

Annual Report of the Directors
of
Radio Corporation
of America

to the

Stockholders for the year ended
December 31, 1924



New York, 1925

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RADIO CORPORATION OF AMERICA

BOARD OF DIRECTORS

OWEN D. YOUNG, CHAIRMAN

GORDON ABBOTT	JAMES G. HARBORD
ARTHUR E. BRAUN	EDWARD W. HARDEN
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GEORGE S. DAVIS	EDWARD J. NALLY
HARRY P. DAVIS	EDWIN W. RICE, JR.
JOHN W. GRIGGS	GERARD SWOPE
JOHN HAYS HAMMOND, JR.	GUY E. TRIPP

OFFICERS

JAMES G. HARBORD, President	JOHN W. GRIGGS, General Counsel
DAVID SARNOFF, Vice-President and General Manager	GEORGE S. DE SOUSA, Treasurer
WILLIAM BROWN, Vice-President and General Attorney	LEWIS MACCONNACH, Secretary
	CHARLES J. ROSS, Comptroller
	MARION H. PAYNE, Assistant Treasurer

Report of the Directors of Radio Corporation of America

New York, February 26, 1925

TO THE STOCKHOLDERS:

The Directors of the Radio Corporation of America submit the following review of operations for the year ended December 31st, 1924:

Your Corporation maintains its leadership in International Radio Telegraph Communication, in Marine Radio Service and in the sale of radio broadcast receiving apparatus. Every branch of its business shows an increase over its earnings for 1923.

INTERNATIONAL RADIO COMMUNICATION

To the international radio circuits operated by the Corporation have this year been added services to Argentina and Sweden. American interests are now served by direct radio communication with:

Trans-Pacific

- | | | | |
|---------------------|-------|-------|---------|
| 1. Hawaii | since | March | 1, 1920 |
| 2. Japan | since | March | 1, 1920 |
| 3. Hawaii-Japan . . | since | March | 1, 1920 |

Trans-Atlantic

- | | | | |
|----------------------|-------|----------|----------|
| 4. Great Britain . . | since | March | 1, 1920 |
| 5. Norway | since | May | 17, 1920 |
| 6. Germany | since | August | 1, 1920 |
| 7. France | since | December | 14, 1920 |
| 8. Italy | since | August | 10, 1923 |
| 9. Poland | since | October | 4, 1923 |
| 10. Argentina . . . | since | January | 25, 1924 |
| 11. Sweden | since | December | 1, 1924 |

The new Argentine service is carried on with the wireless station near Buenos Aires, owned by the A. E. F. G. Consortium to which your Corporation is a party, with English, French and German radio interests. A. E. F. G. radio stations are being constructed at Rio de Janeiro and Pernambuco, Brazil. The Consortium also owns and operates the radio station at Bogota, Colombia, communicating through the stations of the United Fruit Company and the Tropical Radio Telegraph Company in Central America with the United States. The Swedish and Norwegian circuits furnish American business the only direct telegraph communication with Scandinavia. A traffic agreement has been concluded for operation with Saigon, Indo-China; service will be inaugurated in the first quarter of 1925.

Due to conditions in China, construction of high power stations there, mentioned in our annual report for 1923, has not yet begun.

The Philippine Legislature, at its session in November last, granted to your Corporation a concession for the erection of a transoceanic station at Manila.

Your Corporation transmits its inter-company messages by radio directly between its Long Island and San Francisco stations. During interruptions to the trans-continental wire lines the same circuit has handled press matter at the request of the several news associations.

Continual improvement in operating methods and added facilities at the several stations have made this a year of progress. Our centralized system of control has been adopted by other countries and our methods of operation are establishing standard practice all over the world.

