

TRANSPORTATION RESEARCH CENTER INC.

2006 Annual Report



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ISO 9001 and 14001 Registered



Transportation Research Center Inc. (TRC Inc.) independently manages a transportation research and testing facility, serving the needs of industries, governments, trade associations, and educational organizations worldwide. Transportation Research Center (the Center) is located near East Liberty, Ohio, approximately 40 miles northwest of Columbus. Because much of TRC Inc.'s work is proprietary, many projects are described in general terms. However, the information presented on the following pages will provide the extent of TRC Inc.'s capabilities.

History

The Center was developed by the State of Ohio as a transportation research and development proving ground with the purpose of encouraging motor vehicle research and development activities in Ohio. The Center began testing in 1974. In 1979, the State of Ohio's Transportation Research Board entered into a management agreement with The Ohio State University's (University) College of Engineering to oversee the operations of the Center. In 1987, the Center was sold as part of an economic inducement to Honda of America Manufacturing, Inc. to build an automobile plant in Ohio. In order to ensure that the business of the Center could be preserved without violating the confidentiality of the Center's customers, the University established Transportation Research Center Inc., a non-profit corporation. TRC Inc. is governed by a Board of Directors chaired by the University's Dean of College of Engineering.

Mission Statement

As the leading independent provider of testing, development and research, TRC Inc. helps the transportation industry create safer, improved products. We will accomplish our mission through high-quality services while satisfying stakeholders' expectations.

Vision

Customer satisfaction is our competitive advantage.

Quality Policy

We will strive to meet or exceed customer expectations.

Environmental

We will strive to protect the environment and assure safe and healthful working conditions.

***"ISO 9001 and
ISO 14001 Registered"***

Equal Employment Opportunity

It is the policy of Transportation Research Center Inc. to provide equal opportunity in all areas of employment practices, without regard to race, color, religion, national origin, sex, age, disability, veteran status, or any other reason prohibited by law.



President's Message

I am pleased to present, on behalf of our staff, the annual report for Transportation Research Center Inc. (TRC Inc.) for the fiscal year ending June 30, 2006.

Revenue from all sources for Fiscal Year 2006 was \$44.4 million, reflecting a 12% increase from the previous year. Three main factors have contributed to this: A higher degree of competition that has spurred development activity resulting in elevated levels of test outsourcing; higher fuel prices resulting in new technologies that need tested; and new federal regulations on the horizon for fuels, emissions reductions, and improved safety.

The topography of the automotive industry is rapidly changing and it is becoming necessary to "think outside the box." Because competition is growing fiercer every year, vehicle and component manufacturers are compelled to consider and/or pursue consolidation, reorganization or divestiture of unprofitable business lines. To survive successfully, they must cast off old methods and adopt new, innovative techniques to develop more highly competitive products faster. TRC Inc. fulfills its mission 24 hours a day, seven days a week, by helping the transportation industry create safer, improved products through the highest quality testing services and facilities available anywhere in the world.

During Fiscal Year 2006, the new Dynamic Handling Course (DHC) was completed, we installed a state-of-the-art All Wheel Drive (AWD) Chassis Dynamometer, and we increased our Impact Laboratory capabilities by adding a motorcycle crash test dummy, as well as additional cameras and onboard lighting. These improvements are covered in more detail in the following pages of this report.

TRC Inc. not only provides support through excellence in our wide array of testing services, but also through our continued involvement with Automotive News PACE Awards Program, for which automotive suppliers are rewarded for bridging the gap between ideas and solutions.

We have recently supported The Ohio State University's second annual Injury Biomechanics Symposium, a venue for research by students and recent graduates. This symposium is an extension of the University's collaboration with TRC Inc. to create a nationally-recognized center for trauma research. It has been well attended and well supported by the University, Columbus Children's Hospital, Nationwide Insurance, National Highway Traffic Safety Administration, and Honda Research Americas.

I would like to thank TRC Inc.'s stakeholders, especially our staff, for their hard work and dedication during the past year. I would also like to thank our Board of Directors for their continued guidance and support throughout the years.

A handwritten signature in black ink, appearing to read "R.D. Gildow". The signature is fluid and cursive.

Rick D. Gildow



Introduction

Transportation Research Center Inc. has gained a reputation as the world's leading provider of vehicular testing services. This reputation has been maintained, not only because of the quality of the services offered, but also because the challenges that each year brings are viewed as new and exciting opportunities for growth.

