

**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 31, 2012)**

July 25, 2012

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

Jennifer Stam (LSUC#46735J)
Telephone: (416) 862-5697
Facsimile: (416) 862-7661

Ava Kim (LSUC# 57256C)
Telephone: (416) 862-3560
Facsimile: (416) 862-7661

Lawyers for the Applicant

INDEX

**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 31, 2012)**

INDEX

| Tab | Document |
|------------|-------------------------------------------------|
| 1. | Notice of Motion returnable July 31, 2012 |
| 2. | Affidavit of John Blount sworn July 25, 2012 |
| 3. | Consent Order of this Court dated June 26, 2012 |
| 4. | Order of this Court dated July 16, 2012 |
| 5. | Draft Order |

TAB 1

**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**

**NOTICE OF MOTION
(Returnable July 31, 2012)**

July 25, 2012

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

Jennifer Stam (LSUC#46735J)
Telephone: (416) 862-5697
Facsimile: (416) 862-7661

Ava Kim (LSUC#57256C)
Telephone: (416) 862-3560
Facsimile: (416) 862-7661

Lawyers for the Applicant

**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**

**NOTICE OF MOTION
(Returnable July 31, 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 31, 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 approving a charge in the maximum amount of \$9.9 million with respect to Severance Obligations, Termination Obligations and the Other Obligations (as defined in the Affidavit of John Blount sworn July 25, 2012) (the "**Directors' Charge**"); and

2. an Order amending and restating the Supplemental Order (defined below) to reflect amendments: (i) pursuant to the Order of this Court made on June 26, 2012; (ii) pursuant to the Order of this Court made on July 16, 2012; and (iii) the proposed Order above regarding the Directors' Charge.

THE GROUNDS FOR THE MOTION ARE:

1. On June 10, 2012 (the "**Filing Date**"), 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**");
2. 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;
3. On June 13, 2012, this Court granted a supplemental order (the "**Supplemental Order**") which, *inter alia*: (i) appointed Duff & Phelps Canada Restructuring Inc. as information officer (the "**Information Officer**"); and (ii) approved the Administration Charge and the DIP Lenders' Charge (collectively, the "**Charges**") and granted priority to the Charges ahead of the First Lien Credit Facility and the Second Lien Credit Facility (as defined in the Affidavit of Scott Macaulay sworn June 11, 2012 (the "**June 11 Affidavit**")) but behind any other trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, the "**Encumbrances**");
4. On June 26, 2012, this Court granted a Consent Order amending the Supplemental Order to replace all references to: (i) "Yucaipa American Alliance Fund II, L.P., as agent and lender" with "Yucaipa American Alliance Fund II, LLC, as agent"; and (ii) "Yucaipa American Alliance (Parallel) Fund II, L.P., as lender with "Yucaipa Leveraged Finance, LLC" and "CB Investments, LLC, as lenders".

5. On July 16, 2012, this Court granted an order granting priority to the Charges ahead of 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 (as defined in the June 11 Affidavit) as of the date of the Final Financing Order (as defined in the Affidavit of Scott Macaulay sworn July 11, 2012 (the “**July 11 Affidavit**”)); and (ii) the Carve-Out (as defined in the Final Financing Order);

Allied Canada’s Employees and the Application of the Canada Labour Code

6. Allied Canada’s business is subject to the *Canada Labour Code* (“**CLC**”) and Allied Canada’s directors are therefore subject to directors’ liabilities (including deemed directors’ liabilities) for statutory termination and severance;
7. Allied Canada has laid off a sizeable proportion of their employees pursuant to their downsizing activities in the last year or so and under the CLC, employees are entitled to begin receiving severance after a period of twelve (12) months from the time they are laid off;
8. Most of these employees, upon notice provided pursuant to the CLC, elected to postpone receipt of severance in order to retain recall rights and seniority for a period of time and as a result, Allied Canada is currently only paying a relatively small amount for severance payments per month;
9. If the majority of laid off employees who chose to postpone their severance payments elect instead to receive severance, Allied Canada’s obligations would be substantial;
10. Allied Canada continues to pay wages to its active employees in the ordinary course;
11. In addition to statutory termination and severance under the CLC, the proposed Directors’ Charge also covers certain statutory liabilities for the directors and officers of Allied Canada in order to ensure their continued services;

