

**Power****Air Preheater Company****INTERNAL ANNOUNCEMENT**

Please be advised that as of August 11, 2002 Balboa Pacific Corporation and ALSTOM Power Inc. Air Preheater Company have established a Strategic Alliance whereby the Air Preheater Company division, located in Wellsville, New York, will be the exclusive manufacturing and system supplier for Balboa Pacific.

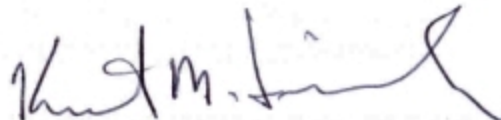
The global potential of the Alliance is exciting. The combination of Balboa's proprietary technology together with ALSTOM Power Inc. Air Preheater Company's broad range of thermal and power generation products will result in the supply of an innovative continuous feed pyrolytic gasification waste treatment system. This is an environmentally friendly system that is uniquely designed to serve the needs of our customers and our world. Material handling and classification along with gasification of the waste and the generation of electrical power are components of this integrated System that will be engineered pursuant to project specifications. The Alliance, working in harmony with the client, will perform site evaluation, on-site system erection, personnel training and periodic equipment/system inspections and maintenance.

To assure seamless execution and the proper customer focus, an Alliance Co-ordination Team has been established. The lead members of the Team are:

- Douglas Golding, Chief Operating Officer of Balboa Pacific Corporation
- Bill Amundson, Manager, Thermal Systems, ALSTOM Power Inc. Air Preheater Company

Douglas and Bill, as well as other team members will work closely with Licensees and Customers on each project from conception through commissioning.

All inquires are to be directed to the attention of Douglas Golding, Balboa Pacific Corporation.



**Kurt M. Fierle**  
Director, Thermal Products