RADIO CORPORATION OF AMERICA
RCA Building, 30 Rockefeller Plaza, New York City

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Secretary

Robert C. Proppe
Assistant Secretary

TRANSFER AGENT:

The Corporation Trust Company, New York, N. Y.

REGISTRARS:

$3.50 Cumulative Convertible First Preferred Stock,
The Chase National Bank of the City of New York,
New York, N. Y.


Common Stock, New York Trust Company, New York, N. Y.
SEVENTEENTH

Annual Report

of

Radio Corporation

of America

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December 31, 1936
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FINANCIAL REPORT

Gross Income: Gross income received by the Corporation from all sources (including both sales and services) amounted to $101,186,310 in 1936, compared with $89,228,898 in 1935—an increase of 13.4 per cent.

Cost of Operations: The total cost of all operations for the year was $89,722,151, compared with $78,885,740 in 1935—an increase of 13.7 per cent. Under this heading are included the cost of goods manufactured, and the cost of operating broadcasting and communication services, as well as the cost of research and development, advertising, selling, and administration.

These figures reflect not only an increased volume of business, but also higher wages paid to labor, new and larger taxes, increases in the cost of materials, and extra expenses incident to the Corporation's effort to maintain production during the labor difficulties which occurred in the third quarter of the year.

Net Income: The net income for 1936 before deductions for Federal Income Taxes, interest, depreciation, and amortization of patents and goodwill, was $11,464,159, compared with $10,343,159 for 1935—an increase of 10.8 per cent.


Taxes: The total amount of Federal, state, local, and other taxes paid or accrued for the year 1936 amounted to $2,682,100, an amount equivalent to 19¢ per share on the Common stock outstanding at the year's end. This compares with $1,991,400 in 1935 or 14¢ per share on a comparable basis—an increase of 35 per cent.

Net Profit: Net profit for the year 1936 was $6,155,937, an increase of 20 per cent over the net profit of $5,126,872 for 1935. This equals 1.9 times the annual dividend requirements on the Preferred stocks which were outstanding at the year's end. After allowing for all preferred dividends paid or accrued during 1936, there remain $2,845,285 earned on the Common stock, or 20.5¢ per share.

Dividends: In 1936 there were paid the two quarterly dividends on the “A” Preferred stock, which was retired July 1, 1936, and three quarterly dividends on the new $3.50 Cumulative Convertible First Preferred stock, totalling $3,222,387. No dividends were paid on the “B” Preferred stock during the year. The accumulated dividends on the
TO RCA STOCKHOLDERS

THE Annual Report of the Radio Corporation of America for the year ended December 31, 1936, is submitted herewith. It presents the financial status of your Company, its gross income and net profit for the year, together with details of operations and the general progress made.

RCA was organized on October 17, 1919, and these reports, submitted annually, cover the operating record and growth of the Corporation during the pioneering period of a new industry. In this short period radio has grown from a novel and limited means of communication to a world-wide public service; from an amateur hobby to a large and highly competitive manufacturing industry; from the experiments of a local broadcasting station to nation-wide networks, over which new services of entertainment, information and education are made available to millions of homes.

From the beginning of the industry your Company has adhered to the policy that survival, growth and progress rest on scientific leadership, laboratory development and the launching of new products and services. This position has been maintained during a prolonged economic depression and in face of the intense and often profitless competition that marks the growth of new industries.

After these years of pioneering, RCA is today engaged in the four principal phases of radio service: Research, Manufacturing, Communications and Broadcasting. In these fields, the Company's position is firmly established. It is soundly equipped to render an ever-increasing service for which market demands are expanding with improved economic conditions. A coordination of activities in these fields of radio development is responsible for the continuing progress of the Company and for its major contributions of invention to the American radio industry.

The Financial and Operating reports describing the progress of RCA during the year follow:
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17,653 shares of that stock outstanding at the year's end totalled $463,391.

