

RADIO CORPORATION  
OF AMERICA

ANNUAL REPORT  
1932





RADIO CORPORATION OF AMERICA

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Annual Report for the Year

1932

RADIO CORPORATION OF AMERICA  
570 Lexington Avenue, New York City

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**BOARD OF DIRECTORS**

JAMES G. HARBORD, *Chairman*

CORNELIUS N. BLISS	DE WITT MILLHAUSER
ARTHUR E. BRAUN	EDWARD J. NALLY
BERTRAM CUTLER	DAVID SARNOFF
JOHN HAYS HAMMOND, JR.	JAMES R. SHEFFIELD
EDWARD W. HARDEN	FREDERICK STRAUSS

OWEN D. YOUNG

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**EXECUTIVE COMMITTEE**

OWEN D. YOUNG, *Chairman*

JAMES G. HARBORD	DAVID SARNOFF
EDWARD W. HARDEN	JAMES R. SHEFFIELD
FREDERICK STRAUSS	

(One additional member is elected bi-monthly)

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**OFFICERS**

DAVID SARNOFF, *President*

MANTON DAVIS <i>Vice-President and General Attorney</i>	GEORGE S. DE SOUSA <i>Treasurer</i>
OTTO S. SCHAIRER <i>Vice-President in Charge of the Patent Department</i>	HENRY A. SULLIVAN <i>Comptroller</i>
	LEWIS MACCONNACH <i>Secretary</i>
	ROBERT C. PROPPE <i>Assistant Secretary</i>

March 1, 1933.

TO THE STOCKHOLDERS  
OF RADIO CORPORATION OF AMERICA:

*Financial* A letter containing the consolidated balance sheet of the Radio Corporation of America and its wholly owned subsidiaries at October 31, 1932, and a consolidated statement of income and surplus for the ten months ended on that date, was transmitted to stockholders of the corporation on November 21, 1932. The consolidated balance sheet at December 31, 1932, appears on pages 14 and 15 of this report. The consolidated statement of income and surplus for the year 1932 appears on page 16.

The consolidated balance sheet at December 31, 1932, shows a ratio of current assets to current liabilities of 8.23 to 1. At the end of 1931, the ratio of current assets to current liabilities was less than 2 to 1. This improvement is due primarily to the cancellations, funding and readjustments of the former current indebtedness of \$17,938,733 owed to the General Electric Company and the Westinghouse Electric & Manufacturing Company, as described in the letter to stockholders of November 21, 1932.

The gross income of the Radio Corporation of America and its wholly owned subsidiaries for the year 1932 was \$67,361,142.55. After providing for fixed charges of \$6,209,486.97, the operations for the year resulted in a net loss of \$1,133,585.65. Due principally to the generally depressed business conditions prevailing throughout the year, the gross income of your corporation in 1932 declined 34 per cent as compared with the gross income of 1931. As a result of careful readjustments and substantial economies in operations, the cost of doing business in 1932 was reduced 33 per cent, as compared with the preceding year. Depreciation charges were lowered in 1932 by the reduction in book values of plants and equipment, which was effected with the approval by stockholders early in 1932 of the reduction in capital described in the President's letter which accompanied the report of last year.

A final payment of \$2,925,329 was made by the Radio Corporation of America in January of the present year on its subscription to Radio-Keith-Orpheum debentures, referred to in the following paragraph. After the discharge of this commitment your corporation at January 31, 1933, had cash in banks and on hand in the amount of \$23,533,000.

*RCA's Interest  
in RKO*

Because of its interest in the development of talking pictures, in which it was one of the pioneers, your corporation made a substantial investment in the common stock and debentures of the Radio-Keith-Orpheum Corporation. The interest which led to this association resulted from the close relationship of broadcasting entertainment to vaudeville and sound pictures, making possible the exchange of talent, and from the work of the Radio Corporation of America in the development, manufacture and sale of sound recording equipment for motion picture production and sound reproducing equipment for use in theatres.

