TRANSPORTATION RESEARCH CENTER INC.

FINANCIAL STATEMENTS
For The Years Ended June 30, 2008 and 2007
and
Independent Auditors' Report

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Mary Taylor, CPA
Auditor of State

Board of Directors
Transportation Research Center Inc.
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210

We have reviewed the *Independent Auditor's Report* of the Transportation Research Center Inc., Franklin County, prepared by Parms & Company, LLC, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Transportation Research Center Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 2, 2008

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TRANSPORTATION RESEARCH CENTER INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Transportation Research Center Inc.

We have audited the accompanying statements of net assets of Transportation Research Center Inc. ("TRC"), a component unit of The Ohio State University, as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of TRC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRC as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3-12 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008, on our consideration of TRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purposes of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Parms & Company, LLC

November 11, 2008

Transportation Research Center Inc.
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2008

This Management Discussion and Analysis is provided to assist your understanding of Transportation Research Center Inc.'s (TRC Inc.) accompanying financial statements for the fiscal years ended June 30, 2008 and June 30, 2007, and to provide an overview of its financial performance.

Introducing Transportation Research Center Inc.

TRC Inc. independently manages the Transportation Research Center, a transportation research and testing facility located on 4,500 acres near East Liberty, Ohio, and various other laboratories located in Ohio. TRC Inc. assists the needs of the transportation industry, government, and educational institutions worldwide by creating safer, improved products through vehicle research and testing services. Research and testing programs are designed to test for safety, energy, fuel economy, emissions, durability, and crash worthiness on passenger vehicles, trucks, buses, motorcycles, recreational vehicles and their associated components.

The Transportation Research Center facility was developed by the State of Ohio and began operations in 1974. In 1979, the State of Ohio entered into an agreement with The Ohio State University's College of Engineering to oversee the operations of the Transportation Research Center. In 1988, the State of Ohio sold the facility to Honda of America Manufacturing, Inc. as an economic inducement to secure a second automobile manufacturing plant. After the sale, The Ohio State University created TRC Inc. TRC Inc. and Honda of America Manufacturing, Inc. then entered into an agreement. That agreement provided the foundation for TRC Inc. to manage the Transportation Research Center as a multi-user facility.

TRC Inc. is governed by a six-member board chaired by the Dean of the College of Engineering at The Ohio State University. During fiscal year 2007, TRC Inc. amended its Articles of Incorporation and its Code of Regulations. Changes made to these corporate governing documents transferred the sole membership of TRC Inc. from The Ohio State University Affiliates, Inc. to the TRC Inc. Board of Directors. The Ex Officio Directors on TRC Inc. Board represent The Ohio State University and its interest within TRC Inc. The Ex Officio Directors on the TRC Inc. Board are the persons who hold the following positions at The Ohio State University: the University Controller (currently Greta J. Russell); the Senior Vice President for Research of the University (currently Dr. Robert T. McGrath); the Dean of the College of Engineering of the University (current Dr. William A. Baeslack III); and the Director of Transportation Research Center (currently Rick D. Gildow). The financial statements of TRC Inc. are included in the financial statements of The Ohio State University.

TRC Inc. is a tax-exempt organization as described in section 501(c)(3) and section 509(a)(3) of the Internal Revenue Code. TRC Inc.'s tax-exempt purpose is conducting and supporting humanistic, scientific and engineering research and development activities solely and exclusively to the conduct of, or providing assistance in connection with the conduct of, research in automotive, vehicular, and related forms of transportation, and for the development of improved highway facilities for vehicular traffic. TRC Inc. does perform work outside of this exempt purpose, and as a result, does pay unrelated business tax on that income.

Financial Statements Overview

For a summary of TRC Inc.'s significant accounting policies, please see footnote number two attached in this audit report.

Presented in the audit report are the Statements of Net Assets at June 30, 2008 and June 30, 2007; the Statements of Revenue, Expenses and Changes in Net Assets for fiscal years ended June 30, 2008 and 2007; and the Statements of Cash Flows for fiscal years ended June 30, 2008 and 2007.

The Statements of Net Assets reflect TRC Inc.'s assets, liabilities and net assets.

The Statements of Revenue, Expenses and Changes in Net Assets reflect information showing how net assets changed during the fiscal year.

The Statements of Cash Flows reports changes in the cash and cash equivalent balances during the fiscal year.

Statements of Net Assets

The major components of the Statements of Net Assets at June 30, 2008, June 30, 2007 and June 30, 2006 are reflected below:

	June 30, 2008	June 30, 2007	Change	June 30, 2006
Assets:				
Current Assets	$16,613,257	$15,579,802	6.6%	$16,678,728
Net Property & Equip.	1,525,952	1,990,335	(23.3)%	2,180,922
Total Assets	$18,139,209	$17,570,137	3.2%	$18,859,650
Liabilities:				
Current Liabilities	$5,680,452	$4,954,846	14.6%	$5,143,639
Long Term Debt	1,453,000	1,687,000	(13.9)%	1,921,609
Total Liabilities	7,133,452	6,641,846	7.4%	7,065,248
Net Assets	11,005,757	10,928,291	0.7%	11,794,402
Total Liab/Net Assets	$18,139,209	$17,570,137	3.2%	$18,859,650

Current Assets

TRC Inc. had an increase in Current Assets of 7% from June 30, 2007 to June 30, 2008.

The primary reason for the increase in Current Assets was an increase in Trade Accounts Receivable of $1,165,676 from June 30, 2007 through June 30, 2008, or 14%. Trade Accounts Receivable rose because of strong Research and Testing Agreement Revenues in the last quarter of fiscal year 2008. The turnover of the last quarter's Agreement Revenues slowed. The average collection period of our Trade Accounts Receivable increased by 5 days from June 30, 2007 to June 30, 2008 to 82 days. The percentage of Trade Accounts Receivable over 90-days at June 30, 2008 was 7%, as compared to 6% at June 30, 2007.

TRC Inc. owns endowment investments that are maintained and managed by The Ohio State University's Office of the Treasurer. TRC Inc.'s investment portfolio decreased $398,776, or 9%, from June 30, 2007 to June 30, 2008 because of the poor performance of the stock market. At June 30, 2008, the book value of TRC Inc.'s investment account exceeded the market value by $142,175, which generated an unrealized capital loss of $751,381 in fiscal year 2008.

TRC Inc. maintained a strong current ratio of 2.9 to 1 at June 30, 2008.

Net Property and Equipment

The net book value TRC Inc.'s property and equipment is $1,525,952, representing a decrease of $464,383, or 23%, since June 30, 2007. The decrease is due to disposal of assets no longer useful to TRC Inc. and an increasing number of assets becoming fully depreciated.

During fiscal year 2008, TRC Inc. expended $68,494 on five pieces of equipment used primarily in the maintenance of the proving ground.

During fiscal year 2007, TRC Inc. expended $395,449 on capital assets. TRC Inc. received a donation from Honda of three Acura TL's, valued at $63,710, in fiscal year 2007. These vehicles are used in TRC Inc.'s driver training program. The other two largest acquisitions made in fiscal year 2007 was a Caterpillar wheel loader for $167,650 and a new Chevrolet Suburban for $46,571. The Caterpillar wheel loader is used for snow removal on the facility, and the Chevrolet Suburban is part of TRC Inc.'s pool of travel vehicles.

During fiscal year 2006, TRC Inc. expended $262,445 on capital assets. TRC Inc. received a donation from Honda of thirty 2002 Acura RSX's. These vehicles are used in TRC Inc.'s driver training program. Because of the harsh dynamic handling conditions these vehicles have been and will be put through, TRC Inc. capitalized each of these thirty vehicles at 50% of their blue book value, totaling $168,000. The other two largest acquisitions made in fiscal year 2006 were a telephone system upgrade for $19,185 and a new travel vehicle for $18,550.

