Direct
Integrated Transportation

25 Rothwell Rd
Winnipeg, MB R3P 2M5
Ph: 204.943.8905
Fax: 204.947.3083

Feb. 17th, 2005

Ms. Annitta Stenning
Chief Administration Officer
City of Winnipeg
3rd Floor, 510 Main St
Winnipeg, MB R3B 1B9

Re: Request for City Sewage and Water Services

Dear Ms. Stenning,

Direct Integrated Transportation Services, a Western Canadian firm (headquartered here in Winnipeg) has recently purchased property within the R.M. of Rosser, Manitoba commonly known as Brookside Industrial Park. This property is directly adjacent to the city of Winnipeg along Brookside Blvd. and Oak Point Highway. We have purchased the 31-acre corner lot on which we will be placing 3 facilities under a joint agreement with Freightliner Manitoba.

As one can appreciate, a lot size of this nature adjacent to truck routes that allow turnpike tractor-trailer combinations to operate on is not readily available within the city of Winnipeg. Six years ago our company purchased one of the last remaining 20+ parcels of industrial lots from the City of Winnipeg, on Kenaston Blvd, so we know the difficulty involved back then of buying lot sizes of this nature.

We've had recent discussions with Mr. Barry McBride from the City Water Department and we understand that their department has additional capacity within the region that we are building in. This property has City of Winnipeg sewage and water hook-ups directly along our property line (adjacent to Brookside Blvd). Our company would request the ability to hook-up directly to the City Water and Sewage system as we believe that this will be a strong revenue source for the City with very little or no capital outlay.

We would like the City to consider this request on it's own merit as our company will continue to maintain and own our existing properties within the City of Winnipeg and have been a strong supporter of City initiatives in the past. Most recently we participated in a cost-sharing program for the riverbank stabilization (along the north side of Red River adjacent to Waterfront St.) The City of Winnipeg approached us to

assist in the riverbank stabilization and to our understanding we are the only commercial business to participate in this cost-sharing program, which was deemed successful by the participants. Once again we are looking at another initiative with the City of Winnipeg, which can only provide positive results for all parties involved.

Should you have any questions please do not hesitate to contact myself at 631-0515.

Yours sincerely,

Grant Hekle
President

GH/cg

Direct
Integrated Transportation

25 Rothwell Road
Winnipeg, MB R3P 2M5
Bus: 204 943 8905
Fax: 204 947 3083

July 20, 2005

Mr. Bryan Gray
City of Winnipeg
3rd Floor -510 Main St.
Winnipeg, MB
R3B 1B9

RE: Shared Services

Dear Bryan:

Please find enclosed copies of correspondence between the City of Winnipeg and Direct Integrated Transportation in regards to the only time we requested any assistance from the City.

As you can see through the underlying correspondence, the City worked very diligently to have us maintain a Head Office here in Winnipeg. However, the City never fulfilled any of it's promises and we never received any tax credits. In fact, we've had to hire Mr. Irvine Simmonds (tax lawyer) to fight on our behalf to have our taxes reduced as they were grossly overstated when we received our first tax bill. I'm still proud to be a Winnipegger, but I was frustrated at the time by the lack of leadership shown.

Presently we own 8 pieces of property in Winnipeg and would have liked to build our 9th one within the City limits as well, but there were no adequate parcels of property (30+ acres) available so we had no choice but to obtain property outside the city limits.

Our company would like to have water and sewage hookups along Brookside Blvd; however herein lies our problem:

- We have done a cost sharing project (enclosed) with the City of Winnipeg
- We continue to be a taxpayer that has never been in arrears for the past 60+ years
- We have been made false promises by the City of Winnipeg of tax credits if we built our Head Office here
- City officials have told us "of the rule of 120" (our property borders City limits) and we believe that we have a very strong case (through past actions by the City with other Corporations) that if we border the City of Winnipeg that services can be shared as the City has done in the past.

Yet the city still has not given us the go ahead even though all parties involved have agreed that there is capacity and that this should be an approved proposal.

We would gladly accept only sewage hookups, as this is important on a go-forward basis for our construction. All the City of Winnipeg sewage hook-ups are adjoining our property and are on the same side of Brookside Blvd that our construction will be on, so a hook up can be easily be accomplished (this has been verified by your City Water Department.)

