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A. Executive Summary

The Greater Twin Cities United Way has identified transportation as a critical issue facing nonprofit agencies in the Twin Cities today. These nonprofits must provide transportation to their clients just to get them to the agencies' services. Organizations that never intended to become a transportation provider are faced with rising transportation costs and increasing fleet sizes. For many, transportation has become the second largest expense after personnel.

DARTS' Vehicle Maintenance Service (DARTS VMS) will provide a preventive maintenance and repair solution that will decrease operating cost, reduce vehicle downtime, improve safety, and increase vehicle reliability. DARTS is a nonprofit agency that has provided specialized transportation for seniors and persons with disabilities since 1974. DARTS is establishing VMS as a vehicle repair and preventive maintenance service for specialized passenger transportation vehicles. VMS will leverage DARTS' state-of-the-art maintenance facility, experience, and expertise to provide low-cost, high-quality repair and maintenance services. As a taxable nonprofit subsidiary, VMS will provide a social return on investment to DARTS and the community. VMS will generate a net benefit to DARTS of \$166,186 in year one and \$266,891 in year three. In addition, VMS will provide an average benefit of \$229,427 per year in direct social return to the community.

VMS will set itself apart from the competition of dealerships, bus vendors, and specialty shops by providing an array of value-added maintenance and repair services at a competitive price. Operating in a major metropolitan area, VMS will need to capture and support only a 5% share of the target market to meet its financial goals. DARTS' existing vehicle maintenance service has already attained nearly a 3% market share. There are only two direct competitors with DARTS VMS, and they have not provided quick turnaround, excellent customer service, trustworthy mechanics, and quality service at a price that is competitive with VMS. VMS plans to maintain growth to match the availability of quality mechanics so that quality service will not be compromised. Targeted marketing will attract new full-service customers and deepen relationships with existing customers.

VMS will launch under the direction of two DARTS professionals with 39 combined years of fleet service operations. DARTS has 18 months of experience in operating vehicle maintenance services on a limited basis for 55 nonprofit agencies and will be fully positioned with staff, facilities, equipment, and experience to launch VMS in 2004. VMS will maximize DARTS' vehicle repair facility by establishing two shifts that will operate a total of 16 hours a day. By providing a service with increasing demand, VMS will enhance the financial position of DARTS and provide a quantifiable social return to the community.

B. Description of Business

DARTS' Vehicle Maintenance Service (VMS) will be a high-quality, one-stop preventive vehicle maintenance and repair solution for specialized transportation providers in the Twin Cities metropolitan area. VMS will further the mission of DARTS, increase the capacity for nonprofits to serve their clients, and expand the reach of public funding.

Overview

VMS will be a maintenance and repair solution for specialized transportation vehicles, which hold 10 or more passengers, including 15-passenger vans and minibuses holding up to 24 passengers. Many are equipped with lifts to accommodate passengers in wheelchairs. Based on 2002 vehicle registrations, there are 13,797 of these vehicles in the Twin Cities metropolitan area. Based on population statistics, the need for this type of vehicle and related maintenance service will grow significantly over the next 20 years.



History

In only 22 months of operation, DARTS' existing maintenance operation serviced over 400 vehicles from 55 different organizations and generated revenue in excess of \$431,000. Concurrently, DARTS' mechanics maintained DARTS' fleet of 37 vehicles. The steady increase of business for DARTS' vehicle maintenance has occurred with one mailing to 50 organizations and no formal advertising or marketing. On average, two new customers and 12 vehicles are added each month by word of mouth.

Future

The hallmark of VMS will be a customer-oriented, value-added approach to vehicle repair and maintenance. VMS will offer vehicle pickup and delivery or shuttle service for customers, a loaner vehicle when required turnaround time isn't met, and use of the indoor vehicle wash bay. All of this will be done at a rate competitive with other repair shops.

As a comprehensive vehicle maintenance and repair solution, VMS will:

- Provide a one-stop solution for customers. VMS will be a warranty service center for Supreme Body, Ricon lift and Carrier Transportation Cooling, which are critical vehicle components in specialized transportation vehicles.
- Perform all major electrical and mechanical vehicle repairs.
- Work with customers to create customized vehicle maintenance and repair schedules that fit the customer’s needs and pattern of vehicle usage.

VMS Role in DARTS’ Mission

The DARTS mission is to “partner with others to pioneer and deliver high quality services that support the full participation of seniors and all generations in community life.” One way DARTS accomplishes this mission is by providing transportation service to seniors, economically disadvantaged families, and adults with disabilities who live in Dakota County.

DARTS has been a Twin Cities leader in the people transportation industry for over 26 years. DARTS maintains a fleet of 37 vehicles and provides over 160,000 passenger trips per year. VMS is a natural extension of DARTS’ mission to partner with others and deliver high quality services.

“Your organization has consistently met or exceeded our expectations for a vendor through your value-added approach.”
*Julie Johnson, Vice President
 Midwest Special Services*

VMS Vision and Objectives

The vision for VMS is to build caring and vibrant communities for present and future generations by supporting organizations that improve community participation by providing transportation services. VMS objectives will include:

- Creating a return on investment for DARTS while significantly reducing the overhead and operating expenses of DARTS transportation and maximizing the DARTS Transportation and Technology Center.
- Reaching 5% of the target market in the Twin Cities
- Providing a social return to the community in the form of operational savings and improved vehicle safety.

Net Advantage of VMS to DARTS			
	Year 1	Year 2	Year 3
Payments from DARTS (For vehicle maintenance)	\$209,096	\$223,529	\$238,865
Current Cost (DARTS Vehicle Maintenance*)	\$207,343	\$223,550	\$238,841
Difference in Cost	(\$1,753)	\$22	(\$24)
Payments to DARTS**	\$172,110	\$170,847	\$174,552
Excess Income to DARTS	-	\$18,557	\$92,363
Net Advantage to DARTS	\$166,186	\$189,425	\$266,891
<small>*Based on DARTS’ actual maintenance costs for 2003 as reported to the Metropolitan Council. Increase for year 2 and 3 calculated based on the consumer price index. ** Building Lease, Shop Equipment, Management Services, Office Services</small>			

C. Industry and Market Analysis

VMS will expand its competitive advantage within the vehicle maintenance and repair market by targeting nonprofits and providing excellent customer-centered service.