The asset with the largest net book value at June 30, 2008 is leasehold improvements made to Building 60, totaling $1,137,448, or 75% of the total net book value. The Caterpillar wheel loader is the second largest asset that TRC Inc. owns, with a net book value of $54,359, or 4% of the total net book value. The remaining book value of each the remaining 177 capital assets is less than $28,000, and generally are assets used to maintain and secure the 4,500-acre facility, assist in the driver training program, or are vehicles used for travel purposes.

Current Liabilities

TRC Inc.'s current liabilities rose by $725,606, or 15%, from June 30, 2007 through June 30, 2008. The increase was due to an accrual made for TRC Inc.'s first ever incentive performance bonus in the amount of $753,139. The payment of this performance bonus is expected to take place in September 2008. On average, TRC Inc. paid its suppliers invoices in 19 days in fiscal year 2008, and 22 days in fiscal year 2007.

Long-Term Debt

TRC Inc. had $1,453,000 in long-term debt at June 30, 2008 and $1,687,000 at June 30, 2007. TRC Inc. entered into a note payable with Capital One in January 1999 to procure $3,200,000 to fund leasehold improvements for one of TRC Inc.'s largest customers. The note is a 15-year instrument with an interest rate of approximately 6%. TRC Inc. recoups the funds expended for the leasehold improvement through a Lease Agreement with the customer. There is an interest swap agreement in place with the bank that helps mitigate the fluctuation in interest rates. In effect, proceeds from the Lease Agreement with the customer are servicing the debt.

Statements of Revenue, Expenses and Changes in Net Assets

The major components of the Statements of Revenue, Expenses and Changes in Net Assets for Fiscal Years Ended June 30, 2008, 2007 and 2006 are reflected below:

	FY 2008	FY 2007	Change	FY 2006
Operating Revenues	$48,011,065	$44,110,978	8.8%	$44,350,740
Operating Expenses	45,757,157	42,727,211	7.1%	41,624,745
Operating Income	2,253,908	1,383,767	62.9%	2,725,995
Non-Operating Revenue	86,051	129,038	(33.3)%	85,190
Appr./(Depr.)-FMV of Invst.	(578,942)	481,425	(220.3)%	225,516
Excess Rev. over Exp.	1,761,017	1,994,230	(11.7)%	3,036,701
Transfer to Ohio State	(1,683,551)	(2,860,341)	41.1%	(1,129,979)
Change in Net Assets	77,466	(866,111)	108.9%	1,906,722
Beginning Net Assets	10,928,291	11,794,402	(7.3)%	9,887,680
Ending Net Assets	$11,005,757	$10,928,291	0.7%	$11,794,402

Operating Revenues

The two sources of revenue that TRC Inc. earns are Research and Testing Agreement Revenue and Owner's Maintenance and Repair Revenue.

Research and Testing Agreement Revenue is revenue TRC Inc. earns from its customers for conducting durability, dynamic, impact and sled research and testing. It also includes revenues for supplying dedicated personnel to customers to operate their research and testing laboratories.

Owner's Maintenance and Repair Revenue is revenue TRC Inc. earns for maintaining and improving the owner's facility as a result of the Management Agreement between TRC Inc. and the facility owner, Honda of America Manufacturing, Inc. (HAM).

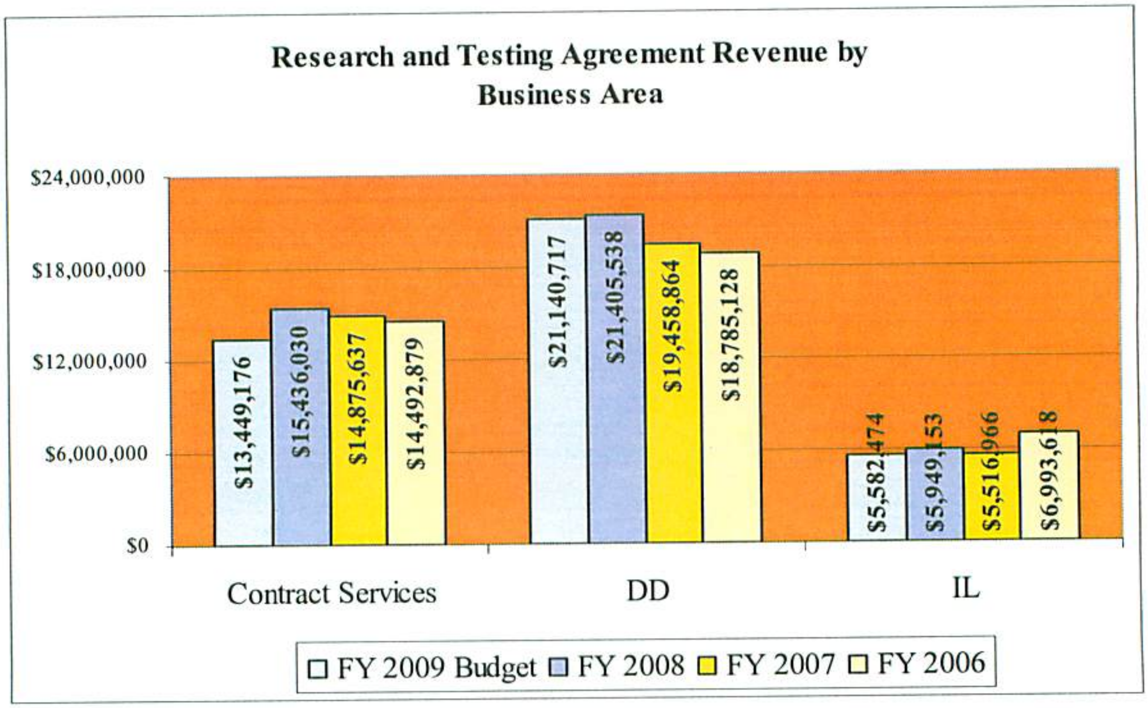
Revenue summary for fiscal years 2008, 2007 and 2006 were:

	FY 2008	FY 2007	Change	FY 2006
Research & Testing Agreement Rev.	$42,790,721	$39,851,467	7.4%	$40,271,625
Owner's Maintenance & Repair Rev.	5,220,344	4,259,511	22.6%	4,079,115
Total Operating Revenue	$48,011,065	$44,110,978	8.8%	$44,350,740

Research and Testing Agreement Revenue rose to a historic high in fiscal year 2008. There was no fluctuation in the order or composition of TRC Inc.'s top six customers. The top three customers each had revenue growth of at least 4.2%. In both fiscal year 2008 and 2007, the top six customers account for 82% of total Research and Testing Agreement Revenue. In fiscal year 2006, the top six customers account for 85% of total Research and Testing Agreement Revenue. The risk of losing one of these significant customers would have an impact on the generation of future revenues. TRC Inc. has operated with this type of revenue concentration for over a decade. We are confident that our strategy of providing excellent service to these top six customers will enable TRC Inc. to grow in the future.

TRC Inc. anticipates a decrease in Research and Testing Agreement Revenue in fiscal year 2009 to $40.2 million. The reduction is attributable to a down cycle of model year testing that TRC Inc. anticipates from one its larger customers, as well as a reduction in headcount for one of our contract service customers, and the eventual and gradual shutdown of another one of our contract service customers who is in bankruptcy.

