

RADIO CORPORATION
OF AMERICA

ANNUAL REPORT

1931



RADIO CORPORATION OF AMERICA

Annual Report for the Year

1931

RADIO CORPORATION OF AMERICA

570 Lexington Avenue, New York City

BOARD OF DIRECTORS

JAMES G. HARBORD, *Chairman*

GORDON ABBOTT	EDWARD J. NALLY
CORNELIUS N. BLISS	EDWIN W. RICE, JR.
ARTHUR E. BRAUN	ANDREW W. ROBERTSON
PAUL D. CRAVATH	DAVID SARNOFF
ALBERT G. DAVIS	JAMES R. SHEFFIELD
JOHN HAYS HAMMOND, JR.	HAROLD SMITH
EDWARD W. HARDEN	FREDERICK STRAUSS
FRANK A. MERRICK	GERARD SWOPE
DE WITT MILLHAUSER	OWEN D. YOUNG

EXECUTIVE COMMITTEE

OWEN D. YOUNG, *Chairman*

JAMES G. HARBORD	DAVID SARNOFF
EDWARD W. HARDEN	JAMES R. SHEFFIELD
ANDREW W. ROBERTSON	FREDERICK STRAUSS
	GERARD SWOPE

(One additional member is elected bi-monthly.)

OFFICERS

DAVID SARNOFF, *President*

MANTON DAVIS <i>Vice-President and General Attorney</i>	GEORGE S. DE SOUSA <i>Treasurer</i>
ALFRED N. GOLDSMITH <i>Vice-President and General Engineer</i>	HENRY A. SULLIVAN <i>Comptroller</i>
OTTO S. SCHAIRER <i>Vice-President in Charge of the Patent Department</i>	LEWIS MACCONNACH <i>Secretary</i>
G. HAROLD PORTER <i>Vice-President in Charge of Pacific Coast Activities</i>	ALEXANDER NICOL <i>Assistant Treasurer</i>
	ROBERT C. PROPPE <i>Assistant Secretary</i>

March 14, 1932.

TO THE STOCKHOLDERS
OF RADIO CORPORATION OF AMERICA:

Financial The gross income of Radio Corporation of America and its wholly owned subsidiary companies from all sources for the year 1931 was \$102,645,419. The net income of the company for the year was \$768,903.

Dividends at the rate of 7 per cent. per annum were paid quarterly on the "A" Preferred Stock. Dividends at the rate of five dollars per share per annum were paid on the "B" Preferred Stock for the first three quarters of 1931. These dividends amounted in total to \$4,250,880. No dividends have been paid on the Common Stock.

The consolidated balance sheet at December 31, 1931, appears on pages 10 and 11. This consolidated balance sheet gives effect to the reduction of the stated value of the common shares, the creation of additional reserves and the write-downs of plant and inventory accounts, which are more fully described in the special letter, sent you herewith, requesting your consent to such reduction in the stated capital.

The consolidated statement of income appears on page 12.

The consolidated statement of surplus appears on page 13.

Radio was no less affected than older or more seasoned industries by the worldwide subnormal business conditions prevailing throughout the year, by the decline in price levels and by unemployment which curtailed the purchasing power of many families. The world economic depression, which caused downward readjustment of values and a recession in commodity demand during 1930, was intensified during 1931. Although your company entered the year with a compact and efficient organization and with production schedules balanced closely with sales response, expanded programs could be undertaken only along limited lines. In export activities,

the decline in foreign exchange adversely affected the earnings of your company.

Intensive effort was directed toward the further improvement of manufacturing processes and in effecting economies in costs of distribution. Balanced against many unfavorable factors of the year was the record of marked technical advancement and general improvement of the services offered by radio to the public. Confidence in the progress of the company was reflected by a substantial increase in the number of shareholders during the year. The number on December 31, 1931, was 103,851, an increase from 85,000 at the end of 1930. The number was 25,000 in April, 1929.

