

Annual Report of the Directors
of
Radio Corporation
of America

to the

Stockholders for the year ended
December 31, 1927



Annual Report of the Directors
of
Radio Corporation
of America

to the

Stockholders for the year ended
December 31, 1927



IN MEMORIAM

GUY EASTMAN TRIPP

April 22, 1865

June 14, 1927

By a rising vote the following preamble and resolutions were unanimously adopted as a tribute to the memory of General Guy Eastman Tripp:

WHEREAS, the Directors of the Radio Corporation of America have learned with profound sorrow of the death of General Guy Eastman Tripp,

NOW, THEREFORE, BE IT RESOLVED, that by the death of General Guy Eastman Tripp, the Directors and Officers of the Radio Corporation of America have lost a true friend and valued associate whose fine character and genial disposition endeared him to all. Through his marked ability he contributed greatly to the electrical development of the United States. He served the Radio Corporation of America faithfully and conscientiously as a Director since his election on November 18, 1921.

BE IT FURTHER RESOLVED, that this resolution be spread in full upon the records of the company and that a copy thereof be forwarded to his bereaved family as an expression of the sincere sympathy of the Directors and Officers of the Radio Corporation of America.

(Adopted by the Board of Directors, June 17, 1927)

IN MEMORIAM

JOHN WILLIAM GRIGGS

July 10, 1849
November 28, 1927

By a rising vote, the following preamble and resolutions were unanimously adopted as a tribute to the memory of John William Griggs:

WHEREAS, the Directors of the Radio Corporation of America have learned with profound sorrow of the death of John William Griggs,

NOW, THEREFORE, BE IT RESOLVED, that by the death of John William Griggs, the Radio Corporation of America has suffered the loss of a distinguished and faithful officer, and the Directors and Officials, of a respected and beloved associate. As President of the Marconi Wireless Telegraph Company of America, the predecessor of this Corporation, he was a pioneer in the science of radio communication and he contributed greatly to the advancement of the radio art. He served the Radio Corporation of America from the date of its organization as Director and General Counsel with great distinction and unswerving loyalty and fidelity. Also by virtue of his preeminently successful and honorable discharge of the duties of high State, National and International offices and unusually lovable personality, he enjoyed and richly merited the respect and admiration of the public and the deep affection of his business associates and a nation-wide circle of friends.

BE IT FURTHER RESOLVED, that this resolution be spread in full upon the records of the Company and that a copy thereof be forwarded to his bereaved family as an expression of the sincere sympathy of the Directors and Officers of the Radio Corporation of America.

(Adopted by the Board of Directors, December 2, 1927)

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	DAVID SARNOFF
HARRY P. DAVIS	JAMES R. SHEFFIELD
JOHN HAYS HAMMOND, JR.	GERARD SWOPE
JAMES G. HARBORD	OWEN D. YOUNG

OFFICERS

OWEN D. YOUNG, Chairman of the Board	ELMER E. BUCHER, Assistant Vice-President
JAMES G. HARBORD, President	GEORGE S. DE SOUSA, Treasurer
DAVID SARNOFF, Vice-President and General Manager	LEWIS MACCONNACH, Secretary
WILLIAM BROWN, Vice-President and General Counsel	CHARLES J. ROSS, Comptroller
	ALEXANDER NICOL, Assistant Treasurer

Report of the Directors
of
Radio Corporation of America
New York, March 1, 1928

TO THE STOCKHOLDERS :

The Directors of the Radio Corporation of America submit the following review of operations for the year ended December 31st, 1927 :

INTERNATIONAL RADIO COMMUNICATION

New direct radio services were inaugurated in 1927 as follows:*

Dutch West Indies (St. Martin)	June 21st
Philippines	June 27th
Dutch Guiana	August 9th
Colombia	August 12th
Venezuela	August 18th
Belgium	October 3rd
Porto Rico	October 10th
Hong Kong (via Philippines)	October 18th
Turkey	December 10th

