

Annual Report of the Directors
of
Radio Corporation
of America

to the

Stockholders for the year ended
December 31, 1928



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RADIO CORPORATION OF AMERICA

BOARD OF DIRECTORS

GORDON ABBOTT	EDWARD W. HARDEN
CORNELIUS N. BLISS	EDWIN M. HERR
ARTHUR E. BRAUN	EDWARD J. NALLY
PAUL D. CRAVATH	EDWIN W. RICE, JR.
ALBERT G. DAVIS	ANDREW W. ROBERTSON
HARRY P. DAVIS	DAVID SARNOFF
JOHN HAYS HAMMOND, JR.	JAMES R. SHEFFIELD
JAMES G. HARBORD	GERARD SWOPE
OWEN D. YOUNG	

OFFICERS

OWEN D. YOUNG, Chairman of the Board	JOSEPH L. RAY, Vice-President and General Sales Manager
JAMES G. HARBORD, President	ALFRED N. GOLDSMITH, Vice-President and Chief Broadcast Engineer
DAVID SARNOFF, Executive Vice-President	CHARLES J. ROSS, Comptroller
WILLIAM BROWN, Vice-President and General Counsel	GEORGE S. DE SOUSA, Treasurer
MANTON DAVIS, Vice-President and General Attorney	LEWIS MACCONNACH, Secretary

Report of the Directors
of
Radio Corporation of America
New York City, March 1, 1929

TO THE STOCKHOLDERS :

The Directors of the Radio Corporation of America submit the following review of operations for the year 1928: This period has been significant in the history of your Corporation. It has sold more radio apparatus and handled more radiograms than in any previous year. The earnings of its communications business for the first time have been sufficient to meet the dividends on its Preferred stock. Its facilities have been increased to meet the demands of its business. It has taken the last preliminary steps for entering the domestic telegraph field. It has definitely become a factor in the amusement world. For this enlargement of its usefulness in different directions it has created such subsidiary companies and contracted such alliances as were necessary.

INTERNATIONAL COMMUNICATIONS

New international radio services were inaugurated during the year as follows:*

Venezuela (Maracaibo)	January 22nd
Shanghai (via Philippines)	February 21st
Canada (Montreal)	March 10th
Portugal	April 2nd
Australia (via Montreal)	June 15th
Dutch West Indies (Curacao)	August 4th
Liberia	September 1st
Cuba	December 4th

Service between the United States and Japan, formerly relayed through Honolulu, is now handled directly between Tokio and San Francisco with increased speed and efficiency

* See complete list of circuits at end of report.

Similar service will be opened with Chile, Spain, Czechoslovakia, Russia, Mexico and China in 1929.

The R. C. A. system of directive, high-speed, short wave apparatus made possible the increase in traffic handled. The long wave, high-power stations, with which international radio communication was formerly exclusively conducted, are still necessary for continuous and efficient service under some conditions, but short wave apparatus has solved the most difficult problems with which international radio communication has had to contend.

In South America the A. E. F. G. Consortium (in which the Radio Corporation is a partner with the English, French and German Companies) has opened a circuit between Santiago, Chile and Buenos Aires, with relay thence to the United States and Europe. A feeder circuit established between Rio de Janeiro and Sao Paulo and additional equipment provided at Pernambuco, have enlarged the opportunities of the Brazilian Company.

Progress was made in the field of radio facsimile transmission and reception. Increased use was made of the commercial photoradio services operated between New York and London and San Francisco and Honolulu.

To a subsidiary company, the R. C. A. Communications, Inc., just organized, will be transferred early in 1929, the stations, equipment and personnel used in your communications business. This is a distinct step forward, freeing your radio communications from certain disadvantages heretofore suffered from confusion in the popular mind with your merchandising and broadcasting activities.

MARINE AND AIRCRAFT RADIO

The subsidiary company handling these services is the Radiomarine Corporation of America. At the end of the year, 1,360 American vessels were under contract for radio service. Marine message traffic increased 30% over the preceding year. There was a substantial increase in the sale and rental of ship radio equipment and direction finders.