Directors and Officers of Allied Canada

12. As of the Filing Date, Allied Canada had two (2) directors and four (4) officers who have since then resigned as directors primarily due to the increased uncertainty and potential personal liability arising from the ongoing severance obligations for the employees in Canada pursuant to the CLC;
13. The two (2) directors who have resigned remain employees of Allied and continue to play an instrumental role in Allied's ongoing business in both Canada and the United States and therefore successful restructuring;
14. Allied has faced much difficulty in its attempts to re-constitute a board for Allied Canada and has managed to identify one (1) member of the senior management of the Allied Group who has indicated a willingness to serve as a director of Allied Canada provided that the Directors' Charge is granted;
15. Re-constituting a board for Allied Canada is an integral step in a successful restructuring for Allied and without some protection for the directors for corporate liabilities for which they could be personally liable for, it will be virtually impossible to fill the vacancy;

Axis Canada's Employees and Directors and Officers

16. Axis Canada has two (2) directors and three (3) officers who have remained since the Filing Date as Axis Canada is not subject to the CLC and its directors do not face the same personal liabilities as those of Allied Canada;
17. The proposed Directors' Charge does however cover certain statutory liabilities for the directors and officers of Axis Canada in order to ensure their continued services;

General

18. Such further and other grounds as counsel may advise and this Honourable Court may permit;

The following documentary evidence will be used at the hearing of the application:

1. The affidavit of John Blount sworn July 25, 2012;
2. The Order of this Court made on June 26, 2012;

3. The Order of this Court made on July 16, 2012;
4. The second report of the Information Officer dated July 25, 2012, to be filed; and
5. Such further and other materials as counsel may advise and this Honourable Court may permit.

July 25, 2012

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, Ontario M5X 1G5

Jennifer Stam (LSUC No.: 46735J)

Tel: (416) 862-5697

Fax: (416) 862-7661

TO: THE ATTACHED SERVICE LIST

Ava Kim (LSUC No.: 57156C)

Tel: (416) 862-3560

Fax: (416) 862-7661

Lawyers for the Applicant

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*, 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**

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

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

Proceeding commenced at Toronto, Ontario Canada

NOTICE OF MOTION

GOWLING LAFLEUR HENDERSON LLP

Barristers and Solicitors
One First Canadian Place
Suite 1600
TORONTO, Ontario
M5X 1G5

Jennifer Stam (LSUC#46735J)
Telephone: (416) 862-5697
Facsimile: (416) 862-7661

Ava Kim (LSUC#57256C)
Telephone: (416) 862-3560
Facsimile: (416) 862-7661

Lawyers for the Applicant

TAB 2

**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**

**AFFIDAVIT OF JOHN BLOUNT
(sworn July 25, 2012)**

**I, John Blount, of the City of Atlanta in the State of Georgia, MAKE OATH AND
SAY:**

1. I am the senior vice president, chief administrative officer, secretary and general counsel of Allied Systems Holdings, Inc. ("**Allied US**") and the vice president and secretary of Allied Systems (Canada) Company ("**Allied Canada**") and the vice president and secretary of Axis Canada Company ("**Axis Canada**", together with Allied Canada, the "**Canadian Debtors**"). Overall, I have been an employee of Allied for the last nine and a half (9.5) 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 an Order:

- (a) approving the Directors’ Charge (defined below); and
 - (b) amending the Supplemental Order (defined below) to provide for priority for the Directors’ Charge.
3. All dollar references herein are in CDN dollars unless otherwise specified.

BACKGROUND

4. Allied is in the business of: (a) short haul car transport of light vehicles from manufacturing plants, ports, auctions and railway distribution points to automobile dealerships in the United States and Canada; and (b) logistics and management of car haul transport. It is a business that requires the use of specialized equipment specifically designed for the hauling of cars and is heavily customer focused.
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 (as amended, 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 were recognized; and (d) Duff & Phelps Canada Restructuring Inc. was appointed as the information officer (the “**Information Officer**”).