During the year your Corporation extended its own facilities to the Far East and to the West Indies. The stations in the Philippines are owned and operated by its subsidiary, the Radio Corporation of the Philippines. They maintain service with the United States, Hawaii and the British Colony of Hong Kong, in addition to local and feeder connections with the Dutch East Indies, French Indo-China and Japan and have exchanged tests for direct communication between Manila and Berlin. The sta-

* See complete list of circuits at end of report.

tion at San Juan, Porto Rico, is directly owned and operated by your Corporation. The stations in Porto Rico and the Philippines strengthen the position of the Radio Corporation of America, the former being strategically placed with reference to the other West Indian Islands and the mainland of Central and South America, the latter occupying similar location with reference to the islands and countries washed by the China Sea.

It is expected that additional international radio circuits will be established during 1928 with countries as near as Canada and Cuba and as distant as Spain, Portugal, Czecho-Slovakia, Chile and Liberia.

The stock control of the Canadian Marconi Company passed by sale, during the year, from Marconi's Wireless Telegraph Company, Ltd., to a British-controlled holding company known as the Canmar Investment Company. The Radio Corporation of America owns a substantial interest in this holding company.

The conspicuous radio development of the year has been directive, high-speed transmission by low-power short-wave installations. Short-wave transmission and reception between New York and London by the Marconi Beam System is now in operation. A reliable system of high-frequency directive transmission known as the "RCA Projector System" has been developed by the engineers of your Corporation. It is now in operation on several circuits. In efficiency it compares most favorably with the performance of the Marconi Beam System and offers some advantages in simplicity of construction and adjustment. The latest developments in short-wave radio communication have been made available in the AEEFG Consortium stations in Argentine and Brazil in which the Radio Corporation of America is a partner and increased efficiency has resulted. While an increasing proportion of international radio traffic is being handled by means of short-wave apparatus and some circuits rely almost entirely upon this method of operation, a reliable twenty-four hour service at the present stage of radio progress must still include high-power long-wave stations as a part of its equipment.

The engineers of the Radio Corporation of America have given continued attention to the transmission and reception of facsimile matter by radio. The commercial photo-radio services operated between New York and London and between San Francisco and Honolulu, were regularly used by newspapers, department stores and other classes of customers.

The world-wide interest in radio communication was greatly stimulated by the International Radio Telegraph Conference held in Washington during the Autumn. Your Corporation participated through representation in the Conference and its stations at Rocky Point and Riverhead, Long Island, were visited by four hundred of the foreign delegates, as well as by many others, including Senatore Marconi, the greatest world figure in radio.

MARINE RADIO SERVICE

Radiogram service to ships at sea and on the Great Lakes, furnished by RCA coastal stations, continued in efficiency and increased in volume. New stations were opened during the year at Buffalo and Duluth.* A nightly press service was furnished to a large number of vessels, as well as free emergency medical services to ships lacking professional medical personnel. At the end of the year the Corporation maintained radio telegraph service on 844 ships, an increase of 22 ships over 1926. The program of converting spark transmitters to continuous wave apparatus was completed on all ships under rental contract. Radio Corporation direction finders were installed on 380 vessels.

The RCA coastal stations rendered valuable assistance to ocean-going aviators in securing for the United States Weather Bureau last-minute weather reports from vessels in various parts of the ocean. This service was rendered without charge, but it indicates a new field of activity in mobile communications. If regular transoceanic air routes are ever established, a permanent organization for the collection and dissemination of weather reports will be necessary. Your Corporation has followed this development closely and its Sales Department is in a position to supply airplane radio apparatus and aircraft beacon equipment.

On December 30th, the Radio Corporation of America purchased the property and business of the Independent Wireless Telegraph Company. The Radiomarine Corporation of America was organized as a subsidiary of your Corporation to take over all its marine radio activities and those of the company purchased. The stations at East Moriches and New London, will be equipped with modern apparatus, in the interest of the greater efficiency of the new company and to the elimination of interference with radio broadcast reception in a very populous area. The Western Union Telegraph Company will accept and deliver

* See complete list of stations at end of report.

marine messages for the Radiomarine Corporation throughout North America.