I would still like the Mayor to push this through as a one off case as I believe we deserve due consideration:

1. Through our commitment to the City (building a Head Office in Winnipeg even though the City reneged on it's promises for tax credits)

2. Our participation in the Capitalization sharing project. We are the only company on record within the City of Winnipeg that has done this with riverbank stabilization.

3. As shown by the newspaper article (that has added to our frustration when we have received no credits) that the City has offered tax credits and/or other incentives to companies even though they do not have a 60+ year history within the city as we do.

All of these points combined give our company a pretty strong case for a simple sewage hook up (with no cost to the city). As such I would like you to bring this to the Mayor's personal attention and request this as a "go-forward and one off situation" as I believe all parties will be onside as our company with it's 500 plus Winnipeg employees has always had a good standing in the community.

Please contact me at your earliest convenience at 631-0515.

Yours truly,



Grant Hekle
President
Direct Integrated Transportation

GH/cg

COPY

March 12, 2001

City of Winnipeg
3rd Floor – Administration Building
Winnipeg, MB
R3B 1B9

Attention: Russ Tychonick – Business Liaison

Dear Russ:

RE: New Head Office Structure – Winnipeg/Calgary

Further to our meetings concerning the future opportunity of our company building a "Smith-Carter" designed Head Office in Winnipeg versus the City of Calgary, please find listed below the following items that have been discussed:

- Direct Integrated Transportation has been operating out of the City of Winnipeg since 1946. Presently its headquarters are at 47 Gomez St., Winnipeg.

- As of today our company has an offer on the table from a U.S. firm (Iron Mountain) to purchase our Head Office property. This will allow our company to either further expand within the City of Winnipeg and/or move these offices to Calgary.

- The option to move to Calgary was first discussed during our Management meeting of January 17 – 18, 2001, at Niakwa Country Club, in Winnipeg. It was decided during that meeting, by a vote of 8 – 1, to further explore the options of moving the Head Office to Calgary. Our outside auditors, KPMG, were retained to help with this study.

It has now been shown by KPMG that there is a tremendous tax incentive to move our Head Office to the City of Calgary. As such, we have started conversations with the Calgary Economic Development Board, (Mr. David W. Crowe, Director) as well as through Mr. John Pearson of I.C.& I Properties here in Winnipeg, to secure land within the City of Calgary. This information, along with the proposal from KPMG, and shows that:

- the cost of the personnel relocation
- subsidized employee housing loans
- bridge financing
- the cost of Head Office relocation

has a quick payback (due to the more favourable tax base) of less than 20 months.

I'm sure this is not news to the City of Winnipeg, however it was quite informative from our Company's point of view. Presently we have six of the nine Executive Committee

members confirmed that they will move to the City of Calgary. They have also started to interview key staff members.

Here in lies the problem, our Company is 50% owned by Wayne Hekle and 50% owned by myself, Grant Hekle, (of which I have no desire to leave the city). Having stated that, my personal attachment is not enough of a decision making factor to persuade the majority of the Executive Committee to stay in Winnipeg. Hence, my initial contact to your department.

To date, you have received building documentation provided by Smith-Carter along with schedules of our initial building plans, (which have been put on hold due to this change of events). As of today's writing, the Moving Division building, of which we have paid considerable fees to Smith-Carter for the design will not be proceeding at this time, as we have passed the target date allowable for us to proceed. However, a payment to the architectural firm for work performed is a small price to pay for a possible future mistake of placing our Head Office on the same property.

This still leaves the placement of our Head Office, which must proceed, either within the City of Winnipeg or the City of Calgary.

The Head Office employs 40 personnel, many of which are, as we believe, the most competent in their field. These employees are paid significant salaries for this expertise. Of the nine Executive Committee members, this includes:

- a member of the Board of Directors of a large Canadian firm, based out of Toronto
- a member of the Canadian Advisory Board of the I.W.L.A. , based out of Chicago
- In addition several members sit on advisory boards within the M.T.A., with one being a recent active member of the C.T.A.
- Eight of the above members are active coaches with minor sports in the City of Winnipeg

Please understand that all 40 individuals would not all make the move to Calgary, as a number of these are support staff and may turn down the transfer opportunity. Our Information Technology department would be moving to Calgary.