“DARTS’ customer service has been consistently superior to the many other vendors we have used to maintain our vehicles.”

Opportunity Partners

Competitive Analysis

VMS will be part of the after-market vehicle services industry, which is a \$237 billion industry in the United States alone, according to the Automotive Aftermarket Industry Association (AAIA), a nonprofit trade association. The AAIA estimates that the aftermarket industry has increased 3.7% in the past year (see www.apaa.org). Continued growth is projected.

VMS competition will fall into four categories: (1) Vehicle Dealerships, (2) Bus Vendors, (3) Independent Shops and (4) Specialty Shops. Many agencies providing specialized transportation rely on multiple vendors for their maintenance. Some customers are currently using as many as seven different vendors to maintain their vehicles.

	Overview of Competition			
	Vehicle Dealerships	Bus Vendors	Independent Shops	Specialty Shops
Competitors	Lakeland Ford, Boyer Ford, Twin Cities Auto Dealers	Hoglund Bus, Grande American Bus Sales	Health East, Coach Crafters	Tires Plus; Rapid Oil Change; Others
Strengths	Reputation, point of sale contact, volume, recognition	Expertise, volume, point of sale contact	Convenience, location, trust, understanding of market	Proximity, name recognition, set pricing
Weaknesses	Price, location, lack of specialization	Location, concentration on sales versus service	Lack of specialization, may not meet regulatory requirements	Narrow focus, unfamiliar with regulatory requirements

While there are many vehicle repair facilities in the Twin Cities metro area, only two competitors -- Boyer Ford Service and Health East Transportation-- routinely work on the specialized vehicles that VMS will target. Boyer Ford is one of the largest providers of vehicle maintenance services for heavy- and light-duty trucks and buses in the Twin Cities metropolitan area. Affiliated with Boyer Ford Truck and Bus sales, Boyer works on a wide variety of vehicles. Boyer's largest volume of work and revenues come from the heavy-duty truck segment rather than specialty transportation vehicles.

Health East is a network of integrated health care services that serve the Twin Cities. They created a for-profit maintenance subsidiary in 1995 to maintain their fleet of vehicles and bring additional revenue into Health East. The Health East facility is located in St. Paul, 10 miles from VMS. While Health East has specialized in emergency vehicles such as ambulances, they are now targeting for-profit agencies with fleets of heavy- and light-duty trucks to maximize their profit margin. They currently serve only a few customers who operate specialized transportation vehicles.

"After thoroughly researching available resources, it quickly became apparent that DARTS was the only provider with the capacity to service a fleet of our kind, which includes, multiple, varying capacity, wheelchair-accessible vehicles."

Midwest Special Services



VMS will have a competitive advantage, including value-added approach, commitment to customer satisfaction, and doing business as a nonprofit transportation provider.

VMS Advantages	
What makes VMS unique?	Advantage to customer
A reputation for uncompromising quality and service	Confidence that the vehicle will be repaired right the first time
Long-term expertise with specialized transit services. DARTS has provided specialized transportation for over 29 years.	"DARTS has a competitive advantage because they understand the needs of the customer..." Michelle Gutzmann, Office of Transit, MnDOT
VMS will be a non-profit focused on serving non-profits	An understanding and appreciation of the challenges and constraints faced by customers
One-stop shop with a comprehensive array of specialized vehicle maintenance and repair services	Better service, faster turnaround, and less downtime
Personal, one-on-one service, including individualized preventive maintenance programs	Fewer major repairs costs, less vehicle downtime, and increased fleet efficiency
Reliable certified vehicle inspectors	Increased customer confidence, satisfaction and vehicle safety
Customers are billed for actual time rather than at pre-established 'book rate'	Customers incur actual costs for repairs, not inflated cost.
Parts are marked up at a standard 20% margin across the board rather than a fluctuating rate based on the part	Customers receive more equitable treatment and pay less for parts
VMS will use past experience to select the highest value part for the vehicle, not the highest price part	The customer will often pay less for a part that lasts longer
VMS mechanics are not paid on commission, removing any incentive for them to add unnecessary parts or labor	The customer is confident they will not pay for unnecessary parts or repairs

Market Overview

The Twin Cities metropolitan area is a seven county area covering approximately 2,500 square miles, with a population of 2,642,056 (2000 Census.) The Metropolitan Council, a regional governing and planning body, anticipates that the Twin Cities population will grow 24.2 % to 3,282,056 by 2020. According to the Department of Motor Vehicles, there are currently 2,847,252 registered vehicles in the seven county metropolitan area (based on 2002 registrations).

Market Forces

The Brookings Institute reports that "by 2030 the number of older Americans will more than double" with 9 million people over the age of 85. "The elderly are a significant and growing component of many of the transportation problems we face as a nation." In Minnesota the elderly population is expected to nearly double in the next 30 years. Census data also indicates that disabilities increase with age, which compounds mobility problems for elderly adults who are not able to drive or take advantage of mass transit. The need for specialized transportation for both elderly adults and adults with disabilities is expected to increase significantly in the next 20 years. Therefore, the target market for VMS will likely continue to expand for the foreseeable future.

In addition, the population for Dakota County is expected to increase 32% over the next 20 years with a 121% increase in people over the age of 65. DARTS' transportation service has experienced steady growth over the past 10 years, increasing from 25 vehicles in 1993 to 37 vehicles in 2003. DARTS is anticipating a continued steady growth over the next 10 years. DARTS fleet will continue to expand by a minimum of one vehicle per year for the next three years. This steady growth results in a stable base of future work for VMS.