7. I am aware that copies of the Initial Order and the Supplemental Order (without appendices) will be attached to the second report of the Information Officer (the “**Second Report**”). On July 16, 2012, this Court granted an Order (the “**July 16 Order**”) (a) recognizing certain final orders of the US Court that had previously been granted on an interim basis; (b) approving relief regarding the cash management system with The Bank of Nova Scotia; and (c) amending the Supplemental Order to provide for increased priority for the Administration Charge and the DIP Lenders’ Charge (as both terms are defined in the Supplemental Order).

THE CANADIAN DEBTORS’ EMPLOYEES

Active and Inactive Employees of Allied Canada

8. As was set out in the affidavit of Scott Macaulay sworn June 11, 2012 (the “**First Day Affidavit**”), Allied Canada has extensive operations in Canada and employs many active (and inactive) employees. Currently, there are approximately 600¹ (bargaining and non-bargaining) active employees in Canada. Allied Canada continues to pay wages to those employees in the normal course. An average gross payroll for Allied Canada is approximately \$1.8 million per pay period.
9. Given the nature of Allied Canada’s business, it is subject to the *Canada Labour Code* (“**CLC**”). The CLC imposes directors’ liability (including possibly deemed directors’ liability) for statutory severance and termination pay.
10. As a logistics services provider, Axis Canada is not subject to the CLC.

¹ The First Day Affidavit referred to a slightly different number which was the best information available to Scott Macaulay on the Canadian Debtors at the time of the filing. I believe this number to be updated as of June 15, 2012 and more accurate.

11. In the last fourteen (14) months, due to downsizing of the Canadian operations, Allied Canada has been forced to lay off approximately 260 bargaining employees (the vast majority of which are represented by the CAW). Most of these employees were laid off in May of 2011. The remainder were laid off throughout the balance of 2011.
12. Pursuant to the CLC, after employees are laid off for a period of twelve (12) months, they become entitled to start receiving severance. Allied Canada provided the statutory notices to employees in accordance with the CLC and has provided any eligible employees with the option to either (a) commence receiving severance in monthly installments; or (b) postpone the receipt of severance and elect to retain recall rights and seniority for a period of time.
13. The liability to pay severance to many of these employees has not yet arisen as they elected to postpone the receipt of severance. Allied Canada has continued to make severance payments to those employees who elected to start receiving severance since the filing as authorized in the Final Wages Order approved by the US Order and recognized in these proceedings. Currently, the amount being paid by Allied Canada in respect of severance is approximately \$44,000 a month. However, if the obligation to pay severance to the balance of the laid off employees were to arise, the total amount would be approximately \$1.7 million (this number is inclusive of the current severance obligations and is comprised of \$1.2 million for the approximately 206 employees who have been laid off for more than twelve months and \$485,000 for those employees who have been laid off for less than twelve (12) months).

Allied Canada's Directors and Officers

14. As of the Filing Date, Allied Canada had two (2) directors as well as four (4) officers. Subsequent to the filing, both of Allied Canada's directors resigned.
15. These two (2) individuals, Keith Rentzel and Robert Ferrell, are US employees and, although they resigned as directors of Allied Canada, they remain employees of Allied. The resignation of Mr. Rentzel and Mr. Ferrell was due primarily to the potential personal liability for severance for directors under the CLC. Allied has encouraged these

two individuals to stay with Allied because they are key to the business and therefore the restructuring. As set out above, the Allied business, like many businesses, is driven by customer relationships. In this industry, maintaining relationships with customers particularly in this area, is the key to survival. In order to service customers, Allied needs to maintain its fleet of rigs, which is specialized automotive equipment and requires experience and knowledge in order to maintain.