Recapitalization: During the past year the Recapitalization Plan approved at the special meeting of stockholders on April 7, 1936, became effective. All of the 7% “A” Preferred stock was called for redemption, and 749,244 shares of the $5.00 “B” Preferred stock were exchanged for 899,093 shares of $3.50 Cumulative Convertible First Preferred stock and 749,244 shares of Common stock. This exchange increased the Common stock outstanding by 5.7 per cent, and left only 17,653 shares of “B” Preferred stock outstanding — less than 2.5 per cent of the total issue. The other 97.5 per cent of the “B” Preferred stock, which was junior to the old “A” Preferred stock, has been exchanged for new First Preferred stock, and holders thereof currently receive dividends on this new stock equivalent to $4.20 per share on the old “B” Preferred stock.

Annual preferred dividend requirements were reduced from $5,569,100 before Recapitalization to $3,235,100 at the year end, a reduction of $2,334,000 or 42 per cent. Accrued dividends on the “B” Preferred stock, which stood at $17,255,182 when the Recapitalization Plan was approved, had been reduced to $463,391 at the end of the year.

The Plan has improved the position of Common stockholders by eliminating these substantial accruals of preferred dividends, and by substantially reducing the annual preferred dividend requirements.

Major Expenditures: During 1936 the Corporation’s cash position was affected by certain major expenditures outside the scope of normal operations. The largest of these was $27,257,857 for the redemption of the entire issue of 495,597 shares of “A” Preferred 7% Cumulative stock. (The redemption of the “A” Preferred stock required borrowing $10,000,000 from banks at 2.5 per cent interest per annum. This loan falls due in 1941 but may be prepaid by the Corporation at any time.) In addition, payments for retirement or reduction of mortgages and notes totalled $2,788,377. Capital expenditures for normal additions and improvements to manufacturing, broadcasting, communications and television facilities and equipment amounted to $3,589,402. The total of all these expenditures was $33,635,636.

Net Working Capital: In consequence of the redemption of the “A” Preferred stock and the other expenditures listed above, current assets at the end of 1936 stood at $38,709,772, compared with $53,606,578 for the preceding year. Current liabilities were $11,724,522, compared with $11,317,138. The ratio of current assets to current liabilities was 3.3 compared with 4.7 for 1935. Net Working Capital was $26,985,250 at the year’s end. This compares with $42,289,440 at
the end of 1935, and before the above expenditures were made. Ade-
quate reserves have, we believe, been provided for against current asset
items. Cash on hand and in banks at the year end amounted to $14,657,-
407. Under existing conditions the present working capital is sufficient
for the Corporation's volume of business, and to carry on its normal
activities.

**Surplus:** There were no adjustments in the surplus account during
1936. At the end of 1935 Earned Surplus amounted to $12,401,099.
After paying $3,222,387 of the preferred dividends during 1936,
$2,933,549 was added to Earned Surplus, bringing it to $15,334,649
at the year end.

**Fixed Assets:** The net book value of plant and equipment amounted
to $29,211,839 at December 31, 1936, as compared with $29,416,671 at
December 31, 1935. The net book value of patents, contracts and
goodwill at December 31, 1936 amounted to $8,573,118, as compared
with $8,473,310 at December 31, 1935. After allowing for the year's
normal depreciation and capital additions, total fixed assets of the
Corporation, as set forth on the Balance Sheet at December 31, 1936,
amounted to $37,784,957, as compared with $37,889,981 at December
31, 1935.

**Investments in Subsidiary and Affiliated Companies:** The only
change of consequence that occurred in investments in subsidiary and
affiliated companies during 1936 was the sale of RCA Manufacturing
Company's 68 per cent stock interest in the Victor Talking Machine Co.
of Japan, Ltd. The opportunity to make this sale arose through the
desire of certain Japanese companies to further the repatriation of for-
eign holdings in Japanese industries. This transaction, which includes
an extension of licenses, will result in the ultimate realization of $2,000,-
000 in cash, in addition to continuing royalties to be paid to RCA. The
profit of $667,766 on the Company's books resulting from this transac-
tion was not included in the 1936 profits but has been added to the
General Reserve.