New coastal stations were opened at Los Angeles, California, and Port Arthur, Texas.* The coastal station at Cleveland, Ohio, is being replaced by a new station which will be opened for service early in 1929. A number of your coastal stations were equipped with long range radio apparatus for service with ships

* See complete list of stations at end of report.

similarly supplied. This type of equipment is small in size and permits of very distant communication with low power. For example, the great S.S. "Leviathan" is enabled to maintain constant direct communication with the station at Tuckerton, N. J., during the round-trip voyage between New York and Southampton. Vessels in distress continued to depend upon your coastal stations. When the ill-fated "Vestris" sent out its SOS signals, they were immediately transmitted by the Chatham and Tuckerton stations to all ships within range.

The Radiomarine Corporation supplied the ships of the Byrd Antarctic Expedition with radio transmitting and receiving equipment. Those vessels have communicated almost daily with San Francisco and New York, handling hundreds of words of press and private messages.

Radio equipment for aircraft and airport stations has been designed and is now being manufactured. A number of contracts have been obtained by the Corporation for this class of apparatus.

PLANT AND EQUIPMENT

There was no serious interruption to the maintenance and operation of stations and equipment during the year. Additional short wave equipment was added for transatlantic and transpacific use. A new short wave receiving center is being constructed at Riverhead, Long Island.

The station at San Juan, Porto Rico, was damaged by a hurricane and temporarily disabled, but was promptly restored to service by the local staff.

Increased facilities made necessary by increase of business are being furnished for the stations operated by the Radio Corporation of the Philippines.

The American Telephone and Telegraph Company continued to lease your long wave facilities at Rocky Point for its transatlantic radio telephone service.

The efficiency of your transoceanic service has been increased during the year by new and improved methods of reception.

MERCHANDISE SALES

New and improved types of Radiolas, Radiotrons and Loudspeakers were designed and introduced during 1928. A complete line of Radiolas was provided, ranging from the Radiola 16,

a low-priced tuned radio frequency set, operated by batteries, to the moderately expensive Radiola 64, an extremely efficient instrument utilizing the superheterodyne circuit, automatic volume control with electro dynamic loudspeaker and operated entirely from the electric light socket. The most important technical advance of the year was the successful application of the alternating current Radiotron to the superheterodyne circuit. RCA dealers thus equipped were generally successful against active competition in 1928.

Through national advertising in magazines and newspapers, attractive displays by dealers and exhibition at many Radio Shows, RCA products were effectively presented to the public.

Progress was made in the sale of merchandise and commercial equipment in the export field, notable instances being the sale of radio communication equipment to Russia, the Chinese Nationalist Government and to the Manchurian provinces.

Service schools were established for the instruction of distributors and dealers. Technical information was furnished to distributors and dealers by a specially trained staff of field service representatives and through the distribution of service notes and parts catalogs.

District sales offices, service stations and warehouses were opened at Atlanta, Ga., and Dallas, Texas, in addition to those hitherto maintained at New York, Chicago and San Francisco.

R. C. A. of Brazil, Inc., and R. C. A. of Argentina, Inc., were organized as subsidiary companies to promote the sale of radio apparatus in those countries.

In both its domestic and export business your Corporation has enjoyed harmonious relations with the trade throughout the year.

BROADCASTING

The RCA Music Educational Hour under the direction of Dr. Walter Damrosch has been inaugurated for class rooms and auditoriums. This educational hour is broadcast on Friday mornings and provides a much needed service for schools and colleges. A new type of auditorium radio receiver was designed for use in this service.

Radio Broadcasting created for itself a new and important role, far reaching and decisive, in the presidential campaign. It carried to the American people the proceedings of the national conventions of the two great political parties, the cam-

paign speeches of candidates of all political parties and other forms of publicity and closed an exciting four months with the election returns. So clearly and completely were the issues of the campaign laid before the electorate, that the possibility is visualized of future presidential campaigns being shortened to perhaps a month, thus minimizing the demoralization and interruption to business hitherto characteristic of the quadrennial campaigns.