The company itself sponsors numerous teams and charitable issues through its various divisions, here in Winnipeg. As one can appreciate the main push for this charitable/community work is through the Executive Committee members, and as such we are proud of what we have given to the City of Winnipeg in the past.

However, we have had dealings with the City of Winnipeg in the past and have not been satisfied. These items include:

- wilful deterioration of the riverbank on which our Head Office is situated next to. (This was brought to the City of Winnipeg's attention and let lax due to issues unknown to our company)
- In the past, several city officials (as well as their real estate representation), have stated that an underpass would be going in at Kenaston and Wilkes, and hence the City of Winnipeg property that was available on Rothwell would be an ideal location for a Distribution firm, with the ease of traffic along

Route 90. (this has never happened and hence this property is not as valuable as we were originally lead to believe)

- Overpayment of the said property at Rothwell St. (as discussed in our meetings)
- Sewage drainage and property drainage issues at 55 Rothwell St., which have never been resolved
- An outline of the perceived taxes that we would be paying at our new distribution facility at 55 Rothwell, (of which we discussed with Mr. Don Barr at your property and tax department.) These figures were used as our estimates as to what we would be charged on the existing property. (Unfortunately the amounts came back significantly higher)
- Services to the new property on Rothwell. We were lead to believe by purchasing this property from the City that the City of Winnipeg would provide the services directly to the facility, unfortunately this did not happen.

Several of the aforementioned items are backed up by documentation. For these undocumented items we do have times and the personnel that we discussed these items with.

Our Executive Committee is therefore somewhat skeptical as to why it would build within this city, when it has worked against us in the past. I am the person that is coming to the City asking for assistance in helping my case in keeping the Head Office and the Executive personnel within the City of Winnipeg. Our Company has never gone to any level of government for assistance, however through our discussions I now understand that there are some avenues available. These points would assist in building my case for keeping these jobs and Head Office within the City of Winnipeg. I have broken them down as follows:

- A tax reduction of the existing Distribution facility at 55 Rothwell, and or a tax stabilization of the facility.
- A fair and equitable business/realty property tax assessment of the Head Office facility if we proceed with construction here in Winnipeg
- Should this Head Office facility be constructed within the City of Winnipeg, the Company would require the services (infrastructure) brought from the street directly into the facility itself
- The development of the remaining Rothwell property with the ability to build an additional street on the property, which would allow for future development of this site. This would allow additional taxes to be collected by the City of Winnipeg for other tenants that wish to build on this property. The cost of the development of this street and the services brought in to this street would be borne by the City of Winnipeg.

To Property 10-15K
To Facility (Addition 20K)
Total 35K.

Russ, I appreciate any help that your department can provide to assist in my case. I would like to bring up the comment that was made by Mayor, Glen Murray, at a multi-modal conference at the City of Winnipeg Chamber of Commerce. This took place as follows:

> At the end of the conference I had approached Mr. Murray regarding the fact that our company had been interested in building a "state of the art" distribution facility on City of Winnipeg Airport property.

- We had succeeded in having preliminary plans drawn up by Warren Thompson, of the Winnipeg Airport Authority. (plans enclose)

- We had agreed to the site of the building, the costs and the construction company, (unfortunately CN Rail refused to service the facility, even if we brought tracks into the facility).

Glen Murray, stated he wished he had known about it, because the City of Winnipeg would have done everything in its power to ensure that this would have taken place. He advised that if another issue ever came up, we were to contact him as the City is here to assist companies like ourselves.

This facility was built within that year at 55 Rothwell. Hopefully the Mayor remembers that conversation and that the City is true to its word, and it will try to help us in this situation.

Please contact me directly at 925-5443 should you have any questions or concerns regarding the aforementioned.

Yours sincerely,

Grant Hekle
President

GH/jls

CONTRIBUTION AGREEMENT

File No.

THIS AGREEMENT made in duplicate as of the 11th day of October, A.D., 2002.