Target Market

With nearly 3 million registered vehicles in the Twin Cities area, VMS will target a small segment of the total market. VMS will target specialized transit vehicles used to transport seniors and persons with disabilities. There are 13,797 vehicles in VMS' target market based on 2002 Minnesota Department of Transportation vehicle registrations. VMS will need to capture only 5% of this target market to meet financial projections and run the current facility at full capacity.

Given that VMS' target market will be only 0.49% of the total vehicle market in the Twin Cities area, VMS will not attract significant competition. VMS could double in size in the next two years without having a



significant impact on the total vehicle market. Many repair shops are happy to see the specialized vehicles go elsewhere. In a focus group of DARTS' vehicle repair customers conducted in March 2004, customers indicated that their former repair shops did nothing to retain their business when they switched to DARTS. One participant said, "they didn't even care that we said we were leaving and taking our business elsewhere."

VMS' Target Customer

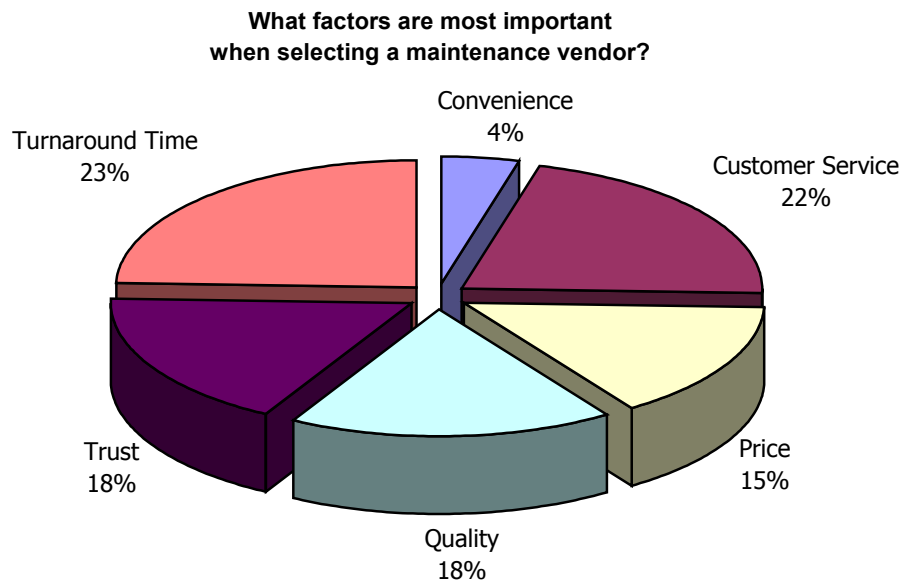
VMS' primary customers will be nonprofits or governmental organizations, such as churches, community groups, and other charitable organizations that operate vehicles that primarily transport seniors and persons with disabilities.

Current Customer Profile

In October 2003, DARTS conducted a telephone survey of current maintenance customers. Customer satisfaction was 100%, and 72% rated it as excellent.

Customers were asked to rank the qualities that were most important to them in selecting a maintenance vendor for their vehicles. Turnaround time and customer service were listed as the most important attributes. Trust and quality were next. While price is a concern, only 15% of the respondents listed it as their primary concern in selecting a maintenance vendor.

The average customer site is 13 miles from the DARTS facility. The closest is less than 0.2 miles away; the farthest is 52 miles away. Sixty percent of all DARTS' current customers began using DARTS' maintenance services because of a referral from another agency or current customer.



Customer Life Cycle

Vehicle maintenance and repair is ultimately more than maintaining and repairing vehicles. It's building relationships and establishing trust. Often a new customer will try DARTS' maintenance service because a specific problem wasn't resolved elsewhere. DARTS will repair the vehicle to their satisfaction and they will often use DARTS again for another specific vehicle repair. VMS will build a relationship with the customer that encourages preventive maintenance as well as specialized repairs.

The DARTS VMS preventive maintenance program will turn an occasional customer into a regular full-service customer. When new customers adopt the VMS preventive maintenance program, the increased preventive maintenance costs they incur will be more than offset by decreases in major vehicle repair costs, vehicle downtime, and cost per mile. Routine preventive maintenance means minor problems are repaired before they become major problems that cause the vehicle to be out of service.



The goal of VMS will be that all customers bring all vehicles to DARTS VMS all of the time. This will ensure reduced costs for customers and a steady flow of reliable work for VMS, allowing better scheduling and higher productivity for DARTS VMS. Based on empirical data of DARTS maintenance service, it will take 3 to 6 months on average for a first-time VMS customer to become a full-time, full-service customer.

D. Marketing Plan

DARTS VMS will target nonprofit organizations and public service providers that operate passenger transportation vehicles. Through targeted and word-of-mouth marketing, VMS will promote a high-quality, one-stop vehicle maintenance and repair facility for specialized transit vehicles.

Positioning

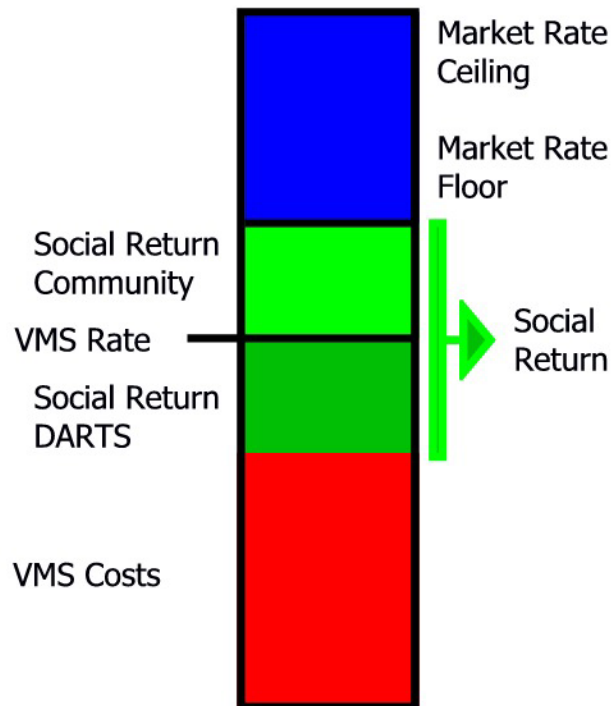
Because DARTS is a community-based, expert leader in nonprofit management, service delivery, and high-quality transit services, DARTS VMS will be the first choice of nonprofit providers seeking reliable, full-service vehicle repair and maintenance. VMS understands the needs and challenges of the specialized transit provider and will be responsive to all their transportation issues, ensuring customer satisfaction and loyalty.