IN THE AMUSEMENT FIELD

In the early part of the year, in association with the General Electric Company and the Westinghouse Electric and Manufacturing Company, your corporation organized a subsidiary company, R. C. A. Photophone, Inc., for the development and distribution of sound-motion picture projection equipment and the recording of sound on films. Contracts have been made with the Radio-Keith-Orpheum Corporation for the furnishing of Photophone equipment to theatres owned or controlled by that company. Contracts have also been executed for the installation of Photophone equipment in approximately one hundred other theatres.

Demonstration studios and offices for R. C. A. Photophone, Inc., have been provided at 411 Fifth Avenue, New York City. Studios for the production of sound-motion pictures have been provided at 143-151 East 24th Street, New York City.

Under a contract made between the Radio-Keith-Orpheum Corporation and the Radio Corporation of America providing for use of patents, exchange of services and cooperation in research in the amusement field, the Radio Corporation of America acquired a substantial interest in the Radio-Keith-Orpheum Corporation. Stock owned by Radio Corporation of America in F. B. O. Productions was also exchanged for stock of Radio-Keith-Orpheum Corporation.

After several months of negotiation, the Board of Directors, subject to the approval of the stockholders, authorized the acquisition of common stock of the Victor Talking Machine Company for the purpose of coordinating the activities of that company with those of the Radio Corporation. This coordination is a logical development of the Radio and Phonograph industries and will be of substantial benefit to the companies themselves and to the public.

Through the arrangements above outlined the Radio Corporation of America acquires an important position in the amuse-

ment field. It has a substantial interest in the production, distribution and exhibition of sound-motion pictures, with increased facilities for furnishing entertainment on records, on films and through the air, in the theatre and in the home.

PATENT LICENSES

In addition to the patent licenses granted in 1927 under the tuned radio frequency patents and power supply patents, a number of licenses were granted in 1928 under electric phonograph patents. This policy of granting patent licenses to competing manufacturers has contributed much to the stabilization of the business of radio receiving sets. During the past year the policy of granting patent licenses was extended to include tube patents. No licenses have been granted under the superheterodyne patents, the exclusive right to produce and sell that type of receiver having been retained by your Corporation.

FEDERAL TRADE COMMISSION COMPLAINT

On December 19th, 1928, the Federal Trade Commission dismissed its complaint against the Radio Corporation of America and its associated companies on the charge of monopoly and unfair competition. Your company is now in a position where it can properly state that it has been under examination for more than seven years (including the two years of investigation leading up to the Federal Trade Commission's complaint) and that after the taking of thousands of pages of testimony all over the United States and the most careful scrutiny of the Radio Corporation's licenses, contracts and practices, the Commission has found nothing of which to complain. The decision was reached on the Commission's own testimony.

OPERATIONS

The Operations for the year resulted in a net income of \$23,661,990, of which \$3,627,191 has been set aside as Reserve for Federal Income Taxes and Amortization of Patents and \$200,000 as Reserve against Foreign Investments and for the Employees' Pension Fund, leaving a net sum of \$19,834,799, which has been transferred to Surplus Account.

BALANCE SHEET

There is presented to the Stockholders a Consolidated Balance Sheet and Summary of Operations, which include all the wholly owned subsidiary companies of the Radio Corporation of America.

The policy of the partly owned subsidiaries of the Corporation is to avoid either the accumulation of an excessive surplus or the payment of excessive dividends.

The Corporation's financial position is summarized as follows:

Current Assets have increased \$22,197,335 and exceed the Current Liabilities by \$39,504,235, the ratio of Current Assets to Current Liabilities being approximately three and one-half to one. The Corporation has no bonded debt or notes outstanding.

Plant and Equipment, less Reserves amounting to \$8,515,240, now stands at \$8,273,887.