Organization Throughout the year Radio Corporation of America exercised general administrative supervision over the commercial, research, patent, financial and legal activities of its subsidiary companies, which because of the diversified nature of radio development, represent Radio Corporation of America in different fields of radio service.

Subsidiary companies of Radio Corporation of America are RCA Victor Company, Inc., and RCA Radiotron Company, Inc., in manufacturing and sales; R.C.A. Communications, Inc., and Radiomarine Corporation of America in radiotelegraph communication; National Broadcasting Company, Inc., in broadcasting; R.C.A. Institutes, Inc., in training for radio work; and Radio Real Estate Corporation of America for real estate holdings of your company. In addition to these wholly owned subsidiary companies, Radio Corporation of America now has a controlling stock interest in Radio-Keith-Orpheum Corporation.

In 1931 Gramophone Company, Ltd., in which your company held a substantial interest, was unified with the Columbia Graphophone Company, Ltd. These two British companies were joined under a new holding company, named Electric and Musical Industries, Ltd. As a result of this unification, your company now owns approximately 27 per cent. interest in Electric and Musical Industries, Ltd., the subsidiaries of which manufacture and sell radio equipment, talking machines and records in Great Britain and many other countries of the world. Your company also has interests in organizations operating in Canada, South America and the Orient.

*Patents
and Licenses*

As the important research organization of the radio industry, Radio Corporation of America licensed others to use its patented inventions covering radio tubes and broadcast receiving instruments. In order to stimulate further development, these licenses were extended in 1930 to include rights to use those inventions in superheterodyne receivers, radio broadcast television receivers and apparatus for reproducing talking motion pictures in the home. Royalty payments for the use of these patented inventions are made by the licensees to Radio Corporation of America. Licenses were issued during 1931 to additional companies in the radio tube field. Several patent infringement suits by your company and several other suits against your company, were amicably settled, thereby avoiding disturbing and troublesome litigation. In this settlement, Radio Corporation of America obtained rights under patents of the De Forest Radio Company, one of the litigants, relating to radio tubes.

*Government
Litigation*

In May, 1930, the Department of Justice instituted suit under the anti-trust acts against Radio Corporation of America and other companies charging that the fundamental cross licensing agreements by which Radio Corporation of America obtained rights to patents and to license others to use these patents were in violation of these acts.

The Department of Justice suit was instituted after the Department had won a decision in the lower court against certain gasoline companies which executed so-called patent pooling agreements. After this decision was reversed early in 1931 by the United States Supreme Court, active negotiations were carried on between counsel for Radio Corporation of America and other defendants, and the Department of Justice, looking toward a settlement of the radio litigation. Radio Corporation of America expressed its desire through counsel to cooperate by altering insofar as was possible any agreements which the Department of Justice criticized, irrespective of how they might eventually be regarded by the courts should the litigation be continued.

These negotiations have been conducted without prejudice and with an earnest desire that a settlement in the public interest and in the interest of the further development of the radio industry might be reached. Negotiations to this end have absorbed the attention of

officers and counsel of the company, and all suggested actions possible and in keeping with the rights of your company to do business have been taken in order to avoid criticism either by the Department of Justice or others. Much consideration was given to the creation of an "open patent pool." Certain modifications have been undertaken in traffic agreements of Radio Corporation of America. Your company and the General Motors Corporation also decided to liquidate the General Motors Radio Corporation, which had been organized by the General Motors Corporation in 1929.

An amended and supplemental petition was filed in this case by the Department of Justice on March 7, 1932, enlarging the scope of the issues and adding certain new parties, among them National Broadcasting Company, R.C.A. Communications, Inc., International General Electric Company, and Westinghouse Electric International Company. Answers to the amended petition will be filed promptly.

*Engineering
and Research*

Your company continued during the past year its extensive research work for the improvement of products already marketed and the development of new services of commercial promise.

