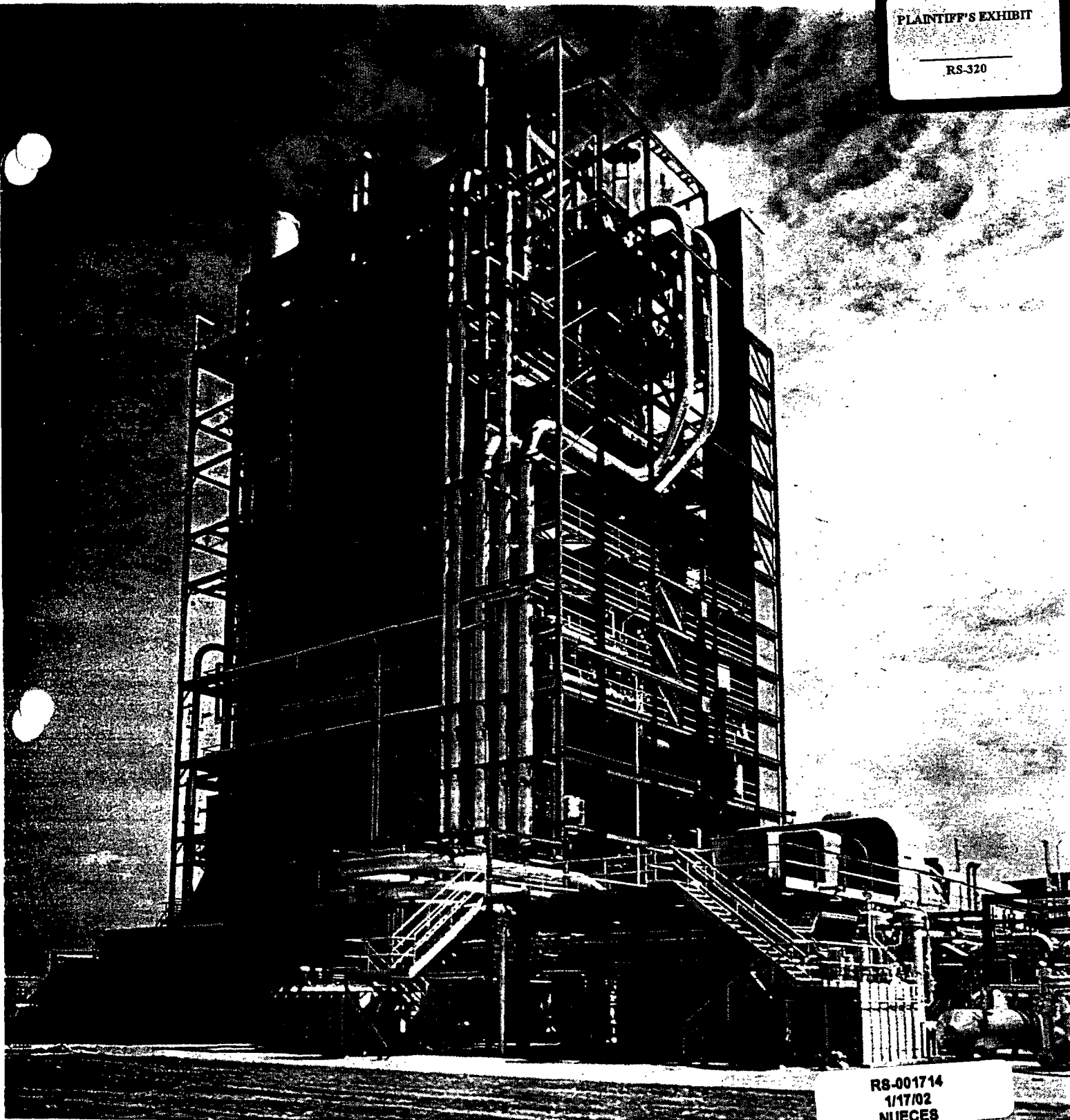


PLAINTIFF'S EXHIBIT

RS-320



RS-001714
1/17/02
NUECES



Annual Report

FOR THE YEAR ENDED DECEMBER 31, 1955

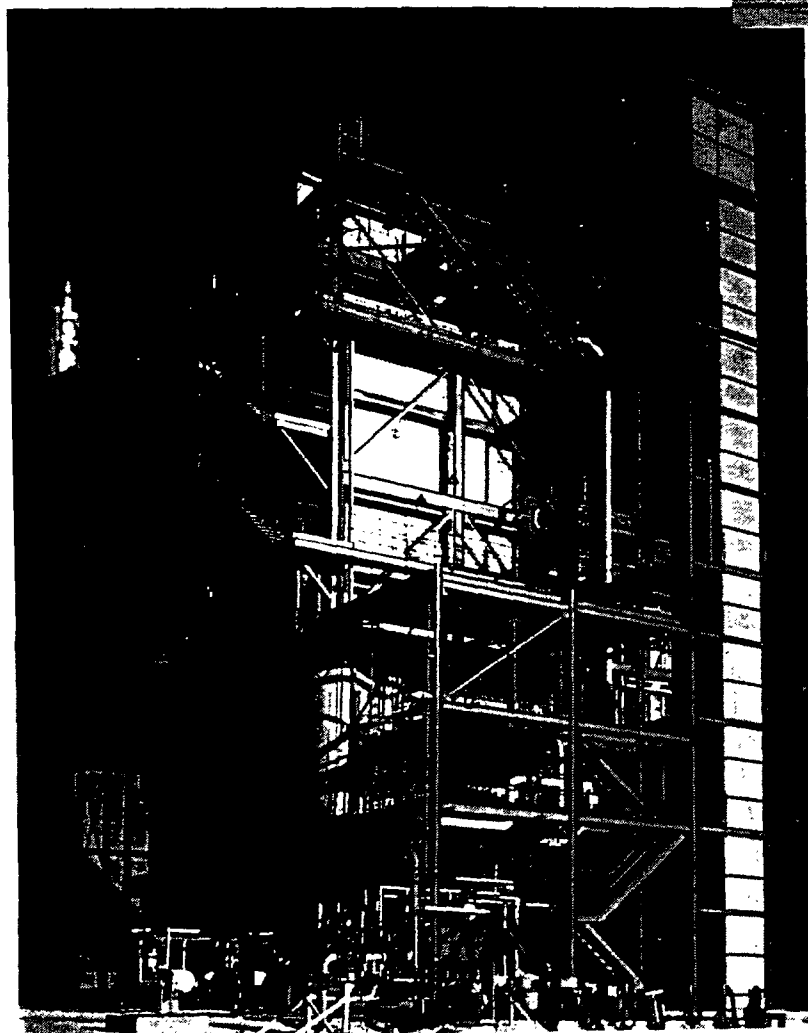
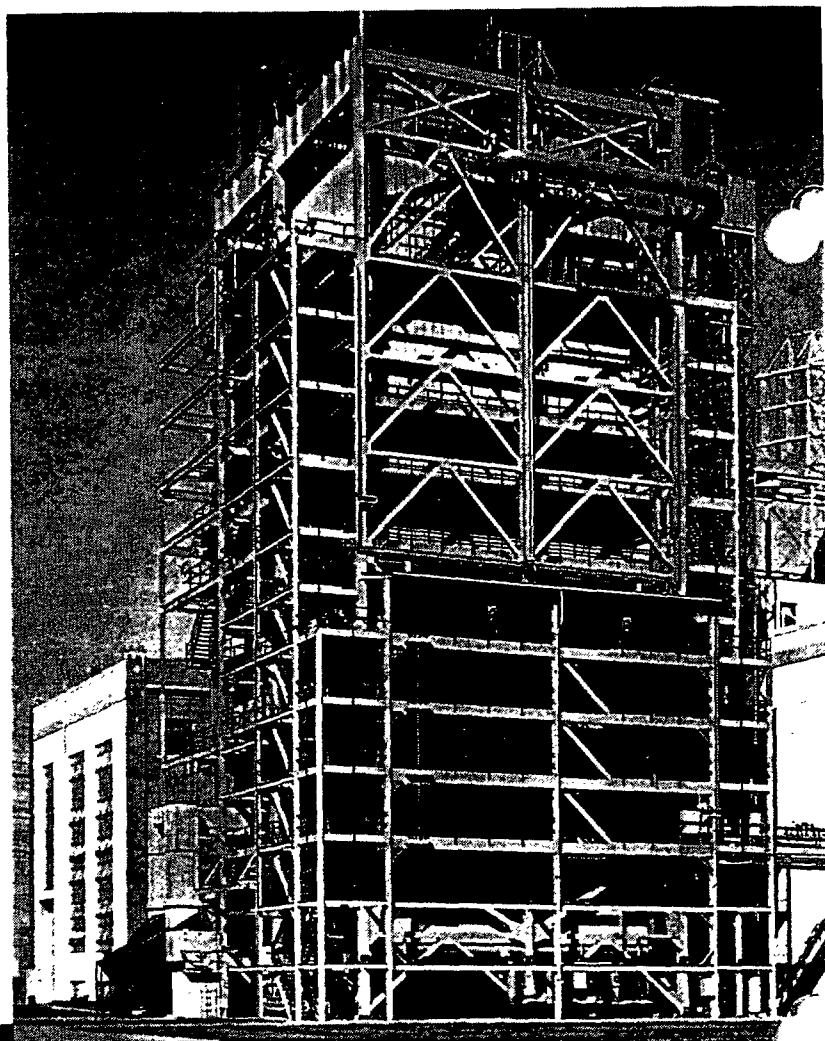
RILEY STOKER CORPORATION

Worcester, Massachusetts, U. S. A.

For our 1955 Annual Report cover we selected the colorful Riley Reheat Unit at the Ninemile Point Station of Louisiana Power & Light Co. near New Orleans. Color is obtained by a novel use of porcelainized lagging with harmonious coloring of structural steel and turbines. This unit generates over 1,000,000 pounds of steam per hour.

1,250,000 pounds of steam per hour at a pressure of 2,125 pounds per square inch and at a temperature of 1000 degrees fahrenheit are generated by the Riley Reheat Unit at Houston Lighting and Power Company's Deepwater Generating Station. A similar unit is nearing completion at another generating station of this progressive public utility. They are the largest Riley units to be built to date.

Even with extensive hydro-electric facilities available nearby steam generated power is still needed by the Southern Nevada Power Co. This Riley unit is completely outdoors. Elevators carry operating personnel to various levels. A television antenna is erected on top of the unit.



Riley Products for Public Utility and Industrial Power and Heating Plants include complete steam generating units and a wide variety of fuel burning equipment for firing practically any fuel.