The major sources of Research and Testing Agreement Revenue are Contract Services, Durability and Dynamics (DD), and Impact Laboratory (IL). Revenue comparisons for these three areas from fiscal year 2006 through fiscal year 2009 are as follows:



Contract Services Research and Testing Agreement Revenue grew by 4% in fiscal year 2008 as compared to fiscal year 2007. This business area provides customers with high quality engineering and technical support to improve the safety, quality and competitiveness of our customer's products. This business area has four customers. One customer had significant growth of 22%, another had a significant decline of 19%, and the other two remained constant.

The Contract Services customer with the significant increase was a result of that customer's increase in its staffing needs. TRC Inc. anticipates a revenue decline for this customer in fiscal year 2009 since the customer has hired several employees from TRC Inc.

The Contract Services customer with the significant decrease was a result of that customer's downsizing of its staffing needs as a result of their bankruptcy proceedings. This customer has been in bankruptcy and on a gradual decline since fiscal year 2007. TRC Inc. anticipates this decline to continue for this customer in fiscal year 2009.

TRC Inc. estimates total Research and Testing Agreement Revenue in Contract Services to decrease by 13% in fiscal year 2009.

Durability and Dynamics had a historic revenue year in fiscal year 2008. Durability and Dynamics had a revenue increase of 10% in fiscal year 2008 as compared to fiscal year 2007. The growth was a result of an increase in full-time personnel for an onsite customer, an increase in testing for a federal government agency, an increase in testing for a car manufacturer testing new model years of their vehicles, and a significant increase in our emissions laboratory testing. TRC Inc. foresees Durability and Dynamics' customer's testing to remain relatively constant in fiscal year 2009.

Research and Testing Agreement Revenues in the Impact Laboratory increased by 8% in fiscal year 2008 as compared to fiscal year 2007. The increase in revenue is a result of modest price increases. Total crash tests performed decreased by 3% in fiscal year 2008 as compared to fiscal year 2007. The Impact Laboratory has had price pressures from customers in recent years and competition from customers building their own crash test facilities. TRC Inc. expects this price pressure and competition to continue in fiscal year 2009, and as a result, forecasts a revenue decrease of 6%.

Owner's Maintenance and Repair Revenue rose 23% in fiscal year 2008 as compared to fiscal year 2007. The major components of this revenue are the capital improvements to the facility that HAM funds each year and maintenance and repair of the facility. The owner increased dollars spent on maintenance and capital improvements of the facility in fiscal year 2008. Since most of the capital improvements are subcontracted out and resold to HAM at TRC Inc. cost, gain or loss of revenue in this area does not have a major impact upon excess revenues over expenses.

Operating Expenses

Major components of operating expense in fiscal years 2008, 2007 and 2006 were:

	FY 2008	FY 2007	Change	FY 2006
Direct Expense	$28,227,655	$26,245,784	7.6%	$26,153,790
General and Admin. Exp.	16,996,625	15,895,391	6.9%	14,944,870
Depreciation Expense	532,877	586,036	(9.1)%	526,085
Total Operating Expense	$45,757,157	$42,727,211	7.1%	$41,624,745

In fiscal year 2008, the increase in direct expenses of 7.6% was in nearly similar proportion to the increase in Research and Testing Agreement Revenue of 7.4%. Direct labor totaled $12,947,782, which was a 4% increase from fiscal year 2007. Owner's fees are a direct expense resulting from charges made to our customers for their use of HAM-owned facilities, equipment and buildings. Owner's fees totaled $6,873,318 in fiscal year 2008. Owner's fees increased by 10% in fiscal year 2008, primarily because of the testing increase in the Durability and Dynamics Operation area.

TRC Inc.'s biggest operating expense is salaries and benefits. In fiscal year 2008, salaries and benefits were $26,276,206, or 57% of total operating expense. In fiscal year 2007, salaries and benefits were $24,933,688, or 58% of total operating expense. Salaries and benefits increased 5% in fiscal year 2008 and increased 4% in fiscal year 2007.

Large general and administrative operating expenditures made in fiscal year 2008 include:

- Health insurance for $3,290,172. Health insurance expense increased 13% in fiscal year 2008 as compared to fiscal year 2007. The increase was due to a rate increase as well as an increase in the total number of employees covered.

- FICA and Medicare tax expense for $1,489,052, which was a 6% increase compared to fiscal year 2007. This increase is due to the increase in salaries incurred in fiscal year 2008.

- Building leases of $815,872 in fiscal year 2008, which was a 1% increase compared to fiscal year 2007.

- Retirement plan contributions of $674,361. Contributions are made on the behalf of TRC Inc. employees to the Public Employees Retirement System and through a company-sponsored defined contribution retirement plan. Retirement plan contributions decreased by $153,395, or 19%, in fiscal year 2008. The decrease in retirement plan contributions is a result of a new performance bonus plan implemented in fiscal year 2008.

Depreciation expense decreased 9% in fiscal year 2008. This decrease was due to the acquired assets of the emission laboratory becoming fully depreciated in fiscal year 2008.

Nonoperating Revenues and Expenses

Interest expense represents the interest paid to a bank for the note payable that was described in the Long-Term Debt section.

Interest income reflects the interest earned from TRC Inc.'s operating cash account and the interest earned from investments TRC Inc. owns in the endowment fund at The Ohio State University.

Net Gain/(Loss) in Fair Value of Investments

TRC Inc. owns investments that are maintained and managed by The Ohio State University's Office of the Treasurer. There are two components to the gain or loss of the fair value of these investments. The first component is the realized gain that TRC Inc. recognizes when we sell investments. Typically, TRC Inc. sells a portion of its investments to assist in the annual transfer of the previous fiscal year's Excess Revenue over Expenses to The Ohio State University. Selling these investments triggers a realized capital gain or loss that TRC Inc. recognizes on this line item. In September 2007, TRC Inc. sold $600,000 of securities to assist in the annual transfer to The Ohio State University. The sale of those securities generated a realized capital gain of $172,439, which was recognized in the Statement of Revenue, Expense and Changes in Net Assets. TRC Inc. replenished $600,000 back into the endowment fund in November 2007 with contributions from our operating cash.

The second component is the unrealized gain or loss of the investments that is recorded in accordance with Governmental Accounting Standards Board Statement Number 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The realized and unrealized gain or loss in the fair value of investments for fiscal years 2006 through 2008 is as follows:

	FY 2008	FY 2007	FY 2006
Market Value of Endowment Fund	$4,092,763	$4,491,539	$4,806,319
Book Value of Endowment Fund	4,234,938	3,882,333	4,507,792
Gain/(Loss)	$(142,175)	$609,206	$298,527
Unrealized Gain from Prior Year	$(751,381)	$310,679	$168,362
Realized Gain/(Loss) from Invmt. Sales	172,439	170,746	57,154
Net Gain/(Loss)	$(578,942)	$481,425	$225,516

Excess of Revenue Over Expense

Based on financial operations overall, TRC Inc. had a successful year in fiscal year 2008. The excess revenue over expense before the unrealized depreciation in the fair value of investments and before the transfer to the Transportation Research Fund was $2,512,398, which increased by 49%, or $828,847, from fiscal year 2007. Much of this increase was due to several core customers increasing their testing.

TRC Inc. expects Research and Testing Agreement Revenue to fall by 6% in fiscal year 2009 to $40,172,367. The reduction is due to the expectation that cyclical model year testing by some Durability and Dynamics' customers will be completed in early fiscal 2009 and the reduction in headcount of employees in Contract Services. The reduction in headcount of employees in Contract Services is due to employees being hired by the customer and because of a customer's impending bankruptcy. As a result, TRC Inc. foresees Excess Revenues over Expenses before Unrealized Gains in the Fair Value of Investments decreasing by $813,821, or 32%, from $2,512,398 to $1,698,577 in fiscal year 2009.