Since the Center began operations in 1974, new programs have been developed for customers in the areas of collision avoidance, energy absorption, fuel economy, emissions, durability, performance, noise, crash simulation, and crashworthiness. Please see the timeline presented on page five of this report for an overview of our progress since we began. Test programs evaluate the performance of passenger cars, trucks, airplanes, tracked vehicles, off-road vehicles, recreational vehicles, buses, motorcycles, electric vehicles, and automotive components. TRC Inc. schedules and monitors all facilities with primary importance placed on the safety and security of each customer.

TRC Inc. is continually improving and adapting to meet changing customer needs. To enhance the Center and TRC Inc.'s overall service offerings, new facilities have been designed to assist customers in developing safe and marketable products. To complement our new facilities, TRC Inc. has acquired ISO 9001 and 14001 registrations. These registrations demonstrate TRC Inc.'s commitment to our customers. We will continue to measure and improve the quality of the services we provide.

The following pages of this report are dedicated to describing each of TRC Inc.'s primary business areas - Contract Services, Durability & Dynamics Operations, and Impact Laboratory Operations - including a brief review of their activities and accomplishments during the past year.

The Facilities and Equipment



All Wheel Drive (AWD) Chassis Dynamometer

Under the terms of our Management Agreement, Transportation Research Center Inc. (TRC Inc.) exclusively schedules the facilities and equipment of the Center. In addition, TRC Inc. maintains the facilities and buildings, which include approximately 150 lane-miles of road surfaces and 328,000 square feet of building space. Annual extensive facility upgrades are made through maintenance and repair, procurement of equipment, and facility construction based on customer survey feedback.

During Fiscal Year 2006, TRC Inc. has overseen the completion of our new Dynamic Handling Course (DHC) for vehicle development and engineering handling. Giving customers a new combination of elevation changes and turns of varying camber, this course has been well received.

Durability and Dynamics Operations also installed a state-of-the-art All Wheel Drive (AWD) Chassis Dynamometer. Allowing TRC Inc. to test virtually any light- or medium-duty vehicle platform on the road, this addition is expected to increase the revenue stream in the Emissions Lab.

Impact Laboratory Operations upgraded their capabilities with the purchase of a motorcycle crash dummy. Additional mini high-speed digital-imaging cameras and onboard lighting were purchased to upgrade our

image quality. A new rolling platform, or "flying floor", was designed and developed at the Impact Laboratory to produce accurately controlled side impact testing of vehicles into stationary poles. The flying floor is ideal for testing passenger vehicles and light-weight trucks in accordance with the EuroNew Car Assessment Procedure, FMVSS 201 (Occupant Protection in Interior Impact, and FMVSS 214 (Oblique Pole Test).



Impact Lab's new "flying floor"

Understanding our customers' expectations and staying abreast of their changing needs has always been of utmost importance to TRC Inc. We are committed to continual monitoring and improvement of all of our services and facilities.

The Organization

Durability and Dynamics Operations



Dynamic Handling Course

Durability and Dynamics Operations (DDO) experienced a 17.9% increase in revenue from Fiscal Year 2005. Several vehicle manufacturers, who have historically been major contributors to our revenue stream, elevated their level of outsourcing testing from the previous fiscal year due to the manufacturers' need to bring additional vehicles to the market place because of higher fuel prices and newer regulations on the horizon. This resulted in a 30% increase in DDO's principal revenue-producing area of test-driving hours. DDO performed services for 23 domestic and foreign vehicle manufacturers. The following table describes the percent of business by industry classification.

Industry Classification	FY 2006
Vehicle Manufacturers	83.4%
Component Manufacturers	8.3%
Fuel & Lube	4.1%
State & Federal Organizations	2.0%
Independent Labs	0.8%
Litigation/Engineering Firms	0.4%
Other	1.0%

The majority of testing involves powertrain, rough road, chassis, corrosion, fuel additives, durability, and emissions. In addition, DDO conducts brake, fuel economy, skid truck correlation, and vehicle handling testing to FMVSS, SAE, and ASTM Standards. DDO maintains a 24-

hour-a-day, seven-day-a-week operation for rapid, but safe, mileage accumulation.

In addition to the increased revenue, Fiscal Year 2006 saw many improvements for DDO. The official opening of a new passenger vehicle Dynamic Handling Course (DHC) occurred in late October 2005. The DHC is a 1.75-mile long asphalt course designed with vehicle development and handling in mind.

Additionally, DDO installed a state-of-the-art All Wheel Drive (AWD) Chassis Dynamometer. This will allow TRC Inc. to test virtually any light- or medium-duty vehicle platform on the road. The new test cell capabilities will include, but are not limited to:

- Environmental Protection Agency (EPA), California Air Resource Board (CARB):
- Federal Test Procedure, Highway Fuel Economy Test, US06, Cold-CO Emissions testing
- Gasoline and diesel gaseous and Particulate Matter (PM) emissions system development
- Cold and hot temperature drivability and powertrain evaluation

While the American automotive industry continues to adjust to higher priced oil due to the political climate in oil producing regions, DDO anticipates a modest increase in revenues for Fiscal Year 2007.

