

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36 AS AMENDED**

**AND IN THE MATTER OF ALLIED SYSTEMS HOLDINGS, INC., ALLIED SYSTEMS
(CANADA) COMPANY,
AXIS CANADA COMPANY AND THOSE OTHER COMPANIES LISTED ON
SCHEDULE "A" HERETO**

**APPLICATION OF ALLIED SYSTEMS HOLDINGS, INC. UNDER SECTION 46 OF
THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**MOTION RECORD
(Motion returnable July 16, 2012)**

July 11, 2012

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
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THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS
AMENDED**

**NOTICE OF MOTION
(Returnable July 16, 2012)**

Allied Systems Holdings, Inc. ("**Allied US**", the "**Applicant**" or the "**Foreign Representative**"), in its capacity as foreign representative of Allied US, Allied Systems (Canada) Company ("**Allied Canada**"), Axis Canada Company ("**Axis Canada**") and those other entities listed on Schedule "A" hereto (the "**Chapter 11 Debtors**") will make a motion to Justice Geoffrey Morawetz on July 16, 2012, at 10:00am at 330 University Avenue, Toronto, Ontario.

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

THE MOTION IS FOR:

1. an Order recognizing the Final Second Day Orders (defined below) and the Amended Sales and Use Tax Order (defined below);
2. an Order granting certain relief to The Bank of Nova Scotia for its services in providing the Canadian Cash Management System (defined below);

3. an Order granting priority to the Administration Charge and the DIP Lenders' Charge (as these terms are defined below) in accordance with the proposed order; and
4. such further relief as may be required in the circumstances and this Honourable Court deems just and equitable.

THE GROUNDS FOR THE MOTION ARE:

5. On June 10, 2012, the Chapter 11 Debtors filed involuntary and voluntary petitions with the United States Bankruptcy Court for the District of Delaware (the **"US Court"**) pursuant to Chapter 11 of title 11 of the United States Bankruptcy Code (the **"Chapter 11 Cases"**).
6. On June 12, 2012, the Applicant, as foreign representative, commenced proceedings under Part IV of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the **"CCAA"**) pursuant to an initial recognition order of this Honourable Court, which, *inter alia*: (i) recognized the Chapter 11 Cases as a foreign main proceeding; and (ii) designated the Applicant as the foreign representative on behalf of the Chapter 11 Debtors.
7. On June 13, 2012, this Court granted a supplemental order which, *inter alia*, appointed Duff & Phelps Canada Restructuring Inc. as information officer (the **"Information Officer"**) and recognized certain orders granted by the US Court on June 12, 2012.

The recognition of the Final Second Day Orders and the Amended Sales and Use Tax Order granted by the US Court is appropriate

8. On July 10, 2012, the US Court granted the following final orders (collectively, the **"Final Orders"**)
 - (a) Final Wages Order (as defined in the Affidavit of Scott Macaulay sworn July 11, 2012 (the **"Macaulay Affidavit"**));
 - (b) Final Insurance Order (as defined in the Macaulay Affidavit);
 - (c) Final Critical Vendor Order (as defined in the Macaulay Affidavit);

- (d) Final Customs, Warehousemen, Common Carriers and Cargo Claims Order (as defined in the Macaulay Affidavit); and
 - (e) Final Utilities Service Order (as defined in the Macaulay Affidavit).
- 7. Negotiations are ongoing with respect to the terms of the final order authorizing the Chapter 11 Debtors to obtain secured debtor in possession financing (the “**Final Financing Order**”, together with the Final Orders, the “**Final Second Day Orders**”). On or before July 12, 2012, the Chapter 11 Debtors will file the proposed Final Financing Order with the US Court and expect to seek the entry of the Final Financing Order on July 12, 2012.
- 8. The sales and use tax order granted by the US Court on June 12, 2012 (the “**Sales and Use Tax Order**”) was granted on a final basis and was recognized by this Court pursuant to the Supplemental Order. The Sales and Use Tax Order was thereafter amended to increase the maximum aggregate authorized payments for sales and use taxes from \$180,000 to \$280,000 (the “**Amended Sales and Use Tax Order**”) which is to be entered in the US Court on or about July 12, 2012. As such, the Applicant is seeking recognition of the Amended Sales and Use Tax Order by this Court.
- 9. The Final Second Day Orders and the Amended Sales and Use Tax Order provide a useful framework for the global efforts with respect to the insolvency of the Chapter 11 Debtors and should be adopted by this Court.