Pricing

Vehicle repair rates in the Twin Cities metropolitan area range from as little as \$55 per hour to over \$100 per hour. The prices fluctuate based on the type of service, volume, location and expertise. Based on a customer focus group conducted in March 2004, the average per hour price is approximately \$80.

The VMS rate will be established with four factors in mind.

- (1) Covering VMS cost to provide service
- (2) Generating a financial return for DARTS
- (3) Generating a social return on investment for the community
- (4) Maintaining a competitive advantage by pricing below the average market rate.



Given these considerations, the labor rate for DARTS VMS will be set at \$67.40. VMS will continually evaluate this rate based on the four criteria outlined above. The rate will reflect changes in the vehicle service market as necessary.

Marketing & Communication Strategy

DARTS' vehicle maintenance operation has attracted more than 50 customers and 400 vehicles with no formal marketing effort. Based on customer surveys, 60% of DARTS' current customers were personally referred to DARTS by another agency. Just over 20% of the customers came because of other agency-specific marketing by DARTS. In the past two years, DARTS had no incentive, promotion, or formal advertising for its vehicle maintenance service. Based on DARTS' surveys and maintenance service history, VMS will successfully market through direct marketing, referrals, and word-of-mouth advertising.

Strategy: Direct Marketing Campaign

VMS will conduct a targeted marketing campaign to attract new customers. DARTS has created a potential customer database by gathering information from the Greater Twin Cities United Way, Minnesota Council of Nonprofits, and the Minnesota Department of Transportation. There are currently over 900 potential clients. VMS will:

1. Conduct targeted marketing to organizations based on (a) proximity and (b) number of vehicles. VMS will target the closest agencies with the largest fleets.
2. Make an initial contact via a direct mailing followed by a phone call (or the reverse: a phone call followed by a direct mailing). The goal of the initial contact will be to set up an in-person meeting and tour of the VMS facility.
3. Encourage organizations to try VMS for a limited number of vehicles with specific problems. Based on DARTS' experience with customer life cycle, a customer won't immediately move their vehicles to VMS for all service needs without a trial period.
4. Survey first-time customers either by phone or mail and encourage them to use the service again. This may include special promotional offerings, such as (a) free vehicle safety inspections, (b) free pickup and delivery (c) 10% off the next vehicle serviced.

Strategy: Word of Mouth/ Referral

In addition to direct marketing, VMS will use a word-of-mouth and referral campaign. This has been DARTS primary advertising method to this point. A word-of-mouth and referral campaign will be successful for VMS because:

1. VMS will offer a quality product. VMS is dedicated to offering a quality product at a reasonable price. Customers will tell prospective customers about this service.

2. VMS will be a nonprofit marketing to other nonprofits. The Twin Cities nonprofit community is a relatively close-knit community. Because DARTS is a highly reputable nonprofit, DARTS VMS will have a level of credibility and trust that other maintenance facilities simply don't have.

"I know the president of DARTS. We run in the same circles. We deal with the same issues. I wouldn't even know where to look for the President of Boyer Ford. It gives my organization an added level of trust."

President of DARTS' largest customer at a customer focus group in March, 2004

3. Incentives. VMS will offer incentives to current customers for successful referrals, such as:

- A 5% labor discount for a specified amount of time.
- A discount on a scheduled preventive maintenance services.
- Free training through DARTS professional driver training.
- Discount on DARTS other professional services.

4. Backing of the United Way. The Greater Twin Cities United Way has partnered with DARTS to provide transportation resources for the agencies they fund. The United Way formally recommended the use of DARTS' maintenance services in a recent newsletter. In addition, the United Way is completing an extensive survey of the transportation needs among agencies they fund. They will follow up individually with each agency and will encourage the use of DARTS' maintenance services.

Strategy: Deepen Relationships with Existing Customers

VMS will target existing partial service customers to turn them into full-service customers.

VMS will do this by:

1. Creating marketing material that specifically addresses the advantages of using VMS as a full-service provider, including full-service testimonials
2. More closely tracking non-full-service customers on a regular basis.
3. More aggressively targeting and marketing non-full-service customers using (a) marketing literature, (b) testimonials, (c) site visits, (d) personal meetings.

Marketing Messages

VMS will use testimonials and historical data from DARTS' current maintenance customers to develop marketing materials and messages that promote VMS's excellence in the following areas.