The Corporation's remaining holdings in Radio-Keith-Orpheum Cor-
poration are under option, until December 31, 1937, to a banking group
headed by Atlas Corporation at a price of $6,000,000 subject to possible
adjustments as set forth on the balance sheet in this report. This banking
group has proposed a plan for reorganizing Radio-Keith-Orpheum Cor-
poration in proceedings now before the Court. The Corporation has
consented to the plan for the securities it holds.
RCA Services: All phases of radio, including a growing number of applications in other allied electronic arts, are covered by the Corporation's operations. Through the wholly owned companies which comprise the RCA family, it maintains two coast-to-coast broadcasting networks; operates communication services between the United States and forty-five other countries, connects by radio telegraph service eleven large cities of the United States, and links the mainland to ships everywhere; manufactures radio products for all purposes in that field, and electronic devices for many others, and conducts training schools in radio and electronic subjects. The name of each unit comprising the RCA family, indicating the field it covers, follows:

- RCA Manufacturing Company, Inc.
- National Broadcasting Company, Inc.
- R.C.A. Communications, Inc.
- Radiomarine Corporation of America
- R.C.A. Institutes, Inc.

Each RCA unit draws upon the laboratory for its progress in products or services, and the technical advances of each in its field are immediately made available to the others to meet their particular requirements. This close relationship, and the complete coverage of every field of radio, suggested the advertising slogan employed in the Corporation's promotion activities, "RCA all the way."

RCA Laboratories: Scientific research and advanced engineering are the foundation of the radio industry, and the achievements of the RCA laboratories are among the Company's most valuable assets. Its integrated research program covers the several fields of application of radio and electronics. The approach of modern research to radio development is extremely complex, and it is only as work in one department of research is coordinated with the results obtained in others that advances can be made.

All radio services spring from the original root of wireless communications, in which your Company has pioneered. Research in this field adds to our knowledge of how radio waves behave when launched into space, and provides necessary information as to the waves best suited for existing or projected services. RCA research activities in 1936 included investigations in electronics, in search of basic information useful in the design of vacuum tubes for communication, broadcasting, television and other purposes. Our laboratories are interested in the entire field of acoustics as applied to broadcasting studios, home radios, phonographs and phonograph records. Research in sound motion picture recording and reproducing has resulted in fundamental improvements, among
**OPERATING REPORT**

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which is a highly efficient recording method employing ultra-violet instead of visible light.

During 1936, RCA developed and placed in commercial service a new, ultra-short wave radio circuit connecting New York and Philadelphia, through automatic radio relay stations at New Brunswick and Trenton, N. J. This new development marks the achievement of a circuit so efficient that radio science is challenged to take full advantage of it. Over this system we can send messages in facsimile form, instead of using the dot and dash method of the telegraph code. On one radio wave it is now possible to operate five separate channels. These provide for the operation of two picture and three high speed telegraph or typewriter devices. While each channel carries a different message or picture, operation is carried on simultaneously, in both directions over a single radio circuit. The possibilities of multiple transmission and ultra-short waves are still far from exhausted. This part of the spectrum is radio's frontier, and is probably the only place in the ether in which television, high speed facsimile and other new services, can be accommodated. RCA laboratories continue diligently to explore these possibilities.

Research frequently yields results in unexpected directions. At the last convention of the American Association for the Advancement of Science, the RCA laboratories exhibited a group of devices employing radio and electronic principles for the performance of tasks strangely unrelated to radio. Development of television equipment produced a new device which may be of great service in biological microscopy. The use of photo-electric tubes or "electric eyes" in new circuits resulted in equipment to permit the direct observation of the vitamin content of cod liver oil, and an instrument for automatically checking the speed of vehicles on highways. Another device produced was a kidnap, or burglar, alarm which in operation is wholly independent of light rays or physical contact. These were some of the by-products of RCA's research in 1936.

**Patents and Licenses:** The extensive research and development conducted by RCA have produced inventions which substantially increased the importance and value of the Company's patent and license agreements. All of the manufacturers of radio broadcast receivers, about fifty in number, having patent license agreements with the Corporation have extended those agreements to September, 1941.

**Television:** RCA television was taken from the laboratory in 1936 for practical field tests under everyday working conditions. These tests are continuing with gratifying success.