The granting of relief to The Bank of Nova Scotia as the provider of the Canadian Debtors' Canadian Cash Management System is appropriate

- 10. Allied Canada and Axis Canada (collectively, the “**Canadian Debtors**”) maintains certain bank accounts with The Bank of Nova Scotia (“**BNS**”) (the “**Canadian Cash Management System**”). BNS has agreed to continue to provide its services with respect to the Canadian Cash Management System provided that the Canadian Debtors indemnify BNS with respect to any and all costs, expenses or liabilities incurred from any third party as a result of providing the Canadian Cash Management System.
- 11. The continued operation of the Canadian Cash Management System is necessary to sustain the operation of the Canadian Debtors' business and will further enhance the Chapter 11 Debtors' prospects for a successful restructuring.

The granting of super-priority to the Administration Charge and the DIP Lenders' Charge is appropriate

12. The Supplemental Order provided for the creation of the Administration Charge and the DIP Lenders' Charge, both of which rank in priority to the First Lien Credit Facility and the Second Lien Credit Facility (as defined in the Affidavit of Scott Macaulay sworn June 11, 2012) but behind any other trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, the **"Encumbrances"**) in favour of any Person.
13. The Applicant is now seeking further relief to provide that the Administration Charge and the DIP Lenders' Charge (the **"Priority Charges"**) will rank in priority to all of the Encumbrances, including any deemed trusts created under Provincial pension legislation, other than: (i) Encumbrances (if any) that are valid, perfected (by registration or possession), non-avoidable and are senior to liens securing the First Lien Credit Facility (defined in the Affidavit of Scott Macaulay sworn June 11, 2012) as of the date of the Final Financing Order; and (ii) the Carve-Out (as defined in the Final Financing Order). The priority of the Priority Charges is necessary to sustain the operation of the Chapter 11 Debtors' existing business and further enhance their prospects for a successful restructuring.
14. The Applicant does not believe any person will be materially prejudiced, but has provided notice to all persons potentially affected by this relief.

General

15. Such further and other grounds as counsel may advise and this Honourable Court may permit.
16. The following documentary evidence will be used at the hearing of the application:
 - (a) The affidavit of Scott Macaulay sworn July 11, 2012;
 - (b) The first report of the Information Officer dated July 11, 2012, to be filed; and

- (c) such further and other materials as counsel may advise and this Honourable Court may permit.

July 11, 2012

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TO: THE ATTACHED SERVICE LIST

SCHEDULE A – APPLICANTS

Allied Systems Holdings, Inc.

Allied Automotive Group, Inc.

Allied Freight Broker LLC

Allied Systems (Canada) Company

Allied Systems, Ltd. (L.P.)

Axis Areta, LLC

Axis Canada Company

Axis Group, Inc.

Commercial Carriers, Inc.

CT Services, Inc.

Cordin Transport LLC

F.J. Boutell Driveway LLC

GACS Incorporated

Logistic Systems, LLC

Logistic Technology, LLC

QAT, Inc.

RMX LLC

Transport Support LLC

Terminal Services LLC

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**SERVICE LIST
(as at July 11, 2012)**

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**ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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**SUPPLEMENTAL SERVICE LIST
(Pensions)**

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto, Ontario Canada

NOTICE OF MOTION

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TAB 2

Court File No.: 12- CV-9757-00CL

**ONTARIO
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**AFFIDAVIT OF SCOTT MACAULAY
(sworn July 11, 2012)**

**I, Scott Macaulay, of the City of Snellville in the State of Georgia, MAKE OATH
AND SAY:**

1. I am the senior vice-president and chief financial officer of Allied Systems Holdings, Inc. ("Allied US") as well as the vice-president and treasurer of Allied Systems (Canada) Company ("Allied Canada") and the treasurer of Axis Canada Company ("Axis Canada"). Overall, I have been an employee of Allied for the last fourteen (14) years. As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.
2. This Affidavit is sworn in support of a motion by Allied US in its capacity as foreign representative (the "Applicant") of Allied US, Allied Canada, Axis Canada and those

other companies listed on Schedule "A" hereto (collectively, "**Allied**", the "**Allied Group**" or the "**Chapter 11 Debtors**") for:

- (a) recognition of the Final Second Day Orders (defined below) and the Amended Sales and Use Tax Order (defined below);
- (b) the granting of certain relief to The Bank of Nova Scotia for its services with respect to the Canadian Cash Management System (defined below); and
- (c) the granting of super-priority to the Administration Charge and the DIP Lender's Charge (as these terms are defined below).