TRANSPORTATION RESEARCH CENTER INC.

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2008 AND 2007

ASSETS	2008	2007
Cash and cash equivalents	$ 1,917,913	$ 1,412,952
Restricted cash	95,717	89,264
Investments	4,092,763	4,491,539
Trade accounts receivable, net of allowance for doubtful accounts of $156,000 for 2008 and 2007	9,710,549	8,544,873
Receivable from HAM	654,565	903,373
Supplies and prepaid expenses	141,750	137,801
Total current assets	16,613,257	15,579,802
Machinery and equipment	6,741,066	6,729,697
Less accumulated depreciation	(5,215,114)	(4,739,362)
Property and equipment, net	1,525,952	1,990,335
Total Assets	$ 18,139,209	$ 17,570,137
LIABILITIES AND NET ASSETS		
Trade accounts payable	$ 2,169,775	$ 2,337,631
Accounts payable HAM	885,286	638,872
Accrued payroll and related expenses	2,245,091	1,617,885
Deferred revenues	146,300	141,458
Current portion of long-term debt	234,000	219,000
Total current liabilities	5,680,452	4,954,846
Long-term portion of debt	1,453,000	1,687,000
Total liabilities	7,133,452	6,641,846
Investment in property and equipment, net of related debt	1,525,952	1,990,335
Restricted - accumulated surplus	4,002,434	4,002,434
Unrestricted net assets	5,477,371	4,935,522
Total net assets	11,005,757	10,928,291
Total liabilities and net assets	$ 18,139,209	$ 17,570,137

The accompanying notes are an integral part of these financial statements.

TRANSPORTATION RESEARCH CENTER INC.

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

OPERATING REVENUES	2008	2007
Research and testing	$ 42,790,721	$ 39,851,467
Owner's maintenance and repair	5,220,344	4,259,511
Total operating revenue	48,011,065	44,110,978
OPERATING EXPENSES		
Direct	28,227,655	26,245,784
General and administrative	16,996,625	15,895,391
Depreciation	532,877	586,036
Total operating expenses	45,757,157	42,727,211
Total operating income	2,253,908	1,383,767
NONOPERATING REVENUES (EXPENSES)		
Interest expense	(130,502)	(130,069)
Interest income	216,553	259,107
Total nonoperating revenues	86,051	129,038
Net change in fair value of investments	(578,942)	481,425
Excess of revenues over expenses before transfers	1,761,017	1,994,230
OTHER TRANSFERS AND CHANGES		
Transfer to Transportation Research Fund	(1,683,551)	(2,860,341)
Change in net assets	77,466	(866,111)
Net assets, beginning of year	10,928,291	11,794,402
Net assets, end of year	$ 11,005,757	$ 10,928,291

The accompanying notes are an integral part of these financial statements.

TRANSPORTATION RESEARCH CENTER INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 13,654,457	$ 16,125,246
Cash received from affiliates	33,447,000	28,546,564
Cash paid to suppliers	(8,182,377)	(7,389,589)
Cash paid for taxes	(225,130)	(225,130)
Cash paid to affiliates	(10,281,939)	(9,530,415)
Cash paid to employees	(19,220,123)	(19,028,707)
Cash paid for fringe benefits and payroll taxes	(6,612,897)	(6,049,899)
Advances to employees	(2,417)	(2,944)
Net cash provided by operating activities	2,576,574	2,445,126
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer to Transportation Research Fund	(1,683,551)	(2,860,341)
Non capital financing interest expense	(130,502)	(130,069)
Cash used in noncapital financing activities	(1,814,053)	(2,990,410)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of long-term debt	(219,000)	(219,609)
Additions to property and equipment	(68,494)	(395,449)
Proceeds on sale of property	-	-
Restricted cash	(6,453)	9,591
Net cash used in capital and related financing activities	(293,947)	(605,467)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	216,553	259,107
Purchase of investments	(1,863,717)	(2,064,136)
Proceeds from sale of investments	1,683,551	2,860,341
Net cash provided by investing activities	36,387	1,055,312
Increase in cash and cash equivalents	504,961	(95,439)
Cash and cash equivalents, beginning of year	1,412,952	1,508,391
Cash and cash equivalents, end of year	$ 1,917,913	$ 1,412,952
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 2,253,908	$ 1,383,767
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	532,877	586,036
Provision for bad debt expense	-	0
(Increase)/Decrease in trade accounts receivable	(1,165,676)	843,400
Decrease/(Increase) in receivable from HAM	248,808	(138,547)
Increase/(Decrease) in payable to HAM	246,414	(176,155)
Decrease in supplies and prepaid expenses	(3,949)	(25,737)
(Decrease)/Increase in trade accounts payable	(167,856)	105,542
Increase in accrued payroll and related expenses	627,206	13,785
Increase/(Decrease) in deferred revenue	4,842	(146,965)
Net cash provided by operating activities	$ 2,576,574	$ 2,445,126
SUPPLEMENTAL CASH FLOW INFORMATION		
Unrealized gain on investments	$ 751,381	$ 310,679

The accompanying notes are an integral part of these financial statements.

1. DESCRIPTION OF THE BUSINESS

The Transportation Research Center of Ohio (the "Center") was created by the General Assembly of the State of Ohio in October 1972. On January 26, 1988, substantially all of the assets of the Center were sold to Honda of America Manufacturing ("HAM"). The corporation is organized exclusively for educational, charitable, and scientific purposes within the meaning of Section 501(c)(3) and Section 509(a)(3) of the Internal Revenue Code by conducting and supporting humanistic, scientific and engineering research and development activities solely and exclusively to the conduct of, or providing assistance in connection with the conduct of, research in automotive, vehicular and related forms of transportation, and for the development of improved highway facilities for vehicular traffic.

In conjunction with the sale, the legislation which initially established the Transportation Research Board was repealed. The Center was reincorporated as a not-for-profit organization, Transportation Research Center Inc. ("TRC"), with The Ohio State University Affiliates, Inc. ("OSU") as the sole shareholder of the corporation. TRC is considered a component unit of OSU. Therefore, TRC's financial statements are consolidated with OSU's for purposes for complying with OSU's reporting requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of TRC's significant accounting policies applied in preparation of the financial statements is as follows:

Basis of Accounting - The financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. Proprietary fund types are presented using the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. All assets and liabilities associated with operation of these funds are included in the statement of net assets. The statements of revenues, expenses, and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. TRC follows applicable Government Accounting Standards Board ("GASB") guidance and Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict, GASB pronouncements. The proprietary fund types are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. Differences between amounts earned and received are shown as receivables. Differences between expenses incurred and paid are shown as liabilities.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant customers - TRC derives a substantial portion of total revenues from a limited number of commercial enterprises and government agencies. For the year ended June 30, 2008, the revenue from the four highest volume commercial enterprises and one government agency was $27,336,318 and $7,909,562, respectively. For the year ended June 30, 2007, revenue from these sources was $25,209,084 and $7,591,884, respectively. The above amounts are exclusive of revenues related to the HAM management agreement.

Revenue Recognition - TRC derives revenue from facility usage, personnel charges, cost reimbursement and management of the facility. Revenues for facility usage are remitted to HAM as described in Note 6 and are included in direct expenses. Revenue is recognized on the percentage of completion basis. TRC evaluates the credit of customers and establishes its allowance for doubtful accounts based on its evaluation of credit risk related to individual customers. TRC does not require collateral with its receivables.