VMS Marketing to Customer Demands	
Key Areas	Possible Testimonials/Messages
Turnaround time	<ul style="list-style-type: none"> • Finally, a vendor who understands how important your bus is to your clients. • Have your vehicles serviced while you wait. • "The work is always done in a timely fashion." (Customer: Commons on Marice)
Customer service	<ul style="list-style-type: none"> • "They bend over backwards for us. They make us seem like we are their only customers" (Customer: Sue Olson, American Red Cross)
Trust	<ul style="list-style-type: none"> • Fair, honest, and accurate every time • "I like the no nonsense approach; I have great trust in everyone there." (Customer: Park'N Jet) •
Quality	<ul style="list-style-type: none"> • 100% of DARTS' customers rate the service good or excellent • It's your bus, but it's our reputation • "You are great! Wonderful job! We couldn't be more pleased." (Customer: Model Cities Community).
Price	<ul style="list-style-type: none"> • Pay only for the work that's done. • Exceptional service for a competitive price.
Preventive Maintenance	<ul style="list-style-type: none"> • DARTS VMS can service all of your vehicles all the time • Preventive maintenance costs decrease downtime

Marketing & Communication Work plan

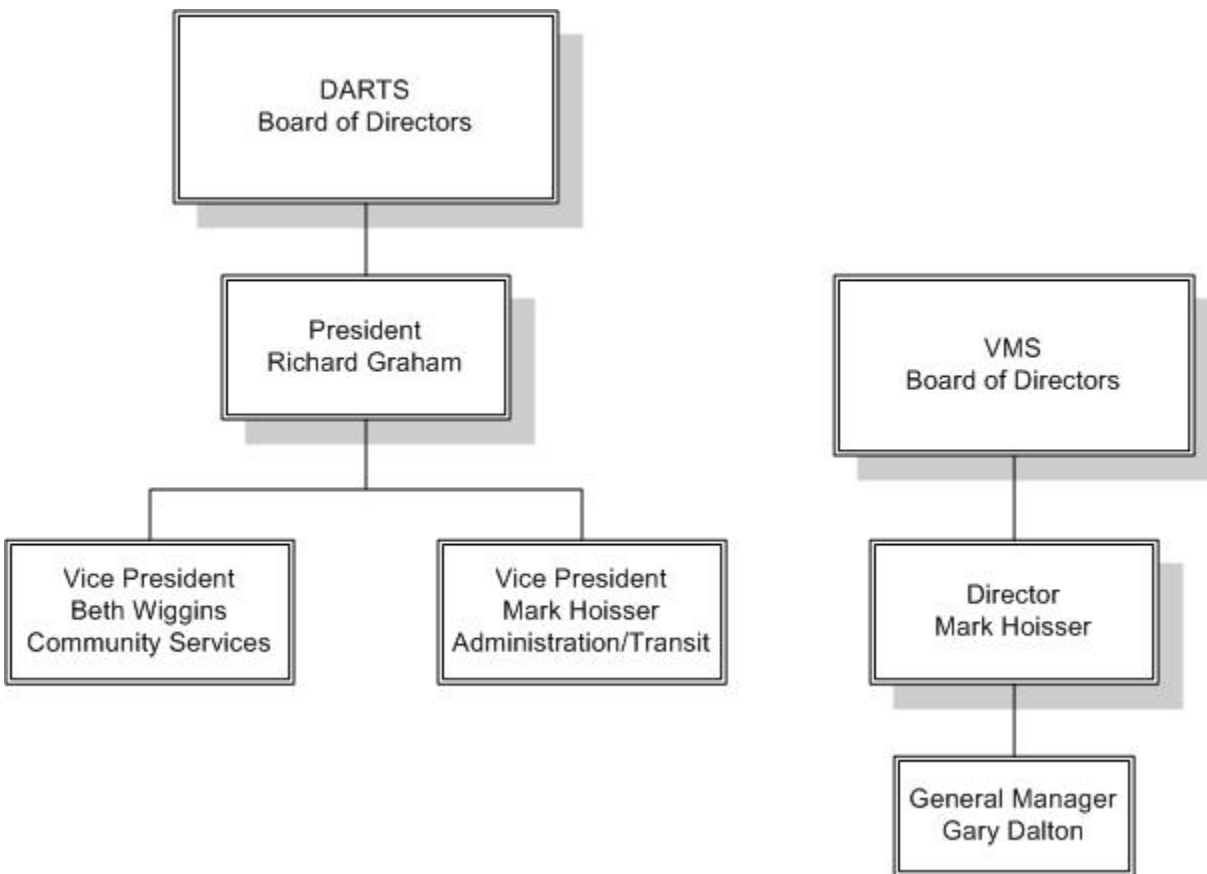
As a contracted management service, DARTS' Communications Director will work closely with VMS staff to design and structure a marketing/communication campaign with consistent key messages and will train key spokespersons on these messages. DARTS' graphic designer and print vendor will facilitate production of print materials. The VMS Director will oversee the sales and marketing effort for VMS. DARTS' Director of Transit Solutions will promote DARTS VMS to potential customers as well as DARTS' transit-related consulting, software, and professional staff development and training services. The DARTS VMS General Manager will handle direct contact and follow-up with VMS customers.

E. Management Plan

DARTS VMS' management plan includes the business status and organizational structure of VMS in relationship to DARTS.

After carefully considering all available options, the DARTS Board and executive committee has recommended VMS be established as an uncontrolled, taxable, nonprofit subsidiary of DARTS. This structure most effectively decreases DARTS' liability while providing the greatest financial benefit by decreasing the income to DARTS that can be considered unrelated business income.

DARTS / VMS Governance



Board of Directors: VMS will be led by a volunteer board of directors that will establish policy, provide direction, and oversee the actions of the VMS Director. DARTS will seek candidates who have experience in establishing, overseeing, or running a successful business venture.

