

What is Part 1065?

- For 30 years EPA has periodically implemented new emission standards and procedures for determining compliance in a variety of applications and conditions:

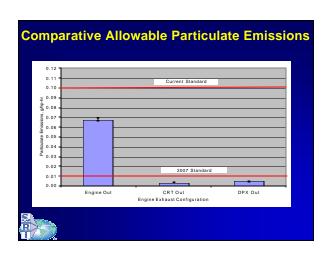
 - off-road

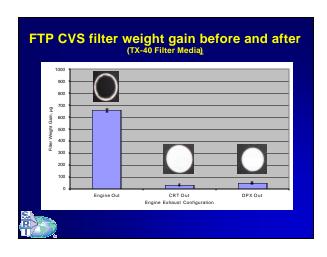
 - fuel typedilute exhaust

 - steady-state cyclestransient cycles
- These procedures are described in the US Code of Federal Regulations (CFR) as "Parts" (e.g. 86, 89, etc)
- Part 1065 consolidates and standardizes measurement procedures



Part 1065 Measurement Challenges Part 1065 also addresses the measurement of extremely low levels of NOx and particulate emissions that are allowable in 2007 and beyond NOx emissions at 0.20 g/bhp-hr Particulate emissions at 0.01 g/bhp-hr NMHC emissions at 0.14 g/hp-hr Test cells require significant equipment and facility upgrades in order to be Part 1065 compliant Pre-2007 - 2.4 g/bhp-hr NOx 2007 - 0.20 g/bhp-hr NOx



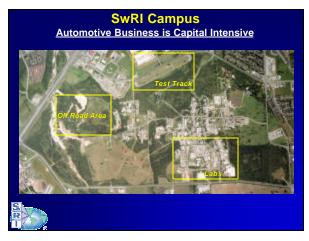


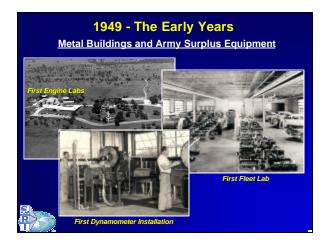
Impact of Part 1065 Part 86 dictates emission measurement requirements is being replaced with the new Part 1065 Procedure will be illegal to use after Part 1065 phases in Part 1065 specifies analyzer accuracy, quench checks, etc. will be useable as an option in 2005 will be REGUIRED for on-lwy 2010 model year for non-road, need will begin in 2008 and be required in 2011 Demand for Part 1065 capable test cells will increase from 2005 on

Southwest Research Institute (SwRI®) SwRI is an independent research, development, test and evaluation laboratory that serves many clients, including the transportation and energy industries and regulatory agencies. Basic Facts about SwRI Founded in 1947 in San Antonio, Texas Nonprofit 501(c)(3) Corporation Expertise in Physical Sciences & Engineering Disciplines 3,000 employees 1,200 acre (4.8 km²) facility 170 Buildings 200,000 m² of laboratory/office space \$399 million research volume (FY'04)



















Facilities & Equipment Challenge

- Clients need Part 1065 compliant cells to evaluate their systems
 - Some clients have began to upgrade their test cells
 - Most are deciding how many to upgrade and when
 - · All are expecting independent test labs to provide this capability
- · SwRI needs this capability to support engine design work as well
- By mid-2005 only 6 of SwRI's test cells were being upgraded to Part 1065
- Emissions benches require 6 8 months (or more) lead time for delivery
- Test cells cannot be upgraded simultaneously due to business interruption



Facility & Equipment Upgrade Estimate

- Upgrade 11 Existing Transient Test Cells \$4,000k
- Convert 3 Additional Test Cells to Transient Capability \$3,000k
- Additional Equipment \$2,400k



Total above = \$9.4M

Why Independent Labs?

 Independent labs, such as SwRI, remain critical in supporting the research, engineering, development, and qualification needs of the transportation and energy industries by providing a cost effective alternative which reduces the demand for duplicate dedicated facilities thereby keeping overall costs down



Conclusion

- Part 1065 facility & equipment upgrades represent more than 75% of the total annual capital equipment budget for SwRI
- On-going business demands for test cells prohibit removing more than 20% from service at any time, which dictates a five-year upgrade program to meet 2011 target
- Emissions lab must generate additional business to offset increased depreciation costs of Part 1065 upgrade
- Past experience indicates the investment will be recovered
- · SwRI is committed to this upgrade program