Included in accounts receivables are $420,836 and $484,809 of unbilled accounts receivable for fiscal years 2008 and 2007, respectively. Unbilled accounts receivable represent revenue recognized in excess of amounts billed.

Cash and Cash Equivalents - TRC considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash is held in one bank at June 30, 2008 and 2007.

Restricted Cash - TRC is required to deposit funds monthly into a sinking fund as part of its long-term debt agreement (see Note 7). TRC does not have access to these funds once they are deposited into the sinking fund.

Investments - Investments consist of amounts invested in The Ohio State University Endowment Fund and are recorded at fair value, as reported by The Ohio State University's Office of the Treasurer. TRC realized a net of gain of $172,439 and $170,746, during 2008 and 2007, respectively. The calculation of realized gain or loss is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in a given year may have been recognized as an increase or decrease in the fair value of investments reported in prior years. The net change in the value of investments during 2008 and 2007, is a loss of $751,381 and a gain of $310,679, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during each respective year. The cumulative unrealized (loss)/gain on investments held at June 30, 2008 and 2007, is ($142,175) and $609,206, respectively.

Deposit and Investment Risk Disclosures - In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB No. 3*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments fair values that are highly sensitive to changes in interest rates. TRC has presented the required information in Note 4.

GASB Pronouncements - During 2008, the provisions of GASB Statement No. 45 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, and GASB Statement No. 50 – Pension Disclosures were adopted by TRC. These new pronouncements required additional disclosures related to TRC's retirement plans and other postemployment benefits other than pensions. Such additional disclosures are provided in Note 10 to these financial statements. The following summarizes other GASB Statements issued which will become effective in subsequent financial statement reporting years:

- GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation, effective for periods beginning after December 15, 2007.
- GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, effective for periods beginning after June 15, 2009.
- GASB Statement No. 52, Land and Other Real Estate Held as Investments by Endowments, effective for periods beginning after June 15, 2008.
- GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, effective for periods beginning after June 15, 2009.

Management does not expect any of the new statements to have a significant impact on the financial reporting of TRC.

Property and Equipment - Property and equipment is recorded at cost. Depreciation is provided for in amounts sufficient to allocate the cost of depreciable assets to operations over their estimated service lives, which range from 3 to 15 years, on the straight-line method. TRC removes the asset cost and related accumulated depreciation from the appropriate accounts and reflects any gain or loss in current operations upon sale or retirements.

Compensated Absences - Employees are granted vacation and sick leave in amounts which vary by length of service. The policy prohibits employees from accumulating unused compensated absences.

3. INCOME TAXES

In July 1989, TRC received Internal Revenue Service ("IRS") approval of its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. In addition, because of its relationship as a supporting organization of OSU, TRC has received qualification from the IRS as a public charity and, therefore, is not subject to various taxes and restrictions applicable to other organizations, such as private foundations.

TRC is subject to unrelated business tax for the leasing of certain TRC employees. Unrelated income tax expense in 2008 is estimated to be approximately $266,184 and was approximately $169,000 for 2007.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at June 30, 2008 and 2007 were as follows:

	2008	2007
Cash on hand	$ 600	$ 600
Cash in bank	1,917,313	1,412,352
Investment in The Ohio State University Endowment Fund	4,092,763	4,491,539
Total	$ 6,010,676	$ 5,904,491

At June 30, 2008 and 2007, $100,000 of the bank balances were covered by federal deposit insurance while the remaining portions of $1,817,313 and $1,312,352, respectively, were uninsured but collateralized by pools of securities pledged by the depository bank and held in the name of the bank. The investment in The Ohio State University Endowment Fund includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in TRC's name.

Investments in pooled shares of The Ohio State University Endowment Fund endowment at June 30, 2008 and 2007, are as follows:

	2008	2007
Common stock	$ 711,778	$1,476,240
Equity mutual funds	1,514,082	1,346,656
U.S. government obligations	43,000	78,410
U.S. government agency obligations	73,975	111,169
Corporate bonds and notes	50,466	168,017
Bond mutual funds	217,590	187,136
International bonds	-	33,213
Partnerships & hedge funds	1,190,340	685,407
Real Estate	194,094	285,800
Other	97,438	119,491
Total	$4,092,763	$4,491,539

Additional Risk Disclosures on Deposits and Investments:

GASB Statement Nos. 3 and 40 require certain additional disclosures related to the interest-rate, credit and foreign currency risks associated with deposits and investments.

Interest-rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of TRC's interest-bearing investments at June 30, 2008 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 43,000	$ -	$ 12,482	$ 24,709	$ 5,809
U.S. agency obligations	73,975	1,415	4,878	16,046	51,636
Corporate bonds	50,466	2,242	16,148	18,925	13,151
Bond mutual funds	217,590	807	91,090	93,196	32,497
Total	$385,031	$ 4,464	$124,598	$152,876	$103,093

The maturities of TRC's interest-bearing investments at June 30, 2007 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 78,410	$ 3,898	$ 9,336	$ 53,540	$ 11,636
U.S. agency obligations	111,169	4,404	24,088	18,240	64,437
Corporate bonds	168,017	6,611	44,836	69,918	46,652
Bond mutual funds	187,136	15,043	65,918	80,023	26,152
International bonds	33,213	-	5,672	6,023	21,518
Total	$577,945	$ 29,956	$149,850	$227,744	$170,395

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information - as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Services, Standard & Poor's, or Fitch Ratings - provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of TRC's interest-bearing investments at June 30, 2008 are as follows:

Credit Rating (S&P)	Total	U.S. Govt & Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
AAA	$ 276,420	$ 116,161	$ 6,129	$ 154,130	$ -
AA	40,519		8,610	31,909	-
A	38,912		17,971	20,941	-
BBB	18,491		7,928	10,563	-
BB	1,426		1,379	47	-
B	4,793		4,793	-	-
CCC	1,122		1,122	-	-
CC	160		160	-	-
C	-		-	-	-
Not rated	3,188	814	2,374	-	-
Total	$385,031	$ 116,975	$ 50,466	$217,590	$ -

The credit ratings of TRC's interest-bearing investments at June 30, 2007 are as follows:

Credit Rating (S&P)	Total	U.S. Govt & Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
AAA	$273,063	$187,488	$ 17,977	$ 67,598	$ -
AA	24,794	1,378	13,556	9,434	426
A	60,044	-	32,066	27,978	-
BBB	37,469	-	28,835	6,515	2,119
BB	51,132	-	9,252	27,441	14,439
B	75,658	-	38,028	35,757	1,873
CCC	24,795	-	13,986	10,809	-
CC	-	-	-	-	-
C	-	-	-	-	-
Not rated	30,990	713	14,317	1,604	14,356
Total	$577,945	$189,579	$168,017	$187,136	$ 33,213

Foreign currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

At June 30, 2008, TRC's exposure to foreign currency risk is as follows:

	Totals	Common Stocks	Equity Mutual Funds	Bond Mutual Funds	International Bonds
Australian Dollar	$ 46,736	$ 8,568	$ 37,906	$ 262	$ -
Brazilian Real	33,090	13,033	20,057	-	-
Canadian Dollar	76,261	17,860	57,081	1,320	-
EURO	443,444	123,766	289,128	30,550	-
Hong Kong Dollar	32,554	20,092	12,462	-	-
Japanese Yen	217,488	76,276	120,036	21,176	-
New Taiwan Dollar	22,870	10,509	12,361	-	-
Norwegian Kroner	19,732	13,158	6,426	148	-
Great Britain Pound Sterling	85,695	51,977	29,426	4,292	-
South African Rand	21,382	13,861	7,521	-	-
South Korean Won	36,659	22,199	14,460	-	-
Swedish Krona	20,016	7,574	12,072	370	-
Swiss Franc	50,518	10,723	39,441	354	-
Other Foreign Currencies	99,763	24,516	74,317	930	-
Total	$1,206,208	$ 414,112	$ 732,694	$ 59,402	$ -