The tests began on June 29, 1936, on the basis of 343 lines to the picture. Later, those engaged in the research agreed that 441 lines would be a more desirable standard for ultimate public service. Accordingly, the new standard was adopted. Successful field tests on the new,
441-line standard have been in progress since January 19, 1937. The need for additional experimentation indicates that this work will continue for some months to come.

In the field tests now in progress, images of motion pictures as well as living talent are being successfully transmitted to approximately 100 receivers located in the homes of RCA technicians in the greater metropolitan area of New York City. The distance over which these television programs have been received has exceeded our immediate expectations. In one favorable location programs have been consistently received as far as 45 miles from the television transmitter.

The tests have been highly instructive. Much has been learned about the behavior of ultra-short waves and how to handle them. More is known about interferences, most of which are man-made and susceptible of elimination. The difficulties of making apparatus function efficiently outside the laboratory are being surmounted. The technical fundamentals of our system have been confirmed. Theory has been put into practice, and the experience gained thereby is enabling the laboratories to chart the needs of a practical television service.

A major problem in television is that of network program distribution. The present facilities for distributing sound broadcasting cover the vast area of the United States and serve its 128,000,000 people. Similar coverage for television programs in the present state of the television art would require a multiplicity of transmitters and network interconnections by wire or by radio facilities still to be developed.

The field tests are not completed, but the capabilities of the RCA television system are being constantly expanded, and we are moving toward ultimate realization of satisfactory high-definition television for public service.

Manufacture and Sales: The manufacturing unit in the RCA family further strengthened its position in the industry during 1936. The new merchandise introduced early in the year was so well received by the trade and the public that considerable increase in production was justified. Aggressive promotion enabled the RCA Manufacturing Company to increase its sales over 1935 by a considerable margin. Instruments designed for use in farm homes were particularly well received. The RCA Victor line of home instruments, including radios, phonograph combinations, and record playing attachments, comprises 68 models, ranging in retail price from $16 to $600. Among this assortment of models, 54 are priced at less than $100. Seven different models of RCA auto radios, at prices from $40 to $70, have proved popular with car owners. The sale of home radio instruments in the higher price brackets
was larger than in the previous year. RCA standards of technical excellence have always led in the design of instruments of quality.

Last year saw the general adoption of a policy of introducing new models earlier in the year. It seems likely that this practice will be continued, with the resulting benefit of levelling out the curve of retail radio business, permitting better regulated production and more continuous employment.

During the third quarter of the year—normally the period of peak production—the Camden, New Jersey plant of the Manufacturing Company was faced with a difficult labor situation. As a result, production and sales were curtailed for a period of five weeks.

Considerable progress was made by the radio tube division of the Corporation. Sales of RCA metal radio tubes in 1936 were more than double the sales of the previous year. At the same time, the Manufacturing Company enjoyed a substantial part of the market for glass tubes, many millions of which are still required annually for replacement in home radios.

Sales of Victor records showed a substantial increase over 1935. Recordings of popular and standard music advanced together, symphonic subjects in particular showing a definite increase. This is believed to be due, in large part, to the nation-wide tour of Leopold Stokowski and the Philadelphia Orchestra, under the sponsorship of RCA Victor, which did much to focus public attention on the returning popularity of recorded music. The demand for vocal and operatic selections is also being greatly stimulated by the series of broadcasts of the Metropolitan Opera, sponsored by RCA.

In 1936, the RCA Manufacturing Company introduced several designs of new equipment for broadcast transmission and studio service. The development in this field continues, with more new apparatus scheduled for commercial introduction in the present year.

New aircraft and airport equipment was also introduced in 1936. The Manufacturing Company sold several radio beacons as well as a considerable amount of other aviation equipment.

There was a marked increase in sales of RCA transmitting and receiving equipment for amateur use in the year. New apparatus for this purpose, made available in 1935, found ready acceptance.

Sales of sound motion picture equipment for both recording and theatre use made notable progress, assisted by a revolutionary improvement in recording sound on film—the new RCA ultra-violet process, which is replacing the use of visible light. Contracts covering the use of RCA Photophone recording equipment in picture production were consummated with Columbia Pictures, Warner Bros., 20th Century-Fox, RKO Radio-Pictures, Pathe News and Walt Disney Pictures, and other
contracts are being negotiated. In theatre equipment and service, RCA enjoys a substantial share of the business.