The investment that had been made by your corporation in Radio-Keith-Orpheum at December 31, 1932, amounted to \$13,440,228.75. In addition thereto, the Radio Corporation of America was committed for the further amount of \$2,925,329 on account of its subscription to RKO debentures. This amount was paid during the month of January, 1933. After making this final payment, Radio Corporation of America now has an investment in Radio-Keith-Orpheum of \$16,365,558. This consists of \$9,786,655 of 6 per cent debentures (84 per cent of the total debenture issue) and 1,647,063½ shares of common stock (64 per cent of the total outstanding common stock).

Economic conditions during the past year drastically reduced the gross income of motion picture exhibitors. The falling off in receipts was due to the sharp drop in theatre attendance and the consequent reduction in admission prices. A readjustment of fixed charges became imperative. Early in the present year, with the consent of the Radio-Keith-Orpheum Corporation, a Receiver in equity for that company was appointed by the United States District Court for the Southern District of New York.

It is believed that if the situation which confronts the motion picture and theatrical industry generally is faced frankly, and if fixed charges and operating costs are reduced to a basis in keeping with existing conditions, this phase of entertainment, which retains a deep popular appeal, may be given an entirely new outlook. The management of your corporation is directing its efforts toward the necessary process of rebuilding and is cooperating fully with the Receiver of the Radio-Keith-Orpheum Corporation.

*Organization* General supervision was exercised by Radio Corporation of America throughout the year over financial, research, commercial, patent and legal activities of its subsidiary companies. Wholly owned subsidiary companies which represent the parent organization in the different fields of radio 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 corporation.

*Litigation* Important litigation to which your corporation was a party was terminated during the year. In the settlement of the suit brought by the Department of Justice in May, 1930, against the Radio Corporation of America, the General Electric Company, the Westinghouse Electric & Manufacturing Company and other companies, a stipulation was filed wherein your corporation maintained that it had not violated the law in fact or intent, but desired to avoid the economic waste and business disorganization involved in continuing the litigation. On this stipulation a consent decree was entered. A full statement of the adjustments and new agreements made in connection with the termination of this suit was contained in the letter to stockholders dated November 21, 1932.

As a result of the settlement, your corporation has become a completely self-contained organization entirely independent of the companies with which it was associated in early radio development. Radio Corporation of America maintains its own laboratories for research and engineering work, conducts its own manufacturing, broadcasting and entertainment activities and is engaged in marine and transoceanic radio communication services, all through its completely owned and controlled subsidiaries.

The agreements made at the time of this settlement, including the discharge, funding and readjustment of indebtedness due to the General Electric and Westinghouse Companies, the adjustment of leases in Rockefeller Center, in New York City, and the additional sales and manufacturing rights obtained, enabled your corporation to enter the present year with its position greatly strengthened. Radio Corporation of America is now one of the most widely owned business institutions in the country, having approximately 300,000 share-

holders. It retains its rights to use and to license others to use the radio patents of the General Electric, Westinghouse and American Telephone and Telegraph Companies. Its licensees under these patents and under its own patents numbered 61 radio receiving set manufacturers and 17 radio tube manufacturers on December 31, 1932.

Following the termination of the Department of Justice suit, litigation was begun against the Radio Corporation and the General Electric and Westinghouse Companies seeking to enjoin the electric companies from distributing their holdings of RCA Common stock as required by the terms of the settlement. The United States District Court for the District of Delaware, after a hearing, vacated its previous order, thereby permitting such distribution. The Court held that the consent decree entered in the Department of Justice suit "terminated what promised to be protracted and burdensome litigation," and added that "it was entered in the public interest and met the policy of the statutes."

An amicable agreement was also reached with the Grigsby-Grunow Company of Chicago, Illinois, for settlement of litigation pending between that company and the Radio Corporation and others. The Grigsby-Grunow Company has executed the standard supplemental radio receiving set license and the standard radio tube license. Your corporation obtained licenses, with the right to license others, under radio patents of the Grigsby-Grunow Company. This settlement and the termination of the government litigation will tend to stabilize conditions in the radio industry.

