

2004 Consolidated Annual Report



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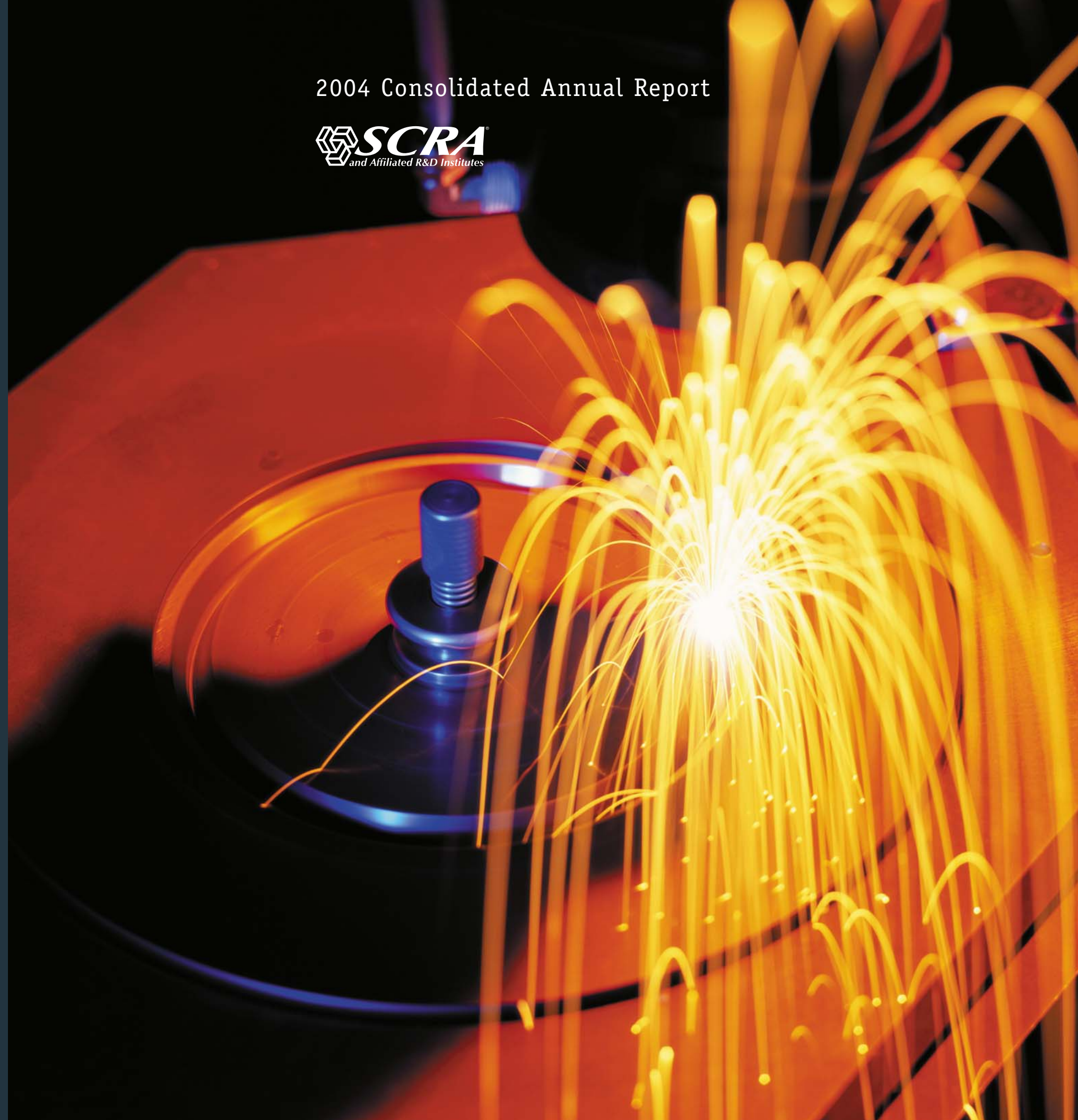
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Technology Solutions

At SCRA and our affiliated institutes, we develop technology solutions to meet the complex needs of customers in government and business.

To do that, we assemble multi-organization teams that can include governmental groups, universities, major corporations, technology companies, consultants and our own staff of specialists in disciplines ranging from computer science to advanced metallurgy.

Working with these collaborative teams, we identify applicable technologies and use innovative strategies to adapt them to client needs. In addition, our projects often make use of SCRA capabilities to ensure that customers are able to implement and use the new technologies effectively.

In our 21 years of operation, SCRA and our affiliated institutes have emerged as international leaders in

this unique field of consortium management, attracting more than \$68 million in annual revenue. Current customers include groups within the Department of Defense, Department of Justice, Department of Transportation, Department of Energy, and Department of Commerce as well as private industry, medical centers, state and regional transportation departments, and security/law enforcement agencies.