The Corporation is developing short wave low power transmitters for commercial use and transmitters of this type are now being used on both Atlantic and Pacific Coasts. Others are in course of construction. Some of the foreign stations with which we exchange traffic are also using short wave transmitters. Commercially, this system cannot, as yet, be considered as beyond the experimental stage. Its present limitations during daylight hours fix it, for the time being, at least, as no more than a valuable supplement to long wave radio telegraphy, so far as concerns long distance communication. Further technical development is, however, being continued by our engineers and future possibilities are receiving their careful attention.

A noteworthy achievement of your engineers was the pioneer transmission on November 30, 1924, of radio photographs across

the Atlantic. The transmission of handwritings, signatures, fingerprints and pictures of all kinds with absolute secrecy is practicable by this pictoradio process. Its ultimate commercial application to our business is confidently anticipated.

MARINE RADIO COMMUNICATION

The service rendered by the Corporation's marine stations is increasingly important. Shipowners rely on radio for dispatching their vessels and diverting them at will from one port to another. The dispatching of tugs and other harbor craft is now being controlled by radio and through it, fishing fleets market their daily catch to best advantage. The traveler can keep in touch with home affairs from on board ship in any ocean. The free medical consultation for mariners provided through our stations with the cooperation of the U. S. Public Health Service has proved efficient and many lives have doubtless been saved by the prescriptions and medical advice thus promptly made available. A paid news service for ships is furnished and ships' positions are reported for publication in the daily press.

Radio still summons aid to distressed vessels. Your directors awarded the R. C. A. Medal to Radio Operators Elmer Hall Walter and Charles Eugene Sullivan, Jr., of the S.S. "Boston" for meritorious services performed by them at the time of the collision of the S.S. "Boston" with the S.S. "Swift Arrow" on the night of July 21st, 1924, off Pt. Judith, R. I.

The following Marine Coastal Stations are now operated:

Chatham, Mass.
New York, N. Y.
Tuckerton, N. J.
Los Angeles, Calif.
San Francisco, Calif.

The Corporation recently purchased from the U. S. Navy the radio coastal station at Galveston, Texas, which will be opened to public service after being completely overhauled and equipped with our standard tube transmitting apparatus.

Among outstanding accomplishments of the year is the perfecting of two standard types of marine Tube Transmitters. These sets embody the latest developments in the art. A method of converting spark transmitters into tube sets has also been devised and a program inaugurated under which all spark sets

now owned by the Corporation will eventually be so converted. This will improve our service and eliminate spark interference with radio broadcasting, so far as we are concerned.

The Radio Corporation furnished radio service on over 700 vessels during 1924. Notwithstanding there are now under American registry fewer vessels of 1,000 gross tons and over than at the beginning of 1924, the business of the Marine Department has maintained the established level.

Conditions in the shipping industry are improving and this will be reflected in marine communication, rental and sales operations.

PLANT EQUIPMENT AND TECHNICAL DEVELOPMENT

Continuous service has been given during the year on your international radio communication circuits and at marine coastal stations. All stations and their equipment have been kept abreast of technical development and maintained at a high standard of efficiency.

A fireproof building for the receiving equipment at Riverhead, L. I., was completed in the early part of the year. The property owned by the Corporation at Belmar, N. J., has been sold, being no longer needed. The traffic capacity of the New Brunswick and Tuckerton transmitting stations has been increased. Similar improvement is being made at the Marion station. Wave antennae at the Pacific Coast stations and the new broadside antenna system at Riverhead, L. I., station have brought steady improvement in reception.

The experiments of your engineers in Short Wave Radio Telegraphy have been productive. Experiments in Transoceanic Radio Telephony in cooperation with the engineers of the American Telephone and Telegraph Company have continued with satisfactory results.

Everything possible is being done to keep the cost of operation at the minimum consistent with efficiency.

