

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

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

February 7, 2007

**Grant Thornton** 

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

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

February 7, 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 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 constitutes 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 Order of the Honourable Mr. Justice Lederman dated October 26, 2006, the Initial CCAA Recognition Order, and stay of proceedings were extended to March 31, 2007. Other Orders made in the United States Bankruptcy Court which may affect Canadian proceedings were also recognized in the Orders made by the Honourable Mr. Justice Lederman.

11. 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").

12. 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 is not to contact the Debtors directly.

### **COLLECTIVE BARGAINING AGREEMENT**

13. On February 2, 2007, the Debtors filed a motion to reject the collective bargaining agreement with the Teamsters (the "Motion to Reject"). A copy of the Motion to Reject is attached as Appendix 1. A hearing on the Motion to Reject has been scheduled for February 20, 2007 at 9:30 a.m. Pursuant to section 1113 of the United States Bankruptcy Code, the Bankruptcy Court must rule on the Motion to Reject within thirty days after the date of the commencement of the hearing or within such additional time as the Debtors and the Teamsters may

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agree to. If the Bankruptcy Court does not rule on the Motion to Reject within such time, the Debtors may terminate or alter any provisions of the collective bargaining agreement pending such ruling by the Court.

14. Pursuant to general practice in the United States, bankruptcy proceedings, although within the original jurisdiction of the District Courts, are referred to the Bankruptcy Court of the applicable judicial district under a standing order of reference. 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. A copy of the Teamsters' motion is attached as Appendix 2. No hearing on this motion has yet been scheduled.

### **FINANCING**

15. On January 25, 2007 the Court granted an Order approving and authorizing the Debtors to enter into the Sixth Amendment to the DIP Facility, and authorizing the Debtors to pay an amendment fee. A copy of the Order is attached as Appendix 3.

16. The DIP Facility is asset-based and comprised of a revolving loan and two separate term loans. The entire DIP Facility cannot exceed \$230 million at any one point in time. Pursuant to the terms of the DIP Facility Agreement, the revolving loan will mature on February 7, 2007. The Debtors and the DIP Facility Lenders have since negotiated the terms of the Sixth Amendment which includes an extension of the revolving loan maturity date to March 30, 2007. In  
Grant Thornton

consideration for the extension, the Debtors must pay an Amendment Fee upon the granting of an Order equal to one-half of one percent of the revolving loan commitment, or \$162,500.00, and must satisfy any other requirements within the Sixth Amendment. The Amendment Fee is non-refundable and does not consist of a DIP Facility payment. A copy of the Sixth Amendment is attached as Appendix 4.

#### **EXTENSION TO FILE PLAN OF REORGANIZATION**

17. On November 8, 2006, the United States Bankruptcy Court issued an Order approving the Debtors' Fourth Motion requesting an extension of time during which only the Debtors may propose and file plans of reorganization and solicit acceptances thereof through and including January 17, 2007 and March 21, 2007, respectively. The November 8, 2006 Order was issued after the Teamsters had filed both a Reservation of Rights and a related Statement (on October 13, 2006 and November 6, 2006, respectively). The Teamsters did not oppose the Debtors' motion seeking the extension. A copy of the November 8, 2006 Extension Order is attached as Appendix 5. Bridge Orders were subsequently issued on January 11, 2007, January 25, 2007 and February 2, 2007 to extend the Debtors' rights in relation to the extensions to February 14, 2007 whereby a scheduled hearing will take place to hear the Debtors' Motion to extend the time during which only the Debtors may propose and file plans of reorganization and solicit acceptances thereof through and including February

23, 2007 and April 24, 2007, respectively. Copies of the Bridge Orders are attached as Appendix 6, Appendix 7 and Appendix 8.

## **INSURANCE**

18. On January 23, 2007 the Debtors filed two insurance related Motions. The first was a Motion for Authority to Enter into an Insurance Renewal Agreement for 2007 with National Union Fire Insurance Co. of Pittsburgh, Pennsylvania ("National Union") in addition to certain affiliates of American International Group, Inc. for US Insurance Programs ("First Insurance Motion"). The second Motion was for Authority to Enter into a 2007 Insurance Renewal Agreement with certain affiliates of American International Group, Inc. ("AIG") for Canadian Insurance Programs ("Second Insurance Motion").

19. The First Insurance Motion relates to US policies in connection with commercial general liability, workers' compensation, automobile liability, excess liability, commercial umbrella liability, special risks liability, directors' and officers' liability, fiduciary liability, commercial crime liability, property liability and others. The estimated cost of the US insurance policies in the proposed renewal agreement with National Union, including premiums, is approximately \$28,000,000. This includes an automobile liability policy with a \$1,000,000 deductible per occurrence. In order to provide security for the US insurance policies, the Debtors have posted \$9,400,000 in letters of credit to National

Union. The First Insurance Motion has been scheduled to be heard on February 14, 2007. A copy of the First Insurance Motion is attached as Appendix 9.

20. The Second Insurance Motion relates to Canadian insurance policies for commercial general liability, automobile liability, excess liability, commercial umbrella liability, special risks liability, property liability and others. The proposal for the 2007 Canadian insurance policies from AIG has an estimate cost, including premiums, of approximately \$2,498,285. The Debtors have provided AIG with \$6,875,000 in cash and letters of credit as security for the Canadian insurance policies. The Second Insurance Motion has been scheduled to be heard on February 14, 2007. A copy of the Second Insurance Motion is attached as Appendix 10.