In litigation between the Dubilier Condenser Corporation and Radio Corporation with regard to certain patents relating to AC radio sets, the United States Circuit Court of Appeals of the Third Circuit decided that all patent claims in suit against the Radio Corporation were invalid and ordered the suits dismissed. This reversed the decision of the lower court and represents an important victory for the Radio Corporation and its licensees.

*Manufacture  
and Sales* With its manufactured products, your corporation maintained a standard of high quality representing the latest engineering developments and the best type of workmanship. Outstanding improvements were made in radio receiving sets and tubes, broadcasting transmitters, sound picture apparatus for home and classroom use and other apparatus and equipment especially adapted to radio purposes.



A competitive line of radio sets offering the greatest fidelity that has been obtained in broadcast reception was developed and marketed by the RCA Victor Company. A new principle of audio amplification was employed in the company's "Bi-Acoustic" series, which utilized an entirely new circuit designed for the newest type of Radiotrons. These sets provide an extraordinary range of frequency response and volume.

An automobile radio set for broadcast reception marked a high standard in a promising commercial field. Two new types of sound equipments for motion picture theatres of different seating capacities, and a 16-millimeter sound motion picture projection equipment for home, classroom and industrial use were also produced and placed on the market.

During the year the RCA Radiotron Company introduced several new types of tubes for broadcast receiver use. These tubes, with their attendant circuits, made possible receiving sets with superior qualities of tone, selectivity and sensitivity.

*Broadcasting* Fifty thousand broadcasts originating in the United States and twenty-two foreign countries brought many thousands of speakers, singers and musicians into American homes through the networks of the National Broadcasting Company. Words of leaders in science, politics, religion, education and the arts were carried for the benefit of listeners by your broadcasting system from all parts of the world.

Although international programs, such as the forty-three broadcasts from Geneva during the World Disarmament Conference, again aroused great interest among American listeners, the presidential election focused attention upon domestic affairs. The 1932 political campaign gave your National Broadcasting Company opportunity to perform a distinct service to the American people. More than 165 hours of network time were devoted to the national political conventions, to addresses by the candidates and their supporters and in reporting election returns. More than 400 prominent government officials were heard through the broadcasting facilities of your corporation in 1932.

The suggestion made in the 1928 annual report of your corporation may be reiterated here. Radio broadcasting has so expedited the process of informing the electorate of the issues between the parties and the qualifications and personalities of the

candidates that it might well be considered desirable to defer the national nominating conventions until the late summer or early fall and shorten the presidential campaign accordingly. Such a change would be in keeping with the tendency of readjusting political customs to modern conditions of communication and travel, as in the Twentieth Amendment to the Federal Constitution, which shortens the period between the election of the President and Congress and their induction into office. The disadvantages and uncertainties of a long campaign could in this manner be eliminated.

*International  
Communications*

For the third successive year, the total volume of available international telegraphic correspondence continued to decline as a result of the world-wide economic depression. The foreign trade of this country, which in past years has been perhaps the most important factor in determining the available volume of transoceanic communications, reached in 1932 its lowest dollar level in nearly three decades. It is significant, however, that foreign trade fell off to a much greater degree than did the volume of traffic handled by R.C.A. Communications, Inc., indicating an improvement of our relative position in the communications field.

During the year, three new direct radio circuits from the United States were opened, thus adding to the importance of the already extensive RCA system. Service with Mexico was inaugurated on March 15, 1932; with Switzerland May 11, 1932; and with Haiti July 1, 1932. A local and feeder circuit between Manila and the island of Formosa was opened on March 1, 1932.

Development of the foreign broadcast program service of R.C.A. Communications, Inc., gave American and foreign radio audiences a much better quality in transmission of international broadcasting programs. Both of the large broadcasting networks in the United States made extensive use of RCA facilities in the reception of programs from foreign countries, and in the transmission of programs to those countries. During the progress of the Olympic Games at Los Angeles a one-hour broadcast program was carried to Japan on fourteen consecutive days, a feat which created much favorable comment both here and in Japan.