16. Mr. Rentzel and Mr. Ferrell are responsible for customer relations and fleet maintenance and procurement respectively. Specifically, Mr. Rentzel has over thirty (30) years of industry experience including sixteen (16) years with Allied and several years with a predecessor to Allied prior to that time. He is seen as the “face of Allied” by its customers and has the important responsibility of ongoing customer relations, including in Canada. I believe that if Mr. Rentzel were to resign from Allied, our relationships with key customers, including in Canada, could deteriorate.
17. Mr. Ferrell is head of maintenance and fleet management and procurement for Allied and is responsible for maintaining Allied’s approximately 2,400 rigs across North America and negotiations with Allied’s tractor and trailer manufacturers. He has over thirty (30) years of industry experience including over fourteen (14) years with Allied and has extremely extensive knowledge of Allied’s specialized hauling equipment and maintenance needs including in Canada. I do not believe it would be easy or cost effective to try and replace Mr. Ferrell if he were to leave especially as it relates to the maintenance needs of the Allied fleet. His departure could cause disruption to the business and additional cost to the company.
18. Both Mr. Rentzel and Mr. Ferrell continue to express concerns with respect to the liabilities they incurred for severance before they resigned as directors of Allied Canada.
19. The resignation of the directors has been a problem for Allied Canada and Allied has spent a considerable amount of time since the resignation attempting to re-constitute a board for Allied Canada. Clearly, it will be preferable for Allied Canada to proceed through its restructuring with at least one director. Since the commencement of the Chapter 11 and CCAA proceedings, Allied Canada continues to operate in a business as

usual manner and has continued to pay its active employees. Certain of the Allied Canada's officers have also expressed concerns about their own liability in the absence of an appointed director.

20. However, absent some protection for directors from corporate liabilities for which directors have personal liability, I believe it will be virtually impossible to find a qualified person who would be willing to serve in that position. Allied Canada has identified an individual who is currently a member of senior management of Allied, who has indicated that he is willing to serve as a director of Allied Canada provided that the Directors' Charge (defined below) is granted.

Axis Canada's Employees and Directors and Officers

21. Axis Canada has two (2) directors and three (3) officers. They have remained since the filing. Given that the CLC does not apply to Axis Canada and there are only twelve (12) non-bargaining employees of Axis Canada, the liability issues for directors and officers is not the same situation as Allied Canada.
22. However, for the protection of the directors and officers, the proposed Directors' Charge (defined below) would also cover certain statutory liabilities as proposed for the directors and officers of Axis Canada.

THE PROPOSED DIRECTORS' CHARGE

The Scope of the Charge

23. Allied Canada and Axis Canada are seeking an indemnity for its directors and officers (both current and former, actual or deemed) (the "**Directors and Officers**");
 - (a) with respect to any such obligation or liability of a Director or Officer for severance, both before and after the commencement of the Chapter 11 Cases ("**Severance Obligations**");

- (b) with respect to any such obligation or liability of a Director or Officer for termination pay required to be paid upon termination of any active employees in Canada (“**Termination Obligations**”); and
 - (c) with respect to any other statutory obligations or liabilities that they may incur as Directors and Officers of Allied Canada, for the period of time after the commencement of the Chapter 11 Cases (“**Other Obligations**”).
24. In connection with the indemnity, Allied is seeking the approval of a charge on the collateral located in Canada (the “**Canadian Collateral**”) of the Chapter 11 Debtors in the maximum amount of \$9.9 million (the “**Directors’ Charge**”). The underlying calculations regarding the Directors’ Charge will be set out in the Second Report in more detail but can be briefly summarized as follows:
- (a) \$1.7 million for the Severance Obligations relating to those employees who are currently laid off (regardless of whether the obligation to pay severance has arisen yet);
 - (b) \$2.1 million for Other Obligations consisting primarily of an average stub period for wages, withholdings and one month of sales taxes, plus a slight buffer;
 - (c) \$6.1 million for Severance Obligations and Termination Obligations relating to the estimate of statutory severance and termination under the CLC in the event that there was an unexpected event and a sudden termination of all currently active employees.
25. It is contemplated that access to this Directors’ Charge would be available to the extent that directors’ and officers’ insurance is not available. In that regard, Allied does have certain directors’ and officers’ insurance policies. I am aware that Allied Canada’s Canadian counsel has reviewed those policies and believes that on the balance, coverage would be available under those policies. However, the policies do not, on their face specifically state that severance and termination liability under the CLC are covered by the insurance. I do not believe that attempting to obtain further assurances or coverage given the intervening insolvency proceedings would be viable or even possible.