**Broadcasting:** The first decade of pioneering in the establishment of a nation-wide broadcasting service to the home was marked by your Company in 1936 when the National Broadcasting Company, the broadcasting member of the RCA Family, celebrated its tenth anniversary. On that occasion, leaders in every walk of life, representing government, religion, education, industry and the arts and sciences, paid tribute to the services rendered by radio as exemplified in the development and progress of the National Broadcasting Company.

A message from the President of the United States, felicitating the Company on its service record, was read by Chairman Anning S. Prall, of the Federal Communications Commission. In his message, President Roosevelt said:

"The company has achieved a decade of useful service which merits hearty congratulations. It is prophetic of future developments that so much could be achieved within so brief a time.

"Although radio has made a general contribution to the cultural life of our people, it is the maintenance of the open forum for friendly and open debate and discussion that gives the American system of broadcasting preeminence. Radio broadcasting is an essential service to the American home in the molding of public opinion. It must be maintained for the American people, free of bias, or prejudice, or sinister control. Every controversial question was argued and responsible representatives of political parties or groups were permitted an opportunity to present views over the radio in the recent general elections. This is as it should be.

"The National Broadcasting Company has made a contribution to the radio art during the past ten years and I am sure that its officials will accept as a challenge their responsibilities for the future."

During 1936, NBC further extended its service area and through additional broadcasting stations that became associated with its networks provided its programs to added millions of listeners. Both commercial and sustaining network programs were substantially increased in number and hours over 1935. The technical progress achieved in the broadcasting field by RCA made possible still higher standards of transmission and reception of NBC programs, and new service features of wide public interest were added to our broadcast schedules. Increased activity and improved economic conditions resulted in a substantial increase in the volume of business over the preceding year.

At the end of the year, 689 American broadcasting stations were competing for the attention of the radio audience. NBC rendered
program service to 111 broadcasting stations associated with its networks. Of this number, 101 stations are variously owned, independently of NBC. The remaining 10 stations are owned by NBC. The NBC stations and studios are maintained in important centers where programs are produced, its principal studios being located in Radio City, New York; Washington, D. C.; Chicago; San Francisco and Hollywood.

The value and the public appeal of NBC broadcasting service is indicated by the fact that, during 1936 twenty-four independently owned and operated broadcasting stations became associated with NBC networks. Six more such stations have contracted for NBC services in 1937. This total of 117 stations will carry NBC program service to approximately 98 per cent of the more than 24,000,000 homes in the nation now equipped with radio, and to some 4,000,000 automobiles similarly equipped.

NBC added during the year nearly 4,000 individual programs, introducing new features, new personalities and reporting current events. Altogether 51,033 programs were presented in 1936, as against 47,113 in 1935. By means of R.C.A. Communications' international radio facilities, NBC brought to American radio listeners 514 broadcasts from 51 foreign countries, breaking all previous records in international broadcasting. Outstanding events included the accession to the throne of King Edward VIII; his dramatic abdication; the Ethiopian crisis; the revolution in Spain; the Olympic Games in Germany; the Salzburg Music Festival; the visit to South America of the President of the United States and the subsequent meetings in Buenos Aires of the Inter-American Conference for the Maintenance of Peace.

A greater variety of entertainment, informational and educational features was broadcast over the NBC networks in 1936 than in any previous year. In addition to artists first popularized by radio, NBC features presented on the air the leading figures of the stage, the opera, the concert-hall and the motion picture screen. Metropolitan Opera broadcasts, sponsored by the RCA, brought complete performances of opera rendered by the world's greatest singers to millions of the radio audience; the RCA Magic Key program with its world-wide features established a vast new radio audience for Sunday afternoons; and the broadcasting, during the season, of the Boston Symphony Orchestra, the Cleveland Symphony Orchestra, and the NBC Music Appreciation Hour under the direction of Dr. Walter Damrosch, maintained the program leadership of NBC in these fields.