### **SALE OF PROPERTY**

21. On October 13, 2006, the Debtors filed a motion for an Order authorizing and approving the sale of property located in Windsor, Ontario. On November 8, 2006 the Court granted the Debtors' Motion and made an Order approving the sale of the Windsor, Ontario property for \$4,300,000. A copy of the November 8, 2006 Order is attached as Appendix 11. The sale of the Windsor, Ontario property closed on December 8, 2006.

## **NON-RESIDENTIAL REAL PROPERTY LEASES**

22. On November 29, 2006, the Debtors filed their Sixth Motion for an Order Extending Time to Assume or Reject Non-Residential Real Property Leases to March 31, 2007 Pursuant to Section 365 of the Bankruptcy Code. The Court scheduled a hearing on the Motion for December 13, 2006, whereby the Debtor's Motion was granted. A copy of the December 13, 2006 Order is attached as Appendix 12. There have been no further filings in respect of non-residential real property leases to date.

## **OFFICIAL COMMITTEE OF EQUITY SECURITY HOLDERS**

23. On August 30, 2005, a Motion was submitted to Court by a group of equity holders (the "Movants") requesting that an official committee of equity security holders ("Equity Committee") be appointed to represent the interests of the common stock holders of Allied Holdings, Inc. On February 28, 2006, the Court entered an Order denying the appointment of an Equity Committee. A Renewed Motion was subsequently filed on October 6, 2006 requesting the appointment of an Equity Committee.

24. On November 20, 2006, the Debtors filed a response to the Renewed Motion whereby the Debtors argued that equity holders are already represented by the Board of Directors, management and Debtors professionals and do not

require further representation and that nothing has changed since the February 28, 2006 Order that would warrant the relief sought in the Renewed Motion.

25. On December 8, 2006, the Official Committee of Unsecured Creditors filed an objection to the Movants' Renewed Motion on a similar basis as the arguments made by the Debtors on November 20, 2006.

26. On December 11, 2006, the United States Trustee filed an objection to the Renewed Motion on the grounds that the Movants had not demonstrated a substantive change in circumstances which warrant appointment of an equity committee.

27. On December 13, 2006, the United States Bankruptcy Court heard from the Movants and the Debtors and rescheduled the matter for a hearing on January 24, 2007.

28. On January 3, 2007, the Rutland Family, who holds approximately 30% of Allied's common stock, filed with the Court a joinder to the Renewed Motion. The joinder is a further request for an Order to mandate the appointment of an Equity Committee.

29. 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. The objection to the Movants' request for an Order Mandating the Appointment of an Equity Committee is made on the similar basis as that of the Debtors, Official Committee of Unsecured

Creditors and the United States Trustee. The objection specifically states that the Debtors are facing increased liabilities; that the Debtors have been unable to file a proper plan of reorganization; and that the Debtors have been unable to lower their operating costs.

30. Hearings on the matter have concluded and the parties are scheduled to conduct closing argument on February 7, 2007.

### **OTHER MATTERS**

31. The Debtors' Motions for an Order confirming termination of certain retiree benefits (Allied Retiree Benefit Plan and Allied Death Benefit Plan); authority to enter into post-petition loan agreements and obtain post-petition financing related to certain life insurance policies was rescheduled to January 17, 2007, along with the Motion of a creditor for the appointment of an official committee of retirees. On January 10, 2007, the hearings were rescheduled again from January 17, 2007 to March 14, 2007.

32. On November 8, 2006, an Order was made granting the Debtor's Motion to Amend and Assume Equipment Leases with SunTrust Leasing Corporation. The Debtor was then required to pay all cure amounts owed in respect thereof within three business days after entry of the assumption order. A copy of the November 8, 2006 Order is attached hereto as Appendix 13.

## FINANCIAL REPORTING

33. The Debtors have filed Monthly Operating Reports for the periods September 1, 2006 to September 30, 2006, October 1, 2006 to October 31, 2006, and November 1, 2006 to November 30, 2006 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 14. 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.

34. The Consolidated Statement of Operations identifies that the Debtors have earned an income (loss) before income taxes and reorganization items of \$(1.070) million, \$1.842 million, and \$(372) thousand for September 30, 2006, October 31, 2006 and November 30, 2006, respectively, with a net income (loss) after taxes and reorganization items of \$(1.198) million, \$878 thousand, and \$(1.114) million for September 30, 2006, October 31, 2006 and November 30, 2006, respectively.

35. During the month of September 2006, additional expenses were paid for premiums in connection with worker's compensation insurance of \$1.4 million and automobile liability insurance of \$1 million as a result of an actuarial valuation which was completed as of June 30, 2006.

36. During the month of November 2006, an adjustment was made to the reserve of cash held for workers' compensation claims in Canada. The adjustment called for an increase in the reserve of approximately \$2.5 million. The reserve is based on historical experience and the most recently available actual claims which are provided by the Canadian government.

37. As at September 30, 2006, October 31, 2006 and November 30, 2006, 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.

38. As of September 30, 2006, October 31, 2006 and November 30, 2006, the Debtors appear to have maintained insurance with a summary of their active insurance policies enclosed in their monthly operating reports.

**CONCLUSION**

39. 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 1<sup>st</sup>th day of February, 2007.

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

  
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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.