization items of (\$4.358) million, (\$7.198) million and (\$4.100) million for December 31, 2006, January 31, 2007 and February 28, 2007 respectively. It should be noted that the consolidated statement for the period ending February 28, 2007 includes revised figures for the December 2006 statement of operations.

55. In June 2006, the Debtors entered into an agreement to sell a portion of the property they owned in Ontario, Canada. In November of 2006, Allied engaged in an auction process for the sale of this property and accepted the prevailing bid in the amount of \$4.3 million. The sale of this property closed in December 2006 and resulted in a gain of approximately \$3.0 million, which is included in the gain on disposal of operating assets, net, on the statement of operations.

56. As noted in the Monthly Operating Report for December 31, 2006, the Debtors adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 158 – Employers' Accounting for Defined Benefit Pension and Other Post Retirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R) as of December 31, 2006. The incremental net effect of applying SFAS No. 158 on the individual financial statement line items is as follows: decrease in non-current assets of \$15.7 million, increase in non-current liabilities of \$7.8 million and a debit to the ending balance of stockholders deficit of \$23.5 million. Prior to the adoption of SFAS No. 158, the Debtors applied the provisions of SFAS No. 87, Employers' Accounting for Pensions, and reduced its additional minimum pension liabilities related to two plans by \$20.3 million, resulting in a credit to stockholders' deficit through other comprehensive income for 2006.

57. As at December 31, 2006, January 31, 2007 and February 28, 2007, the Debtors appear to have complied with the Tax Filing Requirements in the

United States as evidenced by the respective Certificates of Compliance executed by Thomas H. King, Chief Financial Officer of the Debtors.

58. As of December 31, 2006, January 31, 2007 and February 28, 2007, the Debtors appear to have maintained insurance with a summary of their active insurance policies enclosed in their monthly operating reports.

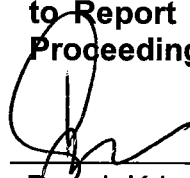
59. It should be noted that the Monthly Operating Reports for the last quarter were not filed within thirty (30) days of month end as required. The December 2006, January 2007 and February 2007 reports were filed on February 14, March 5, and April 16, 2007, respectively. The delay in filing the foregoing reports occurred as a result of the Debtors attending to the Disclosure Statement, the GS Financing and the Rig Financing.

CONCLUSION

60. 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 8th day of May, 2007.

**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.