The technology of the radio industry was improved and better radio devices were produced at lower prices to the public. Radio more thoroughly established itself as a communications agency reaching all parts of the world. New apparatus was introduced in marine radio communication. Broadcasting made additional advances, both with national and international programs. Better recording of sound motion pictures was attained. The talking machine was given new importance by the perfection of the long playing record. Compact equipment was designed for sound talking pictures in the home. Facsimile reproduction by radio waves was further developed. Ultra short waves were made to perform a definite, commercial communications service.

Intensive television developmental work was continued. It is believed that television can best be brought into practical application on its own band of radio waves as a service additional to the established system of sound broadcasting. Although the development of television is still in the laboratory, marked progress was made in 1931 in its transmission and studio phases. An experimental

station was constructed in the tower of the Empire State Building in New York City, from which tests were conducted into the effect on television signals of large buildings and steel frame work in the New York area. Television receiving equipment will be offered to the public when experimentation has demonstrated that a reliable and serviceable system of sight transmission of practical value can be assured.

While the cost of research has been substantial, sound policy dictates in such a rapidly moving art that the laboratory must be given primary consideration and that no possibility of adapting radio to new utilitarian tasks should be overlooked. Accomplishments of both immediate and potential value identified 1931 as a year of technical progress.

*Manufacture
and Sales* RCA Victor Company, Inc., marketed during 1931 a competitive line of radio sets and phonographs embodying many new developments of the research laboratories and offering the best values in the history of your company. The dealer organization was strengthened throughout the country and a consolidation was accomplished of the Radiola and Victor lines of broadcast receivers, which at the time of the unification of research, engineering, manufacturing and sales activities in 1930, were being marketed through separate distributing outlets.

At the end of 1931, as a further step of unification in radio and electrical entertainment work at Camden, New Jersey, activities of Radio Corporation of America in the sound motion picture equipment field were consolidated with radio manufacturing and sales activities of RCA Victor. This unification, which joins two closely associated lines of electrical development, was accomplished in the interest of organization efficiency and to give sound motion picture recording and reproducing a closer association with the radio laboratory. Additional impetus to the adoption of sound reproducing equipment in the home and school field, as well as in theatres, should result from this unification.

The work of RCA Radiotron Company, Inc., in the tube field has caused its tubes to be accepted not only in this country, but throughout the world, as the standard for construction, characteristics and type designation.

Unification was accomplished of the sales divisions of RCA Radiotron and E. T. Cunningham, Inc., and efforts were directed toward further establishment of the renewal market for broadcast receiving set tubes. This work was carried forward aggressively during the year.

Broadcasting In the operation of National Broadcasting Company, the year was marked by a continuation of the growth and service that have characterized that company's activities since its formation. In its efforts to provide the best in entertainment, information and education to the greatest possible audience, the company's achievements during 1931 were impressive.

The successful pioneering of NBC in the field of international broadcasts led to the development of international programs into regular features. There are now twenty-eight names on the roster of foreign countries from which NBC has brought programs. During the year 147 broadcasts of foreign origin went out over NBC networks. Beginning with Premier Mussolini's first address to the American radio audience on January 1st and extending through the year to President Hindenburg's message of December 31st, these programs aroused intense interest among American listeners. Probably the outstanding international program of the year was the round-the-world roll call linking fourteen nations on four continents, honoring Guglielmo Marconi on the thirtieth anniversary of his first trans-Atlantic wireless message. The world radio message of Pope Pius XI from Vatican City was an important feature of the year's achievements in broadcasting.

Marine Radio Radiomarine Corporation of America conducted during 1931 an efficient and worldwide marine radio-telegraph service.

Radio direction finders maintained in steamship service provided an important aid to vessels in ascertaining their positions and checking their courses in inclement weather and fog. A direction finder of latest design was installed at the Tuckerton, N. J., station to assist in tracing false S.O.S. calls that have interfered with shipping and rescue craft. Radiomarine Corporation of America continued its cooperation with the United States Public Health Service in providing free medical service to ships at sea that do not have a physician on board.