Steam Generating Equipment

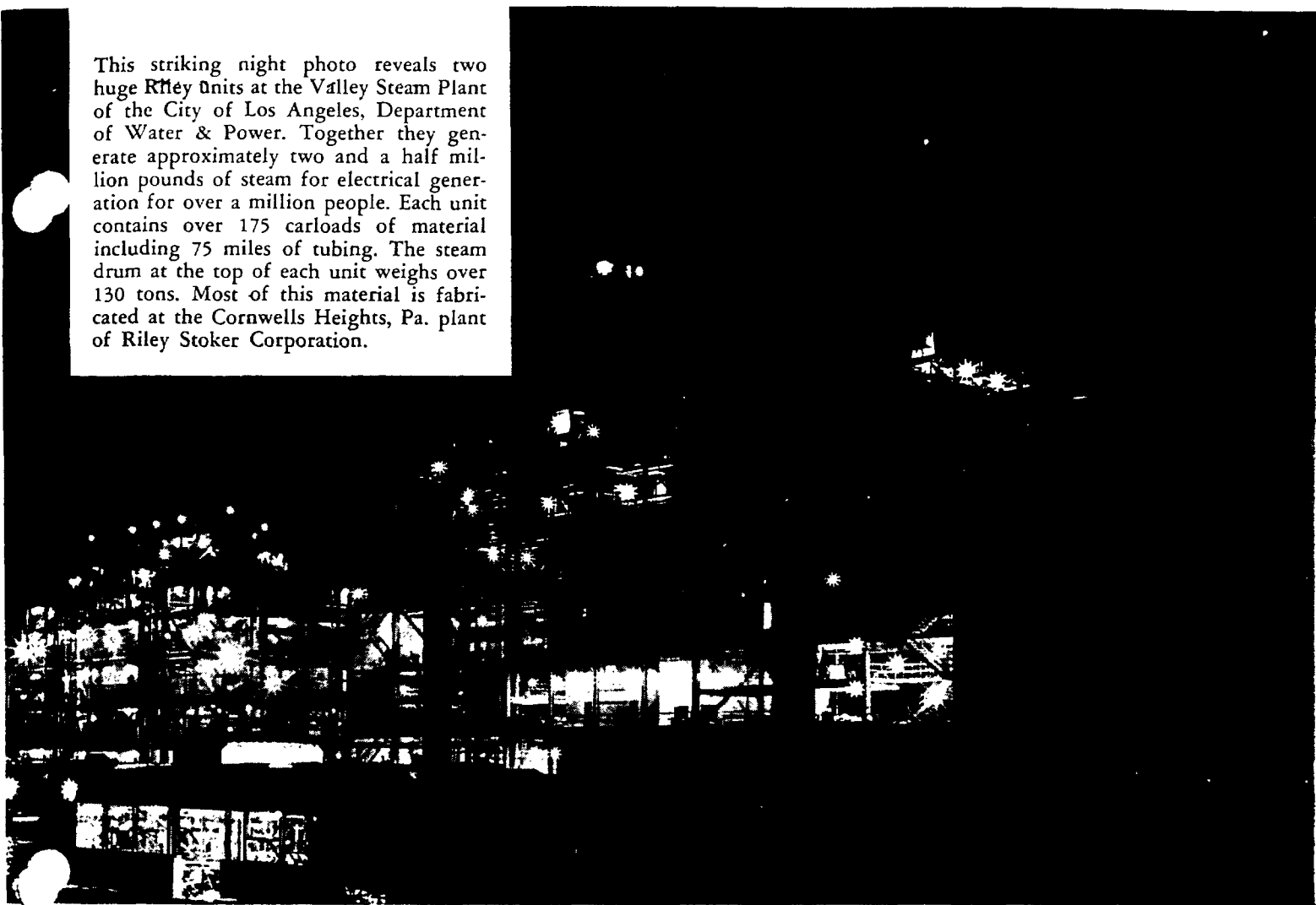
Steam Generators	Waste Heat Boilers
Superheaters: Convection, Radiant	
Airheaters	Economizers
Steel-clad Settings	
Water-cooled Furnaces	

Fuel Burning Equipment

Coal Pulverizers	Spreader Stokers
Coal, Oil and Gas Burners	
Traveling Grate Stokers	Oscillating Grate Stokers
Multiple Retort Stokers	Single Retort Stokers
Refuse Fuel Burning Equipment	

**RS-001715
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NUECES**

This striking night photo reveals two huge Riley units at the Valley Steam Plant of the City of Los Angeles, Department of Water & Power. Together they generate approximately two and a half million pounds of steam for electrical generation for over a million people. Each unit contains over 175 carloads of material including 75 miles of tubing. The steam drum at the top of each unit weighs over 130 tons. Most of this material is fabricated at the Cornwells Heights, Pa. plant of Riley Stoker Corporation.



Officers and Directors of Riley Stoker Corporation

Officers

FRED H. DANIELS . . . *Chairman and Vice-president*
 LOUIS E. GRIFFITH . . . *President and General Manager*
 DAVID K. BEACH . . . *Vice-president, Treasurer, Secretary*
 COLLISON CRAIG . . . *Vice-president*
 ROBERT J. KRIEGER . . . *Vice-president—Sales*
 MAX H. KUHNER . . . *Vice-president—Engineering*
 FRANKLIN G. TREAT . . . *Vice-president—Manufacturing*

Directors

FRED H. DANIELS, *Chairman*
 DAVID K. BEACH
 LOUIS E. GRIFFITH
 CHAPIN RILEY
 PHILIP R. MATHER
 ROBERT S. BOWDITCH
 RICHARD J. RUTHERFORD

To the shareholders of Riley Stoker Corporation

Submitted herewith for your consideration is the audited Consolidated Balance Sheet as at December 31, 1955, the audited Statements of Consolidated Earnings, Income and Application of Funds of Riley Stoker Corporation for the year ended December 31, 1955. These consolidated statements include the operating figures for the parent company, Riley Stoker Corporation, Worcester, Massachusetts, and Detroit, Michigan, consolidated with the operating figures of the two wholly owned subsidiaries, Badenhausem Corporation, Cornwells Heights, Pennsylvania, and A. W. Cash Company, Decatur, Illinois.

Sales (shipments) for 1955 were substantially the same as those for 1954, while Net Income after Federal Taxes is considerably lower. A number of factors account for this situation; the chief one is the cost of design, development and sale of Riley Steam Generating Units during the last two years involving high steam pressure, high temperature, reheat and of much larger size than anything previously built by your Corporation. Recently we have put into operation and thoroughly tested several Riley Steam Generating Units equipped with a novel combustion device called "Turbo Furnace". This furnace can handle and burn efficiently a wide range of solid, gaseous and liquid fuels in any combination desired. Elsewhere in this Annual Report you will find illustrations of large Riley Steam Generators and Riley Turbo Furnaces.

During the last two years much design and engineering work have gone into the fuel burning end of our business. Two types of Riley Spreader Stoker Feeders have been developed, one designed primarily for coal and the other to burn refuse fuels such as bark, bagasse and other cellulose fuels like sawdust, wood chips, etc. These feeders can be combined with four different types of grates depending upon the type of fuel to be used. One type is the Riley Oscillating Grate that operates on an entirely novel principle of moving the fuel along the grate surface. The addition of a hopper in front of this grate makes up the new Riley Oscillating Stoker that is sure to have an excellent future market. Some of these fuel burning designs are shown herein.

