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 the 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.
On behalf of our staff, I am pleased to present the annual report for Transportation Research Center Inc. (TRC Inc.) for the fiscal year ending June 30, 2007.

Revenue from all sources for Fiscal Year 2007 was $44.1 million, nearly equaling the record revenue in Fiscal Year 2006. The financial results were noteworthy based on three factors: Several of our core customers released new models in Fiscal Year 2006, resulting in less testing than in Fiscal Year 2007; the domestic auto industry, composed of the traditional Big Three, has recently been struggling with market share, and domestic suppliers have been under pressure to drive down costs throughout the automotive supply base.

In keeping with our commitment to continuous improvement, several changes occurred in our management structure during Fiscal Year 2007. Milt Dunlop was appointed to a newly created position as Senior Vice President of Operations; John Phillips was transferred to Vice President, Durability and Dynamics Operations and Jeffrey Sprague was promoted as Vice President, Marketing and Contract Services. Michael Bilbee was promoted to Assistant Vice President, Impact Lab Operations, and Rick Powers was promoted to Assistant Vice President, EH&S and Facilities. Jill Macy continues in her role as Vice President, Human Resources Administration, and assumed the additional responsibility of Secretary to the TRC Inc. Board of Directors. Shawn Ahern remains as Vice President, Business Administration and also serves as Treasurer on the TRC Inc. Board of Directors.

In addition to management changes, TRC Inc. completed numerous facility additions and improvements. A new Basalt Facility and Ceramic Tile Slope were added and a low mu circle was installed inside the Winding Road Course for low coefficient testing. In addition, a new temperature vault and customer office were constructed at the Impact Lab. Renovations were also made to the administrative office area and several customer offices.

TRC Inc. continues to maintain a strong relationship with The Ohio State University, through transfers to the Transportation Research Endowment Program and funding of numerous student engineering projects. One such area of support has been our collaboration with The Ohio State University’s Injury Biomechanics Research Laboratory to create a nationally-recognized center for trauma research.

As the automotive industry continues to change and evolve, I would like to thank all of TRC Inc.’s stakeholders for their effort and dedication during the past year and our Board of Directors for their guidance and support.

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. is ISO 9001 and 14001 registered. 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.
Timeline of TRC from 1962 to 2007

1962
- Research Facility Established by The Ohio State University and Ohio Division of Highways
- TRC Inc. Created

1963
- Eastern Field Test Center Established as an EPA Coastdown Test Center
- Corrosion Facility

1964
- Crash Barrier

1965
- Facility Approved
- 8100 Acres Acquired

1966
- Groundbreaking

1967
- First Test on Vehicle Dynamics Area

1968
- Off-Road Course

1969
- NHTSA/Office of Defects Investigation
- Track Completed Official Opening

1970
- NHTSA Engineering Test Facility

1971
- Testing
- Facility Design

1972
- Continual Testing
- Continual Construction
- Continual Design

1973
- Continual Testing
- Continual Construction
- Continual Design

1974
- Continual Testing
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2005
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2006
- Continual Testing
- Continual Construction
- Continual Design

2007
- Continual Testing
- Continual Construction
- Continual Design
The Facilities and Equipment

Under the terms of our management agreement, Transportation Research Center Inc. (TRC Inc.) exclusively schedules the facilities and equipment of the Transportation Research Center (TRC). In addition, TRC Inc. maintains the facilities and buildings, which include approximately 150 miles of improved and unimproved 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 2007, TRC Inc. has overseen the completion of our new Basalt and Ceramic Tile Slopes, used for split mu synthetic testing. This course has been well received by customers and will allow for three split mu configurations on various surfaces.

Durability and Dynamics Operations also upgraded the Winding Road Course and a low mu circle for performance tests.

Impact Laboratory Operations upgraded their testing capabilities, as well as their creature comfort capabilities with the installation of a temperature-controlled office for customers at the vehicle launching point of the covered runway. Adjacent to the office is a chamber that replaces the temperature-controlled portable preparation room, which is used to thermally condition vehicles prior to barrier impact testing.

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

Durability and Dynamics Operations (DDO) experienced a 5.3% increase in revenue from Fiscal Year 2006. The growth was a result of an increase in governmental contracts, a request for additional full-time personnel from an onsite customer, and sustained levels of activity from the primary customers. DDO performed services for 16 domestic and foreign vehicle manufacturers. The following table describes the percent of business by industry classification.