SCRA also works to enhance research infrastructure within South Carolina. We support the efforts of faculty at state academic centers to secure project grants and build new capabilities, and we manage a system of research parks that attracts technology companies. These parks are now home to 40 technology-oriented firms employing nearly 6,000 people.

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SCRA & Affiliated Institutes

-  **Applied Research and Development Institute - ARDI**
Clemson University affiliate that manages development of innovative solutions for materials applications and technology transfer between industry, universities and government.
-  **Integrated Solutions Group - ISG**
R&D operation that increases the value of information being created, used and managed by its customers.
-  **Advanced Technology Institute - ATI**
Affiliated R&D corporation advancing technology through collaborations with industry, government and universities.
-  **Experimental Program to Stimulate Competitive Research - EPSCoR**
Federal and state R&D partnership that builds and enhances South Carolina's academic research infrastructure.
-  **Biomedical Applications Research Institute - BARI**
Medical University of South Carolina affiliate that enhances neuroimaging and brain stimulation research through advanced informatics and collaborative research.

Letter from the President



I'm pleased to report another outstanding year for SCRA. Revenues grew by nearly 13 percent to \$68 million, and our backlog of contract revenue topped \$90 million for the first time. It is even more gratifying to point out the unique contributions our collaborative teams are making. We're developing technology solutions that address some of our country's most urgent concerns in national defense, public safety and healthcare. You'll see some of those stories in this report, but there are many more. And given the remarkable capability of our staff, our growing range of customer contacts and our expanding relationships with partners from business and academia, the scope of projects we can tackle is increasing steadily. Whatever the challenge, we can bring the best technology, expertise and systems together to address it.

Dr. Larry E. Druffel
President, Director & Chief Executive Officer

Executive Management Team

Dr. John Bradham
SCRA Vice President
Integrated Solutions Group

Jack Corley
ATI Senior Vice President & Chief Technology Officer

Deb Davidson
SCRA Vice President
Human Resources

Rob Davis
SCRA Vice President
Technology Development

Robert Kiggans
ATI President & Chief Executive Officer

Jon Monson
SCRA Vice President,
Chief Financial Officer,
Administrative Officer

Dave Ramsey
BARI Director,
CCIT Director

Henry Watson
SCRA Vice President
Applied Research & Development Institute





Improving weapon system performance with advanced composites

Clients: Naval Surface Warfare Center (NSWC), U.S. Army Research, Development & Engineering Command (ARDEC), U.S. Air Force Research Lab (AFRL), Office of Naval Research (ONR)

The core project of the composites technology business unit is the Composites Manufacturing Technology Center (CMTC). The CMTC was formed under a cooperative agreement with the Office of Naval Research and is geared for customers of the Navy MANTECH program – from acquisition officers and program managers to logistics managers at shipyards and depots.

Working with 27 consortium members from industry, institutes and academia, the center identifies and develops composites manufacturing capabilities that enable component fabrication that can enhance the performance of Navy weapon systems. Composites offer attrac-

tive alternatives to traditional materials because they reduce weight, lower costs and eliminate maintenance problems associated with metal corrosion. Applications include aerospace (including unmanned vehicles), next generation CVN 21 aircraft carriers, surface ships, under-sea vehicles and land vehicles.

Capabilities developed by CMTC have applications in other government projects as well as private industry, and ARDI continues to explore collaborative relationships that can benefit customers in all areas of the public and private sectors.

Collaborating to solve supply chain problems

Clients: Brown North American Logistics, Cryovac Sealed Air, Dräxlmaier Automotive, Kemet Electronics, Michelin North America, Mitsubishi Polyester Film, Sonoco Products, WS Packaging Group

The newest of the ARDI initiatives is the Supply Chain Consortium (SCC), a year-old collaboration of private industries who address a common list of supply chain business problems. The goals are similar to those of other supply chain groups: sharing ideas and experiences, researching new practices, leveraging combined resources to promote regulatory change and building shared expertise in areas like global logistics, satellite hub operations, software interfaces, transportation and warehousing.

Beyond those similarities, this self-funded SCC differs from many others in ways that result in important advantages. The consortium has no geographic or industry-specific focus, so membership includes a wide diversity of business specialties, including groups that may approach supply chain issues from uniquely useful perspectives. In addition, it is not physically located on a university campus. Instead, it

draws on a nationwide pool of academic talent, including experts from the South Carolina resources, and even other SCCs.

Benefits to members come from both informal contacts and structured activities. Discussions between supply chain counterparts at member companies can cross-fertilize good ideas, and the consortium also organizes conferences where authorities on supply chain solutions can review current technologies and ideas. The consortium's first conference focused on advances in radio frequency identification, or RFID. It included hands-on demonstrations of the technologies that gave members direct experience with systems from various suppliers.

On the horizon for the consortium – more collaboration, training and seminars to develop resident experts who can help power new advances in supply chain performance.