The Proposed Priority of the Directors' Charge

26. It is proposed that the priority of the Directors' Charge, vis a vis, the other Court-ordered charges (as each is defined in the Supplemental Order), will be as follows:
- (a) First – Administration Charge (to the maximum amount of \$600,000);
 - (b) Second – The Directors' Charge with respect to (a) Severance Obligations (to the maximum amount of \$1.7 million) and (b) Other Obligations (to the maximum amount of \$2.1 million);
 - (c) Third – DIP Lender's Charge;
 - (d) Fourth – the Directors' Charge (to the maximum amount of \$6.1 million).
27. The July 16 Order included an amendment to the priority of the Administration Charge and the DIP Lender's Charge to provide for the Administration Charge and DIP Lender's Charge to rank in priority to all Encumbrances other than:²
- (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).
28. As part of the motion on July 16, the Applicant and others agreed to an endorsement to address certain concerns of the Canadian Auto Carriers & Logistics pension plan (the **“CAW Pension Plan”**) which is set out below:

In response to concerns raised by the Canadian Auto Carriers pension plan, which is one of Allied Canada's registered pensions plans, the Applicant has confirmed that Allied Canada is presently making the monthly contributions required by the CAW Collective Agreement.

² Capitalized terms used in this paragraph and not otherwise defined have the meaning given to them in the Supplemental Order.

If any required future monthly contributions are not paid, this Order does not foreclose the pension plan from asserting a deemed trust and from asserting priority over the Charges (as defined in the Supplemental Order of this Court dated June 13, 2012 as amended by this Order and as the same may be further amended from time to time), for required but unpaid contributions and this Order does not foreclose any other party, including the Applicant and the DIP lender, from asserting the non-existence, invalidity or unenforceability of such deemed trust priority of the Charges over such deemed trust.

29. It is proposed that the Directors' Charge will have similar priority as set out above vis a vis Encumbrances. Further, given that the Directors' Charge will be one of the "Charges" as defined in the amended Supplemental Order, any concern that the CAW Pension Plan may have should be satisfied by the existing endorsement.

VIABLE ALTERNATIVES

30. I understand from counsel that certain elements of the proposed Directors' Charge may not be standard for a Canadian insolvency proceeding. However, I believe that the Allied Canada situation is somewhat unique and that the implementation of a Directors' Charge is the best alternative in these circumstances. In the event that the proposed Directors' Charge is not granted and no individual is willing to serve as a director of Allied Canada, Allied would need to consider the appointment of a restructuring officer, receiver or other person during the course of the proceedings.
31. These alternatives, although viable, would increase Allied's restructuring costs. Further, I believe that any such person would require similar levels of protection as the proposed Directors' Charge.

NOTICE TO POTENTIALLY AFFECTED PERSONS

32. In connection with this motion, the Applicant intends to provide notice to substantially the same parties that were provided with notice of the July 16 motion and are set out in greater detail below.
33. 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 plans³, the Financial Services Commissioner of Ontario and the Superintendents of Pensions in Alberta and Quebec and the Office of the Superintendent of Financial Institutions Canada; and
- (c) various Federal and Provincial taxing and environmental authorities.

34. 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:
 - (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.

³ 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

- (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 is 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.

35. 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 Directors' Charge over other Encumbrances.

Consent of Existing First & Second Lien Creditors

36. 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, as DIP Agent and lender as well as participant in the first and second lien credit facilities, have consented to the granting of the Directors' Charge as well as the proposed priority of the Directors' Charge.
37. The Applicant, through counsel, has also been in discussions with Black Diamond CLO 2005-1 Ltd., BDCM Opportunity Fund II, LP and Spectrum Investment Partners LP ("**Black Diamond/Spectrum**") as well as CIT who are participants in the first and second lien credit facilities. I am aware that Black Diamond/Spectrum have expressed concerns regarding this motion and are currently not supportive of it. As of the date of this affidavit, I am unaware of the position of CIT.