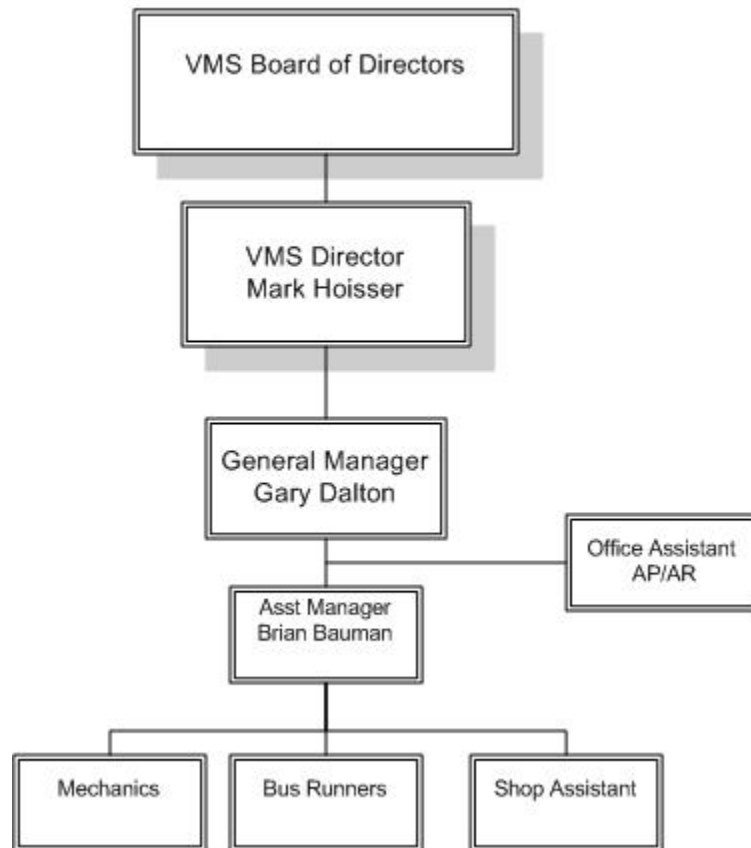
Initially the VMS Board shall be organized with five members. Two shall be appointed from the current DARTS board of directors. The remaining three members will have no affiliation with DARTS and will be selected from a broader community pool. DARTS will appoint an interim board chair, with the final chair elected by the VMS board. No DARTS employee will have a seat on the VMS board of directors.

VMS Management Team

VMS Director: The Director of VMS will report to the VMS board of directors and be responsible for directing the activity of VMS, ensuring its profitability, financing, marketing, cash flow and lending, as well as supervising the General Manager. Based on DARTS’ experience with the current maintenance operation, this position will require less than 10 hours per week.

Mark Hoisser currently directs and oversees DARTS maintenance and will continue in this capacity with VMS. Mr. Hoisser is a 29-year employee of DARTS and is recognized as a leader in the transportation industry. Mr. Hoisser sits on the boards of the Minnesota Public Transit Association and the Intelligent Transportation Systems Institute. He was recognized by his peers in Minnesota as the Transit Professional of the Year in 2003.

VMS Organizational Structure



General Manager: The General Manager will be responsible for directing the daily operations of VMS. This will include scheduling customers, assigning work to mechanics, supervising mechanics, bus runners and office staff, ensuring that quality standards are met, and marketing the service to new customers. In addition the general manager will work with the Director to ensure the profitability of VMS.

Gary Dalton is currently the general manager for DARTS’ vehicle maintenance and will continue in that capacity for DARTS VMS. Mr. Dalton has 20 years experience in fleet management and operations, including 18 years with a for-profit company. Mr. Dalton

brings a strong financial background and understanding of profit margins to VMS. Mr. Dalton has been responsible for supervising and training staff, reducing costs and downtime, and negotiating contracts with vendors and suppliers. In the past three years, Mr. Dalton has overseen the design and construction of DARTS' maintenance facility, outfitted DARTS maintenance operation, hired 5 mechanics, and expanded the customer base to 55 customers with 400 vehicles. Under his direction, DARTS' vehicle maintenance has grown to over \$450,000 in gross sales per year.

Assistant Manager: The Assistant Manager shall assist the general manager with scheduling customers, supervising and directing the work of mechanics, reviewing invoices for quality, and managing the daily operations of the garage. In addition, approximately 1/2 of the assistant manager's time will be spent as a mechanic.

Brian Bauman has recently been promoted from lead mechanic to assistant manager of DARTS' vehicle maintenance. Mr. Bauman has 30 years experience as a mechanic and has been with DARTS for 5 years. Mr. Bauman's position will be critical to the success of VMS particularly when adding a second shift.

Employees

VMS' service will only be as good as its employees. Two action items will ensure that VMS has the ability to attract and retain the best possible staff. First, the business plan projects 5% wage increases per year for all staff. Second, a staff incentive plan has been included in the financial model. The incentive plan will share 5% of the gross margin with VMS employees. The VMS Board of Directors will determine policies and payout of the incentive plan.

Mechanics

VMS will hire experienced diesel engine mechanics that want to do quality work. VMS will add two mechanics per year for the first three years to reach capacity. DARTS' vehicle maintenance service offers a wage that is competitive with the industry in the Twin Cities metropolitan area. Currently, the average wage of DARTS mechanics is \$43,264 per year. According to Salary.com the median salary for an experienced diesel engine mechanic in the Twin Cities metropolitan area is approximately \$47,000 per year. The business plan has budgeted an average salary of \$49,920 per year with 5% increases annually.

Office Assistant / AP/AR

VMS will have a full-time office assistant who reports to the General Manager. This position will be responsible for all of the accounts payable and accounts receivable. In addition they will assist the General Manager in scheduling work.

Bus Runners

Bus runners will be responsible for picking up and delivering vehicles for service or after service has been completed. They will be required to have a commercial driver's license and a good driving record. When they are not busy running vehicles, they may assist with parts running, general shop clean up or other duties as assigned.

Management Services

The remaining resources required by VMS will be purchased from DARTS as part of the management services contract for human resources, initial accounting startup supervision, and marketing and communication. The following contracted personnel will be available to VMS for consulting and direct support on an ongoing basis.

Andrew Krueger, DARTS Director of Transit Solutions. Mr. Krueger has 14 years experience in the Transportation industry with 5 years of experience in transit software systems. Mr. Krueger was instrumental in creating a software system for small to mid-size transit providers called EZ-Trip. In addition he has developed a driver-training program for specialized transit organizations.

Mr. Krueger will work closely with Mr. Dalton and Ms. Weiss in marketing and sales for VMS. In addition, Mr. Krueger will oversee customer-related databases and information to keep customers informed and in regular contact with VMS.