Exploring practical application of nanotechnology and advanced materials

Clients: U.S. Air Force Research Lab (AFRL), U.S. Army Research, Development & Engineering Command (ARDEC)

The world of nano-science and technology has received increased emphasis for the future of cutting edge material science applications in information technology, biology and social sciences. Our focus at ARDI is to catalyze the application and commercialization of “nano-engineered applications” employing unique specialty materials that can dramatically change the performance of material-based systems used in strategically important applications.

Nanotechnology deals with matter at the scale of one-billionth of a meter (one nanometer), or 1/75,000th the size of a human hair. This technology develops methods to precisely place, measure and manipulate atoms/molecules to new arrays somewhere in the size range from four to 400 individual atoms. At this atomic scale, the laws of physics provide novel properties that can be harnessed and exploited by scientists to create new building blocks which produce unique materials that are stronger, lighter, tougher and more resilient than current materials.

Over the past year we have focused on building a multidiscipline team from across many of our member technology resource pools to identify research and commercial opportunities. We have begun to optimize the use of advanced materials in high-tech multifunctional coatings. It is envisioned that nanomaterials in multilayered, multifunctional polymeric coatings can: change the properties of the materials enabling them to be transparent when loaded with specialty nano fillers, redirect light, self-heal, inhibit corrosion, change colors, sense chemicals and biosystems. Although these properties have been demonstrated individually in various experimental systems, the materials engineering challenge is to combine many of these properties into unique multilayered coatings for demanding environments and high-tech applications. Recognition for this area of multifunctional multilayer coatings expertise is advancing with our customer base.

Another focus is the use of the unique properties that varying amounts of nanomaterials provided in coatings for personal and system protection from biological and chemical agents, friendly and foe identification systems, light sources such as lasers and laser systems, and transparent Electronic Magnetic Interference (EMI). The use of nanomaterials and specialty optical wave guides in lighting and display applications can reduce the demands on power consumption while functioning in harsh and demanding environments such as those encountered on the battlefield.

Joining forces for seamless port security



Clients: Department of Justice (DoJ), Department of Homeland Security (DHS)

Security of the nation's ports falls to the authority of multiple federal, state, and local law enforcement agencies. To be effective, groups like the Coast Guard, port authority police, and state and local police need to share information, but often their data systems are incompatible. So how can we coordinate operations, intelligence, and responsibilities to keep ports safe?

ISG is working with Project Seahawk, a unique intermodal pilot project in the port of Charleston, South Carolina. It's designed to facilitate *interoperability* of data systems while testing and evaluating other useful new technologies that may have application to seaport security. With funding from the Department of Justice, ISG teams are working with Project Seahawk staff to develop common information systems and databases that are secure, yet they can be shared by enforcement personnel. At the completion of the pilot project, assessments will help guide similar coordination efforts at other U.S. ports.

ISG's unique capability to build collaborative environments has led to other projects to test prototype technologies in law enforcement. One project evaluates the use of the Segway Human Transporter in areas like school security, airports, and shopping malls. Another project team is working with the University of Eastern Kentucky to develop spatial-analysis techniques that use geographic data of serial crimes to determine the probable location of a perpetrator's home, workplace, or frequented areas. We're also working with Oakridge National Laboratories on the use of biometric fingerprint scanners to keep track of prison inmates.



Cutting replacement part cycle time and reducing operational costs

Clients: U.S. Army Tank Automotive & Armaments Command (TACOM), U.S. Army Armaments Research, Development & Engineering Center (ARDEC), U.S. Army Research Office (ARO), Defense Logistics Agency (DLA)

Creating replacement parts for even relatively youthful weapons systems like a 20-year-old Abrams tank often hits common snags – original subcontractors may have gone out of business, and their designs for parts may be available only on paper or in antiquated design programs that modern software can't access. To address the problem, ISG launched a multi-year collaborative project known as NAC-Standardized Exchange of Product data or N-STEP. The project re-creates and archives production data in a form that's usable and available to production shops – either DoD or commercial.

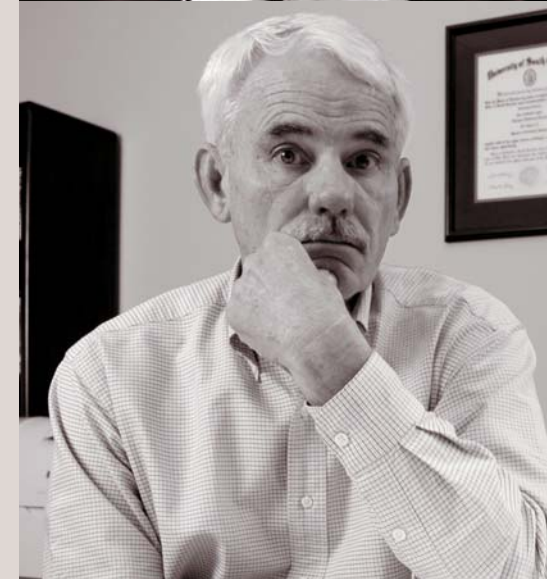
Working with contractors and repair facilities at Army depots, ISG-led teams devised an integrated series of software tools to revise spare-part product data into a standardized electronic format. The package includes STEPTrans, a data translator; STEPValidator, to ensure accurate output; STEPPlan, an automated manufacturing enabler; and PARIS, a database with transfer protocol.