TECHNICAL AND TEST LABORATORY

The great strides made by the engineers of our manufacturing associates, the General Electric Company, the Westinghouse Electric & Manufacturing Company and the Wireless Specialty Apparatus Company, as well as by our own engineers, resulting in many new inventions and improvements, require that these developments be coordinated, from a scientific and technical standpoint, and that their advantages be promptly incorporated

in the radio apparatus sold by your Corporation to the Public and used in its systems of communication. To maintain our leadership it is necessary to keep abreast of technical developments in radio which are taking place all over the world and to analyze and test the value of numerous inventions submitted to the Corporation for consideration, by various inventors. In order to obtain maximum economies of quantity production at factories, it is also essential to bring about the greatest degree of standardization of types and designs, consistent with the rapidly developing radio art.

To meet these requirements, your Directors authorized the erection of a Technical and Test Laboratory, which is staffed with experts of the Radio Corporation, devoting themselves exclusively to the above tasks. A site was purchased at Van Cortlandt Park, South, and Saxon Avenue, Bronx, New York, and a suitable brick and concrete three-story building was erected thereon. This department is now functioning in accordance with this program.

RADIO BROADCASTING

Believing that a company serves its stockholders best that serves the public best, your Corporation has continued to expand and improve its broadcasting facilities.

Since the establishment of the printed newspaper, nothing has had so profound an effect on communication as radio broadcasting.

In your new laboratories we are at work constantly, not merely upon improvements in receiving sets—improvements which have kept the Corporation in its outstanding position of leadership—but upon improvements in the quality and character of broadcasting itself. The human voice and instrumental music are now carried with the speed of light across countries and oceans, to millions of simultaneous listeners. As yet, a national program is an occasional, rather than a continuous feature of broadcasting. In the effort for improvement and ultimate stabilization of broadcasting upon a high, artistic and educational plane, your Corporation is taking a prominent part.

As a means of bringing the best music to the remote homes on the farms, as well as in towns, we inaugurated the broadcasting of special programs by artists of the first rank. The "Brunswick Hour of Music," initiated by the Radio Corporation, in cooperation with the Brunswick-Balke-Collender Company, was a great forward step in broadcasting. It set a new pace in the quality of musical entertainment from the broad-

casting stations. The new standard thus established, we are confident, will be maintained.

The year was notable in that it brought to the highest expression the possibilities of radio broadcasting in political affairs. The three principal candidates for the Presidency availed themselves of the opportunity of talking to vast audiences, over the stations of the Radio Corporation of America and of its associated companies. It is significant that the policy of the Corporation in its broadcasting stations, namely, that no favoritism or discrimination be shown in connection with political affairs, has been amply justified by the entire absence of complaint or criticism upon this score.

Radio broadcasting has been of similar service in the diffusion of knowledge. Early in 1924 we arranged with the New York University for the establishment of an "Air College" broadcast through WJZ, one of the Corporation's New York stations. Lectures on a wide range of subjects have been given daily since then. In cooperation with the Board of Education of New York, a special daily educational program was also arranged through WJZ.

In Washington, through the Corporation's station WRC, the Smithsonian Institution has been broadcasting a weekly series of talks on the Institution and its branches. The annual report of the Smithsonian Institution for 1924, in reference to this work, says: "The latest addition to the Institution's program on the diffusion of knowledge was the inauguration during the year of a series of radio talks on scientific subjects presented in popular form, and the response to these was so widespread that the series will be continued with increased scope during the coming year."

The public service rendered by a national broadcasting station like WJZ in New York is indicated by the fact that during 1924 this station put on the air 4,935 program features. The station was on the air 3,085 hours, nearly half the time broadcasting programs and events outside of the studio.

Broadcasting stations WJZ and WJY operated by your Corporation in New York and Station WRC operated in Washington, have been permanently connected with leased wires so that events occurring in Washington, New York, Baltimore and Philadelphia may now be broadcast simultaneously from our stations.

Those stations are also connected by wire with WGY, the General Electric broadcasting station at Schenectady, and this wire system has been supplemented from time to time by the use

of short wave radio transmission from WGY and KDKA, the Pittsburgh broadcasting station of the Westinghouse Electric & Manufacturing Company. Wire connections between our New York stations and the Westinghouse KDKA at Pittsburgh, and through there to Chicago, are planned for 1925. This will permit simultaneous rendition of programs from Washington, New York City, Schenectady, Pittsburgh and Chicago, reaching a population of perhaps seventy millions of people.