PLANT AND EQUIPMENT

All stations and equipment were properly maintained and rendered continuous service throughout the year. The high-power installations at New Brunswick and Tuckerton, New Jersey, were remodelled and additional equipment was installed at the Rocky Point and Riverhead stations on Long Island. Alterations were made in the Technical and Test Laboratory in New York City, better adapting it to its purposes.

In connection with its transatlantic radio telephone service, the American Telephone and Telegraph Company continued to use certain facilities leased from your Corporation.

PATENT LICENSES

The validity of certain of its fundamental patents having been established, the Radio Corporation during the year granted licenses to twenty-five radio set manufacturers who had theretofore infringed them. These are non-exclusive licenses to produce and sell complete tuned-radio frequency receivers under those patents. Licenses have also been granted to certain manufacturers to produce "current supply" or power devices for the operation of radio receiving sets from the lighting socket.

Upon the execution of these license agreements, substantial amounts were paid by the licensees as damages for past infringements. Royalties will also be paid on the licensees' sales of licensed apparatus during the life of the contracts. This policy of granting licenses has done much to stabilize the radio industry and to put it on a sound and permanent basis.

No licenses have been granted under the superheterodyne patents, the exclusive right to produce and sell this type of receiver having been retained by your Corporation.

MERCHANDISE SALES

At the beginning of 1927 your Corporation had a merchandise inventory amounting to approximately \$13,000,000. By the end of the year this amount was reduced to \$5,548,368, composed almost entirely of current merchandise.

In September there was introduced a new and complete line of Radiolas—ranging in price from \$69.50 to \$895.00—and utilizing all methods of operation and meeting all requirements of location.

The two outstanding achievements of the year were the new A. C. Radiotrons, the filaments of which operate from the alternating electric current and the Radiola 17 which operates directly from the electric light circuit without the use of batteries.

The Radiola 17 met the needs of the public in compactness, simplicity of operation and price. The demand from the time of its introduction exceeded the continually increased production. The new A. C. Radiotrons were well received, not only by the public, but by competing manufacturers of radio sets. Many of the licensees of the Radio Corporation designed their sets to use these A. C. Radiotrons so that a strong replacement market as well as a new equipment market will be available for them.

Four other new types of receiving Radiotrons and three other new Radiola models also met with an active demand.

The wholesale channels for the distribution of Radiolas remained practically unchanged. The wholesale channels for the distribution of Radiotrons, however, were increased, thus broadening and making more thorough the distribution of such products. Sales of apparatus to broadcasting stations and export sales increased.

RCA products have been kept before the attention of the public by magazine and newspaper advertising and by broadcasting the "RCA Hour" over the networks of the National Broadcasting Company.

The President, accompanied by representatives of the Sales, Production and Service and Advertising Departments, visited twenty leading cities of the United States and held twenty meetings which were attended by RCA distributors and dealers.

The regulations of the Federal Radio Commission have materially improved the reception of broadcasting in all sections of the country and this had a stimulating effect on the Radio Industry.

PRODUCTION AND SERVICE

There was a marked improvement over previous years in the production and servicing of RCA products.

A much larger volume of merchandise was handled by the warehouses than in 1926. All orders were shipped from the warehouses within 24 hours after receipt.

BROADCASTING

The National Broadcasting Company, Inc., in the formation of which the Radio Corporation joined in 1926, continued to extend its networks and to provide national distribution of radio programs to the public. The quantity and quality of the sponsored advertising programs, utilizing world famous artists and orchestras, increased.

The offices and studios of Station WJZ were moved to the National Broadcasting Company Building at No. 711 Fifth Avenue, New York City, where the offices and studios of Station WEAFF are also located.

The offices and studios of Station WRC in Washington were moved to the National Press Building in that city.

New transmitting equipment for Station WEAFF was furnished and erected at Bellmore, Long Island.