The result has been reductions up to 50 percent in manufacturing cycle time. Today, part information that depot machine shops or contractors had to wait weeks to receive is retrieved almost instantly, in corrected form, and in a 3D format that advanced CAD and CAM workstations can accept. The system's productivity enhancements also promise to expand the pool of contractors willing to accept parts contracts, and the added competition can help keep costs down.

ISG has launched other N-STEP related projects as well. VPERC brings product data engineering expertise to solve defense parts problems under ARO sponsorship. Lean Munitions uses standardization to help ARDEC reduce procurement time and costs in both reengineered and newly designed munitions. QuickSTEP brings standardization advantages to commodity items for the DLA. And AGILE, which will commence in early 2005, will boost efficiency and cut waste by linking TACOM's seven depots together as a STEP-enabled virtual ground systems industrial enterprise.

Senior Army officials are taking notice of ISG's STEP-related accomplishments, too. Over the course of his three-year tenure, the recently departed commander of TACOM became a staunch advocate of STEP as an enabler for the more efficient lifecycle support of the Army's ground combat systems. He directed the formation of an Integrated Process Team at TACOM, with ISG being a charter member, to map out the long-term plan for incorporating STEP and ISG's STEP-based tools across TACOM's organic industrial base. Now ISG is in discussion with executives at the Army Materiel Command (AMC) regarding the potential of integrating STEP into the newly-formed AMC Industrial Enterprise.

Another rapidly expanding project is EMALL, the development of virtual commerce for DoD, DHS, and other federal agencies. ISG continues to lead the EMALL software architecture development effort which will upgrade its functionality, scalability, and maintainability. As part of the distributed EMALL Team, we also host production servers, giving customers round-the-clock availability of electronic procurement, worldwide.





Demonstrating interoperability in warfighter technology

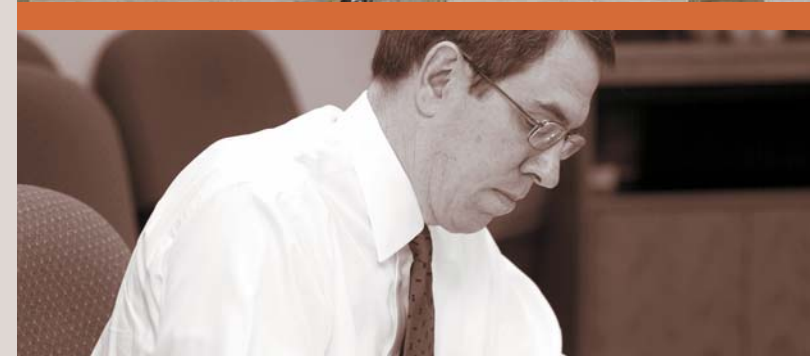
Client: Joint Systems Integration Command (JSIC), formerly the Joint Battle Center (JBC)

To operate at peak effectiveness, the many automated systems supporting our modern warfighter must work together seamlessly – that’s the concept of *interoperability*. For years, ISG’s interoperability business unit has been collaborating with industry and DoD on projects to research this complex problem and develop interoperability solutions. We have created realistic, workable architectural designs, tested candidate system architecture performance in simulated operational environments, and provided many other business and development services to support the JSIC’s Strategic Interoperability Initiative program.

In 2003 and 2004, our teams of specialists took another big step forward by leveraging our expertise to bring a new interoperability demonstration capability online in the JSIC lab complex at Suffolk, Virginia. Called the Interoperability Technology Demonstration Center (ITDC), this one-of-a-kind capability is designed to identify and address interoperability issues early – from a warfighter perspective. By identifying and enabling corrective measures at an early stage, deficiencies can be corrected efficiently and cost-effectively. The lessons are used to allow successful new systems to continue toward completion with greater confidence that their end-performance and interoperability will provide the desired capability to the warfighter.

The ITDC provides realistic interoperability demonstrations by replicating the Joint Command and Control Environment, and by participating in Joint National Training Capability or other exercise events. Demonstrations are divided into two execution phases. The first is a desktop analysis and hands-on demonstration in a lab environment. The second introduces an operational exercise to further explore information exchanges. The initial ITDC demonstration was launched in the fall of 2003, and plans call for expanding the demonstration schedule in coming months.

Collaborating to expand innovation in shipbuilding



Advanced Technology Institute

Clients: U.S. Navy, General Dynamics Marine Systems, Northrop Grumman Ship Systems, Northrop Grumman Newport News, Bender Shipbuilding, Todd Pacific Shipyards, Bollinger Shipyards, VT Halter Marine, Atlantic Marine

The U.S. Navy is building ships at the lowest rate in 50 years, while simultaneously developing new ship designs at an unprecedented rate. The challenge of investing for these new designs while suffering through record low orders requires teamwork, and that’s the focus of ATI’s Advanced Maritime Technology (AMT) business unit. AMT organizes and leads collaborations of government, industry and academia in projects to evaluate new technologies and processes to streamline ship design, construction and repair.