**Marine  
Radio** Radiomarine Corporation of America has continued its policy of offering marine radio apparatus to steamship companies on either a purchase or a rental basis. A significant phase of this business has been the change from the rental to the purchase plan on the part of numerous shipowners. During the year, 121 vessels which had previously rented their radiotelegraph apparatus from Radiomarine Corporation changed to the plan of buying the apparatus with a provision that Radiomarine Corporation would maintain it at highest efficiency.

The total number of vessels under contract with Radiomarine Corporation for radiotelegraph service was 1,144 at the end of 1932. The sale and rental of radio direction finders was continued, with the result that 707 of these RCA safety devices are now in use on American merchant vessels.

Of the 42 American vessels which were built under the provisions of the Jones-White Act and brought to practical completion in 1932, 34 were equipped with radio apparatus supplied by the Radiomarine Corporation of America.

Progress in the development of marine radiotelegraph apparatus and associated instruments continued without interruption. RCA equipment led in the trend towards the adoption of high frequencies. Radiotelegraph equipment was installed on ships' lifeboats. Teletype service by radio was successfully demonstrated on ships at sea.

A new application of radio communication, designed to provide direct and speedy radiotelegraph service between passengers on incoming ships and their relatives and friends waiting to greet them on the pier, was inaugurated during the latter part of 1932. Installation of apparatus on the piers used by large liners is going forward, and the public has already demonstrated appreciation of the service.

**Research  
and  
Engineering** Continuation of research activities in the laboratories of your corporation led to the development in 1932 not only of interesting products which have been offered or are being prepared for public use, but also gave further promise of vital new radio services which will mark distinct forward strides in communication and mass entertainment.

Important advances were made with facsimile transmission, by which exact reproductions of documents, written messages, pictures, plans and other data may be dispatched from point to point by radio, or broadcast for general reception. The further development of such

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facsimile transmission gives promise that communication ultimately may be accomplished on a general commercial basis without reliance upon the Morse code, which requires the translation of messages into the language of telegraphy at the sending end and their re-translation at the receiving end.

Sound on film recording for talking motion pictures was improved, so as to give increased tone range to the voices of actors on the screen. The velocity microphone developed by RCA engineers marked distinct advancement in broadcasting and sound motion picture recordings. The sound recording camera, suited for amateur operation, proved an interesting development that should stimulate the use of sound motion pictures in the home.

In communications, experimental transmission in facsimile of weather maps and other data to ships at sea proved highly successful. The teletype machine was adapted to automatic operation on radio communication channels. Multiplex operation of a single transmitter whereby communication over several distinct channels may be carried on simultaneously was demonstrated successfully. Compact equipment combining radiotelephone and radiotelegraph transmitter and receiver, of much value for police or other intra-city communication, was made available for general use.

At the present stage of radio development, so much is promised from further exploration and continued enterprise along new scientific lines, that the pressing forward of research activities has seemed not only justified, but imperative under the prevailing business conditions of the year. By creating or contributing toward new public services, the industry may play a fundamental part in the restoration of trade and the revival of markets. From an industrial and service standpoint, the value of this research is attested by the rapid progress radio has already made in a brief span of years.

*Television* The attention and time devoted to experimental television transmission and reception in the laboratories of your corporation makes desirable a concise statement of the present status of this development.

Progressive experimentation and research have been conducted over a period of years with sight transmission by radio. This research has demonstrated the technical feasibility of television and has confirmed the hopes of your corporation that a practical service of television broadcasting will be possible. Experimental television receiv-

ing sets have been constructed that give a type of reception comparable to sound broadcasting reception in the early days of radio. A point was reached last year where the results of this research were demonstrated to the patent licensees of your corporation.

Television transmission of a nature that will permit entertainment and information broadcasting on a national scale still presents unsolved problems, although much progress in the technical development of program transmission was made during the year. Public interest in this promised phase of radio service has remained keen, but much additional work must be done in the transmission and program field before this new art is suited for commercial use. Your corporation has adhered to the conviction that the introduction of purely experimental equipment of mere novelty interest would not provide a satisfactory source of general entertainment on the basis of a regular service to the public.