SALE OF RADIO RECEIVING APPARATUS

In March 1924, your Corporation introduced to the public distinctive types of Radiolas, combining new principles of reception, greater selectivity and range, and simplicity of operation.

The merit of our apparatus, combined with improved selling methods, has given us a very successful year. The new line of instruments has had public approval. "Radiola" and "Radio-tron," the registered trademarks belonging to the Corporation, are now recognized words in the commercial radio language of the world.

Twice during the year, through a broadening market, improved manufacturing methods and quantity production, the Corporation was further able to serve the public and pass on economies to the consumer, by reducing the price of Radiotrons; first on January 11th, from \$6.00 to \$5.00, and again on August 5th, from \$5.00 to \$4.00. By the time this report will have reached you, we shall have made a still further reduction to \$3.00, placing this important and vital part of every radio instrument within the reach of everyone.

A contract was made for the sale to the Brunswick-Balke-Collender Company of Radiolas to be used in combination radio-phonograph sets. The Brunswick Radiolas have achieved marked success. Under this contract, Brunswick artists broadcast programs from our stations.

A well planned advertising program has kept our products in the public eye. A close relationship between the Corporation and its jobbers and dealers has given each a better appreciation of their respective and mutual problems. A careful selection of Radiola outlets on the part of distributors has contributed to our success. The inauguration of a time payment or dealers' finance plan makes it possible for the small dealer to increase his sales "turn-over" on apparatus.

Assistance to jobbers, dealers and the consumer has been rendered by an enlargement of Service Station facilities and the acquisition of additional experts. Much efficiency in servicing of apparatus has been accomplished through the establishment of service depots. Distributors and dealers periodically send selected employes to R. C. A. Service Stations, where they are given the opportunity to familiarize themselves with R. C. A. products and their construction. Lectures are given by representatives of the Radio Corporation and by engineers of our associated manufacturing companies. This work has been supplemented in a systematic way by holding service classes at other locations designated by dealers and distributors, which are conducted by our traveling servicemen.

This service work of the Sales Department has thus been brought to a high standard. A very satisfactory relationship exists between distributors, dealers, the Radio Corporation and the public.

Additional warehouse facilities have been found necessary and have been provided in New York, Chicago and San Francisco.

PERSONNEL

We announce with regret that on September 19th, 1924, Hon. James R. Sheffield resigned as a Director of your Corporation to become American Ambassador to Mexico, and that having completed fifty years in the communication business, Mr. Edward J. Nally resigned as Managing Director of International Relations, effective December 31st, 1924, and has retired from active service. Mr. Nally continues as a Director of the Radio Corporation of America.

Colonel Henry L. Roosevelt was appointed European Representative, with headquarters in Paris, effective January 1st, 1925.

FINANCIAL

By your action on May 6th, 1924, Article IV of the Certificate of Incorporation was amended by reducing the authorized number of shares of Preferred stock from 5,000,000 to 500,000 shares of "A" Preferred stock, and the authorized number of shares of Common stock from 7,500,000 to 1,500,000 shares of "A" Common stock. This amendment does not change the capitalization of the company, but merely reduces the number of shares and correspondingly increases their value. Stockholders were requested to exchange their certificates of the

original Common and Preferred stock on the basis of one share of "A" Common stock for five shares of the original Common, and one share of "A" Preferred stock for ten shares of the original Preferred stock. Considerably more than a majority of the stock has been thus exchanged. The "A" Common stock and "A" Preferred stock were listed on the New York Stock Exchange on October 1st, 1924.

The 7% dividend on Preferred stock, which became cumulative January 1st, 1924, was paid as follows:

July 1st, 1924 (3½%) 1st and 2nd quarters of 1924.