Sherri Weiss, DARTS Director of Communications. Ms. Weiss has 23 years of experience in the communications arena. Ms. Weiss will assist VMS with promotional materials and outreach and help direct communications efforts between VMS and the DARTS parent organization.

Mike Holland, CPA, DARTS Director of Finance. Mr. Holland has 20 years of progressive experience in finance including several years in the for-profit sector. Mr. Holland will assist VMS in setting up the AP/AR system, supervising the new accounting staff and the inventory tracking and billing. He will assist VMS in doing financial analysis and tracking .

John Koenen, SPHR, DARTS Human Resources Director, has 6 years experience in for-profit and nonprofit human resources. He will be responsible for assisting with the staffing needs for VMS and the administration of benefits.

F. Operations Plan

Parts Supplies

The General Manager of VMS will maintain a relationship with a wide variety of vendors, such as Factory Motor Parts, Boyer Ford Parts, Bumper to Bumper, Northwest Tire, Tires Plus, and others. Because of the volume of DARTS' maintenance business, VMS will be able to purchase parts at or near wholesale prices (even from parts retailers) and have nearly all parts delivered within two hours. Parts shipped from the manufacturer will be obtained and shipped within 24 hours.

Because turnaround time is vital to DARTS and its customers, VMS will make turn around time from parts suppliers a vital part of the customer relationship. Suppliers will stock common parts requested by VMS to ensure they have them on hand and ready for delivery when needed.

Inventory

The assistant manager will be responsible for stocking a limited inventory of parts most frequently serviced in vehicles, including lights, belts, clamps, and tires, and will use many vendors to keep a rolling inventory of frequently used parts. VMS will keep inventory flat even while doubling the size of the business because (1) VMS can change the frequency at which inventory is restocked, (2) VMS management believes money is more wisely spent on investments or in savings rather than sitting on a shelf and (3) because based on past experience most parts will be delivered within two hours. The VMS inventory will be approximately \$20,000.

Accounts Payable

VMS will have payment agreements with nearly all parts suppliers. Accounts may be paid interest free within 30 days delivery. The Administrative Assistant/Accounting Clerk will do accounts payable weekly or bi-weekly.

Accounts Receivable

VMS mechanics will record their time and parts on a work order generated by the manager or lead mechanic. This work order will be entered into Fleetmax, a maintenance tracking software system, by the administrative assistant immediately following completion of the work. The system will generate an invoice for review by the General Manager within 24 hours for accuracy and completeness. The General Manager will make any necessary adjustments after reviewing with the mechanic as needed. Invoices will be mailed or faxed that day.

The majority of the accounts will be commercial accounts. The term will be net 30 days upon completion of the work. DARTS' maintenance has operated this way for two years with minimal collection problems. The vast majority of accounts are handled in this manner with very good success. The administrative assistant will review outstanding

payments on a weekly basis and contact those agencies for payment. Based on past history, VMS projects a bad debt ratio of less than 1% and unpaid accounts over 30 days of less than 3% of sales.

Scheduling

VMS' goal will be to regularly run at full capacity. VMS will consider full capacity to be two fully staffed shifts of 5.5 mechanics each. To keep all mechanics as productive as possible, VMS will effectively schedule its work. In the target market, customer vehicles are utilized most heavily from 7:00 am -10:00 am and then from 2:30 pm – 5:30 pm – the traditional rush hours. Customers are



transporting their clients to work, day care, or other places. As a result, VMS will establish a fairly efficient daily schedule to complete incoming work.

Basic VMS Scheduling		
Time	Bus Runners	Mechanics
6:00 am to 10:00 am	<ul style="list-style-type: none"> Return vehicles serviced from the day/evening before. Pick up vehicles scheduled for service that day. 	<ul style="list-style-type: none"> Repair vehicles unfinished from the night before Repair DARTS vehicles before they go out.
10:00 am to 6:00 pm	<ul style="list-style-type: none"> Shuttle employees back to work if necessary. Pick up new work or return work finished 	<ul style="list-style-type: none"> Begin work on vehicles brought in the morning. Repair vehicles that people are 'waiting for.'
6:00 pm to 10:00 pm	<ul style="list-style-type: none"> Return vehicles that are finished that day Pick up vehicles for the evening shift or service the next morning 	<ul style="list-style-type: none"> Repair vehicles still waiting from the day shift. Repair DARTS vehicles as they return

Second Shift

The second shift will start at launch and ramp up with demand. Overlap of General Manager and Assistant Manager time between shifts will provide the necessary supervision to schedule and prepare staff for the evening work. It is expected that DARTS' vehicles will be the primary repair need during the second shift, reducing unexpected needs that outside customers may present when direct supervision may not be on-site.

Vehicle Maintenance Equipment

All equipment will be leased to VMS at fair market value or remaining appreciable life, whichever is greater. As part of the regional transportation system, DARTS has historically used capital grants to attain all of the equipment necessary to maintain and repair specialized vehicles. Because VMS will be established as a non-profit subsidiary, and because DARTS' vehicle maintenance costs will remain relatively steady, DARTS VMS will continue to be eligible for capital assistance from the metropolitan region. In the event that capital grants are not sufficient to keep up with increased demand, VMS and or DARTS will set up a retained earnings account for future capital expenditures.



Quality Control

Quality control will be a primary concern for DARTS and VMS. Negligent repair of a vehicle resulting in an accident can be devastating for the people and repair vendor involved. To mitigate the chance of this risk, VMS will:

- Not compromise quality staff to meet sales projections.
- Spot check all mechanics' work daily. The General Manager or Assistant Manager will periodically check every mechanic's work on a random basis to ensure quality work is accomplished.
- Have an annual training regimen that includes a substance abuse refresher course
- Offer outside training opportunities for new or continuing mechanics certifications
- Maintain a shopkeeper's insurance policy for mechanics and a \$5 million liability umbrella policy in the event that an accident may occur.