3. All dollar references herein are in US dollars unless otherwise specified.

BACKGROUND

- 4. Allied is in the business of: (a) short haul transport of vehicles from manufacturing plants, ports, auctions and railway distribution points to automobile dealerships in the United States and Canada; (b) logistics and management of car haul transport; and (c) other support services in the new and remarketed vehicle industry.
- 5. On June 10, 2012 (the "**Filing Date**"), Allied US and Allied Systems, Ltd. (L.P.) ("**ASL**") each consented to the petition (the "**Involuntary Petitions**") for relief filed against each of them pursuant to Chapter 11 of title 11 ("**Chapter 11**") of the United States Code (the "**Bankruptcy Code**") with the United States Bankruptcy Court for the District of Delaware (the "**US Court**"). On the same day the balance of the Chapter 11 Debtors each filed voluntary petitions for relief (together with the Involuntary Petitions, the "**Petitions**") pursuant to Chapter 11 of the United States Code with the US Court. The cases commenced or consented to by the Chapter 11 Debtors in the US Court shall be referred to herein as the "**Chapter 11 Cases**".
- 6. The Chapter 11 Debtors commenced proceedings pursuant to Part IV of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") pursuant to the Initial Recognition Order of the Ontario Superior Court of Justice (the "**Canadian Court**") dated June 12, 2012 (the "**Initial Recognition Order**"). On June 13, 2012, the

Canadian Court granted the Supplemental Order (the "**Supplemental Order**", collectively with the Initial Order, the "**Orders**"). Pursuant to the Orders, *inter alia*: (a) the Chapter 11 Cases were recognized as a "foreign main proceeding" for the purposes of section 47 and 48 of the CCAA; (b) Allied US was appointed as the foreign representative of the Chapter 11 Debtors; (c) certain orders made in the US Court dated June 12, 2012 (the "**First Day Orders**") were recognized; and (d) Duff & Phelps Canada Restructuring Inc. was appointed as the information officer (the "**Information Officer**"). I am aware that copies of the Initial Order and the Supplemental Order (without appendices) will be attached to the first report of the Information Officer (the "**First Report**").

UPDATE ON PROCEEDINGS

7. I am aware that the First Report will also contain an update as to Allied's Chapter 11 and Part IV proceedings. Since the Filing Date, Allied has concentrated its efforts on communicating with creditors, customers, employees and other stakeholders in order to normalize the business in both Canada and the US. For the most part, business operations have continued without significant disruption.
8. Allied also continues to consider its restructuring alternatives as it moves forward with the proceedings.
9. Since the Filing Date, Allied has taken a number of initial steps in its Chapter 11 proceedings including filing motions for the retention of certain professionals and the formation of an unsecured creditors' committee. Further information regarding Allied's Chapter 11 proceedings can be found on the "Restructuring News" portion of Allied's website at www.alliedautomotive.com.

RECOGNITION OF US ORDERS

Interim Orders

10. A number of the First Day Orders were granted on an "interim" basis. On July 10, 2012, the US Court granted the following final orders (collectively, the "**Final Orders**"):

- (a) final order authorizing payment of wages, payroll taxes, certain employee benefits and related expenses due prior to the commencement of the Chapter 11 Cases, and other compensation to employees, owner-operators and independent contractors (the **"Final Wages Order"**);
 - (b) final order granting motion of debtors for an order authorizing the debtors to continue their insurance programs; (**"Final Insurance Order"**);
 - (c) final order authorizing, but not directing, the Debtors to pay certain prepetition claims of critical vendors and granting certain other relief (**"Final Critical Vendor Order"**);
 - (d) final order authorizing debtors to pay prepetition customs duties and claims of common carriers and warehouseman and authorizing the debtors to honor certain prepetition cargo claims and authorizing financial institutions to honor and process checks and transfers related to such claims (**"Final Customs, Warehouseman, Common Carriers and Cargo Claims Order"**); and
 - (e) final order determining adequate assurance of payment for future utility services (**"Final Utilities Service Order"**).
11. Negotiations are ongoing with respect to the terms of the final order authorizing the Chapter 11 Debtors to obtain secured debtor in possession financing (the **"Final Financing Order"**, together with the Final Orders, the **"Final Second Day Orders"**). On or before July 12, 2012, the Chapter 11 Debtors will file the proposed Final Financing Order with the US Court and expect to seek the entry of the Final Financing Order on July 12, 2012.
12. I am aware that blacklines of the Final Orders to the First Day Orders that were granted on an interim basis (**"Interim Orders"**) will be attached to the First Report.