CONCLUSION

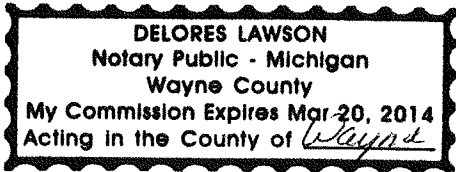
38. If the Directors' Charge is not granted, I am concerned that:
- (a) no individual will be willing to serve as a director of Allied Canada,
 - (b) the individuals who resigned as directors but who otherwise remain key employees to the Allied business may resign from Allied entirely;
 - (c) the remaining officers of Allied Canada may be concerned as to their situation and consider resigning also;
 - (d) Allied Canada's unions may become concerned about Allied's intention regarding laid off employees which could cause an immediate call for severance by numerous individuals;
 - (e) the lack of any director of Allied Canada may have a negative impact on its relationship with its creditors and customers.
39. Additionally, as set out above, I do not believe there are any cost efficient viable alternatives. In light of the foregoing, I believe that providing for the Directors' Charge on the terms set out above provide for the best alternative to Allied Canada's situation.
40. 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 Dearborn)
 in the State of Michigan,)
 this 25 day of July, 2012)


 Commissioner for Taking Affidavits or Notary



JOHN BLOUNT



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

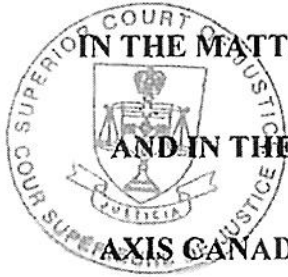
Transport Support LLC

Terminal Services LLC

TAB 3

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) TUESDAY, THE 26TH DAY
)
MR. JUSTICE MORAWETZ) OF JUNE, 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**

**CONSENT ORDER
AMENDING SUPPLEMENTAL ORDER (FOREIGN MAIN PROCEEDING)**

THIS REQUEST FOR A CONSENT ORDER made by Allied Systems Holdings, Inc. (the "Foreign Representative") in its capacity as foreign representative of Allied Systems Holdings Inc. and those other parties listed on Schedule "A" hereto was heard this day at 330 University Avenue, Toronto, Ontario.

ON HEARING submissions of counsel for the Foreign Representative, counsel for Duff & Phelps Canada Restructuring Inc. in its capacity as information officer, counsel for 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., and on being advised of the consent of counsel for Black Diamond CLO 2005-1 Ltd.,

BDCM Opportunity Fund II, LP and Spectrum Investment Partners LP, no one else appearing:

1. THIS COURT ORDERS that the Supplemental Order (Foreign Main Proceeding) granted by this Court on June 13, 2012 (the "Supplemental Order") is hereby amended, *nunc pro tunc*, to replace all references to "the DIP Lender" with "Yucaipa American Alliance Fund II, LLC, as DIP Agent".

2. THIS COURT ORDERS that paragraph 21 of the Supplemental Order is amended, *nunc pro tunc*, to replace all references to:

- (a) "Yucaipa American Alliance Fund II, L.P., as agent and lender" with "Yucaipa American Alliance Fund II, LLC, as agent"; and
- (b) "Yucaipa American Alliance (Parallel) Fund II, L.P., as lender" with "Yucaipa Leveraged Finance, LLC" and "CB Investments, LLC, as lenders".

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:



JUN 26 2012



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

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

CONSENT ORDER

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

Jennifer Stam (LSUC#467351)
Telephone: (416) 862-5697
Facsimile: (416) 862-7661

Lawyers for the Applicant

TAB 4



ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) MONDAY, THE 16TH 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 11, 2012 (the "**Macaulay Affidavit**"), the first report dated July 11, 2012 (the "**First Report**")

of Duff & Phelps Canada Restructuring Inc. in its capacity as information officer (the “**Information Officer**”) and the supplemental affidavit of Ava Kim sworn July 13, 2012, 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 Ava Kim sworn July 12, 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. Certified 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.