October 1st, 1924 (1¾%) 3rd quarter of 1924.

January 1st, 1925 (1¾%) 4th quarter of 1924.

No dividends have been declared on the Common stock.

BALANCE SHEET

Your Corporation's capital stock consists of 395,597 and four-tenths shares of seven per cent "A" Preferred stock with a par value of \$50.00 per share, and 1,155,400 shares of "A" Common stock of no par value.

The seven per cent dividend on the Preferred stock for 1925, amounting to \$1,384,591, has been set aside as a reserve out of net income.

The Corporation's financial position has been further strengthened during 1924. Current assets have increased \$11,788,631 and exceed the current liabilities by \$15,377,403.

The current liabilities, amounting to \$8,629,927, represent indebtedness for merchandise, materials and Federal Income Tax. The Corporation has no bonded debt or notes outstanding.

The total of Plant and Equipment stands at \$12,918,009 and the Reserve for Depreciation and Obsolescence of Plant amounts to \$2,076,909. The Amortization of Patents Reserve, after charging patents expired, now stands at \$3,902,743 and represents the depreciation to December 31, 1924, indicated by the schedule founded on the life of such patents.

OPERATIONS

After providing for Depreciation of Plant and Inventory, the operations for the year resulted in a net profit of \$9,503,442. Of this \$2,364,908 has been allocated to Reserves for Patents, Federal Income Tax and Organization Expense; \$1,384,591 for Preferred stock dividend, and \$3,356,651 has been credited to Surplus Account. The balance of \$2,397,292 has been applied to

provide for losses sustained on investments in associated and subsidiary companies taken over from the Marconi Wireless Telegraph Company of America; Reserve for Account due by Marconi Wireless Telegraph Company of America; Reserve against Foreign Investments; and writing down contracts, good-will, etc.

MARCONI WIRELESS TELEGRAPH COMPANY OF AMERICA
RESERVED ASSETS

When the stock of the Marconi Wireless Telegraph Company of America was exchanged for stock of this Corporation, the Marconi certificates were returned to the owners to represent their interest in the reserved assets of that company. The audit of the Federal Income Tax Returns of the Marconi Wireless Telegraph Company for one of the war years prior to the formation of the Radio Corporation led the Treasury Department to claim that an additional amount was due. It finally became necessary for your Corporation to advance to the Marconi Company a considerable sum of money for payment of these taxes, which amount, under the contract, may be charged against any future amount realized from the reserved assets above mentioned.

For the Directors:

OWEN D. YOUNG, *Chairman of the Board*
JAMES G. HARBORD, *President*

Printed by order of the Board
LEWIS MACCONNACH,
Secretary

RADIO CORPORATION OF AMERICA

BALANCE SHEET—DECEMBER 31, 1924

ASSETS

PLANT AND EQUIPMENT:			
Comprising High Power Stations in Operation with the Necessary Equipment, together with Ship Stations, Broadcasting Stations and Sundry Machinery, Tools and Furniture.....			
	\$12,918,008.53		
PATENTS, PATENT RIGHTS, CONTRACTS AND GOOD-WILL	17,785,957.19		
INVESTMENTS IN AND ADVANCES TO SUBSIDIARY AND ASSOCIATED COMPANIES.....	3,062,656.24		
DEFERRED CHARGES.....	204,159.47		
INSTALLATION WORK FOR FOREIGN CUSTOMERS.....	314,239.59		
CURRENT ASSETS:			
Cash at Banks and on Hand.....	\$7,875,252.10		
Accounts and Notes Receivable.....	7,591,487.53		
INVENTORIES: Merchandise.. \$3,108,357.99			
Ship, Shore and			
High Power			
Apparatus.. 927,075.11	4,035,433.10		
Investments in Marketable Securities at Cost (Dec. 31, 1924 Market is in Excess of Cost).....	4,505,157.00		
TOTAL CURRENT ASSETS.....	24,007,329.73		
		\$58,292,350.75	