Summary of Changes

Final Orders

13. There were no significant changes between the Interim Orders and the Final Orders. A brief summary of the changes is set out below:
- (a) *Final Wages Order* - The maximum amount authorized to be paid in the aggregate for Employee Obligations (as defined in the Final Wages Order) was increased from \$10,500,000 to \$15,500,000. Except with respect to Employee Obligations due Union Employees (as defined in the Final Wages Order) and compensation due owner-operators under Union Agreements (as defined in the

Final Wages Order), the maximum payment authorized to be made to any individual employee for such Employee Obligations is set at \$11,725.

- (b) *Final Insurance Order* - The maximum amount authorized to be paid for certain obligations due before the commencement of the Chapter 11 Cases was increased from \$1,000,000 to \$2,500,000. The obligations subject to the cap are those due before the commencement of these Chapter 11 Cases for insurance premiums, deductible reimbursement for insured commercial auto liability claims, and amounts due third party administrators for benefits paid or to be paid under workers' compensation programs with certain states for which the Chapter 11 Debtors have self-insured retention.
- (c) *Final Critical Vendor Order* - The maximum amount authorized to be paid on certain claims due to certain critical vendors and which arose before the commencement of these Chapter 11 Cases was increased from \$800,000 (as authorized under the Amended Interim Critical Vendor Order (defined below)) to \$1,100,000.
- (d) *Final Customs, Warehousemen, Common Carriers and Cargo Claims Order* - The maximum amount authorized to be paid on certain obligations which arose before the commencement of these Chapter 11 Cases for Customs Duties, Common Carrier Claims, Warehousemen Claims and Cargo Claims (as defined in the Final Customs, Warehousemen, Common Carriers and Cargo Claims Order) was increased from \$2 million to \$3 million. Cargo Claims (as defined in the Final Customs, Warehousemen, Common Carriers and Cargo Claims Order) subject to the cap are those billed to and accepted by the Chapter 11 Debtors before the commencement of the Chapter 11 Cases. Cargo Claims arising before the commencement of these Chapter 11 Cases but accepted thereafter may be paid in the ordinary course of business.
- (e) *Final Utilities Service Order* - This order established as final the terms set forth in the interim utility services order granted by the US court on June 12, 2012 for establishing adequate assurance of payment for future utility services.

Final Financing Order

- 14. All terms defined in the following paragraphs 15 and 16 and not otherwise defined herein shall have the meanings given to them in the Final Financing Order.
- 15. Generally, the Final Financing Order proposes, *inter alia*,: (i) that the aggregate principal amount of permissible borrowing under the DIP Loan be increased from \$10 million to \$20 million; and (ii) that the Chapter 11 Debtors be authorized to obtain the DIP Loans and to use Cash Collateral in accordance with all of the terms and conditions set forth in the DIP Financing and the Final Financing Order, which reaffirms and ratifies actions

taken in reliance on the Interim Financing Order or the Amended Interim Financing Order.

16. Like the Interim Financing Order, the proposed Final Financing Order will provide that the DIP Agent will have, for the benefit of itself and the DIP Lenders: (i) Super-Priority Claims for the DIP Loan; and (ii) fully perfected priming Post-Petition Liens on all Collateral, including Prepetition Collateral. The Prepetition Secured Lenders will be granted Adequate Protection Liens in the Collateral as well as Administrative Protection Priority Claims. However, Post-Petition Liens and the Adequate Protection Liens, as well as the Super-Priority Claims and the Adequate Protection Claims shall be subject and subordinate to the Existing Priority Liens and the Carve-Out.
17. The Applicant is seeking recognition of the Final Orders by this Court. Provided that the Final Financing Order is entered by the US Court, the Applicant is seeking recognition of all of the Final Second Day Orders.