Management Information Systems

DARTS' information and technology systems are integrated into the building where VMS will reside. VMS will lease these systems from DARTS, including computers, telephone, and other office services

VMS Facility

The VMS facility (on the DARTS campus in West St Paul) is located in a first-ring suburb of Saint Paul. There is easy access from all locations in the metropolitan area. The facility is just two blocks from the freeway and two miles from the Interstate 494/694 Beltway, which circles the center of the Twin Cities metropolitan area. The facility is only 3.5 miles south of downtown Saint Paul and less than 15 miles from downtown Minneapolis.



The facility was intentionally built with added bays in anticipation of establishing a maintenance facility for more than DARTS' needs.

The VMS facility is

- A six bay, 5,000 square foot state-of-the-art facility designed specifically for vehicle maintenance with a security controlled parts room and storage mezzanine.
- Part of the DARTS Transportation and Technology Center, which was constructed as part of a \$7.15 million capital campaign.
- Owned by DARTS and is debt free. This will allow VMS to lease the facility at a reasonable market rate. All revenue received from that lease is income to DARTS, giving both DARTS and VMS a significant return.
- Full equipped with an alignment rack and mobile lifts, which allow all stalls to be used more efficiently. The building includes full power backup to avoid any downtime due to storm or supply related outages.

Financial Plan (Not included in this document at the request of DARTS)

G. Risk Analysis and Contingency Plan

All of the significant risks associated with VMS will center on matching volume flow to the level of qualified staff. Either the volume won't support the number of mechanics VMS will need to be profitable, or the marketing will be 'too' successful and outpace the ability to hire qualified mechanics.

Ability to attract and retain qualified staff

VMS will have no trouble finding and retaining quality staff because of DARTS' work environment, benefits, competitive pay rate, and nonprofit reputation. However, if unable to quickly attract or retain qualified staff, VMS will do the following.

- Increase the average base wage. The current average wage for DARTS' maintenance mechanics is \$20.80. The VMS plan calls for an increase of nearly 14% to an average hourly wage of \$24 in year one with 5% increases per year.

- Implement an employee bonus program for VMS employees based on total sales/revenue. A 5% gross

Employee Bonus Funding		
Year 1	Year 2	Year 3
\$16,280	\$24,334	\$30,742

revenue commission rate was built into the financial model for employee incentives. The table shows the money available for bonuses per year based on the financial projections.

- Launch a marketing campaign for qualified mechanics, which highlights the benefits of working for DARTS.
- Temporarily reduce or suspend marketing efforts to reduce volume flow until new mechanics can be hired.

Ability to generate adequate volume in the target market

With the names, addresses, and contact information of over 900 organizations and a potential vehicle pool of 13,797 inadequate volume is an unlikely scenario. However, should it occur, VMS will:

- Expand marketing efforts beyond the target market. While this will decrease the social return on investment, it will allow VMS to ramp up services as it continues marketing efforts at the target group.
- Implement a new marketing strategy or approach. There are a number of professional trade publications and newsletters where VMS can purchase advertising to target our market segment.

Ability to expand

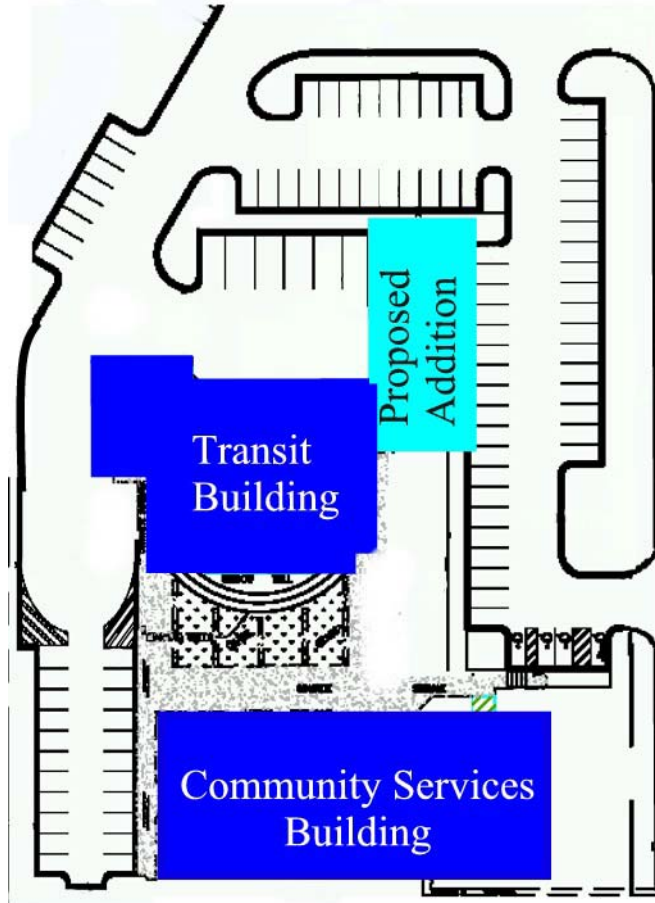
Given market size and service demand, VMS will strategize ways to grow the business to meet the demands beyond the three years of this plan. As previously stated however, VMS will not grow at the risk of reputation, quality, or care for customers.

VMS will explore several options.

1. Expand the existing facility by adding three 60-foot, drive-through maintenance bays. This would accommodate up to six additional vehicles at any one time. The DARTS campus will be reoriented in the spring of 2004 to accommodate city development. In the plans, DARTS has left a footprint for the expanded maintenance facility to accommodate possible expansion.

2. DARTS has already talked with several non-profit agencies about creating a 'VMS West' in the Western portion of the Twin Cities metro area. Preliminary discussions involve housing a second VMS facility at another non-profit agency.

3. DARTS' capital request to the Metropolitan Council for an expanded maintenance facility in the Twin Cities metro area to better serve public and private non-profit agencies has been accepted and added to the regional transportation improvement plan. Funds would be available in three years.



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