At June 30, 2007, TRC's exposure to foreign currency risk is as follows:

	Totals	Common Stocks	Equity Mutual	Bond Mutual	Corp. Bonds	Int. Bonds
Argentina Peso	$ 40,567	$ -	$ 36,855	$ -	$ -	$ 3,712
Brazilian Real	28,365	9,105	17,335	1,925	-	-
Canadian Dollar	73,860	15,291	55,331	3,238	-	-
EURO	391,834	111,047	254,318	26,469	-	-
Hong Kong Dollar	26,299	15,595	10,704	-	-	-
Japanese Yen	242,796	69,852	148,303	24,641	-	-
New Taiwan Dollar	17,628	6,920	10,708	-	-	-
Norwegian Krone	25,579	14,734	10,845	-	-	-
Great Britain Pound Sterling	208,329	49,759	154,777	3,793	-	-
South African Rand	27,493	16,209	9,298	1,986	-	-
South Korean Won	33,202	17,752	15,450	-	-	-
Swedish Krona	30,861	7,954	21,724	1,183	-	-
Swiss Franc	52,672	7,976	44,304	392	-	-
Other Foreign Currency	134,184	33,032	78,905	18,274	760	3,213
Total	$1,333,669	$375,226	$868,857	$81,901	$ 760	$ 6,925

5. PROPERTY

The property balance at June 30, 2008 consists of the following:

	Balance June 30, 2007	Additions	Disposals/ Transfers	Balance June 30, 2008
Capital Assets:				
Vehicles	$ 2,794,268	68,494	(57,125)	2,805,637
Testing equipment	814,844		-	814,844
Leasehold improvements furniture and fixtures	3,120,585	-	-	3,120,585
Total capital assets	6,729,697	68,494	(57,125)	6,741,066
Less accumulated depreciation				
Vehicles	(2,158,233)	(325,074)	57,125	(2,426,182)
Testing equipment	(803,011)	(11,883)	-	(814,844)
Leasehold improvements, furniture and fixtures	(1,778,118)	(195,970)	-	(1,974,088)
Total accumulated depreciation	(4,739,362)	(532,877)	57,125	(5,215,114)
Property - net	$ 1,990,335	(464,383)	-	$ 1,525,952

The property balance at June 30, 2007 consist of the following:

	Balance June 30, 2006	Additions	Disposals/ Transfers	Balance June 30, 2007
Capital Assets:				
Vehicles	$ 2,433,819	395,449	(35,000)	$ 2,794,268
Testing equipment	814,844	-	-	814,844
Leasehold improvements, furniture and fixtures	3,120,585	-	-	3,120,585
Total capital assets	6,369,248	395,449	(35,000)	6,729,697
Less accumulated depreciation				
Vehicles	(1,845,573)	(347,660)	35,000	(2,158,233)
Testing equipment	(760,148)	(42,863)	-	(803,011)
Leasehold improvements, furniture and fixtures	(1,582,605)	(195,513)	-	(1,778,118)
Total accumulated depreciation	(4,188,326)	(586,036)	35,000	(4,739,362)
Property - net	$ 2,180,922	(190,587)	-	$ 1,990,335

6. MANAGEMENT AGREEMENT

Under the terms of the Management Agreement with HAM, TRC remits to HAM certain revenues for use of the facilities (owner revenues). Additionally, expenses for repairs and capital improvements made by TRC are reimbursed by HAM (owner expenses).

For the years ended June 30, 2008 and 2007 the amounts of transactions with HAM are as follows:

	2008	2007
Owner revenues	$ 6,873,318	$ 6,247,785
Owner expenses	$ 5,220,344	$ 4,259,510

At June 30, 2008 and 2007, there was a receivable from HAM for owner expenses of $654,565 and $903,373, respectively. In addition, at June 30, 2008 and 2007, there was a payable to HAM for owner revenues earned of $885,286 and $638,872, respectively.

TRC also earns operational revenues from HAM outside of the Management Agreement. These revenues were $21,464,411 and $17,719,680 for the years ended June 30, 2008 and 2007, respectively. Trade accounts receivable at June 30, 2008 and 2007 included $4,740,776 and $4,380,895, respectively, related to these operational revenues.

7. LONG - TERM DEBT

Long-term debt as of June 30, 2008 and 2007, is summarized as follows:

	Balance June 30, 2007	New Debt	Reduction	Balance June 30, 2008	Current Portion	Noncurrent Portion
Note with floating interest rate of 2.98% and 5.38%, at June 30, 2008 and 2007	$1,906,000	-	(219,000)	$1,687,000	$234,000	$1,453,000
Total	$1,906,000	-	(219,000)	$1,687,000	$234,000	$1,453,000

In January 1999, TRC entered into a promissory note agreement (the "Note") for $3.2 million with a lending institution. The Note bears interest at a floating rate of interest, which is adjusted weekly by the lender. Interest on the Note is due monthly and principal payments are due in semi-annual installments through January 1, 2014.

The lending institution made the loan from proceeds received from the sale of the Lender's Floating Rate Option Notes. The Floating Rate Option Notes of the lender are secured by an initial $3.2 million letter of credit ("LOC") issued by a bank. The available LOC balance decreases semi-annually in conjunction with the scheduled payments on the Note. The LOC bears interest at a rate of prime plus 2% and expires on January 6, 2009 with the option to extend the expiration date, subject to certain conditions set forth in the agreement. There were no amounts outstanding on the LOC as of June 30, 2008.

In January 1999, TRC also entered into a reimbursement agreement with the bank that issued the LOC. Under the reimbursement agreement with the bank, TRC is required to make monthly principal and interest payments into a sinking fund account on the first of each month through January 1, 2014. The sinking fund is owned by TRC, but use of the funds is restricted to payment of the scheduled semi-annual payments on the Note. The Reimbursement Agreement contains restrictive covenants and warranties, which, among others, requires TRC to maintain complete and accurate accounting records. In addition, in order to secure the payment of amounts due under the Reimbursement Agreement, TRC assigned to the bank its interest in certain leaseholds, buildings, and land created by the Ground and Existing Building Lease with HAM (see Note 11) as well as future rental payments received from the sublease of the same leasehold, building and land.

In the event that the LOC agreement is not extended after January 6, 2009, the entire unpaid principal amount due on the Note and therefore the reimbursement agreement becomes due and payable on January 6, 2009. Annual maturities of long-term debt are as follows:

June 30:	Principal	Interest
2009	$ 234,000	$ 93,370
2010	252,000	79,704
2011	269,000	65,036
2012	290,000	49,307
2013 - 2014	642,000	46,786
Total Outstanding	$1,687,000	$ 334,203
Current Portion	(234,000)	
Long Term Portion	$1,453,000	

In 1999, TRC entered into an interest rate swap agreement with a bank for a total notional amount of $3.2 million maturing on January 1, 2009, to mitigate potential interest rate fluctuations on variable rate long-term debt. TRC is exposed to credit loss only in the event of nonperformance by the bank on the interest rate swap, which TRC does not anticipate. The notional amounts as of June 30, 2008 and 2007 were $1,572,000 and $1,798,000, respectively. The fair value of the interest rate swap at June 30, 2008 and 2007 is an unrealized loss of $31,904 and $15,870, respectively, which represents the amount at which it could be settled, based on estimates obtained from the bank.