Amended First Day Orders

18. The following First Day Orders have been subsequently amended and entered in the US Court on the dates shown below (the "**Amended First Day Orders**"):
 - (a) amended critical vendor order to increase the maximum aggregate authorized payments for critical vendor claims from \$500,000 to \$800,000, entered on June 22, 2012 ("**Amended Interim Critical Vendor Order**"); and
 - (b) amended interim financing order to correct the name of the agent and certain lenders from Yucaipa American Alliance Fund II, L.P. and Yucaipa American Alliance (Parallel) Fund II, L.P. to Yucaipa American Alliance Fund II, LLC and Yucaipa Leveraged Finance, LLC, respectively, entered on June 26, 2012 ("**Amended Interim Financing Order**");
 - (c) amended sales and use tax order to increase the maximum aggregate authorized payments for sales and use taxes from \$180,000 to \$280,000, to be entered on or about July 12, 2012 ("**Amended Sales and Use Tax Order**");

19. The Amended Interim Critical Vendor Order was replaced by the Final Critical Vendor Order and the Amended Interim Financing Order is proposed to be replaced by the Final Financing Order. The sales and use tax order granted by the US Court on June 12, 2012 was granted on a final basis and was thereafter recognized by this Court pursuant to the Supplemental Order. As such, the Applicant is seeking recognition of the Amended Sales and Use Tax Order by this Court.
20. I am aware that copies of the as-filed Amended Sales and Use Tax Order will be attached to the Report.

CASH MANAGEMENT ORDER

21. Allied Canada and Axis Canada maintain certain bank accounts (the **"Canadian Accounts"**) with The Bank of Nova Scotia (**"BNS"**) (the **"Canadian Cash Management System"**). Pursuant to the Cash Management Order, in order to address certain concerns of BNS, Allied Canada and Axis Canada have agreed to indemnify BNS from any liability it may incur from any third party by virtue of providing and operating the Canadian Cash Management System in accordance with the practices and procedures that BNS established before the commencement of the Chapter 11 cases of Allied Canada and Axis Canada and that such indemnification will not be impaired without the consent of BNS.

PRIORITY FOR CHARGES

Current Priority of Charges

22. The Supplemental Order provided for the creation of an Administration Charge and DIP Lender's Charge (each as defined in the Supplemental Order) (collectively, the **"Charges"**).
23. Pursuant to the terms of the Supplemental Order, the Charges currently rank in priority to the existing security interest created pursuant to the First Lien Credit Facility and the Second Lien Credit Facility (as defined in the Affidavit of Scott Macaulay sworn June 11, 2012 (the **"First Day Affidavit"**)) but do not rank in priority to any other trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise

(collectively, the “**Encumbrances**”) in favour of any Person. This was in part because of the short or lack of notice given to potentially affected persons.

Proposed Priority of Charges

24. The Applicant is now seeking further relief to provide that the Charges will rank ahead of all of the Encumbrances, including any deemed trusts created under Provincial pension legislation, other than: (i) the Encumbrances (if any) in favour of any Persons that are valid, perfected (by registration or possession), non-avoidable and senior to the Encumbrances securing the First Lien Credit Facility (as defined in the First Day Affidavit) as of the date of the Final Financing Order (as defined in the Order of this Court on July 16, 2012); and (ii) the Carve-Out (as defined in the Final Financing Order).

Notice to Potentially Affected Persons

25. In connection with this motion, the Applicant has worked with its Canadian counsel to develop a list of potentially affected persons.
26. I am informed by Jennifer Stam of Gowling Lafleur Henderson LLP and do verily believe that this motion will be served on, among others:
- (a) all personal property security registrants (“**PPSA Registrants**”) or counsel;
 - (b) Allied’s Canadian pension plans¹, the Financial Services Commissioner of Ontario and the Superintendents of Pensions in each of British Columbia, Alberta and Quebec; and
 - (c) various Federal and Provincial taxing and environmental authorities.
27. With respect to the above groups of persons, I note the following:
- (a) *PPSA Registrants* – I am advised by Ms. Stam that PPSA searches were conducted against Allied Canada and Axis Canada in:

¹ The Canadian bargaining pension plans consist of: (i) Eckler Ltd. (Canadian Auto Carriers & Logistics Pension Plan); (ii) Teamsters Canadian Pension Plan Local 106; (iii) Teamsters Canadian Pension Plan Local 213; and (iv) Prairie Teamsters Pension Plan

- (i) British Columbia, Alberta, Saskatchewan, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, the Northwest Territories and Nunavut which are current to June 5, 2012; and
- (ii) Manitoba, Ontario, Quebec and Yukon Territory which are current to June 4, 2012.