The extraordinary reception by the public of the recent announcement that Maestro Arturo Toscanini, outstanding among the world's greatest musicians, would lead the NBC Symphony Orchestra in a series of radio
program service to 111 broadcasting stations associated with its networks. Of this number, 101 stations are variously owned, independently of NBC. The remaining 10 stations are owned by NBC. The NBC stations and studios are maintained in important centers where programs are produced, its principal studios being located in Radio City, New York; Washington, D. C.; Chicago; San Francisco and Hollywood.

The value and the public appeal of NBC broadcasting service is indicated by the fact that, during 1936 twenty-four independently owned and operated broadcasting stations became associated with NBC networks. Six more such stations have contracted for NBC services in 1937. This total of 117 stations will carry NBC program service to approximately 98 per cent of the more than 24,000,000 homes in the nation now equipped with radio, and to some 4,000,000 automobiles similarly equipped.

NBC added during the year nearly 4,000 individual programs, introducing new features, new personalities and reporting current events. Altogether 51,033 programs were presented in 1936, as against 47,113 in 1935. By means of R.C.A. Communications' international radio facilities, NBC brought to American radio listeners 514 broadcasts from 51 foreign countries, breaking all previous records in international broadcasting. Outstanding events included the accession to the throne of King Edward VIII; his dramatic abdication; the Ethiopian crisis; the revolution in Spain; the Olympic Games in Germany; the Salzburg Music Festival; the visit to South America of the President of the United States and the subsequent meetings in Buenos Aires of the Inter-American Conference for the Maintenance of Peace.

A greater variety of entertainment, informational and educational features was broadcast over the NBC networks in 1936 than in any previous year. In addition to artists first popularized by radio, NBC features presented on the air the leading figures of the stage, the opera, the concert-hall and the motion picture screen. Metropolitan Opera broadcasts, sponsored by the RCA, brought complete performances of opera rendered by the world's greatest singers to millions of the radio audience; the RCA Magic Key program with its world-wide features established a vast new radio audience for Sunday afternoons; and the broadcasting, during the season, of the Boston Symphony Orchestra, the Cleveland Symphony Orchestra, and the NBC Music Appreciation Hour under the direction of Dr. Walter Damrosch, maintained the program leadership of NBC in these fields.

The extraordinary reception by the public of the recent announcement that Maestro Arturo Toscanini, outstanding among the world's greatest musicians, would lead the NBC Symphony Orchestra in a series of radio
concerts, to begin late in 1937, indicates the high standard of musical appreciation of the radio audience.

While the NBC increased the number of "sponsored" (commercial) hours broadcast over its networks in 1936, it also maintained an extensive schedule of "sustaining" (non-commercial) programs for religion, education, government, music, agriculture and current news.

The broadcasting of public issues was an important feature of NBC's activities in 1936. Prior to the major party conventions, NBC provided free time to party-designated speakers. After the conventions were over, political broadcasting was charged for at established commercial rates. Radio's contribution to political education of the American people is perhaps indicated by the fact that, whereas 27,000,000 citizens voted in the presidential election of 1920, nearly 46,000,000 went to the polls in 1936.

The aid rendered by American radio stations in the recent flood disasters has been accepted as a vital service in the preservation of life and property. The NBC utilized all of its resources during the emergency in cooperation with military and civil authorities and the American Red Cross.

The commercial position of NBC was advanced substantially in 1936, with a 10.8 per cent increase in broadcasting revenues. This is a volume nine times that of 1927, the first full year of NBC broadcasting. That more than 69 per cent of the nation's leading advertisers who formed the 1935 roster of NBC broadcasting sponsors continued as "repeat" customers in 1936 is gratifying evidence of industry's as well as the public's acceptance of the value and importance of NBC service.

Audience mail records were broken in 1936. During that period NBC received 5,560,671 letters from the radio audience (not counting the millions received by sponsors direct) an increase of 32 per cent over 1935.

**International and Inter-City Radio Communication:** RCA's international and domestic communications services made marked gains during 1936. The telegraph administrations in other countries corresponding with R.C.A. Communications, Inc. advanced also, which is a condition favorable to continued betterment in 1937.

The RCA addressed program service, in which the Corporation's international communication facilities are used to exchange programs between this country and others, for connection with broadcasting stations, increased its business to a gratifying degree last year.