Impact Laboratory Operations

Impact Laboratory Operations (ILO) experienced an all-time high in crash testing in Fiscal Year 2006. A total of 395 crashes were performed in Fiscal Year 2006 reflecting a 16.8% increase from Fiscal Year 2005. Additionally, 72 impact simulation tests were performed in Fiscal Year 2006 reflecting an increase of 12.5% from Fiscal Year 2005.

Changes in expanded requirements of FMVSS 208 caused increases in crash tests with a large concentration in pole side impacts and offset frontal testing. The majority of ILO's testing involved development and certification of automobiles and light trucks to meet occupant protection requirements established by U.S. Federal and Canadian Motor Vehicle Standards, European Economic Community, and manufacturers.

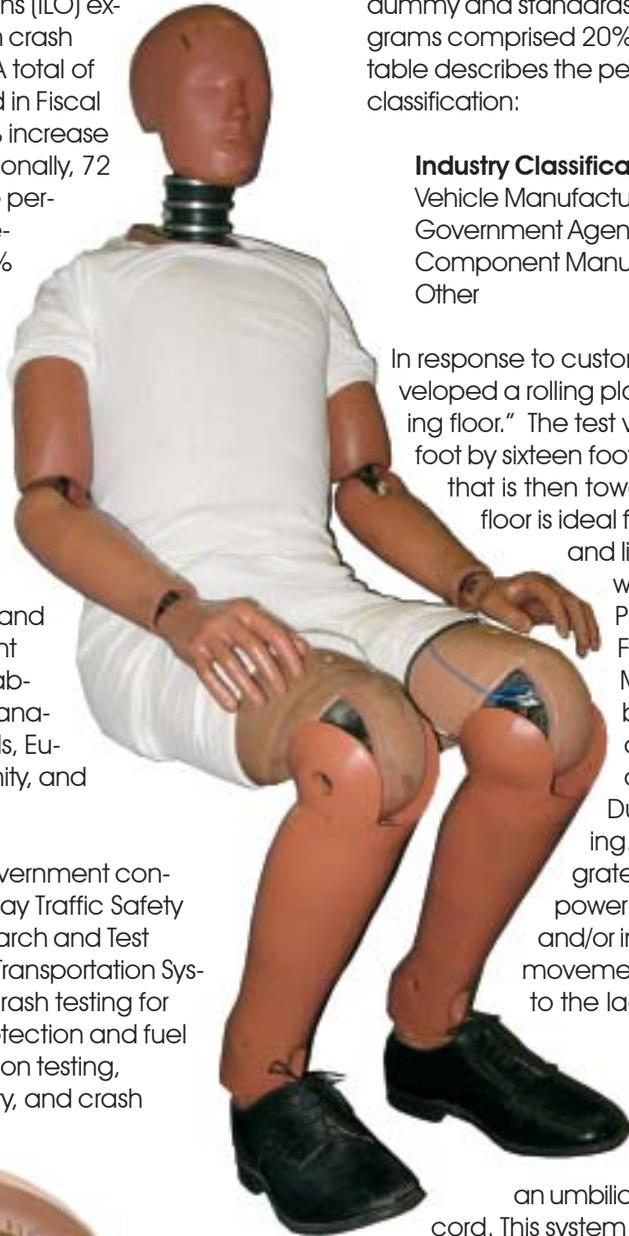
ILO continued to support government contracts for the National Highway Traffic Safety Administration, Vehicle Research and Test Center, and Volpe National Transportation Systems Center. Government crash testing for front and side occupant protection and fuel system integrity, sled simulation testing, static fixture structural integrity, and crash

dummy and standards development research programs comprised 20% of ILO's activities. The following table describes the percent of business by industry classification:

Industry Classification	FY 2006
Vehicle Manufacturers	71%
Government Agencies	20%
Component Manufacturers	7%
Other	2%

In response to customer expectations TRC Inc. developed a rolling platform, sometimes called a "flying floor." The test vehicle is placed atop a sixteen foot by sixteen foot wheeled aluminum platform that is then towed to test speed. The flying floor is ideal for testing passenger vehicles and lightweight trucks in accordance with the EuroNew Car Assessment Procedure, FMVSS 201, and FMVSS 214 (Oblique Pole Test). Mini high-speed cameras and on-board lighting were purchased to assist in the upgrade of image quality. We also purchased an I-Dummy for motorcycle crash testing. The I-Dummy with an integrated data acquisition system and power-supply will allow for unrestricted and/or influenced movement due to the lack of

an umbilical cord. This system will simulate real world motorcycle crashes. As the impact market continues to evolve and customer expectations change, we will adapt accordingly.