Other than those registrations that relate to the First and Second Lien Credit Facilities, the only registrations that appear are as follows:

- (i) Registrations in favour of Kal Tire A Corporate Partnership ("**Kal Tire**");
- (ii) Registrations in favour of Sterling Western Star Trucks Alberta ("**Sterling**");
- (iii) Registrations in favour of Redhead Equipment ("**Redhead**"); and
- (iv) Registrations in favour of Western Sterling Trucks Ltd. ("**Western**").

To the extent that these registrations perfect a lien for unpaid amounts that has priority over the First Lien Credit Facility (as defined in the First Day Affidavit), their interest is not proposed to be primed by the Charges. However, out of an abundance of caution, the Applicant intends to give notice to these parties unless and until such registrations are discharged in accordance with applicable law.

- (b) *UCC Registrants* – I am advised by US counsel to the Chapter 11 Debtors that UCC searches were conducted against Allied Canada and Axis Canada in:
 - (i) the District of Columbia which is current to March 9, 2012; and
 - (ii) Georgia (DeKalb County) which is current to March 1, 2012.

Other than those registrations which relate to the First and Second Lien Credit Facilities, there are no other registrations. I am not aware of any UCC filings that have been made since that time other than those that may have been made relating to the debtor-in-possession credit facilities.

- (c) *FSCO and Pension Plans* – Allied Canada participates in the following registered pension plans (the “**Canadian Registered Pension Plans**”):
- (i) Canadian Auto Carriers & Logistics Pension Plan for union members in Ontario and Quebec;
 - (ii) Teamsters Canadian Pension Plan (Local 213) for union members in Vancouver, British Columbia;
 - (iii) Prairie Teamsters Pension Plan (Locals 362, 395, 979) for union members in Edmonton, Alberta, Calgary, Alberta, Saskatoon, Saskatchewan and Winnipeg, Manitoba; and
 - (iv) Teamsters Canadian Pension Plan -- Local 106 Miscellaneous Industries Division for union members in Montreal and Quebec City.

None of the Canadian Registered Pension Plans are defined benefit plans for which Allied Canada or Axis Canada are liable for the deficiency. To my knowledge, all required contributions to the Canadian Registered Pension Plans have been made and are up to date. It is the intention of Allied Canada to continue to make such contributions during the course of Allied's restructuring proceedings. However, out of an abundance of caution, the Applicant intends to give notice to the Canadian Registered Pension Plans as well as the applicable pension plan authorities.

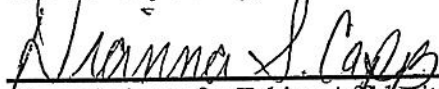
- (d) *Tax and Other Authorities* – To my knowledge, both Allied Canada and Axis Canada are current with respect to remittances of sales taxes (which have become due for remittance). It is the intention of Allied Canada and Axis Canada to continue to collect and remit sales and other related taxes during the course of Allied's restructuring proceedings. However, out of an abundance of caution, the Applicant intends to provide notice to Canada Revenue Agency as well as to the Provincial and Territorial tax authorities.
- (e) *Environmental Authorities* – To my knowledge, there are currently no remediation efforts being undertaken by Allied Canada or Axis Canada and I am not aware of any environmental issues outstanding. However, out of an abundance of caution, the Applicant intends to provide notice to the Ministry of Environment in the Provinces of Ontario and Manitoba, being the Provinces which is where Allied Canada's owned properties are located.

28. In light of the above, I do not believe there is any material prejudice to the granting of an order providing for priority of the Charges over other Encumbrances. Conversely, absent the granting of such Order, it could impact Allied's ability to obtain ongoing DIP funding and cause the beneficiaries of the other Charges concern.

CONCLUSION

29. For the reasons set out above, the Applicant respectfully requests that the relief sought in this motion be granted.

SWORN before me at the City of Atlanta
in the State of Georgia,
this 11th day of July, 2012



Commissioner for Taking Affidavits or Notary

Dianna S Capps
Notary Public, DeKalb County, Georgia
My Commission Expires March 7, 2013

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SCOTT MACAULAY

SCHEDULE A – APPLICANTS

Allied Systems Holdings, Inc.