All of these new developments are departures from designs that Riley has been making in the past and development and manufacturing costs have been higher than anticipated. Approximately \$1,000,000 has been committed for another building, new shop equipment and methods. A complete program of cost reduction has been established. These big steam generating units take

a long time to complete. Most of the large units were actually sold in 1953 and 1954 when both prices and volume of business available to our industry were depressed. Unfilled contract business amounts to approximately \$38,000,000. It is our expectation that by reason of manufacturing improvements already made and to be made that this work can be profitably executed. New contract business closed during 1955 made a new record and amounted to \$29,473,000.

While on the subject of unfilled orders, our associates and manufacturing licensees in England, Australia, Canada, France, Sweden and Belgium report that they have a total of unfilled contracts for Riley Equipment that exceeds \$60,000,000. On the basis that no more new business is received by these licensees for Riley Products, Riley Stoker Corporation is entitled to receive, as the work is completed, engineering fees equal to approximately \$1,278,000. Under normal conditions this should come in over a period of the next three or four years with some of the large steam generating units in England not to be completed until 1960.

Your corporation has issued and outstanding 350,000 common shares of a par value of \$3.00 per share. As of December 31, 1955 the Book Value per share was \$28.42 and the Net Current Assets amounted to \$21.31 per share.

The prospects for 1956 look encouraging in that a large volume of business will be obtained for the various new products. We are taking new business at approximately the rate that we are shipping and the volume of unfilled business has stayed at approximately the same point for a period of one year.

We again acknowledge with much appreciation the loyalty and effective cooperation of our employees, customers and suppliers and the continued support and interest of our Stockholders.

By order of the Board of Directors:


Chairman


President

March 31, 1956

RS-001717
1/17/02
NUECES

For the year ended
December 31, 1955

RILEY

Stoker Corporation
AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS

Retained Invested Earnings

Balance, December 31, 1954		\$9,447,537.62
Add:		
Net Income for Year	\$222,126.29	
Adjustment of Prior Years' Fixed Assets	<u>2,331.11</u>	<u>224,457.40</u>
		\$9,671,995.02
Deduct:		
Dividends on Common Stock	\$490,000.00	
Additional 1954 Federal and State Income Taxes — Resulting from Repeal of Sections 452 and 462 of the Internal Revenue Code	302,611.49	
Additional Prior Years' State and Federal Taxes	<u>9,010.85</u>	<u>801,622.34</u>
Balance, December 31, 1955		<u><u>\$8,870,372.68</u></u>

CONSOLIDATED STATEMENT OF INCOME

Sales		\$29,160,108.45
Cost of Sales		<u>25,894,623.38</u>
Gross Profit		\$ 3,265,485.07
Selling Expenses	\$1,506,803.39	
Administrative Expenses	<u>1,416,267.21</u>	<u>2,923,070.60</u>
Operating Income		\$ 342,414.47
Other Income		<u>288,675.45</u>
		\$ 631,089.92
Other Deductions		<u>232,525.40</u>
Profit before Federal Taxes on Income		\$ 398,564.52
Provision for Federal Taxes on Income		<u>176,438.23</u>
Net Income for Year		<u><u>\$ 222,126.29</u></u>

Costs and expenses include provision for depreciation and amortization in the amount of \$345,762.14.

RS-001718
1/17/02
NUECES

BILLY Stryker Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1955



ASSETS

CURRENT ASSETS

Cash	\$ 412,455.26
United States Government Obligations — At Cost	2,108,090.12
Notes and Accounts Receivable (Less Reserve \$33,970.22)	8,499,764.93
Inventories (At Lower of Cost or Market)	5,562,194.75
Engineering Work in Process	440,182.95
Advances to Erectors, Salesmen and Others	141,129.25
Prepaid Insurance, Taxes and Other Expenses	398,685.40
Total Current Assets	\$17,562,502.66
Other Assets — Stocks of Other Corporations — At Cost	16,306.08
Employees' Cash — Savings Bond Account — (See Contra)	2,329.39

FIXED ASSETS

Land	\$ 255,979.39
Buildings	2,526,574.32
Machinery and Equipment	3,455,375.79
Buildings and Machinery Under Construction	146,312.14
Less: Reserve for Depreciation	\$6,384,241.64
	3,026,684.82

Patents — At Cost Less Amortization

	1.00
	<u>\$20,938,695.95</u>

LIABILITIES

CURRENT LIABILITIES

Notes Payable	\$ 5,875,000.00
Accounts Payable — Trade, Etc.	2,030,704.25
Advance Billing on Contracts	912,708.39
Accrued Items	
Wages	\$111,034.53
Commissions	229,519.28
State and Other Taxes	199,623.02
Other Expenses	436,077.90
Federal Taxes on Income	976,254.73
Total Current Liabilities	<u>308,467.86</u>
	\$10,103,135.23

Employees' Savings Bond Collections (See Contra)

	2,329.39
--	----------

RESERVES FOR

Expenses	\$534,925.53
Contingencies	150,000.00
Building Fund	<u>200,000.00</u>
	884,925.53

STOCKHOLDERS' INVESTMENT

Common Stock, Par Value \$3.00 Per Share	1,050,000.00
Authorized and Issued, 350,000 Shares	

ACQUIRED PAID-IN CAPITAL (No Change During Year)

	27,933.12
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RETAINED INVESTED EARNINGS — Per Attached Statement

	8,870,372.68
	<u>\$20,938,695.95</u>

RB-001710
1/17/02
NUECES

RB-001720
1/17/02
NUECES

New Products Highlight 1955 Sales...

THE RILEY OSCILLATING GRATE and THE RILEY TURBO FURNACE

MUCH of what you pay for electricity is based on the cost of steam generation to drive the turbines in the public utility power plant. Power engineers are constantly seeking ways by which this cost can be reduced. Modern boilers and steam turbines are today so efficient that future cost reductions must be measured in thousandths of a cent per kilowatt.

To a power engineer economical utilization of fuels is a most significant cost saving item. As more types of fuels are made available to him the more

flexible is his position in respect to taking advantage of their availability and their fluctuations in costs.

Because of this, steam generating equipment designed for multiple fuels is being purchased for most public utility central stations and for many industrial power and heating plants.

In 1955 Riley sold several of both the new TURBO FURNACE and the new OSCILLATING GRATE STOKER each in itself offering new advances in the utilization of fuels.