Last year, AMT’s flagship initiative, the National Shipbuilding Research Program, made extraordinary contributions in eBusiness, advanced steel/materials processing technologies, shipyard interoperability, worker safety and Lean manufacturing. The results have been greater innovation in shipbuilding and repair, and lower costs for the U.S. Navy, as well as other customers. AMT also operates the expanding Center for Naval Shipbuilding Technology, a Navy Manufacturing Technology Center of Excellence that coordinates deployment of advanced technologies and standardized practices among major U.S. shipyards, their subcontractors and other Navy Centers of Excellence.

One of the unit’s fastest growing initiatives is the Sea Basing collaboration. The Office of Naval Research leveraged ATI’s proven distributed technology leadership in organizing and managing collaborative R&D efforts to accelerate development of automated cargo handling systems for reduced-manning Navy ships of the future. During the year, this time-critical program expanded into a major driving force impacting design and construction, one that will be of particular importance to aircraft carriers, maritime pre-positioning forces and future amphibious assault ships. Also seeing significant progress is the National Naval Engineering Research Consortium. It draws together Naval Architecture and Marine Engineering institutions to research technologies ranging from the all-electric ship to hull coatings of living micro-organisms designed to reduce drag, yielding greater speed and efficiency.



Strengthening the supply chain for engineered metal components

Clients: Department of Energy (DoE), Defense Logistics Agency (DLA), U.S. Army Research Laboratory (ARL)

Emerging technologies in metalcasting, forging and microalloyed steels promise benefits ranging from improved energy efficiency and lighter weight to lower production costs for highly engineered components. But applying those technologies to the project needs of organizations like DoE and DoD requires effective collaborations of producers, R&D organizations, trade associations, applications engineering teams, and supply chain high-performers located throughout the country. ATI's Metals Technology business unit assures successful outcomes for its government and industry partners through expertise in distributed management.

For nearly 15 years, the ATI metals team has been winning major awards for engineering, innovation and efficiency. Successes lie in sustaining parts availability for aging weapon systems and saving energy through innovative processes and/or lightweight components. At the hub of ATI's Metals Technology programs is the process of making practical and applicable the discoveries from leading U.S. universities and research organizations.



Adapting information technology to streamline manufacturing

Clients: U.S. Navy, Air Force, Army, Defense Logistics Agency (DLA), NASA, National Institute for Standards & Technology (NIST), National Reconnaissance Office (NRO), Office of Naval Research (ONR)

Precise, cost-effective production of products as complex as a missile system is enhanced when we're able to provide technical information in formats that are easily usable throughout the supply chain. Developing collaborative projects to enable that process is the specialty of ATI's Product Development Technology business unit. We lead the creation and adaptation of information technologies, systems architectures and engineering processes to help manufacturers, R&D organizations, government agencies and other groups work together to cut cycle times, reduce costs and build innovation.

An example is the Supply-chain Practices for Affordable Navy Systems (SPANS) program, sponsored by the Office of Naval Research. Working with several Navy missile programs, SPANS is automating the creation and delivery of technical data flow between suppliers. Everything from CAD data to production management information is translated and archived in standard formats that merge seamlessly with the IT systems of major contractors and subcontracting suppliers. The same process is at work in projects focusing on shipbuilding and aircraft maintenance, resulting in impressive savings for labor costs and acquisition time.

This business unit is also leading collaborative efforts to accelerate implementation of ISO 10303 (STEP) standards to help suppliers exchange product information accurately and efficiently. The ATI-led PDES, Inc. consortium includes members from aerospace, automotive, electronics and shipbuilding industries, as well as government and academic groups. They collaborate on common data exchange issues like supply chain integration, long-term data retention, interoperability, engineering analysis and systems engineering of complex electro-mechanical products.

Product life cycle support is another major area for our expanding IT focus. To reduce costs and extend the lifespan of fielded systems, ATI-led collaborations are working to integrate supply chains, improve information accuracy and accessibility, streamline maintenance and upgrade technologies.





Protecting sensitive and critical information

Clients: Department of Defense (DoD), Department of Veterans Affairs (VA), U.S. Army Telemedicine & Advanced Technology Research Center (TATRC), Commercial organizations to include Memorial Sloan Kettering Cancer Center, Rapid City Regional Hospital Group and Aegon US

Government agencies, hospitals, banks, insurance companies, legal firms, and other organizations that maintain confidential information face a common dilemma – how do you share information with people authorized to see it while protecting it from those who are not? ATI is a leading proponent of information security risk assessments, providing direct, hands-on consultation, as well as useful automated tools to support risk assessment and business continuity planning.