Allied Automotive Group, Inc.

Allied Freight Broker LLC

Allied Systems (Canada) Company

Allied Systems, Ltd. (L.P.)

Axis Areta, LLC

Axis Canada Company

Axis Group, Inc.

Commercial Carriers, Inc.

CT Services, Inc.

Cordin Transport LLC

F.J. Boutell Driveway LLC

GACS Incorporated

Logistic Systems, LLC

Logistic Technology, LLC

QAT, Inc.

RMX LLC

Transport Support LLC

Terminal Services LLC

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
RSC. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF ALLIED
SYSTEMS HOLDINGS, INC., ALLIED SYSTEMS (CANADA) COMPANY, AXIS
CANADA COMPANY AND THOSE OTHER COMPANIES LISTED ON
SCHEDULE "A" HERETO
APPLICATION OF ALLIED SYSTEMS HOLDINGS, INC. UNDER SECTION 46
OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36,
AS AMENDED

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto, Ontario Canada

**AFFIDAVIT OF SCOTT MACAULAY
SWORN JULY 11, 2012**

GOWLING LAFLEUR HENDERSON LLP
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Lawyers for the Applicant

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)	MONDAY, THE 16 TH DAY
)	
MR. JUSTICE MORAWETZ)	OF JULY, 2012

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF ALLIED SYSTEMS HOLDINGS, INC., ALLIED
SYSTEMS (CANADA) COMPANY,**

**AXIS CANADA COMPANY AND THOSE OTHER COMPANIES LISTED ON
SCHEDULE "A" HERETO**

**APPLICATION OF ALLIED SYSTEMS HOLDINGS, INC. UNDER SECTION 46 OF
THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS
AMENDED**

ORDER

THIS MOTION, made by Allied Systems Holdings, Inc. ("**Allied US**") in its capacity as the foreign representative (the "**Foreign Representative**") of Allied US, Allied Systems (Canada) Company, Axis Canada Company and those other companies listed on Schedule "A" hereto (the "**Chapter 11 Debtors**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an Order substantially in the form enclosed in the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of motion, the affidavit of Scott Macaulay sworn July 9, 2012 (the "**Macaulay Affidavit**"), the first report dated July ■, 2012 (the "**First Report**")

of Duff & Phelps Canada Restructuring Inc. in its capacity as information officer (the “**Information Officer**”), and [NTD: list any other materials], and on hearing the submissions of counsel for the Foreign Representative, counsel for the Information Officer, counsel for Yucaipa American Alliance Fund II, LLC, Yucaipa Leveraged Finance, LLC, CB Investments, LLC, Yucaipa American Alliance Fund I, L.P., Yucaipa American Alliance Fund II, L.P.; Yucaipa American Alliance (Parallel) Fund I, L.P.; Yucaipa American Alliance (Parallel) Fund II, L.P., counsel for Black Diamond CLO 2005-1 Ltd., BDCM Opportunity Fund II, LP and Spectrum Investment Partners LP (collectively “**Black Diamond/Spectrum**”), and those other parties present, no one else appearing although duly served as appears from the affidavit of service of ■ sworn July ■, 2012,

SERVICE

1. THIS COURT ORDERS that the time for service of the Motion Record and the First Report is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. THIS COURT ORDERS that capitalized terms used herein and not otherwise defined have the meaning given to them in the Supplemental Order (Foreign Main Proceeding) granted by this Court on June 13, 2012 (the “**Supplemental Order**”).

RECOGNITION OF FOREIGN ORDERS

3. THIS COURT ORDERS that the following orders (collectively, the “**Foreign Orders**”) of the United States Bankruptcy Court for the District of Delaware made in the Foreign Proceeding are hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to section 49 of the CCAA:

- (a) Final Wages Order;
- (b) Final Insurance Order;
- (c) Final Critical Vendors Order;
- (d) Final Customs, Warehouseman, Common Carriers and Cargo Claims Order;

- (e) Final Utilities Service Order;
- (f) Final Financing Order, and
- (g) Amended Sales and Use Tax Order

(as all such Orders are defined in the Macaulay Affidavit. Copies of each such Foreign Orders are attached as Schedules B through H hereto)

provided, however, that in the event of any conflict between the terms of the Foreign Orders and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to Property in Canada.