The Reserve for Amortization of Patents, after charging off Patents expired and an additional reserve of \$4,789,924 provided out of Surplus Account, amounts to \$12,484,910, reducing the Book Value of the Patents to \$1.00.

DIVIDENDS

Quarterly dividends were paid on the "A" preferred stock at the rate of seven per cent per annum. An annual dividend of seven per cent for the year 1928 was paid on all shares of the original preferred stock not yet exchanged for "A" preferred stock and outstanding at December 1st, 1928.

PERSONNEL

Mr. David Sarnoff was elected to the office of Executive Vice-President.

Colonel Manton Davis was elected Vice-President and General Attorney.

Mr. Joseph L. Ray was elected Vice-President and General Sales Manager.

Dr. Alfred N. Goldsmith was elected Vice-President and Chief Broadcast Engineer.

These promotions, effective January 1st, 1929, confer on proven officials the titles and responsibilities appropriate to the increased volume of your business, its extension into new fields, and the necessary increase of its personnel.

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 AND
SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET—AT DECEMBER 31, 1928

ASSETS		
PLANT AND EQUIPMENT:		
Comprising Transoceanic, Ship, Marine and Broadcasting Stations in Operation with the Necessary Equipment, etc.....	\$16,789,126.96	
LESS: Reserves.....	8,515,239.53	
	\$8,273,887.43	
OFFICE BUILDINGS, NEW YORK CITY AND OTHER REAL ESTATE.....	\$3,331,433.48	
LESS: Reserves for Depreciation.....	142,216.88	3,189,216.60
CONSTRUCTION WORK IN PROGRESS.....		47,930.23
PATENTS AND PATENT RIGHTS.....		1.00
CONTRACTS AND GOODWILL.....		1.00
INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES.....	\$7,933,416.04	
LESS: Reserves.....	2,104,084.08	5,829,331.96
DEFERRED CHARGES.....		333,235.64
CURRENT ASSETS:		
Cash in Banks and on Hand.....	\$21,673,485.80	
Marketable Securities at Cost (Dec. 31, 1928 Market Value in Excess of Cost)	13,883,246.13	
Notes and Trade Acceptances Receivable.....	\$69,979.76	
Accounts Receivable.....	17,499,471.91	
	\$17,569,451.67	
LESS: Reserve.....	441,444.81	17,128,006.86
Inventories at Cost:		
Merchandise.....	\$3,968,855.86	
Transoceanic, Ship and Marine Apparatus...	841,118.85	
	\$4,809,974.71	
LESS: Reserve.....	1,917,463.23	2,892,511.48
TOTAL CURRENT ASSETS.....		55,577,250.27
		\$73,250,854.13

**RADIO CORPORATION OF AMERICA AND
SUBSIDIARY COMPANIES**

CONSOLIDATED BALANCE SHEET—AT DECEMBER 31, 1928

LIABILITIES AND CAPITAL

CAPITAL STOCK:

"A" PREFERRED 7%, Par Value \$50 per Share.		
Authorized	500,000 Shares	
Issued	395,597.4 Shares	\$19,779,870.00
"A" COMMON, No Par Value.		
Authorized	1,500,000 Shares	
Issued	1,155,400 Shares	13,767,263.56
TOTAL CAPITAL STOCK		\$33,547,133.56

CURRENT LIABILITIES:

Current Accounts Payable	\$12,381,505.61	
1928 Federal Income Tax Accrued	2,615,000.00	
Miscellaneous Accounts Payable and Accruals	728,612.28	
Dividends Declared and Unpaid	347,897.40	
TOTAL CURRENT LIABILITIES		16,073,015.29

ADVANCE COLLECTIONS ON SALES CONTRACTS 224,499.16

MORTGAGES PAYABLE ON OFFICE BUILDINGS,
NEW YORK CITY 1,320,250.00

DEFERRED LIABILITIES 210,000.00

RESERVES:

General Reserve	\$1,500,000.00	
Other Reserves	1,072,564.20	2,572,564.20

SURPLUS:

