

Versa Power Systems, Inc.,
to Buy Strategic Assets of FuelCell Energy's
Canadian Solid Oxide Fuel Cell Operations

Transaction Will Move VPS From R&D to Prototype Development Stage Company

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Versa Power Systems (VPS) announced today that it is acquiring the assets of FuelCell Energy's Canadian solid oxide fuel cell (SOFC) operations, FuelCell Energy Ltd., formerly known as Global Thermoelectric Corporation. This acquisition will greatly strengthen and advance critical energy technology development under the U.S. Department of Energy's (DOE) 10-year, \$139 million Solid State Energy Conversion Alliance (SECA) Program.

"This move is important for our customers, for energy consumers, and for the nation's energy future," said Dr. Robert Stokes, CEO of VPS. Stokes noted that "...the merging of Versa's research operations and intellectual property with FuelCell Energy Ltd.'s full scale power plant system demonstration and state-of-the-art manufacturing capabilities is an unbeatable combination – it will accelerate the development of the distributed generation marketplace of tomorrow, meeting a key goal of the SECA program."

VPS was founded in 2001 and is a joint venture of the Gas Technology Institute (GTI), the Electric Power Research Institute (EPRI), the University of Utah, Materials and Systems Research, Inc. (MSRI), and FuelCell Energy, Inc. FuelCell Energy entered the VPS team to pursue the DOE's SECA Program, and has invested \$2 million in VPS. In April 2003, FuelCell Energy was selected by the DOE as a prime contractor for Phase 1 of SECA's three-phase cost-shared program, with VPS as the lead product development sub-contractor.

VPS has assembled a team of experienced managers, top-flight fuel cell power systems engineers, and experts in manufacturing scale-up and fuel cell stack materials science to move the technology to the next stage – product development, engineering prototyping and manufacturing. VPS holds proprietary intellectual property (19 patents and pending patent applications), including a planar SOFC system and process that, through unique cell configuration and components, enables operation at much lower temperature and increased power density.

The VPS acquisition, FuelCell Energy Ltd., develops SOFC products for small commercial and light industrial markets; it has developed and tested a proprietary SOFC design which, combined with advanced stack technology, is now being tested in complete systems, with a focus on the development of stationary natural gas-fueled prototypes. In addition to this key – and differentiating – enabling technology, FuelCell Ltd. has established a pilot production plant and methodology that incorporates conventional manufacturing processes. This new VPS site's assets include manufacturing and test equipment, intellectual property (including 26 patents and pending applications) and experienced personnel, and is based in Calgary, Alberta, Canada.

"Combining our Canadian SOFC operations with VPS, two entities with established core solid oxide fuel cell technology programs, will strengthen our development efforts under SECA and provide greater focus to pursue other government funded projects," said Jerry D. Leitman, Chairman and CEO of FuelCell Energy, Inc. "We see VPS as the vehicle for successful commercialization of SOFC products."

Under the terms of the transaction, the core assets of FuelCell Energy's Canadian SOFC operations will be sold to VPS in exchange for \$10 million of equity in VPS. The transaction will increase FuelCell Energy, Inc.'s ownership interest in VPS to 42 percent. All current and future SOFC intellectual property generated for the SECA program held or developed by FuelCell Energy Ltd., MSRI, and GTI will be consolidated into VPS. VPS will have the lead role in commercializing the technology, a role that will be enhanced by the combination of all SOFC intellectual property into a single entity, enabling greater efficiency in management and administration. The closing is expected to take place on November 1, 2004. The company is establishing its permanent U.S. location in the greater Denver metropolitan area.

The SOFC power plant is one of two high temperature fuel cell systems that internally reforms hydrogen from readily available fuels such as natural gas, propane, and synthetic gas, produced from a variety of coal/biomass/waste sources, for the electrochemical generation of clean electricity for stationary combined heat and power applications. As a result, SOFC systems are more efficient than low temperature fuel cell systems, such as the proton exchange membrane, which must extract hydrogen from hydrocarbon fuels in separate external reforming and clean-up equipment.

The SECA program, part of the DOE's commitment to develop clean, efficient reliable and affordable power generation for a variety of markets, is expected to develop "mass-customizable" SOFC modules in the 3-kilowatt to 10-kilowatt size range. These power modules can be fitted together for applications in larger sizes. Target markets include remote sites, telecommunications, commercial and residential buildings, as well as back-up, mobile standby and auxiliary power units. Additional information can be found at www.seca.doe.gov.