CASH MANAGEMENT ORDER

4. THIS COURT ORDERS, in furtherance of the Cash management Order, that Allied Canada and Axis Canada will indemnify The Bank of Nova Scotia (the “**Bank**”) from any liability the Bank may incur to any third party by virtue of the Bank’s operating the cash management system in accordance with the practices and procedures that the Bank established before the commencement of the Chapter 11 cases of Allied Canada and Axis Canada.

5. THIS COURT ORDERS that any sums due the Bank by virtue of the foregoing indemnification shall not be subject to impairment without the consent of the Bank.

VALIDITY AND PRIORITY OF CHARGES

6. THIS COURT ORDERS that paragraph 24 of the Supplemental Order is hereby deleted in its entirety and replaced with the following:

“24. THIS COURT ORDERS:

- (a) that “**Encumbrances**” means any security interests, trusts, liens charges and encumbrances (collectively, “**Encumbrances**”) in favour of any Person;

(b) that each of the Administration Charge and the DIP Lender's Charge shall constitute a charge on the Property in Canada and such Charges shall rank in priority to all Encumbrances other than:

(i) Encumbrances (if any) in favour of any Person that are valid, perfected (by registration or possession), non-avoidable and are senior to Encumbrances securing the First Lien Credit Facility as of the date of the Final Financing Order, as defined in the Order of this Court on July 16, 2012); and

(ii) the Carve-Out (as defined in such Final Financing Order)."

GENERAL

7. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Chapter 11 Debtors, the Foreign Representative, the Information Officer, and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Chapter 11 Debtors, the Foreign Representative, and the Information Officer, the latter as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Chapter 11 Debtors, the Foreign Representative, and the Information Officer and their respective agents in carrying out the terms of this Order.

8. THIS COURT ORDERS that each of the Chapter 11 Debtors, the Foreign Representative and the Information Officer be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

SCHEDULE A – CHAPTER 11 DEBTORS

Allied Systems Holdings, Inc.

Allied Automotive Group, Inc.

Allied Freight Broker LLC

Allied Systems (Canada) Company

Allied Systems, Ltd. (L.P.)

Axis Areta, LLC

Axis Canada Company

Axis Group, Inc.

Commercial Carriers, Inc.

CT Services, Inc.

Cordin Transport LLC

F.J. Boutell Driveway LLC

GACS Incorporated

Logistic Systems, LLC

Logistic Technology, LLC

QAT, Inc.

RMX LLC

Transport Support LLC

Terminal Services LLC

**SCHEDULE B – FINAL WAGES ORDER
ATTACHED.**

**SCHEDULE C- FINAL INSURANCE ORDER
ATTACHED.**

**SCHEDULE D – FINAL CRITICAL VENDORS ORDER
ATTACHED.**

**SCHEDULE E – FINAL CUSTOMS, WAREHOUSEMAN, COMMON CARRIERS
AND CARGO CLAIMS ORDER**

ATTACHED.

**SCHEDULE F – FINAL UTILITIES SERVICE ORDER
ATTACHED.**

**SCHEDULE G – FINAL FINANCING ORDER
ATTACHED.**

**SCHEDULE H – AMENDED SALES AND USE TAX ORDER
ATTACHED.**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF ALLIED SYSTEMS HOLDINGS, INC., ALLIED SYSTEMS (CANADA) COMPANY, AXIS CANADA
COMPANY AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO

APPLICATION OF ALLIED SYSTEMS HOLDINGS, INC. UNDER SECTION 46 OF THE *COMPANIES' CREDITORS ARRANGEMENT
ACT*, R.S.C. 1985, c. C-36, AS AMENDED

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto, Ontario, Canada

ORDER

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Lawyers for the Applicant

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF ALLIED SYSTEMS HOLDINGS, INC., ALLIED SYSTEMS (CANADA) COMPANY,
AXIS CANADA COMPANY AND THOSE OTHER COMPANIES LISTED ON SCHEDULE "A" HERETO**

**APPLICATION OF ALLIED SYSTEMS HOLDINGS, INC. UNDER SECTION 46 OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto, Ontario, Canada

**MOTION RECORD
(Returnable July 16, 2012)**

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