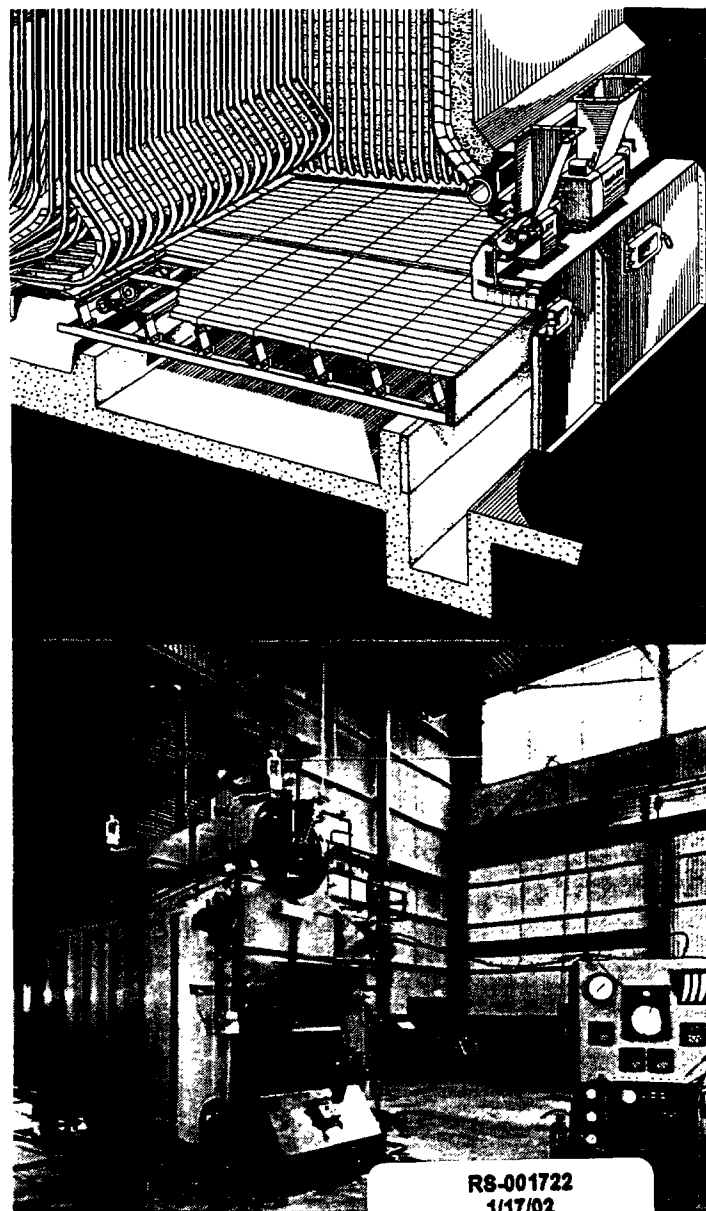
The Riley Oscillating Grate Stoker

The new Oscillating Grate Stoker, a self cleaning stoker, has gained wide interest among power engineers because of its unusual economy. A number already have been sold or installed. The Oscillating Grate is shop assembled, is easily shipped, and can be quickly installed. It has no gear driven parts and is powered by a small electric motor. This motor drives an eccentric weight mounted on the grate chassis which imparts an oscillating motion to the grate surface. This motion causes the fuel bed to travel to the ash discharge end of the stoker.

A Riley Oscillating Stoker is now being tested by Bituminous Coal Research, Inc., at their laboratories at Columbus, Ohio. What they are looking for is a device that will not only feed the coal to the stoker, but automatically take the ashes away and deposit them in a suitable container for later removal. This development work is primarily for the purpose of recovering some of the market formerly held by coal, but now taken away by oil or gas fuels.

Last year the production and use of coal increased materially over the year 1954 and the sales demand for stokers is definitely on the increase.

A significant development uses the Riley Oscillating Grate with a package type boiler. This Oscillating Grate fired boiler is the first in the field of shop-assembled, portable coal fired package boilers. The first unit of this type using a Riley stoker was tested by the U. S. Navy in 1955. It is designed primarily for coal, but conversion to oil or gas firing can be accomplished during a weekend.



RS-001722
1/17/02
NUECES

CONSOLIDATED STATEMENT OF APPLICATION OF FUNDS

For the Year Ended December 31, 1955

Funds Applied

Dividends on Common Stock		\$ 490,000.00
Additions to Fixed Assets		542,816.69
Purchase of Stock of Other Corporations		12,683.13
Additional Prior Years' Federal and State Taxes		311,622.34
Expenses Charged to Reserve for Expenses		<u>44,937.33</u>
Total Funds Applied		\$ 1,402,059.49

Funds Provided

Net Income for Year		\$ 222,126.29
Add: Items Requiring No Cash Outlay		
Depreciation and Amortization	\$345,762.14	
Less: Gain on Sale of		
Capital Assets	<u>3,298.15</u>	342,463.99
Proceeds from Sale of Capital Assets		<u>4,839.00</u>
Total Funds Provided		<u>569,429.28</u>

Decrease in Working Capital \$ 832,630.21

Changes in Working Capital for the Year

Decrease in		
Notes and Accounts Receivable		\$ 1,480,343.12
Inventories		615,509.82
Increase in		
Accounts Payable		685,317.03
Advance Billings and Accrued Liabilities		<u>286,239.04</u>
		3,067,409.01
Less: Increase in Other Assets	\$1,300,546.66	
Decrease in Federal Taxes on Income	269,232.14	
Decrease in Notes Payable	<u>665,000.00</u>	<u>2,234,778.80</u>

Decrease in Working Capital (As above) \$ 832,630.21

To The Board of Directors
Riley Stoker Corporation
Worcester 8, Massachusetts

We have examined the consolidated balance sheet of Riley Stoker Corporation and its Subsidiaries at December 31, 1955 and the related statements of consolidated income and retained invested earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated income and retained invested earnings present fairly the financial position of Riley Stoker Corporation and its Subsidiaries at December 31, 1955, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GEORGE A. SMITH AND COMPANY
Certified Public Accountants

Worcester, Massachusetts
March 27, 1956

RS-001721
1/17/02
NUECES



The New **RILEY** **TURBO FURNACE**

The conventional types of Riley Steam Generating Units designed for pulverized coal, oil or gas fires its fuel high up in the side of the furnace. Ash is collected in a hopper at bottom of furnace. This is called a dry-bottom furnace.