BETWEEN:

THE CITY OF WINNIPEG,

(hereinafter referred to as the ***"City"***),

OF THE FIRST PART,

- and –

65055 MANITOBA LTD.,

(hereinafter referred to as the ***"Owner"***),

OF THE SECOND PART.

WHEREAS the City, through its Riverbank Stabilization Works Program intends to stabilize a 300 metre section of riverbank on the Red River located between May and Annabella Street in the City as generally identified and shown shaded on Schedule "A" attached (the "Project");

AND WHEREAS the City, at its Council meeting held September 25, 2002, authorized the Riverbank Management Engineer, Planning, Property and Development Department, to proceed with negotiations for cost shared funding arrangements between the City and uplands property owners for the implementation of the Project;

AND WHEREAS the Owner is the registered owner of certain upland property having the municipal address of 47 Gomez Street and legally described within Certificate of Title No. 1383339 as:

SP LOT 19 PLAN 31815 WLTO
IN RL 13 AND 14 PARISH OF ST JOHN

AND WHEREAS the Owner is prepared to cost share in the Project.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the mutual agreement herein set out the parties hereto hereby covenant and agree as follows:

1. The preamble clauses as herein set out shall form part of this agreement.

2. The City shall:

   (a) forthwith proceed to secure a Geotechnical Engineering report (the "Geotechnical Report") prior to an award of contract for construction of the Project;

   (b) upon receipt of the Geotechnical Report, at its sole option, immediately determine whether or not the Project will proceed;

   (c) provide the owner with a copy of the Geotechnical Report.

3. The Owner shall:

(a) upon execution of this Agreement pay to the City the sum of $12,000.00 representing a non refundable contribution toward the cost of the Geotechnical Report;

(b) upon receipt of notice that the City will award a contract for the Project, deliver to the City an executed form of escrow agreement, acceptable to the City as to content, providing for funds in the total amount of $108,000.00 to be held in trust by the firm of Monk Goodwin, Barristers and Solicitors, for the sole benefit of the City and for the disbursement of such funds to the City as follows:

(i) $24,000.00 upon the award of contract,

(ii) $48,000.00 upon substantial completion of the Project as determined by the contract administrator for the City ("the date of substantial completion"),

(iii) $24,000.00 twelve (12) months from the date of substantial completion,

(iv) $12,000.00 twenty-four (24) months from the date of substantial completion.

4. In the event that the City does not proceed to award a contract for the Project, this Agreement shall terminate forthwith and the said escrow agreement cancelled. The Owner hereby waives any claim for compensation of any kind arising from such termination including without limitation any claim for refund of the initial contribution of $12,000.00 paid pursuant to clause 3(a) hereof.

5. All notices which may be or are required to be given pursuant hereto shall be given or made in writing and shall be deemed to be effectively given if:

(i) served personally; or

(ii) sent by prepaid courier service; or

(iii) mailed by prepaid registered mail; or

(iv) sent by telecopier, telex or other similar means of electronic communication (confirmed on the same or following business day by prepaid registered mail) to the addresses set out below:

(a) TO THE CITY:
The City of Winnipeg
510 Main Street
Winnipeg, Manitoba
R3B 1J1

Attention: City Clerk's

(b) TO THE OWNER:
Direct Integrated Transportation
25 Rothwell Road
Winnipeg, Manitoba
R3P 2M5

Attention: Mr. Wayne Hekle

6. Time shall be of the essence to this Agreement.

7. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Manitoba.

IN WITNESS WHEREOF the parties hereto have executed these presents as of the day and year first above written.