Balance, January 1, 1928	\$7,929,621.51	
ADD: Amount transferred from 1928 Earnings	19,834,798.85	
TOTAL SURPLUS		\$26,864,420.36

DEDUCT:

7% Dividends on Preferred Stock	\$1,370,195.59	
Patent Account Written Down	4,789,924.02	
Additional Reserve against Foreign Investments	1,400,908.83	7,561,028.44

SURPLUS AT DECEMBER 31, 1928 19,303,391.92

\$73,250,854.13

NOTE: Substantial liquidated damages for past arrears of Royalties are immediately due from Licensees in the event of default on current royalty contracts. No amount for this is included in the above accounts.

RADIO CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES

CONSOLIDATED SUMMARY OF OPERATIONS
YEAR ENDED DECEMBER 31, 1928
(WITH COMPARATIVE FIGURES FOR 1927 AND 1926)

	Year Ended December 31,		
	1928	1927	1926
GROSS INCOME:			
From Operations:			
Gross Sales.....	\$86,900,152.97	\$56,651,658.37	\$56,093,504.74
Transoceanic Com- munications.....	4,595,551.69	3,934,367.16	3,632,626.36
Marine Service.....	1,536,544.13	990,954.10	874,215.17
Royalties.....	6,392,230.00	3,310,722.21	52,427.43
Real Estate Operations	202,064.20	194,372.64	182,973.78
Other Income.....	2,225,060.10	336,546.14	321,539.16
	\$101,851,603.18	\$65,418,620.62	\$61,157,286.64
DEDUCT: General Operat- ing, Development, Sell- ing and Administra- tive Expenses, Depre- ciation and Cost of Sales.....	78,189,613.46	53,618,970.34	53,760,799.46
TOTAL INCOME FOR YEAR...	\$23,661,989.72	\$11,799,650.28	\$7,396,487.18
APPLIED AS FOLLOWS:			
Reserve for Amortization of Patents.....	\$1,093,621.42	\$966,095.30	\$944,589.83
Reserve for Federal In- come Tax.....	2,533,569.45	1,405,235.11	940,500.00
Reserve against Foreign Investments.....	100,000.00	100,000.00	100,000.00
Reserve for Employees' Pension Fund.....	100,000.00	100,000.00
General Reserve.....	750,000.00	750,000.00
Transferred to Surplus..	19,834,798.85	8,478,319.87	4,661,397.35
	\$23,661,989.72	\$11,799,650.28	\$7,396,487.18

CERTIFICATE OF AUDITORS

We have examined the books and accounts of the RADIO CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES for the year 1928, and certify that, in our opinion, the foregoing Consolidated Balance Sheet and Summary of Operations correctly set forth the consolidated financial position of the Corporation at December 31, 1928 and the operations for the year ended that date.

ARTHUR YOUNG & COMPANY.

New York, February 14, 1929.

International Radio Circuits in operation December 31st,
1928:

Transatlantic

Great Britain	Italy
Norway	Holland
Sweden	Belgium
France	Turkey
Germany	Portugal
Poland	Liberia

West Indies and South America

Argentina	Dutch Guiana
Brazil	Porto Rico
Colombia	Dutch West Indies (Curacao)
Venezuela (Caracas)	St. Martin
Venezuela (Maracaibo)	Cuba

Transpacific

Hawaii	Hong Kong
Japan	(via Philippines)
Philippines	Shanghai (via Philippines)
Dutch East Indies	Hawaii-Japan
French Indo-China	Hawaii-Philippines
	Australia (via Montreal)

Canada (Montreal)

Marine Coastal Stations in operation December 31st, 1928:

Chatham, Mass.	New York, N. Y.
Tuckerton, N. J.	Galveston, Texas
San Francisco, Calif.	Los Angeles, Calif.
Chicago, Ill.	Cleveland, Ohio
Buffalo, N. Y.	Duluth, Minn.
Portland, Ore.	Port Arthur, Texas
New London, Conn.	East Moriches, N. Y.