LIABILITIES AND CAPITAL

CAPITAL STOCK:			
395,597 and Four-Tenths Shares 7% "A" Preferred \$50 Par Value		\$19,779,870.00	
1,155,400 Shares "A" Common (No Par Value)		13,767,263.56	
TOTAL CAPITAL STOCK.....		\$33,547,133.56	
CURRENT LIABILITIES.....		8,629,926.77	
RESERVE FOR 1925 PREFERRED STOCK DIVIDEND.....		1,384,590.90	
ADVANCE COLLECTIONS FROM FOREIGN CUSTOMERS.....		144,166.67	
DEFERRED LIABILITIES.....		625,000.00	
RESERVES:			
For Amortization of Patents After Writing off Patents Expired.....	\$3,902,743.01		
For Depreciation and Obsolescence of Plant and Inventories.....	3,326,359.62		
For Investments in and Advances to Subsidiary and Associated Companies.....	1,002,080.46		
Other Reserves.....	729,780.04	8,960,963.13	
SURPLUS:			
January 1, 1924.....	\$1,643,918.31		
ADD—Amount Transferred from 1924 Earnings.....	3,356,651.41	5,000,569.72	
		\$58,292,350.75	

RADIO CORPORATION OF AMERICA
SUMMARY OF OPERATIONS
YEAR ENDED DECEMBER 31, 1924
(WITH COMPARATIVE FIGURES FOR 1923 AND 1922)

	Year Ended December 31,		
	1924	1923	1922
GROSS INCOME FROM OPERATIONS:			
Gross Sales.....	\$50,747,202.24	\$22,465,090.71	\$11,286,489.41
From Trans-oceanic Communication.....	3,358,584.31	3,191,558.73	2,914,283.11
From Marine Service.....	742,345.03	738,140.14	630,084.24
	<u>\$54,848,131.58</u>	<u>\$26,394,789.58</u>	<u>\$14,830,856.76</u>
DEDUCT:			
General Operating and Administration Expenses, Depreciation and Cost of Sales....	45,838,398.44	21,833,039.93	12,126,464.71
	<u>\$9,009,733.14</u>	<u>\$4,561,749.65</u>	<u>\$2,704,392.05</u>
OTHER INCOME.....	493,703.92	176,024.11	270,187.72
NET INCOME FOR YEAR.....	<u>\$9,503,442.06</u>	<u>\$4,737,773.76</u>	<u>\$2,974,579.77</u>
APPLIED AS FOLLOWS:			
Reserve for Amortization of Patents.....	\$989,907.39	\$931,459.78	\$2,480,576.25
Reserve for Federal Income Tax.....	1,100,000.00	500,000.00	270,000.00
Balance of Organization Expenses Written off...	275,000.00	277,804.77	224,003.52
Amount Written off on Account of Ascertained Losses Sustained on Investments in Associated and Subsidiary Companies Taken Over from Marconi Wireless Telegraph Company of America.....	768,512.50		
Reserve Against Foreign Investments.....	414,235.89		
Reserve Against Account Due by Marconi Wireless Telegraph Company of America.....	587,844.57		
Amount Written off Contracts, Good-will, etc...	626,699.40		
Reserve for 1925 Preferred Stock Dividend..	1,384,590.90	1,384,590.90	
Transferred to Surplus...	3,356,651.41	1,643,918.31	
	<u>\$9,503,442.06</u>	<u>\$4,737,773.76</u>	<u>\$2,974,579.77</u>

CERTIFICATE OF AUDITORS

We have examined the books and accounts of the RADIO CORPORATION OF AMERICA for the year 1924, and we certify that, in our opinion, the foregoing Balance Sheet and Summary of Operations correctly set forth, in brief, the financial position of the Corporation at December 31, 1924 and the operations of the year ended that date.

ARTHUR YOUNG & COMPANY,
Members American Institute of Accountants.

New York, February 9, 1925.