Contract Services

Customers of Contract Services include automotive manufacturers, component manufacturers, and the federal government. The mission of Contract Services is to provide customers with high quality engineering and technical support to improve the safety, quality and competitiveness of their products.



Contract Services is comprised of technical personnel whose services are dedicated to specific customers on a full-time basis. Their work predominantly involves research and development testing, including vehicle components, crashworthiness, crash avoidance, biomechanics, research analysis, and test device and procedure development. The personnel in these groups include engineering technicians, mechanical and electronics technicians, engineering assistants, photographers, research engineers and research scientists.

The staff holds memberships in professional societies, such as the Society of Automotive Engineers (SAE) and plays major roles in various technical committees. Numerous technical papers were authored or co-authored by our personnel during the past year. The affiliations, committee work, and published writings

bring recognition and industry/professional exposure to TRC Inc.

The following table describes the percentage of business by industry classification for Fiscal Year 2006:

Industry Classification	FY 2006
Government Agencies	45%
Component Manufacturers	30%
Vehicle Manufacturers	25%

Record revenues were achieved with a 4% increase over the prior year. Employment showed a 5% increase. A moderate increase in revenues and employment is expected in Fiscal Year 2007.

We look forward to meeting the challenges of the coming year and exceeding the expectations of our customers.



The Activities

Quality Planning, Assurance, Improvement, and Control

TRC Inc.'s Quality Policy:

We will strive to meet or exceed customer expectations.

TRC Inc. is committed to providing services that meet or exceed the expectations of its customers and is dedicated to a quality policy which is understood, implemented, and maintained at all levels of the organization.

Each of TRC Inc.'s five Primary Business Functions (Crash, Sled, Durability, Dynamics, Contract Services) has its own quality system process definition (SPD) team, which has determined the expectations of its customers and the technical requirements necessary to meet those expectations. Based on these expectations and requirements, performance goals and objectives have been established and are monitored throughout the organization and through customer surveys. Performance ratings and internal process measurement results are reviewed on a regular basis, and potential performance issues and preventive actions are managed through a formal corrective and preventive action system.

ISO 9001 Registration

As part of TRC Inc.'s commitment to customer satisfaction and continual improvement, the organization acquired registration to the ISO 9001:1994 in May 2000 and successfully acquired/upgraded registration to the ISO 9001:2000 revision of the Standard in May 2002. The ISO 9001 Standard is an international model for quality management systems. Organizations are required to identify and document best business practices, and to implement these practices to achieve consistent quality services to meet and exceed customer expectations.

Following registration, the registrar conducts surveillance audits to ensure continuing compliance to the Standard. Since the initial registration, TRC Inc. has maintained compliance through six surveillance audits. The 9001:2000 version includes a process-based quality management system model with an increased focus on customer satisfaction and continual improvement. For TRC Inc., the process of upgrading to the 9001:2000 Standard included streamlining the internal audit process and utilizing process data to further drive improvements. TRC Inc. will continue to be dedicated to providing quality service to our customers through completion of our company-wide quality objectives of accurate services, timely services, and well-planned and organized services.

ISO 14001 Registration

TRC Inc. received its ISO 14001 registration in October 2002. ISO 14001 is a model for environmental management systems and addresses the management of business activities impacting the environment. Although not required by the ISO 14001 Standard, TRC Inc. has incorporated health and safety into our environmental management system.

Environmental, Health and Safety (EH&S) Policy

TRC Inc.'s Policy Statement

We will strive to protect the environment and assure safe and healthful working conditions.

TRC Inc.'s EH&S Policy Principles

1. TRC Inc. is committed to continual improvement in TRC Inc.'s environmental, health, and safety program by setting objectives and targets and by evaluating our performance to those goals.
2. TRC Inc. is committed to prevention of pollution by using processes and materials that prevent, reduce, or minimize pollution. This includes recycling, control mechanisms, material substitution, and efficient use of resources.
3. TRC Inc. is committed to compliance with all applicable environmental, health, and safety regulations, laws, and other internal and external requirements.
4. TRC Inc. provides education and training to ensure understanding of the environmental, health, and safety policies throughout the organization.