All previous records were exceeded in the exchange of pictures by radio between this country and both Europe and South America by the RCA Photoradio service. Technical facilities were improved last year, and news agencies were thereby encouraged to employ the service more
freely than ever before in sending photographs of news events across the Atlantic.

The radiotelephone service operated in Hawaii by the Mutual Telephone and Telegraph Company, and for which R.C.A. Communications, Inc. furnishes the necessary radio facilities, is being expanded to include direct service to the Philippines and Japan, and to ships at sea. Radiotelegraph rates for messages between San Francisco and Hawaii and the Philippines were reduced approximately 25 per cent.

In 1936, R.C.A. Communications placed in operation the first ultra-short wave radio circuit to be employed commercially in this country. The technical capabilities of this circuit are described in the section relating to the RCA laboratories. At the ceremony of inauguration of this circuit, which occurred on the hundredth anniversary of Morse's first demonstration of the telegraph, New York University, in New York, and the Franklin Institute, in Philadelphia, exchanged messages and pictures in facsimile, in celebration of the new advance.

The newest 200-kilowatt, short wave radiotelegraph transmitter of R.C.A. Communications, completed in 1936, provides an interesting contrast to the earlier devices used for successful transoceanic radio communication. When, in 1920, RCA commenced transatlantic operation, the long wave, 200-kilowatt Alexanderson alternator, together with an antenna of enormous proportions, was the most effective device for such work. The new, short wave, vacuum tube transmitter, of the same power as the old alternator — but with a directive antenna — is designed to launch a signal toward a distant objective with 500 times the power of that obtained from the alternator equipment. This is another result of RCA research.

**Marine Communication:** Increase in ocean travel stimulated the regular message service of the Radiomarine Corporation of America last year. That company's special message services also came into much wider use. A new message classification known as "Night Radiotelegram" was introduced late in 1936. The innovation is proving popular, due to its low rate. The Radio Gift Service, introduced in May, 1935, is also growing in use and volume.

Coastal stations of Radiomarine contributed their aid to the relief of the sick and injured aboard ship by handling radiotelegrams prescribing treatment for persons on board ships not having doctors. During the year, 957 such "Medico" messages were handled without charge.

The agreement existing between the Radiomarine Corporation of America and the Western Union Telegraph Company, providing for pick-up and delivery of Radiomarine messages, was renewed.
New ocean tonnage built in 1936 in the United States was equipped with RCA marine apparatus. This applies to both radiotelegraph equipment and radio direction finders. Most installations of motor lifeboat radio equipment on American ships in 1936 bore the RCA trade mark, and upwards of 500 ships were furnished with a new type of auxiliary radio transmitter developed by Radiomarine. Other new RCA equipment, including a small radio direction finder, accommodated to space limitations of small yachts or cruisers, and an advanced type of intermediate frequency transmitter, was introduced last year.

During the year, RCA developed an automatic radio alarm, for ships of more than 5,500 tons, for the time when the provisions of the Safety of Life at Sea Conference, ratified by Congress in 1936, shall become effective. The device is to be used on ships which have only one radio operator, and hence maintain only one eight-hour watch. When the radio operator is off duty, the automatic alarm will register the reception of an emergency signal, and call him to his post.

RCA marine service maintains 15 land stations—located on the Atlantic and Pacific Coasts, the Great Lakes and the Gulf—for direct communication with ships in any part of the world.

**Advertising:** RCA extended its advertising and promotion activities in 1936 to increase the market for RCA services and products. Excellent results were obtained and these activities are being continued. Using the nation-wide Blue Network of the NBC, the Radio Corporation is currently broadcasting the Magic Key of RCA program, each Sunday at 2 P.M., E.S.T. Each Saturday afternoon, during the season, the Metropolitan Opera performances are being broadcast under the sponsorship of the RCA over the same facilities. The latter programs are also being sent to Canada, to Hawaii and to Buenos Aires, Rio de Janeiro and Montevideo in South America.

**Training Men for Radio:** Registration at RCA's New York and Chicago training schools in radio and electronic subjects exceeded all previous years with a total of 859 students. Classroom facilities have been enlarged, additional instructors have been employed, and new laboratory equipment has been added.