*International
Communications*

As a result of the general and worldwide disturbance of business conditions the total volume of available trans-ocean telegraphic correspondence continued to decline throughout the year, but R.C.A. Communications, Inc., more than maintained its relative position and importance in this field.

Two new direct radio circuits were added during the year to the already extensive RCA system. Primary in importance was that connecting San Francisco and Mukden, China, opened for service June 9th. This circuit serves the Manchurian and North China area, and is distinct from the Shanghai circuit inaugurated in the previous year. The other new circuit opened in 1931 links San Juan and Ensenada, Porto Rico, handling transit, local and marine messages.

Public radiotelephone service between Hawaii and continental United States was inaugurated on December 23rd through RCA stations in Hawaii and those of the American Telephone and Telegraph Company in California. This transpacific connection is available throughout the Hawaiian Islands by interconnection with the telephone system of the Mutual Telephone Company including its recently inaugurated interisland ultra-high frequency radiotelephone circuits.

Late in the year a traffic interchange agreement was concluded with the Western Union Telegraph Company, providing for recognition of the RCA "via" at all Western Union offices in the United States, except in the cities of New York, Boston, Washington and San Francisco, where R.C.A. Communications, Inc., maintains its own organization, thus affording access for the pickup and delivery of RCA messages to the most extensive telegraph network in the country.

By Order of the Board of Directors:

JAMES G. HARBORD
Chairman of the Board
DAVID SARNOFF
President

Printed by order of the Board
LEWIS MACCONNACH
Secretary
New York City, March 14, 1932.

RADIO CORPORATION OF AMERICA

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand	\$23,916,408.31	
Marketable Securities at Market Value	613,457.55	
Notes and Accounts Receivable (less Reserves)	12,591,566.10	
Inventories (at the lower of Cost or Market)	8,294,269.18	
TOTAL CURRENT ASSETS		\$45,415,701.14

INVESTMENTS:

Securities, Notes of and Advances to Associated and Other Companies (at Cost, less Reserves)	26,760,892.68
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FIXED ASSETS:

Factories, Radio Communication and Broadcasting Stations, Warehouses, Service Shops, Offices, etc.—Land, Buildings and Equipment in Operation and Construction (at Cost)	\$96,919,345.00	
<i>Less: Reserves</i>	57,540,088.27	
	\$39,379,256.73	
Patents, Contracts, etc., at Cost, less Reserves	4,863,362.79	
TOTAL FIXED ASSETS		44,242,619.52

DEFERRED CHARGES:

Taxes, Insurance, etc., paid in advance	641,942.79	
TOTAL ASSETS		\$117,061,156.13

AND SUBSIDIARY COMPANIES

AT DECEMBER 31, 1931

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Accounts Payable and Accruals	\$6,585,902.08	
Dividend Payable January 1, 1932	346,005.31	
Due to General Electric and Westinghouse Companies	17,729,718.57	
		<hr/>
TOTAL CURRENT LIABILITIES		\$24,661,625.96

FUNDED DEBT AND OTHER LIABILITIES:

Mortgages Payable	\$3,925,000.00	
Notes Payable (Serial Notes Payable in 16 Equal Annual Installments)	677,650.21	
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TOTAL FUNDED DEBT AND OTHER LIABILITIES		4,602,650.21

RESERVES FOR SPECIAL CONTINGENCIES 4,173,277.06

GENERAL RESERVE 9,823,854.36

CAPITAL STOCK:

“A” Preferred 7% Cumulative, Par Value \$50 (395,597.4 shares)	\$19,779,870.00	
“B” Preferred Cumulative \$5 Dividend, No Par Value, Redemption Value \$100 per share. No Dividend paid for last quarter of 1931 (767,275.1 shares)	16,430,709.07	
Common, No Par Value (13,130,690.2 shares)	26,261,380.40	
		<hr/>
TOTAL CAPITAL STOCK		62,471,959.47