Through preparation for the ISO 14001 registration audit, TRC Inc. has identified applicable significant environmental aspects and their impacts on the surroundings. TRC Inc. is focusing its efforts on the following aspects of its activities:

- Waste
- Natural Resources
- Air Emissions
- Hazardous Materials
- Resource Conservation
- Occupational Health & Safety

Targets have been established at the company-wide or area-specific level to measure the organization's performance in meeting these objectives.

Automotive News PACE Award Sponsorship Activities

Transportation Research Center Inc. (TRC Inc.) has renewed our sponsorship of the Automotive News PACE™ Award for the fourth year. PACE™ is the acronym for Premier Automotive Suppliers' Contribution to Excellence.



Now in its thirteenth year, the PACE™ Award honors automotive suppliers who have embraced innovation or adapted and reinvented themselves to meet the demands of the OEM customer. This prestigious award sets the standard for innovation and excellence and has become a significant industry credential.

Annually, hundreds of automotive suppliers around the globe submit their innovation to win this distinguished award. The winners earn the distinction of joining the automotive world's list of "Who's Who."

The PACE Award sponsorship has been a natural tie-in the past five years as many of the innovations featured are ultimately validated at our prov-

ing ground. Through this sponsorship we have had, and will continue to have, the opportunity to support our customers and their efforts in the marketplace by acknowledging their hard work.

Staff Activities/Community Service

Transportation Research Center Inc. believes in maintaining its role as a good corporate citizen in the community. TRC Inc. provides financial support through payrolls, payroll taxes, and local procurement of goods and services.

TRC Inc.'s "Partnership in Technology Scholarship" program provides \$1,000 renewable college scholarships for high school seniors planning to major in a two- or four-year automotive-related field, as well as the opportunity for an internship at TRC Inc.. Three first-year students were added this year for a total of eleven students receiving this award.

Good corporate citizenship includes protecting the environment. At the Center, this is accomplished in a vari-

ety of ways including the recycling of paper, plastics, glass, and metals. TRC Inc. participates in the Ohio Department of Transportation's Adopt-a-Highway program and supports the Logan County Clean Committee, an organization that encourages recycling and litter prevention. Our Environmental, Health and Safety Policy and supporting principles are outlined in this report, under the heading "The Activities."

Child safety is promoted through TRC Inc.'s Child Seat Awareness Program, which provides employee reimbursement for the purchase of child restraints and assists the community through child restraint donation programs administered by local health departments.

The following organizations have benefited this fiscal year from TRC Inc.'s Community Relations programs:

- American Cancer Society
- American Heart Association
- American Red Cross
- Bellefontaine Cultural Arts Commission
- Bokescreek EMS
- Cedar Bog Preservation Association
- Childrens Hospitals of Dayton and Columbus
- Early Childhood Education Center, Franklin Co. MRDD
- International Family Center of Union County
- Leesburg, Marysville, & Ridgeway Firefighters
- Logan County Clean Committee
- March of Dimes
- Mary Rutan Hospital
- Memorial Hospital of Union County Women's Health Center
- Pediatric Brain Tumor Foundation
- St. Rita's Hospice
- Union County Chamber of Commerce
- United Way



"Partnerships in Technology Scholarship" recipients and co-op student employees (left to right): Lance Kelly, Joe Sweeney, Samuel Bobb, Christopher Bartlett, Nathaniel Wren, Brian Stricklin

Governance

Board of Directors



Mr. George Arnold
Business Development Director, H.R. Gray
TRC Inc. Vice Chairman of the Board



Dr. William A. Baeslack III
Dean of the College of Engineering
The Ohio State University
TRC Inc. Chairman of the Board



Mr. C. John Easton
Chairman (retired), Honeywell Sensotec



Dr. Robert T. McGrath
Senior Vice President for Research
The Ohio State University



Ms. Greta J. Russell
University Controller
The Ohio State University



Mr. Rick D. Gildow
Transportation Research Center Inc.
TRC Inc. President

Other Officers



Mr. Shawn T. Ahern, CPA
TRC Inc. Vice President
Treasurer of the Board



Mr. Milton J. Dunlop
TRC Inc. Vice President



Ms. Jill R. Macy
TRC Inc. Vice President



Mr. John W. Phillips
TRC Inc. Vice President



Mr. Stacy Weislogel
Associate Dean
College of Engineering
The Ohio State University
TRC Inc. Board Secretary

General Counsel

Mr. John S. De Libera

Independent Auditors

Parms & Company, LLC

Board Changes

Mr. C. John Easton, Chairman (retired), Honeywell Sensotec, was re-appointed to the Board for a two-year term ending at the close of the annual meeting in 2007.

Transportation Research Center Inc.

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