Television transmission, at the present stage of development, seems most practical on ultra-short radio waves. Not only have these waves given best results in the quality of picture reception, but they also promise the opportunity of creating a new service without the further overcrowding of the already congested short, intermediate and long wave sections of the radio spectrum. For that reason, an important phase of engineering and research work was directed in 1932 toward making ultra-short waves more serviceable. These waves were given their first practical, commercial function in the inter-island Hawaiian telephone system developed in 1931 by RCA engineers. This system has since been in successful and continuous commercial operation. The service range of these waves has been limited sharply, however, because of their resemblance to light waves, which do not tend to follow the curvature of the earth. Experimental stations have been operated by your corporation in the ultra-short wave band for a number of years.

An important new aspect was given to this work in 1932 by the successful operation of an automatic repeater or relay station for ultra-short waves. Although the practical results of these tests have not yet been confirmed, they appear at this stage to have overcome the limitations of range that formerly seemed inherent in ultra-short wave communication. Active engineering work is being continued in this field.

When the technical problems of television transmission are more nearly solved, there will remain the necessity of constructing transmission facilities, calling for vast capital outlay by those interested in promoting this new art, before television receiving instruments can render service in homes throughout the country. Nevertheless, so much of fundamental value is expected from this development that every effort is being directed toward the solution of the remaining technical problems. Your corporation believes that because of the intensive nature of its research into these questions, and because of its patent rights, it will have a strong position in this new and promising field.

*Competitive  
Position of  
Radio Corporation*

Your corporation has adhered to its policy of seeking public patronage for its services and goods on the basis of their efficiency and technical excellence. Although the general slackening of both domestic business and international trade curtailed virtually all sources of revenue, the relative position of the Radio Corporation of America in its different fields of operation was measurably improved during the year. Organization of the corporation to provide the greatest possible diversification in the development and use of radio has placed it in a position to benefit from any upward trend in business. An assurance that the future holds great promise for an industry that remains relatively young and which appears to be only entering its mid-developmental stage has impelled your corporation to devote time and effort to preparation for coming requirements. From the standpoint of its independent operation, the quality of its products, its coverage of the radio field, its anticipation of future needs, its available working capital and the vital public services it performs, the position of your corporation is fundamentally sound.

During the past year every possible impetus has been given to the advancement of your corporation's services and products. Aggressive merchandising campaigns have been conducted. Generally reduced pay scales for officers and employees have been established. New efficiencies have been introduced in manufacturing plants and general economies have been effected in office and operating costs. In carrying out this program, the management of the corpora-

tion has had the loyal cooperation of employees of the parent organization and its subsidiary companies. They have served their respective companies effectively and with fidelity in the important accomplishments and readjustments of the year.

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 1, 1933.



# RADIO CORPORATION OF AMERICA

## CONSOLIDATED BALANCE SHEET

### ASSETS

#### CURRENT ASSETS:

Cash in Banks and on Hand . . . . .	\$25,555,458.30	
Marketable Securities at Market Value . . . . .	274,679.15	
Notes and Accounts Receivable (less Reserves) . . . . .	7,971,615.36	
Inventories (at the lower of Cost or Market) . . . . .	4,514,901.05	
TOTAL CURRENT ASSETS: . . . . .		\$38,316,653.86

#### INVESTMENTS:

Radio-Keith-Orpheum Corporation . . . . .	\$13,440,228.75	
Represented by 1,647,063½ shares of Common Stock, \$1,428,571.43 Full Paid Debentures and \$5,432,754.32 Debentures (65% Paid) at Cost		
Electric and Musical Industries, Ltd. . . . .	13,189,431.98	
1,700,000 shares of Common Stock and 1,000 shares of Preferred Stock at Cost		
Sundry Investments in and Advances to Associated and Other Companies, at Cost, less Reserves . . . . .	5,188,660.22	
TOTAL INVESTMENTS: . . . . .		31,818,320.95