The Riley TURBO FURNACE is a new type of slagging bottom or wet bottom furnace. It was developed originally to solve two problems; the first to effectively burn low grade coal from Nova Scotia; the second — to reburn carbon in ash and to turn ash to molten slag — to eliminate a costly flyash disposal problem for a leading chemical company in two of its West Virginia plants. In addition to its flexible fuel burning features, other significant operating characteristics long desired by power engineers have resulted from this unique design.

As a result, three 500,000 lb/hr. TURBO FURNACE Units were purchased by Delaware Power & Light Company to use the hard-to-burn fluid coke from Tide Water Associated

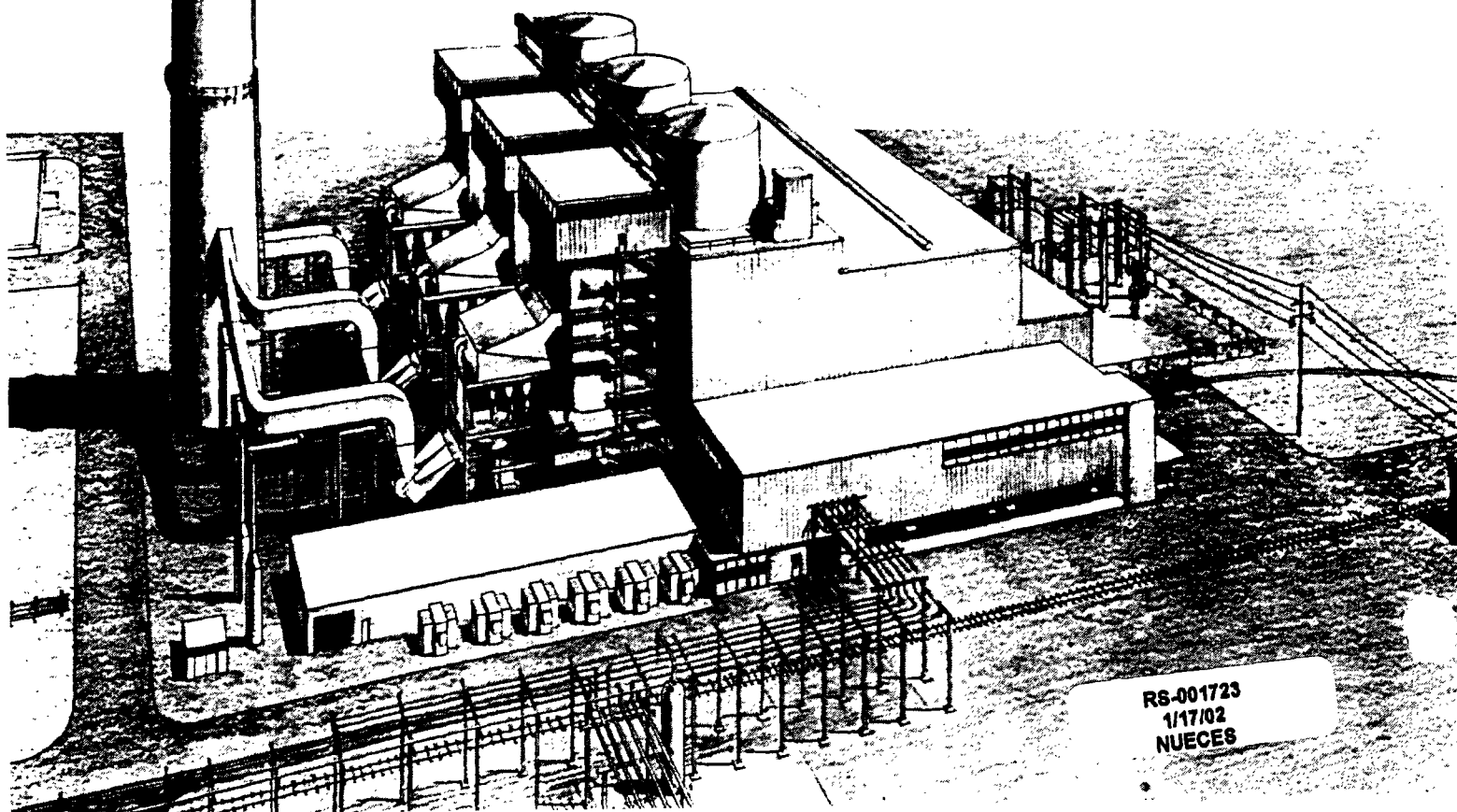
Oil Company's new refinery at Delaware City, Delaware.

Louisiana Power and Light Company ordered a 1,550,000 lb/hr. Reheat TURBO FURNACE Unit to fire oil and gas initially, but to fire a coal or fluid coke at a future date.

Texas Electric Service Company's 825,000 lb/hr. Reheat TURBO FURNACE Unit will fire oil and gas initially, but it is possible to burn pulverized coal at a later date.

Because of their ability to pulverize most solid fuels Riley Pulverizers will in all probability be specified for every TURBO FURNACE Unit. In addition a new type burner developed by Riley is part of each TURBO FURNACE order. It can be furnished with complete automatic controls for remote operation.