EARNED SURPLUS 11,327,789.07

TOTAL LIABILITIES AND CAPITAL \$117,061,156.13

RADIO CORPORATION OF AMERICA

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1931

GROSS INCOME:

From Operations	\$100,124,846.93
Other Income	2,520,572.99
	\$102,645,419.92

<i>Less:</i> Cost of Sales, General Operating, Development, Selling and Administrative Expenses	91,099,218.32
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NET INCOME FOR THE YEAR (before Interest, Loss on Foreign Exchange, Depreciation, Amortization of Patents, and Federal Income Taxes) \$ 11,546,201.60

Deduct:

Interest	\$1,469,180.70
Provision for Loss on Foreign Exchange	965,205.62
Depreciation	7,842,911.94
Amortization of Patents	400,000.00
Provision for Federal Income Taxes	100,000.00
	10,777,298.26

NET INCOME FOR THE YEAR, TRANSFERRED TO SURPLUS . . . \$ 768,903.34

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SURPLUS AT DECEMBER 31, 1931

	Total Surplus	Earned Surplus	Capital Surplus
SURPLUS AT JANUARY 1, 1931	\$30,010,537.76	\$30,010,537.76	\$
<i>Add:</i>			
Net Income for the year	768,903.34	768,903.34	
Capital Surplus created by retiring stated value of Treasury Stock, and by reduction of stated value of Common Stock to \$2.00 per share	30,057,354.36		30,057,354.36
	<u>\$60,836,795.46</u>	<u>\$30,779,441.10</u>	<u>\$30,057,354.36</u>
<i>Deduct:</i>			
Cost of Treasury Stock to be retired and cancelled	\$ 2,838,472.34	\$ 2,838,472.34	\$
Write-down of Inventories	10,359,000.00	10,359,000.00	
Write-down of Fixed Assets (Buildings and Equipment)	16,222,000.00		16,222,000.00
Write-down of Investments	4,891,300.00	1,391,300.00	3,500,000.00
Reserves for Special Contingencies	2,623,500.00	612,000.00	2,011,500.00
Additions to General Reserve	8,323,854.36		8,323,854.36
	<u>\$45,258,126.70</u>	<u>\$15,200,772.34</u>	<u>\$30,057,354.36</u>
Dividends on "A" Preferred Stock	1,373,907.29	1,373,907.29	
Dividends on "B" Preferred Stock	2,876,972.40	2,876,972.40	
	<u>\$49,509,006.39</u>	<u>\$19,451,652.03</u>	<u>\$30,057,354.36</u>
SURPLUS AT DECEMBER 31, 1931.	<u>\$11,327,789.07</u>	<u>\$11,327,789.07</u>	<u>\$</u>

ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

1 CEDAR STREET

NEW YORK

CABLE ADDRESS "ARTHYOUNG"

NEW YORK
CHICAGO
PITTSBURGH
KANSAS CITY
MILWAUKEE
LOS ANGELES
DALLAS
DETROIT
TULSA
LONDON, ENGLAND
PARIS, FRANCE

TO THE STOCKHOLDERS OF THE
RADIO CORPORATION OF AMERICA:

We have examined the books and accounts of the RADIO CORPORATION OF AMERICA and its Subsidiary Companies at December 31, 1931, from which the accompanying Consolidated Balance Sheet, Consolidated Statement of Income and Consolidated Surplus Account have been prepared.

These statements reflect the reduction in capital to which your consent has been requested by the President of the Corporation in the letter accompanying the Annual Report and also reflect the actions described in that letter in connection with the creation of Capital Surplus and the charges thereto and to Earned Surplus for the revaluation of certain assets and provision for reserves. In our opinion, such revaluations and reserves are proper and desirable.

Subject to the foregoing, we hereby certify that the accompanying statements are, in our opinion, properly prepared to exhibit the consolidated financial position of the Corporation and its Subsidiaries at December 31, 1931, and the results of their operations for the year ended that date.

ARTHUR YOUNG & Co.

New York, March 9, 1932.