<table>
<thead>
<tr>
<th>Industry Classification</th>
<th>FY 2007</th>
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<tbody>
<tr>
<td>Vehicle Manufacturers</td>
<td>82%</td>
</tr>
<tr>
<td>Component Manufacturers</td>
<td>7%</td>
</tr>
<tr>
<td>Fuel &amp; Lube</td>
<td>4%</td>
</tr>
<tr>
<td>State &amp; Federal Organizations</td>
<td>3%</td>
</tr>
<tr>
<td>Independent Labs</td>
<td>1%</td>
</tr>
<tr>
<td>Litigation/Engineering Firms</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
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</tbody>
</table>

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

Highlights from Fiscal Year 2007 include: The official opening of three new split mu synthetic basalt and ceramic tile slopes. The 10, 15, and 20% slopes are adjacent to the existing 1,000-ft. Basalt and 333-ft. Ceramic Tile Courses. The 10 and 15% slopes offer split mu surfaces of concrete to ceramic, basalt to ceramic and ceramic to concrete for a 60-ft. length. Full-width basalt can also be maneuvered for the first 30 ft. and full-width ceramic alternates the last 30 ft. The 20% slope has split mu surfaces of asphalt to ceramic, ceramic to basalt, and basalt to asphalt for its full 60-ft. length, or it can be used full-width basalt for its length. All three slopes are provided with a top down trickling water supply to allow for parallel dry concrete to wet tile testing.

In addition to the three slopes the wet handling pad, within the Winding Road Course, received an upgrade with synthetic basalt tiles. The 203 ft. course is a 32 ft. wide, 131 ft. radius circle that receives its water supply from a center fountain.

New Low Mu circle (also known as the Wet Handling Pad)
Impact Laboratory Operations

Impact Laboratory Operations (ILO) experienced an increase in impact simulation testing during Fiscal Year 2007. A total of 195 simulation tests were performed, reflecting an 85% increase from Fiscal Year 2006. The large increase of simulation testing was driven by an increase of government contracts. Additionally, a total of 308 crashes were performed in Fiscal Year 2007, reflecting a 22% decrease from Fiscal Year 2006. The decrease in crash testing was related to the cyclical development cycles of our core customers.

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 standards, and manufacturers own internal standards. Additionally, we continued to attract and grow our non automotive impact testing for roadside appurtenances and outside calibration services.

While the majority of ILO’s customers are vehicle manufacturers we continued to support Government Contracts for NHTSA, VRTC, and VOLPE. Government crash testing for front and side occupant protection, sled simulation testing, and crash dummy and standards development research programs comprised 23% of ILO’s activities. The following table describes the percent of business by industry classification:

<table>
<thead>
<tr>
<th>Industry Classification</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle Manufacturers</td>
<td>70%</td>
</tr>
<tr>
<td>Government Agencies</td>
<td>23%</td>
</tr>
<tr>
<td>Component Manufacturers</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

Improvements at the Impact Lab over the last year include a temperature-controlled office for our customers at the vehicle launching point of the covered runway. Adjacent to the office is a chamber that replaces our temperature-controlled portable prep room that we use to thermally condition vehicles prior to barrier impact testing. We have also increased our current dummy inventory with the addition of two 5th Female Hybrid III dummies. Additionally, we upgraded our SID-IIs (Small Female Side Impact Dummy) dummy to meet the latest drawing package required by The National Highway and Traffic Safety Administration.
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 2007:

<table>
<thead>
<tr>
<th>Industry Classification</th>
<th>FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Agencies</td>
<td>43%</td>
</tr>
<tr>
<td>Component Manufacturers</td>
<td>28%</td>
</tr>
<tr>
<td>Vehicle Manufacturers</td>
<td>29%</td>
</tr>
</tbody>
</table>

Record revenues were achieved with a 3% increase over the prior year.

A moderate increase in revenues and employment is expected in Fiscal Year 2008.

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 sixth year. PACE™ is the acronym for Premier Automotive Suppliers’ Contribution to Excellence.

Now in its fourteenth 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 proving 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 variety 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 benefitted this fiscal year from TRC Inc.’s Community Relations programs:

- American Cancer Society
- American Heart Association
- American Red Cross
- Bokescreek EMS
- Cedar Bog Preservation Association
- Childrens Hospitals of Dayton and Columbus
- Hi Point Fraternal Order of Police
- Logan County Clean Committee
- Logan County Law Enforcement Association
- March of Dimes
- Multiple Sclerosis Association of America
- Ridgeway Firefighters
- Special Olympics
- Union County Big Brothers Big Sisters
- Union County Chamber of Commerce
- Union County FOP
- Union County Humane Society
- United Way

“Partnerships in Technology Scholarship” recipients and co-op student employees (left to right): Samuel Bobb, Travis Bilbee, Ally Hoffer, Christopher Bartlett, Zach Gibson
Governance

Board of Directors

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

Mr. George Arnold
Business Development Director, H.R. Gray
TRC Inc. Vice 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

Officers

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

Mr. Milton J. Dunlop
TRC Inc. Senior Vice President

Ms. Jill R. Macy
TRC Inc. Vice President
TRC Inc. Board Secretary

Mr. John W. Phillips
TRC Inc. Vice President

Mr. Jeffrey A. Sprague
TRC Inc. Vice President

Mr. Michael A. Bilbee
TRC Inc. Assistant Vice President

Mr. Richard E. Powers
TRC Inc. Assistant Vice President

General Counsel
Mr. John S. De Libera

Independent Auditors
Parms & Company, LLC

Board Changes

Mr. George Arnold was re-appointed to the Board for a two-year term ending at the close of the annual meeting in 2008. In addition, Mr. Stacy Weislogel retired as TRC Inc. Board Secretary at the close of June 2006 meeting. He had served on the Board since 1993.