Collaborating with Carnegie Mellon University and other groups, a vendor-neutral, cost-effective information protection and network security methodology was created, plus the training to make the tool effective in the hands of IT professionals anywhere. It's a holistic risk management approach that includes both an organizational review and technical assessment. It helps identify vulnerabilities and results in cost-effective, organization-directed strategies to mitigate them.

The methodology has been successfully adopted as the preferred risk assessment method within the DoD medical community. This broad acceptance and wide distribution of the methodology resulted in more than 1,000 professionals being trained in its application. As a result of the broad deployment of the methodology, security risks have been eased at dozens of DoD facilities and other public/private organizations including financial firms, medical centers, law offices, insurance firms, and state agencies.

Telehealth brings specialty medical care to underserved areas

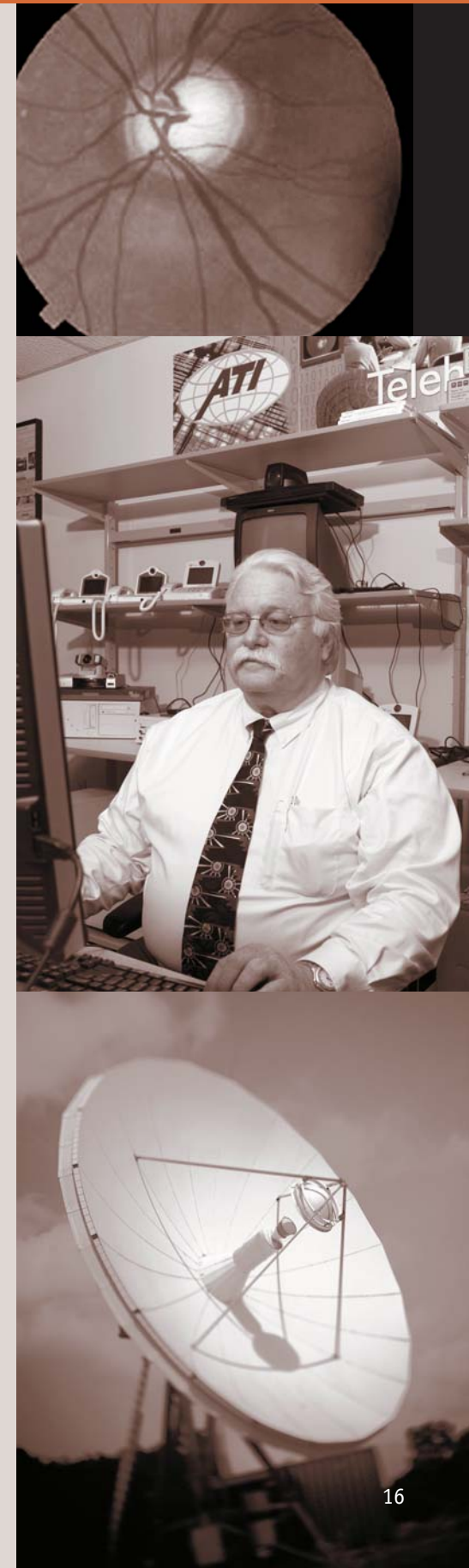
Clients: U.S. Department of Health & Human Services (HHS), General Services Administration (GSA)

The GSA-sponsored Accessibility Forum has brought together government agencies, researchers, industry, and advocacy groups to simplify compliance with federal regulations requiring that information technology be accessible to people with disabilities. ATI, in collaboration with Altarum, developed a web-based application for GSA called the Buy Accessible Wizard. The Wizard guides users through a process to help them comply with this regulation consistently, comprehensively and easily. In October 2004, GSA made the Wizard available to all federal agencies.

We're also working to reduce the impact of diabetes. Across the U.S. there are gaps – geographic and socioeconomic – between healthcare providers and many who need help. Telehealth can help by bringing clinical expertise into patients' communities and even into their homes. The Telehealth Deployment Research Testbed is an HHS-sponsored ATI program documenting cost-effective ways to use technology to connect healthcare providers and patients. ATI is working with Community Healthcare Centers to assess whether patient needs can be met by telehealth and a camera that simplifies testing for diabetic retinopathy and macular degeneration – two leading causes of adult-onset blindness that can often be managed successfully with timely diagnosis and treatment.

ATI collaborations are also working to simplify the use of equipment to remotely monitor patients in their homes for diabetes, hypertension and pulmonary disease. We joined with the world-famous Joslin Diabetes Center to explore web-based technology and interactive care options to provide a diabetic with the knowledge and guidance to better manage the disease.

In addition, we're working with the National Virtual Reality Consortium to develop 3D simulation technology for emergency response and defense training and decision support.





Big business returns from tiny technology investments

Clients: National Science Foundation (NSF), National Aeronautics & Space Administration (NASA)

Our Experimental Program to Stimulate Competitive Research (EPSCoR) helps generate millions of dollars in annual grant funding to enhance the research infrastructure at South Carolina's three comprehensive research universities: Clemson University, the University of South Carolina and the Medical University of South Carolina. Grant revenues provide start-up packages for new tenure-track faculty, purchase large, shared pieces of equipment, and promote partnerships between federal and state agencies, academia, and industry.