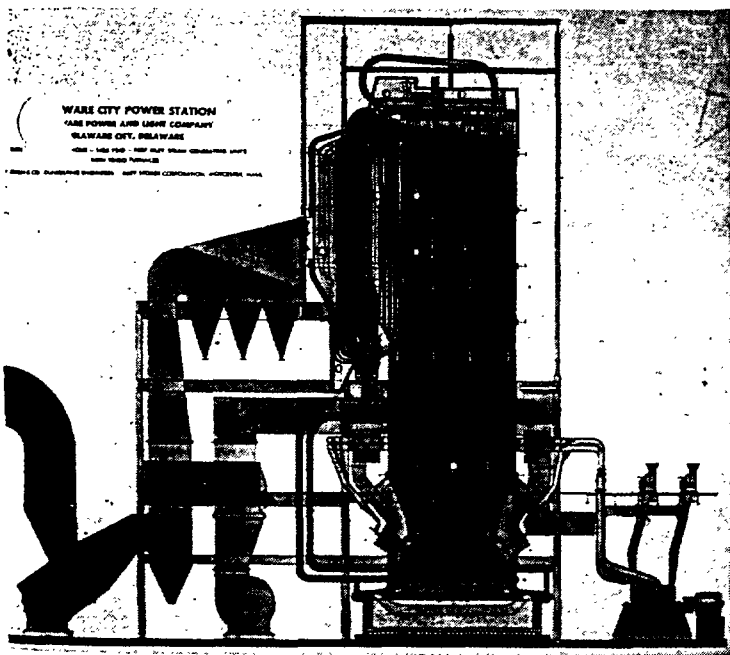
Because of its outstanding economy features Riley looks forward to a rapidly growing acceptance of the TURBO FURNACE with a consequent increase in sales volume.



RS-001723
1/17/02
NUECES

efficiently burns a wide range of coals, delayed coke, petroleum, coke, oil & gas

In spite of their definite advantages in respect to more efficient fuel burning, it is not expected that the TURBO FURNACE Steam Generating Unit, or the OSCILLATING GRATE STOKER will supplant conventional Riley dry bottom type steam generating units or other various designs of Riley stokers. Improvements in design in these highly efficient products will continue with an expected satisfactory volume of sales.

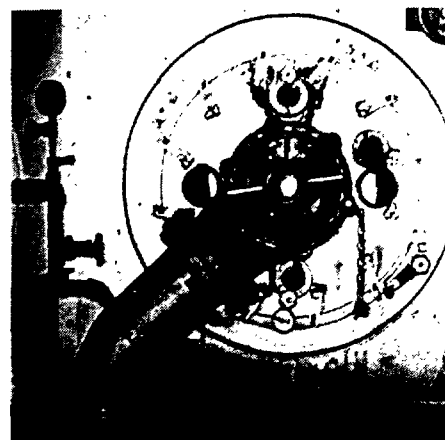


Above — Diagrammatic cross section of the design of the TURBO FURNACE Units for Delaware Power & Light Company.

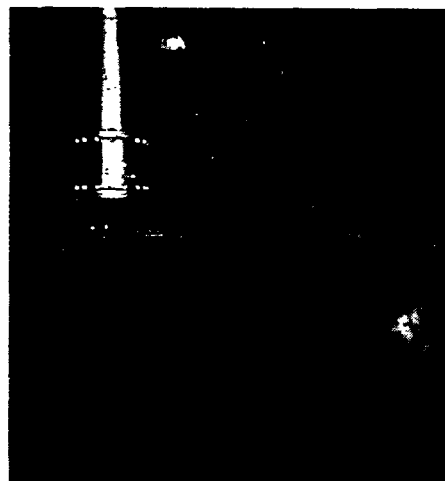
At Left — General layout of the Delaware City Power Plant of Delaware Power & Light Company. Fluid Coke will be pneumatically transported to plant from the huge new Fluid Cracking Unit of Tide Water Associated Oil Company's 130,000 barrel-per-day refinery located nearby.

A FEW RILEY FUEL BURNING PRODUCTS MANUFACTURED AT RILEY'S DETROIT, MICHIGAN PLANT

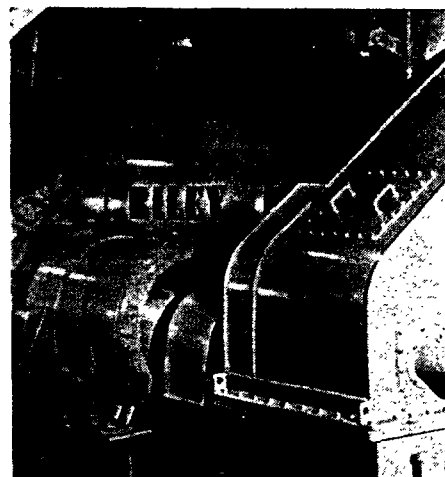
Riley Flare Type Burners are furnished for firing pulverized coal, oil, gas or a combination of the three. As many as twenty-four of these burners fire the largest Riley Steam Generating Units.



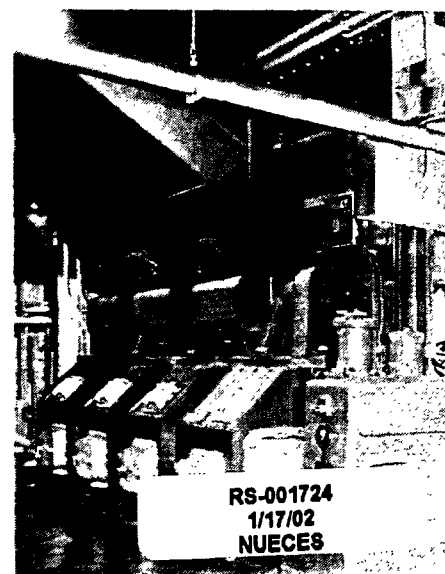
Riley Coal Pulverizers such as this prepare coal for firing through Riley Burners. Large amounts of tungsten carbide are used in these pulverizers to resist wear. Coal is reduced by attrition to proper firing fineness.



This is a Riley Ball Tube Mill installation — another type of Riley coal pulverizer. Coal is ground to talcum powder fineness by tons of steel balls tumbling in a huge rotating drum.



A typical Riley Traveling Grate Spreader Stoker installation. Riley spreader stokers are famous for their high operating efficiency and low maintenance. They are used under boilers with steam generating capacities up to 300,000 lbs/hr.



RS-001724
1/17/02
NUECES

MAJORITY OF RILEY USERS ARE WELL KNOWN COMPANIES IN THE MAJOR INDUSTRIAL CLASSIFICATIONS . . .