Although Stations WJZ and WRC are owned by the Radio Corporation, they are managed and operated by the National Broadcasting Company.

SOUND MOVIE DEVELOPMENT

During the year substantial progress has been made in the recording and reproducing of sound, in synchronization with moving pictures on the same film. In connection with this development, a substantial interest has been acquired in the stock of the FBO Pictures Corporation, a large producer of motion picture films.

PERSONNEL

During the year, Messrs. Paul D. Cravath, Cornelius N. Bliss, James R. Sheffield and David Sarnoff were elected to the Board of Directors.

Mr. William Brown was elected General Counsel to fill the vacancy in that office caused by the death of Honorable John W. Griggs and Colonel Manton Davis was elected General Attorney, vice Mr. William Brown, promoted.

Mr. Elmer E. Bucher, formerly General Sales Manager, was appointed Assistant Vice-President and was succeeded as General Sales Manager by Mr. Joseph L. Ray.

OPERATIONS

The Operations for the year resulted in a net income of \$11,799,650, of which \$2,371,330 has been set aside as Reserve for Federal Income Taxes and Amortization of Patents, and \$950,000 as General Reserve and Reserve against Foreign Investments and for the Employees' Pension Fund, leaving a net sum of \$8,478,320 to be 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 \$6,595,185 and exceed the Current Liabilities by \$22,469,297, the ratio of Current Assets to Current Liabilities being slightly more than three to one. The Corporation has no bonded debt or notes outstanding.

Plant and Equipment, less Reserves amounting to \$7,683,634, now stands at \$6,541,612. This is after the provision of a special additional reserve of \$4,500,000, for this year, out of Surplus Account.

The Reserve for Amortization of Patents, after charging off Patents expired and an additional reserve of \$1,000,000 provided out of Surplus Account, amounts to \$7,155,641, reducing the Book Value of the Patents to \$5,515,543.

DIVIDENDS

Dividends of seven per cent per annum have been paid on the Preferred Stock since January 1, 1924.

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, 1927

ASSETS		
PLANT AND EQUIPMENT:		
Comprising High Power, Ship, Marine and Broadcasting Stations in Operation with the Necessary Equipment, etc.....		
\$14,225,245.48		
LESS: Reserves.....	7,683,633.66	\$6,541,611.82
OFFICE BUILDING AT 66 BROAD STREET, NEW YORK CITY AND OTHER REAL ESTATE....		
\$1,302,439.06		
LESS: Reserves.....	108,638.58	1,193,800.48
CONSTRUCTION WORK IN PROGRESS.....		
		836,739.15
PATENTS AND PATENT RIGHTS.....		
\$12,671,183.27		
LESS: Reserve for Amortization.....	7,155,640.51	5,515,542.76
CONTRACTS AND GOODWILL.....		
		1.00
INVESTMENTS IN AND ADVANCES TO ASSOCIATED COMPANIES.....		
\$7,145,469.77		
LESS: Reserves.....	612,400.00	6,533,069.77
DEFERRED CHARGES.....		
		196,494.87
CURRENT ASSETS:		
Cash in Banks and on Hand.....		
\$4,235,400.83		
Collateral Call Loans.....		
3,500,000.00		
Marketable Securities at Cost (Dec. 31, 1927 Market Value in Excess of Cost)....		
10,542,329.87		
Notes and Trade Acceptances Receivable.....		
\$87,974.53		
Accounts Receivable.....		
10,408,073.05		
	\$10,496,047.58	
LESS: Reserve.....	291,691.42	10,204,356.16
INVENTORIES at cost:		
Merchandise.....		
\$5,548,368.24		
Ship, Shore and High Power Apparatus....		
724,927.71		
	\$6,273,295.95	
LESS: Reserves.....	1,375,467.15	4,897,828.80
TOTAL CURRENT ASSETS....		33,379,915.66
		\$54,197,175.51