But some of EPSCoR's many accomplishments are generated with far smaller amounts of money. Tetramer Technologies, LLC offers a good example. This Clemson University spin-off company knew a lot about developing high-performance fluoropolymers for use in photonics, the science of transmitting and interpreting information via fiber optics. They knew less about developing a grant proposal that would meet the highly structured review requirements of the National Science Foundation. But with just \$3,000 in seed funding from EPSCoR, Tetramer was able to get experienced help in drafting their proposal.

The result was a \$500,000 small business innovation research award from NSF that this fledgling knowledge-based company is turning into triple-digit growth rates in annual sales. They've hired employees, expanded their industry contacts and built a foundation for a solid future.

Small business grants like this one have totaled about \$80,000 over the past two years, and the return on investment is approaching \$1 million. Research and development efforts at 15 small, high-tech businesses have been launched and more are being reviewed for future funding.

When astronauts forget how to walk

Client: National Aeronautics & Space Administration (NASA)

Returning from space after long periods of weightlessness, some astronauts make a startling discovery – they can't walk. Even if they followed an in-flight exercise regimen, it can take time and therapy to get their minds and muscles working together again to accomplish the surprisingly complex act of putting one foot in front of the other.

SCRA's Biomedical Applications Research Institute (BARI) and neuroimaging and brain stimulation researchers from the Medical University of South Carolina (MUSC) developed a project to determine if the brain changes in response to the reduced need for motor control in weightlessness. The group already had a working relationship – in past years, SCRA researchers wrote software that cut computer processing time for massive studies of magnetic resonance images (MRI) from weeks to hours.

Using MRI systems and transcranial magnetic stimulation (TMS) – a painless technique based on focusing high powered electromagnets at specific regions in the brain – they identified areas that seemed to be responsible for declines in motor control.

But substantial research remains. All brains are not identical. SCRA and MUSC are developing techniques to accurately locate regions responsible for specific functions for any individual. Research is additionally underway to improve the precision of aiming the TMS field at a chosen brain region and determining simulation parameters such as power, duration or frequency to achieve the desired effect. All will be necessary before helping astronauts be productive after long duration space flight. If the team is successful in developing these techniques, MRI guided TMS may prove useful in treating other disorders, like schizophrenia and depression.





A high-tech engine of business growth

Since our system of research parks was launched in the early 1980s, SCRA has attracted 40 private companies, each working with new technologies in applications like transportation systems, environmental engineering, information management/security, manufacturing research, software development, pharmaceuticals, and healthcare. These companies have invested \$240 million in their facilities and they now employ nearly 6,000 people whose salaries total \$250 million annually. All this economic activity has been made possible from a start-up appropriation of just a half-million dollars and about 1,400 acres of undeveloped land.

Offering an impressive range of advantages, our research parks in Charleston, Clemson and Columbia continue to attract technology-based newcomers. Not only do these facilities place companies close to South Carolina's main research universities, they offer easy transportation access, IT support, security options, a strong R&D community, and a quality of life that helps firms attract superior talent. Carolina Park in Columbia has more than 937,000 square feet of facilities built to date. Next is the Clemson Park with 500,000 sq. ft., and the Trident Research Center in Charleston with about 178,000 sq. ft.

CCIT



Communications and Computing

With collaboration and project management as core competencies, it's no great surprise that SCRA has enormous communications and computing demands. Processing an average of a quarter million E-mail messages a month and managing hundreds of personal computers and telephones spread across the United States is the responsibility of the Communications and Computing Infrastructure Technology (CCIT) group. CCIT provides state-of-the-art communications systems such as voice over IP (VOIP) and smart wearable E-mail/cell phone devices. The group manages multiple terabytes of data storage, 40 servers and high-speed links to each of its offices. A duplicate data center is kept constantly ready in the event that Charleston finds itself experiencing a natural disaster. CCIT provides software services such as web site hosting, image processing, and e-commerce applications in support of SCRA's varied operations, all with 24x7 support.

Expanding staff capabilities and expertise

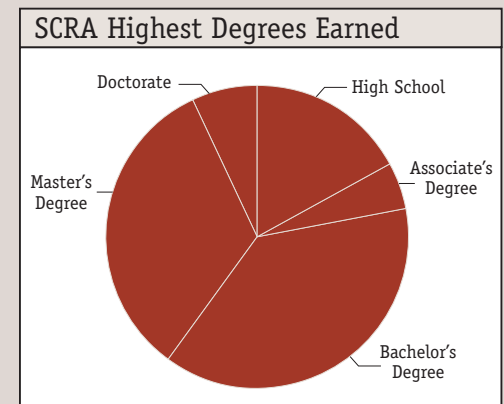
SCRA is expanding service capabilities by recruiting new specialists, we're also building our resource base through advanced project management training and programs to encourage educational development among our current staff. Last year these initiatives included staff members from a variety of business areas and levels within the organization.