ENTERED AT / INSCRIT À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

JUL 16 2012

NB

T927136.25\TOR_LAW\7942806\10



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

TAB 5

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

THE HONOURABLE) TUESDAY, THE 31ST 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
(D&O Charge)**

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 John Blount sworn July 25, 2012 (the "**Blount Affidavit**"), the second report dated July 25, 2012 (the "**Second 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 25, 2012,

SERVICE

1. THIS COURT ORDERS that the time for service of the Motion Record and the Second 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 proposed Amended and Restated Supplemental Order (Foreign Main Proceeding) (the “**Amended and Restated Supplemental Order**”).

DIRECTORS’ AND OFFICERS’ CHARGE

3. THIS COURT ORDERS that Allied Canada and Axis Canada shall indemnify their respective directors and officers (both current and former, actual or deemed) (the “**Directors and Officers**”):
 - (a) with respect to any obligation or liability of a Director or Officer for termination or severance pay due to employees or former employees of Allied Canada or Axis Canada (“**Severance Obligations**”), both before and after June 10, 2012 (the “**Filing Date**”); and
 - (b) with respect to any other statutory obligations or liabilities that they may incur as Directors and Officers of Allied Canada or Axis Canada, for the period of time after the Filing Date (“**Other Obligations**”),

except to the extent that, with respect to any Director or Officer, the obligation or liability was incurred as a result of the Director's or Officer's gross negligence or wilful misconduct.

4. THIS COURT ORDERS that the Directors and Officers shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property of Allied Canada and Axis Canada, which charge shall not exceed an aggregate amount of \$9.9 million, as security for the indemnity provided in paragraph 3 of this Order. The Directors' Charge shall have the priority set out in paragraphs 22 and 24 of the proposed Amended and Restated Supplemental Order, as such Supplemental Order is amended by this Order.

5. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Directors and Officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 3 of this Order and, for greater certainty, before any Person seeks to rely upon the Directors' Charge, coverage under existing insurance policies shall have been sought and exhausted first.

VALIDITY AND PRIORITY OF CHARGES

6. THIS COURT ORDERS that paragraphs 22 through 27 of the Supplemental Order are hereby deleted in their entirety and replaced with the following:

"22. THIS COURT ORDERS the priorities of the Administration Charge, the DIP Lender's Charge and the Directors' Charge (as defined in the Order of this Court dated July 16, 2012), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$600,000);

Second – The Directors' Charge with respect to (a) Severance Obligations (to the maximum amount of \$1.7 million) and (b) Other Obligations (to the maximum amount of \$2.1 million);

Third – DIP Lender's Charge;

Fourth – the Directors’ Charge with respect to Severance Obligations and Termination Obligations (to the maximum amount of \$6.1 million).

23. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge, the Directors’ Charge or the DIP Lender’s Charge (collectively, the “**Charges**”) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

24. THIS COURT ORDERS that:

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

(b) each of the Charges 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).

25. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Chapter 11 Debtors shall not grant any Encumbrances over any Property in Canada that rank in priority to, or *pari passu* with, the Administration Charge, the Directors’ Charge or the DIP Lender’s Charge, unless the Chapter 11 Debtors also obtain the prior written consent of the Information Officer and the DIP Lender.

26. THIS COURT ORDERS that the Administration Charge, the Directors’ Charge and the DIP Lender’s Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively,

the “**Chargees**”) shall not otherwise be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (iii) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (iv) the provisions of any federal or provincial statutes; or (v) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds any Chapter 11 Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by a Chapter 11 Debtor of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Chapter 11 Debtors to the Chargees pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

27. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Chapter 11 Debtor's interest in such real property leases.”

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

**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
(D&O Charge)**

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

Jennifer Stam (LSUC#46735J)
Telephone: (416) 862-5697
Facsimile: (416) 862-7661

Ava Kim (LSUC#57256C)
Telephone: (416) 862-3560
Facsimile: (416) 862-7661

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)**

GOWLINGS LAFLEUR HENDERSON LLP
Barristers and Solicitors
One First Canadian Place
100 King Street West, Suite 1600
TORONTO, Ontario
M5X 1G5

Jennifer Stam (LSUC#46735J)
Telephone: (416) 862-5697
Facsimile: (416) 862-7661

Ava Kim (LSUC#57256C)
Telephone: (416) 862-3560
Facsimile: (416) 862-7661

Lawyers for the Applicant