#### FIXED ASSETS:

Factories, Radio Communication and Broad- casting Stations, Warehouses, Service Shops, Offices, etc.—Land, Buildings and Equip- ment (at Cost) . . . . .	\$87,051,405.03	
Less: Reserves . . . . .	55,886,924.90	
	\$31,164,480.13	
Patents, Contracts, etc., at Cost, less Reserves . . . . .	5,317,467.00	
TOTAL FIXED ASSETS: . . . . .		36,481,947.13

#### DEFERRED CHARGES:

Taxes, Insurance, etc., paid in advance . . . . .	551,117.32	
TOTAL ASSETS: . . . . .		\$107,168,039.26

# AND SUBSIDIARY COMPANIES

AT DECEMBER 31, 1932

## LIABILITIES AND CAPITAL

### CURRENT LIABILITIES:

Accounts Payable and Accruals . . . . . \$4,651,897.54

### FUNDED DEBT AND OTHER LIABILITIES:

Mortgages on Real Estate at Broad and Beaver Streets, New York City . . . . . \$3,740,000.00

Debentures (maximum interest 5% per annum; redeemable in seven annual instalments, beginning in 1935, of \$255,000 each, and one instalment of \$2,470,000 in 1942) . . . . . 4,255,000.00

Note Payable (due in five years, non-interest bearing) . . . . . 530,463.00

Notes Payable (Serial Notes Payable in 14 equal annual instalments) . . . . . 624,488.37

TOTAL FUNDED DEBT AND OTHER LIABILITIES: . . . . . 9,149,951.37

RESERVE FOR CONTINGENCIES: . . . . . 3,111,282.25

GENERAL RESERVE: . . . . . 12,931,764.45

### CAPITAL STOCK:

"A" Preferred, 7% Cumulative, Par Value \$50, 495,597.4 shares, no dividends paid on 395,597.4 shares since first quarter of 1932, and remaining 100,000 shares rank for dividends from date of issue in November, 1932 \$24,779,870.00

"B" Preferred, Cumulative \$5 Dividend, No Par Value, Redemption Value \$100 per share (767,275.1 shares). No dividends paid since third quarter of 1931 . . . . . 16,430,709.07

Common, No Par Value (13,130,690.2 shares) 26,261,380.40

TOTAL CAPITAL STOCK: . . . . . 67,471,959.47

EARNED SURPLUS: . . . . . 9,851,184.18

TOTAL LIABILITIES AND CAPITAL: . . . . . \$107,168,039.26

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RADIO CORPORATION OF AMERICA AND  
SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1932

GROSS INCOME:

From Operations . . . . .	\$66,168,756.07
Other Income . . . . .	1,192,386.48
	\$67,361,142.55
Less: Cost of Sales, General Operating, Development, Selling and Administrative Expenses	62,285,241.23
	\$5,075,901.32

NET INCOME FOR THE YEAR (before Interest, Depreciation and Amortization of Patents) . . . . . \$5,075,901.32

*Deduct:*

Interest . . . . .	\$1,206,664.12
Depreciation . . . . .	4,402,822.85
Amortization of Patents . . . . .	600,000.00
	6,209,486.97

NET LOSS FOR THE YEAR, TRANSFERRED TO SURPLUS . . . . . \$1,133,585.65

DIVIDEND ON "A" PREFERRED STOCK . . . . . 343,019.24

DEFICIT FOR THE YEAR . . . . . \$1,476,604.89

SURPLUS AT DECEMBER 31, 1931 . . . . . 11,327,789.07

SURPLUS AT DECEMBER 31, 1932 . . . . . \$9,851,184.18

**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, 1932, from which the accompanying Consolidated Balance Sheet and Consolidated Statement of Income and Surplus have been prepared.

The net increase in the General Reserve arises from the readjustments of the indebtedness to the General Electric and Westinghouse Companies and the leases in Radio City.

We hereby certify that the accompanying statements are, in our opinion, properly prepared, on the basis therein indicated, to exhibit the consolidated financial position of the Corporation and its Subsidiaries at December 31, 1932, and the results of their operations for the year ended that date.

ARTHUR YOUNG & CO.

New York, February 27, 1933.