8. DEFERRED COMPENSATION PLAN

TRC's employees are able to participate in a deferred compensation plan (the"Plan") created in accordance with Internal Revenue Code Section 457. The Plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

As a result of the implementation of GASB Statement No. 32 in fiscal 1999, all amounts of compensation deferred under the Plan, all property and rights purchased with these amounts and all income attributable to those amounts, property or rights (until paid or made available to the employee or other beneficiary) are solely the property and rights of the Ohio Public Employees Deferred Compensation Program ("OPEDC"). Accordingly, TRC has not recorded any deferred compensation assets or liabilities in the financial statements.

9. NET ASSETS

TRC's Articles of Incorporation stipulate that TRC shall, within 120 days of the end of its fiscal year, transfer any accumulated surplus in excess of its January 27, 1988 net assets (contributed capital) to the Transportation Research Fund of The Ohio State University (the "Fund"). At June 30, 2008 and 2007 no amounts were due to the Fund. Upon the ultimate dissolution of the organization, any remaining funds are to be transferred to the Fund. At June 30, 2008 and 2007 the net assets were comprised of the following:

	2008	2007
Investment in property & equipment - net of related debt	$ 1,525,952	$ 1,990,335
Restricted - accumulated surplus	4,002,434	4,002,434
Unrestricted net assets	5,477,371	4,935,522
Total net assets	$11,005,757	$ 10,928,291

The accumulated surplus balance includes a cumulative unrealized (loss) gain at June 30, 2008 and 2007 of $(142,175) and $609,206, respectively.

10. DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS

TRC and all of its employees are required to make contributions to the Social Security Administration. A portion of TRC's employees participate in the Public Employees Retirement System of Ohio ("OPERS"), a cost sharing, multiple employer defined benefit pension plan. OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. For 2007, the member and employer contribution rates were 9.5% and 13.77%, respectively.

TRC's total PERS payroll for the years ended June 30, 2008, 2007 and 2006 was $1,497,643, $1,539,310, and $1,711,202, respectively. TRC's employer contributions to PERS for the years ended June 30, 2008, 2007 and 2006 were $209,670, $211,963, and $227,761, respectively, equal to 100% of the required contributions for each year.

Post-Employment Benefits Other Than Pension

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts very depending on the number of covered dependents and the coverage selected.

TRC's employer contributions to PERS for the years ended June 30, 2008, 2007 and 2006 were $209,670, $211,963, and $227,761, respectively, of which the amount of employer contributions used to fund post-employment benefits is estimated to be $91,353, $73,283, and $72,064, respectively.

The Health Care Preservation Plan ("HCPP") adopted on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

11. LEASES

As an agent for HAM, TRC leases various buildings to TRC's customers. Lease terms range from one to fifteen years with various renewal option features. The leases are accounted for as operating leases. At June 30, 2008, future minimum lease receipts are due as follows:

2009	$ 1,043,664
2010	1,043,664
2011	1,043,664
2012	1,043,664
2013-2014	2,087,328
Total	$ 6,261,984

TRC leases office space from HAM under agreements with terms expiring through July 31, 2012. These operating leases contain renewal options with an indefinite term. The lease amount is subject to annual adjustment based on the consumer price index. As of June 30, 2008, future minimum rental payments under operating leases with initial terms in excess of one year are summarized as follows:

2009	$ 969,350
2010	969,350
2011	969,350
2012	969,350
2014	969,350
Total	$4,846,750

Rental expense charged to operations was $914,936 and $914,958 during 2008 and 2007, respectively.

12. RISK MANAGEMENT

During the course of the year TRC is subjected to certain types of risks in the performance of its normal functions. These risks include risks that TRC might be subjected to by its employees in the performance of their normal duties. TRC manages these types of risks through commercial insurance.

13. EMPLOYEES' RETIREMENT SAVINGS PLAN AND TRUST

TRC maintains the Employees' Retirement Savings Plan and Trust (the "Plan"). The Plan is intended to comply with Section 401(a) of the Internal Revenue Code. All employees are eligible to participate in the Plan. Employer contributions to the Plan are determined solely at the discretion of TRC's board of directors. For the years ended June 30, 2008 and 2007, TRC expended $464,662 and $615,794, respectively, for contributions to the Plan.

14. SUBSEQUENT EVENT

TRC through its investment in the Ohio State University Endowment Fund invests in publicly traded securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. As a result, a significant downturn in the securities markets could adversely affect the market value of University assets. Subsequent to June 30, 2008, conditions in the worldwide debt and equity markets have deteriorated significantly. These conditions have had a negative effect on the fair value of the University's investments since June 30, 2008. University management continues to monitor its investment portfolio as conditions evolve.

PARMS & COMPANY, LLC
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Transportation Research Center Inc.

We have audited the financial statements of Transportation Research Center, Inc. ("TRC") as of and for the year ended June 30, 2008, and have issued our report thereon dated November 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the TRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the TRC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TRC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of TRC's management, The Ohio State University and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than those specified parties.

Parms & Company, LLC

November 11, 2008

TRANSPORTATION RESEARCH CENTER INC.
EMPLOYEES' RETIREMENT SAVINGS PLAN
AND TRUST

Financial Statements
As of and For the Years Ended
December 31, 2007 and 2006

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

TRANSPORTATION RESEARCH CENTER INC.
EMPLOYEES' RETIREMENT SAVINGS PLAN AND TRUST

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Transportation Research Center Inc.
Employees' Retirement Savings Plan and Trust

We were engaged to audit the financial statements of Transportation Research Center Inc. Employees' Retirement Savings Plan and Trust (the "Plan") as of and for the years ended December 31, 2007 and 2006 and the supplemental schedule as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information, summarized in Notes 3 and 4, which was certified by Reliance Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the 2007 and 2006 financial statements and the supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2007 and 2006, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to express, and do not express, an opinion on the accompanying financial statements and supplemental schedule as of and for the years ended December 31, 2007 and 2006 taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Parms & Company, LLC

October 6, 2008

TRANSPORTATION RESEARCH CENTER, INC.
EMPLOYEES' RETIREMENT SAVINGS PLAN AND TRUST

Statements of Net Assets Available for Benefits
For the Years Ended December 31, 2007 and 2006

	2007	2006
ASSETS:		
Cash	$ -	$ -
Investments - at fair value		
Fixed Income Funds	2,343,982	1,300,386
Equity Funds	7,836,444	7,752,784
Total Investments	10,180,426	9,053,170
Accounts receivable		
Employer contribution receivable	87,399	198,243
Employee contribution receivable	-	-
Total accounts receivable	87,399	198,243
Other - participant loans	381,984	255,968
Total assets	$ 10,649,809	$ 9,507,381
LIABILITIES:		
Benefits payable	$ -	$ -
NET ASSETS AVAILABLE FOR BENEFITS	$ 10,649,809	$ 9,507,381

See notes to the financial statements.

TRANSPORTATION RESEARCH CENTER, INC.
EMPLOYEES' RETIREMENT SAVINGS PLAN AND TRUST

Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2007 and 2006

	2007	2006
ADDITIONS:		
Employer contributions	$ 513,434	$ 634,745
Employee contributions	712,029	713,289
Interest from participant loans	20,421	15,159
Interest and dividends	730,841	421,974
Net (loss) gain in fair value of investments	(67,356)	548,314
Other	-	4,131
Total additions	1,909,369	2,337,612
DEDUCTIONS:		
Benefits paid	728,031	308,003
Loan initiation fees	4,125	3,250
Administrative expenses	34,785	26,357
Total deductions	766,941	337,610
INCREASE IN NET ASSETS	1,142,428	2,000,002
NET ASSETS AVAILABLE FOR BENEFITS:		
Beginning of year	9,507,381	7,507,379
End of Year	$ 10,649,809	$ 9,507,381

See notes to the financial statements.