Project Management Institute (PMI) training sets a widely recognized standard for improving efficiency, quality, economy, and timeline-driven performance in program/contract development and execution. In addition, PMI methodology is used by many of our client groups, and training helps us maintain higher levels of synchronization through coordinated management practices. Last year, more than a dozen SCRA staff members completed PMI training, and seven have earned PMI certification so far:

- Jena Garrett, ISG, Program Support Specialist III
- Tracey Gietler, ISG, Contracts Manager
- Cathe Hansen, ISG, Director, Interoperability Technology Solutions
- Dale Orren, ATI, Project Manager
- Brian Piedfort, ATI, Project Manager
- Linda Thomas, ISG, Director, Contracts and Program Support
- Stacy Watts, ATI, Program Assistant

SCRA's tuition reimbursement program also attracted strong participation. This ongoing initiative covers study expenses and allows participants added flexibility in work scheduling to help them manage an often grueling combination of classes and workload. Last year, several participants worked at all advanced educational levels from bachelor's degrees to doctorates. We are proud to recognize two who demonstrated exceptional academic performance in earning their degrees:

- Amanda Hinman, PC Support Administrator, CCIT, earned a bachelor's degree in Computer Science from Limestone College.
- Suzanne Place, Management Operations Specialist, ATI, received her MBA in Computer Resource Management from Webster University.





Productivity

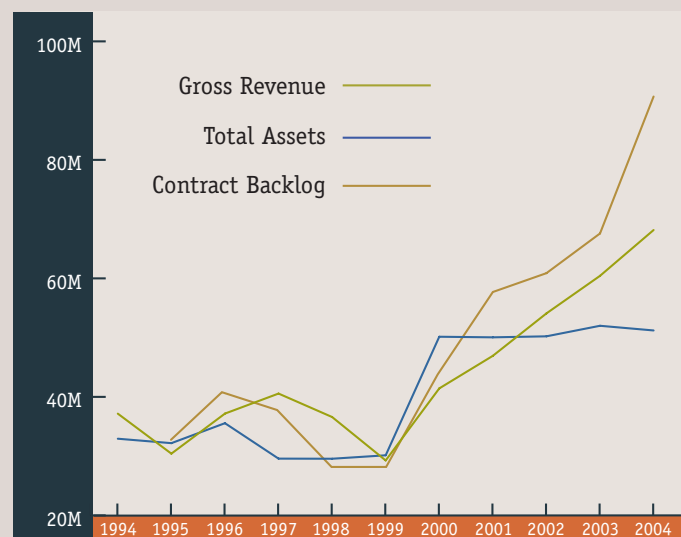
By virtually any measure, last year was the most productive in SCRA's history. Gross revenues exceeded \$68 million, representing a 12.7 percent rise over fiscal 2003. Perhaps most significant was the increase in contract backlog, a figure representing future revenues from secured contracts. By the end of the year it had risen to \$90.6 million, a 34 percent increase over last year and far ahead of our strategic goal of a backlog equal to one year's revenue. A total of 116 proposals were submitted during the year, and our success rate in securing contracts was 75 percent.

Several SCRA business units saw dramatic growth in revenue performance. The leader in percentage terms was ISG's Manufacturing Technology which built a 51 percent increase over 2003. Other bright spots included ARDI's Composite Technology (46 percent), ATI's Product Development (25 percent) and ISG's Public Safety (18 percent).

Economic Impact

SCRA's cumulative economic impact also continued its steady rise. Net revenues invested in research facilities and operations totaled \$1.3 million in 2004. Our consolidated gross revenue figure topped \$660 million, and expenditures within South Carolina now total more than \$330 million.

In 21 years, SCRA and its affiliated institutes have been awarded \$725 million in contracts, and the total has grown impressively, even in years when the nation's business community was trending downward. We have done business with 371 firms, and SCRA employs about 160 people, almost half of whom have advanced degrees. Annual payroll now tops \$10 million and SCRA continues to operate debt-free.



Ms. Jennie M. Johnson, SCRA Chair
Executive Director, Liberty Fellowship SC

Mr. Thomas P. Anderson,
CEO Health Sciences Foundation, MUSC

VADM Albert J. Baciocco, USN (RET)
President, The Baciocco Group Inc.

Mr. James F. Barker, FAIA
President, Clemson University

Dr. L. Fred Carter
President, Francis Marion University

Mr. Calder D. Ehrmann
President, Michelin Diversity Group

Mr. Paul V. Fant, Sr.
President, SC Pipeline Corp.

Dalton B. Floyd, Jr., Esquire
Chairman, SC Commission of Higher Education

Dr. Raymond S. Greenberg
President, Medical University of SC

Mr. Don Herriott
Head of Global Chemical Manufacturing, Roche

Dr. Andrew Hugine, Jr.
President, South Carolina State University

Mr. Earl P. Norman
Chairman, Technical Advisory Board

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