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**Velocys, Toyo Engineering and MODEC form Alliance for Offshore GTL**

**World leading firms seek to monetize offshore, stranded natural gas reserves**

PLAIN CITY, Ohio, November 13, 2007 – Velocys Inc., Toyo Engineering Corporation and MODEC, Inc. have announced the formation of a joint development agreement (JDA) to develop and commercialize gas-to-liquids (GTL) facilities for offshore applications. Each member of the alliance brings world-class expertise. Velocys is a leader in the field of microchannel process technology; Toyo Engineering's plant design experience spans over 45 years and more than 1,400 projects; and MODEC is a leading international company specializing in floating production and storage solutions for the oil and gas industry. The agreement is expected to result in a commercial offshore GTL facility by 2012.

Wayne Simmons, CEO at Velocys, was understandably excited about the collaboration, stating "Toyo and MODEC are ideal partners for offshore GTL applications as they bring with them a wealth of experience of what works, and what doesn't in the offshore environment." Yutaka Yamada, President and CEO of Toyo Engineering had an equal amount of praise for Velocys and their technology, saying "the size and cost advantages of (Velocys') microchannel technology offers the best opportunity to produce commercially significant quantities of synthetic fuels on FPSOs (Floating Production, Storage and Offloading vessels)." Similarly, Kenji Yamada, President and CEO of MODEC, stated "our companies have the unique and complementary capabilities that will enable the next generation of FPSO facilities."

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## Velocys, Toyo and MODEC Form JDA – 2

Fischer-Tropsch (FT) based GTL technologies convert abundant natural gas into ultra-clean transportation fuels. The process has two primary steps, gasification via steam methane reforming and FT synthesis. Velocys' proprietary microchannel process technology can reduce the size and cost of each of these key steps. As shown in the picture below, a compact footprint will be essential for permitting the economical production of clean transportation fuels in space constrained offshore applications.



Under the agreement, Velocys will advance its microchannel reactor and catalyst technologies to improve the economics of producing synthetic fuels. Then working with Toyo and MODEC, the process will be made suitable for installation offshore on an FPSO. The GTL application is a tremendous opportunity as over 3,000 trillion cubic feet of natural gas are currently stranded (without access to world markets), enough to produce over 350 billion barrels of synthetic fuels, the equivalent of 70 years of U.S. oil imports.

### **Velocys, Toyo and MODEC Form JDA – 3**

The primary product of a FT GTL processes, synthetic diesel is a superior alternative fuel that can be used as a one-to-one replacement for petroleum-derived diesel or jet fuel. In fact, the high cetane number and low sulfur content of synthetic fuels can improve engine performance for many applications. For this reason, the U.S. Air Force has set a goal to supply fifty percent of its domestic fuel requirements from synthetic sources by 2016.

#### About Velocys

Velocys, Inc. is changing the way the world produces energy, chemicals and biofuels with revolutionary microchannel technology. Velocys, a subsidiary of Battelle Memorial Institute, was launched in 2001 and has developed a portfolio of 70 patents and received \$100 million of investment from industry leading partners, including Dow Chemical. Velocys is headquartered near Plain City, Ohio. For more information, visit [www.velocys.com](http://www.velocys.com).

#### About Toyo Engineering Corporation

Toyo Engineering Corporation with over 5,700 employees globally provides R&D collaboration, design, engineering, equipment procurement, construction, test operations, and technical guidance in such areas as general chemicals, petrochemicals, oil refinement, natural gas, electric power, nuclear power, advanced production systems, distribution, medicine, biotechnology, and environment. In addition, it provides procurement, development, and sales of systems engineering and other software. For more information, visit <http://www.toyo-eng.co.jp/e>.

#### About MODEC

Founded in 1968, MODEC is a general contractor specializing in engineering, procurement, construction and installation of floating production systems including Floating Production Storage and Offloading (FPSO) vessels, Floating Storage and Offloading (FSO) vessels, Tension Leg Platforms (TLPs), Production Semi-Submersibles, Mobile Offshore Production Units (MOPUs) and other new technologies that will be required to meet the industry's new challenges. MODEC provides operations and maintenance services for floating production systems around the world. MODEC owns and operates 10 FPSO/FSOs worldwide and has five FPSOs and one FSO under construction. MODEC has delivered four TLPs and has a fifth under construction. MODEC was recently recognized by the Offshore Technology Conference for innovative technology for its MOSES Self Stable Integrated Platform (SSIP) TLP. For more information, visit <http://www.modec.com/en/index.html>.