TRANSPORTATION RESEARCH CENTER INC.
EMPLOYEES' RETIREMENT AND SAVINGS PLAN AND TRUST

Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

NOTE 1 - PLAN DESCRIPTION

The following description of Transportation Research Center Inc. (the Company) Employees' Retirement Savings Plan and Trust (the "Plan") provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General - The Plan was adopted by Transportation Research Center Inc. (the "Company") effective July 1, 1992 and was amended and restated on January 1, 2003. The purpose of the Plan is to provide an opportunity for employees to increase their savings and provide additional income upon retirement. The Plan is a defined contribution with a cash or deferred arrangement. Employees age 50 or older may make "catch-up contributions" with certain restrictions. There are two types of employer contributions: safe harbor matching and profit-sharing contributions. Participants should refer to the Plan Agreement for more complete information.

Employees are eligible to participate in the Plan and make tax-deferred contributions after completing one year of eligibility service. An eligible employee may authorize the Company to withhold from 1% to 75% of their compensation. Tax-deferred contributions could not exceed $15,000 for the 2007 Plan Year.

Vesting - Participants are immediately vested in their voluntary contributions and employer safe harbor matching contributions. Participants become vested in employer profit-sharing contributions after completing five years of continuous employment. Non-vested employer contributions for terminated participants are forfeited by the participant and are used to first reinstate previously forfeited account balances of re-employed participants. The remaining forfeitures, if any, are allocated to the employer contribution accounts of eligible participants.

Plan Termination - While the Company has not expressed any intent to terminate the Plan, the event of any such termination, the Plan provides that participants would be entitled to receive the amounts allocated to their respective participant accounts.

Contributions - Employer profit sharing contributions are determined annually based on the discretion of the Board of Directors of the Company.

NOTE 1 - PLAN DESCRIPTION (continued)

Tax Status - The Plan obtained its latest determination letter on April 23, 1999, in which the Internal Revenue Service (IRS) stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended and restated since receiving the determination letter, and the Company has not applied for an updated IRS determination letter. However, the Company believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code, and the Plan and related trust continue to be tax-exempt. Therefore, no provisions for income taxes have been included in the Plan's financial statements.

Participant Accounts - Each participant's account is credited with the participant's contribution, proportionate share of the Company's contribution and Plan's earnings, and charged with withdrawals and loan fees, as applicable. Each participant is entitled only to the benefit that can be provided from the participant's account.

Investments - Upon enrollment into the Plan, a participant may direct employee and employer contributions in 1% increments into various investment options. The Plan currently offers 14 mutual funds as investment options for participants. Participants may reallocate their investments at any time during the year.

Participant Loans - The Plan makes loans to participants and beneficiaries not to exceed the lesser of one-half of the participant's vested account balance or $50,000. Loan terms range up to five years. Loans bear interest at a rate determined by the Plan administrator at the time that the loans are consummated. Principal and interest are paid through payroll deductions.

Payment of Benefits - On termination of service due to death, disability or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a ten-year period.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting - The Plan's financial statements are prepared on the accrual basis of accounting.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition - Investments of the Plan are reflected in the accompanying statements of net assets available for Plan benefits at market value, which is the valuation of the security or interest in a fund at year-end as determined by the quoted market price. All investments are participant-directed. Participant loans are stated at cost which approximates fair value.

The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as, interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Purchases or sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Payments of Benefits - Benefits are recorded when paid.

Administrative Expenses - Plan expenses are paid by the Company, except for participant loan fees and investment consulting fees which are paid by the Plan.

Reclassification – Certain reclassifications have been made to the 2006 financial statement presentations to conform with the 2007 financial statement presentations.

NOTE 3 - INVESTMENTS (UNAUDITED)

The following presents investments at December 31, 2007 and 2006 that represent 5% or more of the Plan's net assets:

	2007	2006
Fixed Income Funds:		
Gartmore Morley Invt. Ominbus	$ 628,546	$ 667,283
Goldman Sachs Tr Govt Income Fund	738,780	633,103
Pimco Total Return Fund	976,656	843,401
Equity Funds		
Artisan Mid Cap Fund	597,865	519,723
Dodge & Cox Stock Fund	1,818,877	1,705,610
Goldman Sachs Mid Cap Value Fund	607,164	605,149
Mainstay S&P 500 Index Fund	748,761	686,683
American Growth Fund of America	1,407,779	1,214,764
American Europacific Fund	1,225,635	925,196
Davis New York Venture Fund	584,090	492,975

For the years ended December 31, 2007 and 2006, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, (declined) appreciated in value by $(67,356) and $548,314, respectively, as follows:

	Net Change in Fair Value	
	2007	2006
Fixed Income Funds	$ 74,082	$ 23,912
Equity Funds	(141,438)	524,402
Total (Decline) Appreciation	$ (67,356)	$548,314

NOTE 4 – INFORMATION CERTIFIED BY THE PLAN'S TRUSTEE (UNAUDITED)

The following is a summary of the unaudited information regarding the Plan, included in the accompanying financial statements and supplemental schedule, which was prepared by Reliance Trust Company and furnished to the Plan Administrator. The Plan Administrator has obtained certifications from the trustees that such information is complete and accurate.

	2007	2006
Statements of Net Assets Available for Benefits:		
Investments-at Fair Value		
Fixed Income Funds	$2,343,982	$1,300,386
Equity Funds	7,836,444	7,752,784
Statements of Changes in Net Assets Available for Benefits:		
Interest and Dividends	$ 730,841	$ 421,974
Net (Loss) Gain in Fair Value of Investments	(67,356)	548,314

TRANSPORTATION RESEARCH CENTER, INC.
EMPLOYEES' RETIREMENT SAVINGS PLAN AND TRUST

Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)
As of December 31, 2007

(b) Indentity of Issuer, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value		(e) Current Value
FIXED INCOME FUNDS:			
Gartmore Morley	Invt Omibus Instl CL A; 30,024.822 shares	$	628,546
Pimco	Total Return; 91,361.638 shares		976,656
Goldman Sachs	Govt Income Fund A; 49,219.211 shares		738,780
Total Fixed Income Funds			2,343,982
EQUITY FUNDS:			
American Funds	Growth FD of America CL R; 41,699.621 shares		1,407,779
American Funds	Europacific Fund CL R; 24,434.503 shares		1,225,635
Artisan	Inc Mid Cap Fund IV; 19,323.374 shares		597,865
Columbia Funds	Acorn Fund A; 15,645.917 shares		451,698
Davis New York	Venture Fund A; 14,598.615 shares		584,090
Dodge & Cox	Stock Fund Com; 13,155.483 shares		1,818,877
Goldman Sachs	Small Cap Value FD; 10,505.872 shares		359,406
Goldman Sachs	Mid Cap Value A; 17,175.79 shares		607,164
Mainstay	S & P 500 Index Fund CL A; 22,311.103 shares		748,761
Excelsior	Small Cap Value Fund Shares; 1,577.759 shares		28,850
Vanguard	Balanced Index FD Investor; 287.104 shares		6,319
Total Equity Funds			7,836,444
PARTICIPANT LOANS (Various Participants)	Outstanding balance of participant loans (with interest rates ranging from 5% to 9.25%)		381,984
TOTAL			10,562,410

Mary Taylor, CPA
Auditor of State

TRANSPORTATION RESEARCH CENTER, INC.

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 16, 2008