**RADIO CORPORATION OF AMERICA AND
SUBSIDIARY COMPANIES**
CONSOLIDATED BALANCE SHEET—AT DECEMBER 31, 1927

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	\$9,145,015.76	
1927 Federal Income Tax Accrued	1,405,000.00	
Other Accruals	10,789.71	
Dividends Declared and Unpaid	349,813.30	10,910,618.77
		290,000.00

DEFERRED LIABILITIES

290,000.00

RESERVES:

General Reserve	\$1,500,000.00	
Other Reserves	919,801.67	2,419,801.67
		\$14,697,081.39

SURPLUS:

January 1, 1927	\$6,218,761.52	
ADD: Amount Transferred from 1927 Earnings	8,478,319.87	
		\$14,697,081.39

DEDUCT: 7% Dividends on Preferred Stock \$1,368,149.81

Reserve for Plant and Equipment 4,500,000.00

Sundry Machinery, Tools and Furniture Written Down to \$1.00 799,310.07

Patent Account Written Down 1,000,000.00 7,667,459.88

SURPLUS AT DECEMBER 31, 1927		7,029,621.51
		\$54,197,175.51

NOTE: Substantial liquidated damages for past arrears of Royalties are immediately payable 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, 1927
(WITH COMPARATIVE FIGURES FOR 1926 AND 1925)**

	Year Ended December 31,		
	1927	1926	1925
GROSS INCOME FROM OPERATIONS:			
Gross Sales	\$56,651,658.37	\$56,093,504.74	\$46,251,785.86
From Transoceanic Communications	3,934,367.16	3,632,626.36	3,418,179.09
From Marine Service	990,954.10	874,215.17	762,654.27
From Royalties (Including Past Damages of \$1,307,791.38)	3,310,722.21	52,427.43	378,834.59
From Real Estate Operations	194,372.64	182,973.78	182,982.48
	<u>\$65,082,074.48</u>	<u>\$60,835,747.48</u>	<u>\$50,994,436.29</u>
DEDUCT:			
General Operating, Development and Administrative Expenses, Depreciation and Cost of Sales	53,618,970.34	53,760,799.46	45,622,742.13
	<u>\$11,463,104.14</u>	<u>\$7,074,948.02</u>	<u>\$5,371,694.16</u>
OTHER INCOME	336,546.14	321,539.16	422,920.80
TOTAL INCOME FOR YEAR ...	<u><u>\$11,799,650.28</u></u>	<u><u>\$7,396,487.18</u></u>	<u><u>\$5,794,614.96</u></u>
APPLIED AS FOLLOWS:			
Reserve for Amortization of Patents	\$966,095.30	\$944,589.83	\$960,145.13
Reserve for Federal Income Tax	1,405,235.11	940,500.00	700,000.00
Reserve Against Foreign Investments	100,000.00	100,000.00	524,067.72
Reserve for Employees' Pension Fund	100,000.00
General Reserve	750,000.00	750,000.00
Amount Written Off Contracts, Goodwill, etc.	700,000.00
Transferred to Surplus ...	8,478,319.87	4,661,397.35	2,910,402.11
	<u>\$11,799,650.28</u>	<u>\$7,396,487.18</u>	<u>\$5,794,614.96</u>

CERTIFICATE OF AUDITORS

We have examined the books and accounts of the RADIO CORPORATION OF AMERICA AND SUBSIDIARY COMPANIES for the year 1927, 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, 1927 and the operations for the year ended that date.

ARTHUR YOUNG & COMPANY.

New York, February 14, 1928.

International Radio Circuits in operation December 31st,
1927:

Transatlantic

Great Britain	Belgium
France	Poland
Germany	Norway
Italy	Sweden
Holland	Turkey

West Indies and South America

Porto Rico	Brazil
Dutch West Indies (St. Martin)	Colombia
Argentina	Venezuela
	Dutch Guiana

Transpacific

Hawaii	French Indo-China
Japan	Hong Kong
Philippines	Hawaii-Japan
Dutch East Indies	Hawaii-Philippines

Marine Coastal Stations in operation December 31st, 1927:

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.