CHEMICALS AND OILS

Carbide & Carbon Chemicals Co.
Esso Standard Oil Co.
Magnolia Petroleum Co.
Anglo-Iranian Oil Co.
B. F. Goodrich Chemical Co.
Columbia Southern Chemical Co.
Hooker Electrochemical Co.
Reilly Tar & Chemical Co.
Humble Oil & Refining Co.
Bahrein Petroleum Co., Ltd.
Standard Vacuum Oil Co.
Commercial Solvents Corp.
The Dow Chemical Co.
E. I. Dupont de Nemours Co.

Shell Oil Co.
Penn. Salt Co.
Calco Chemical Div.
American Viscose Co.
Mathieson Alkali Co.
Spencer Chemical Co.
Publicker Industries
Standard Oil of Ind.
American Viscose Corp.
American Cyanamid Co.
Monsanto Chemical Co.
Electro-Metallurgical Co.
Standard Oil of Calif.
Phillips Petroleum Co.

PUBLIC UTILITIES

Houston Lighting & Power Co.
City of Los Angeles, Dept. of Water and Power
New Orleans Public Service Co.
Monongahela Power Company
Southwestern Gas & Electric Co.
Public Service Co. of Indiana, Inc.
Columbus & Southern Ohio Electric Co.
South Carolina Electric & Gas Co.
Northern Virginia Power Co.
Southwestern Public Service Co.
Union Electric Co. of Illinois
Dairyland Power Cooperative
Taiwan Power Co. (Formosa)
Iowa-Illinois Gas & Electric Co.
Montana-Dakota Utilities Co.
Delaware Power & Light Co.
Minnesota Power & Light Co.

Dallas Power & Light Co.
Texas Electric Service Co.
Louisiana Power & Light Co.
Potomac Edison Co.
West Penn Power Co.
Arkansas Power & Light Co.
Utah Power & Light Co.
Florida Power Corporation
Florida Power & Light Co.
Central Illinois Light Co.
Southern Nevada Power Co.
Northern States Power Co.
Commonwealth Edison Co.
Gulf Power Co.
Pennsylvania Electric Co.
Interstate Power Co.
Salt River Power Project
Philadelphia Electric Corp.

METALS

Eagle Pitcher Lead Co.
White Pine Copper Co.
Aluminum Industries
Calumet & Hecla Consol. Copper Co.
Nevada Consolidated Copper Co.
American Steel & Wire Co.
Chase Brass & Copper Co.
Colorado Fuel & Iron Co.
Jones & Laughlin Steel Corp.
Revere Copper & Brass Co.
U. S. Steel Corp.

American Brass Co.
Scovill Mfg. Co.
National Lead Co.
Republic Steel Co.
Detroit Steel Corp.
Lone Star Steel Co.
Kennecott Copper Co.
U. S. Vanadium Corp.
Great Lakes Steel Co.
Alan Wood Steel Co.
Wisconsin Steel Co.

PAPER AND WOOD PULP

Northern Paper Mills
Gaylord Container Co.
Bemis Bros. Bag Co.
Crystal Tissue Paper Co.
Frost White Paper Mills
Penobscot Chemical Fibre Co.
Whippany Paper Co.
Champion Paper & Fiber Co.
Lawless Bros. Paper Mills
Waldorf Paper Products Co.
Champion International Co.
John A. Manning Paper Co.

Mead Corp.
The Flintkote Co.
St. Croix Paper Co.
Bird & Sons
Morris Paper Mills
Scott Paper Co.
Alton Boxboard Co.
Masonite Corp.
Rayonier, Inc.
Container Corp.
Fort Orange Paper Co.
Columbia Boxboard Co.

OTHER MANUFACTURING

Owens-Illinois Glass Co.
The Bullard Co.
Continental Can Co.
General Electric Co.
Western Electric Co.
General Motors Corp.
Diamond Match Co.
Weston Cartridge Co.

B. F. Goodrich
Westclox Div.
Norton Co.
U. S. Rubber Co.
Fisher Body Div.
Chrysler Corp.
Nicholson File Co.
Boeing Aircraft

RILEY STOKER CORPORATION

MAIN OFFICE — WORCESTER, MASSACHUSETTS



Manufacturing Plants

CONRWELLS HEIGHTS, PENNSYLVANIA
Steam Generating Equipment

DETROIT, MICHIGAN
Fuel Burning Equipment

DECATUR, ILLINOIS (A. W. Cash Co.)
Pressure and Temperature Regulating Valves
Combustion Control Apparatus

Sales Offices

Atlanta, Boston, Buffalo, Charlotte, Chicago, Cincinnati, Cleveland, Denver, Detroit, Houston, Kansas City, Los Angeles, Milwaukee, New Orleans, New York, Philadelphia, Pittsburgh, Portland (Oregon), St. Louis, St. Paul, Salt Lake City, San Francisco, Washington

Licensed Manufacturing Associates

BRITISH COMMONWEALTH OF NATIONS
Except Australia, Canada, India, New Zealand, Pakistan
John Brown Land Boilers Limited

AUSTRALIA AND NEW ZEALAND
Riley Dodds Australia Limited

CANADA
Foster Wheeler Limited

EUROPE
Except Belgium
Steam Generating Equipment
John Brown Land Boilers Limited
Fuel Burning Equipment
Fama, France

BELGIUM
Belgium Congo and Grand Duchy of Luxembourg
Chaudronneries Pierre Brouhon

Overseas Agents

CUBA
William A. Powe

COLOMBIA
C. E. Halaby & Co., Ltd.

URUGUAY
J. Felix Castillo, Jr.

VENEZUELA
Oficina Tecnica Stubbins

MEXICO AND CENTRAL AMERICA
Andres Araujo y Cia de R. L.

ARGENTINA
Sociedad Argentina Tecnica Industrial y Comercial, S. A.

PUERTO RICO AND DOMINICAN REPUBLIC
Abarca Warehouses, Inc.

HAWAII
Electric Steel Foundry Co.

ISLAND OF MAURITIUS
Rey & Lenferna, Ltd.

TAIWAN AND OTHER PARTS OF NATIONALIST CHINA
William Hunt & Co. (International) Inc.

PHILIPPINES
Atlantic, Gulf and Pacific Co.

SWEDEN
Ab Svenska Maskinverken

RS-001725
1/17/02
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