THE CITY OF WINNIPEG

Lillian Thomas

Deputy Mayor

City Clerk

65055 MANITOBA LTD.

Per:

Per:

Approved as to content and financial detail:

D. Kingsley

per Director, Planning, Property and Development Department

Certified as to form:

for City Solicitor/Manager of Legal Services


CITY OF WINNIPEG
PROPERTY & DEVELOPMENT DEPT.
PLANNING, [illegible] SERVICES
HIGGINS AV
CURTIS ST
MACDONALD AV
MAY ST
GOMEZ ST
ANNABELLA ST
FR
65055 MANITOBA LTD.
AAA AFFILIATED MOVERS LTD.
IRVING & MELVIN HIMEL
ONGOLD LIMITED
KIMBERLEY J. FORREST
JOR VENTURES LTD.
LOIS L. LUKE
TED V. & BETTY J. MILLAR
LAVERENCE J. CHIMONIK
LAURENCE MASNICK
JOE'S & COMPANY LTD.
JORDAN VAN SEVELL
SYLVESTER J. SZABO
NADIN GILBOT LORRI MILLAR
SCHEDULE 'A'
Winnipeg

T-930 P.02 Job-482

Alberta and Manitoba

Comparisons of Tax Rates

MAR-02-01 15:55 From:KPMG

KPMG

T-930 P.03/10 Job-482

How Canada Compares with the World

- Canada receives a large portion of its taxes from personal taxation (55%).
- Mobile individuals graduate to lower tax jurisdictions.
  - Professionals and highly skilled/educated
  - Poor return on our investment in education
- De-indexing was automatic tax increase.
- Canada realized it had to start reducing tax burden, especially considering low U.S. rates.

MAR-02-01 15:55 From:KPMG

KPMG

T-930 P.04/10 Job-482

How Alberta Compares with Canada

- **Alberta's provincial and municipal tax burden is 75% of the Canadian average, dramatically lower than any other province.**

MAR-02-01 15:55 From:KPMG

KPMG

T-930 P.05/10 Job-482

Personal Income Taxes in Alberta

- Negative impact on saving and investment.
- Albertans invest 77% more per capita in private sector investment.
- Move to a flat tax of 10.5%, with further reductions expected "to at least 10%". - Announced January 3, 2001 a reduction to 10% (from 10.5%). Appear on July, 2001 pay cheques but retroactive to January 1, 2001 (CTN 01-01).

Top Combined Marginal Rates

	Alberta		Manitoba	
	2000	2001	2000	2001
Salary/interest	43.7%	39.0%	48.1%	46.5%
Dividends	29.8%	24.1%	34.8%	34.0%
Capital gains	29.1%	19.5%	32.0%	23.2%

KPMG

MAR-02-01 15:55 From:KPMG

T-930 P.06/10 Job-482

Personal Income Taxes – A Comparison

Comparison of 2001 combined personal tax rates

	Salary	Dividends	Capital Gains
Alberta	39.0%	24.1%	19.5%
Manitoba	46.5%	34.0%	23.2%

MAR-02-01 15:55 From:KPMG

KPMG

T-930 P.07/10 Job-482

Corporate Income Taxes

- Federal reductions from 27% to 21% in 2004 (except for resource).
- Alberta rate to decrease from 15.5% to 8% in 2004.
  - Combined rate of 41.6% after April 1, 2001
  - Combined rate of 30.12% in 2004
- Manitoba rates
  - Combined rate of 45.12 after April 1, 2001
  - Combined rate of 39.12 in 2004
- Low-rate income to be reduced from 6% to 3% in 2003, with increase in small business limit to $300,000 in 2001 and $400,000 in 2002.
  - Combined rate of 16.12% in 2004
  - Manitoba combined rate of 18.12% in 2004

MAR-02-01 15:56 From:KPMG

KPMG

T-930 P.08/10 Job-482

Consumption Taxes

- **Alberta has half the tax of other provinces (just GST), which average 15% provincially.**

•Manitoba	14%
•Alberta	7%

MAR-02-01 15:56 From:KPMG

KPMG

T-930 P.09/10 Job-482

Capital Taxes

- **Alberta has no capital taxes, while Manitoba still maintains a capital tax rate of 0.3%.**
- **Forces a shift of capital into Alberta resulting in an increase in provincial corporate tax revenue.**

MAR-02-01 15:56 From:KPMG

KPMG

T-930 P.10/10 Job-482

Payroll Taxes

- None in Alberta.
- 2.15% in Manitoba (payroll of $2,000,001 and over)
- Tremendous disincentive.

Worker's Compensation

- Alberta alleges that Worker's Compensation Rates in Alberta lowest in Canada

MAR-02-01 15:56 From:KPMG

KPMG