The terms of several of the courses will be lengthened in 1937, to permit still more complete coverage of subjects offered. Late last year a new course in electronics was added for high school seniors, with sessions on Saturday mornings. High school students who have elected to seek their careers in radio or electronic fields are thus enabled to begin to acquire technical knowledge before graduation, and to continue afterward, if they wish, in the regular classes of the R.C.A. Institutes.
A new department of the school, the RCA Institutes Technical Press, was inaugurated early last year, for the publication of the RCA Review, a quarterly journal on radio subjects, and other technical works, most of the material for which is contributed by RCA research scientists and engineers.

Employees: The monthly average number of employees in the RCA organization for 1936 was 21,942, compared with an average of 19,544 for 1935, an increase of 12 per cent.

The Directors and Management commend to the Stockholders the faithful services rendered throughout the year and preceding years by employees of RCA and its subsidiaries, at home and abroad.

Stockholders: The total number of holders of all classes of RCA stock at December 31, 1936 was 242,614. The letters which stockholders sent us through the year are much appreciated. Many of their suggestions have been translated into promotion activities, and not a few policies of the Corporation have resulted from the ideas of stockholders for furthering RCA’s interests.

It is through wide public acceptance of RCA products and services that the annual volume of business and profits can be increased. The interest and cooperation of stockholders are earnestly invited. Such assistance will do much to augment the broadcast and printed advertising of the Corporation.

Annual Meeting: The Annual Meeting of stockholders of the Radio Corporation of America will be held on April 6, 1937, at 3:00 o’clock in the afternoon, in the RCA Building, in New York City, for the purpose of electing Directors and for the transaction of such other business as may properly be brought before the meeting.

All stockholders who do not plan to attend the meeting in person are urged to sign and return their proxies at the earliest possible date.

For the Board of Directors:  

James G. Harbord, Chairman  
David Sarnoff, President  

New York, N. Y., February 27, 1937.
RADIO CORPORATION OF AMERICA AND
SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1936

GROSS INCOME:
From Operations ............................................ $100,229,505.43
Other Income, including Interest, Dividends and
Profits from Sales of U. S. Government Securities .......... 956,804.47
TOTAL GROSS INCOME FROM ALL SOURCES ............... $101,186,309.90

Less: Cost of Sales, General Operating, Development, Selling and
Administrative Expenses ..................................... 89,722,150.68

NET INCOME FOR THE YEAR (before Interest, Depreciation, Amorti-
zation of Patents, Goodwill and Federal Income Taxes) ...... $ 11,464,159.22

Deduct:
Interest .................................................. $ 320,518.96
Depreciation (Note 1) ...................................... 2,940,603.54
Amortization of Patents (Note 2) .......................... 600,000.00
Amortization of Goodwill ................................. 310,000.00
 Provision for Federal Income Taxes—
 Normal .................................................. $1,047,900.00
Surtax on Undistributed
Profits .................................................. 89,200.00 1,137,100.00

TOTAL DEDUCTIONS ........................................ 5,308,222.50

NET PROFIT FOR THE YEAR, TRANSFERRED TO EARNED SURPLUS ... $ 6,155,936.72

EARNED SURPLUS AT DECEMBER 31, 1935 .................... 12,401,099.46
$. 18,557,036.18

Deduct:
“A” Preferred Dividends (including final divid-
dend on Redemption date) .............................. $ 862,291.03
Convertible First Preferred Dividends ........................ 2,360,096.23

TOTAL DIVIDENDS ........................................ 3,222,387.26

EARNED SURPLUS AT DECEMBER 31, 1936 .................... $ 15,334,648.92

Note:
1. Depreciation charged against operations in respect of manufacturing plants is based on the
activity of each unit. Depreciation chargeable on certain radio communication and
broadcasting equipment has been readjusted, based on engineering studies showing a
longer projected useful life of such equipment.

2. This relates to all patents acquired since December 31, 1928, all acquired previously having
been reserved for out of Surplus prior to that date.

Operations of foreign subsidiary companies are converted into dollars at the prevailing
monthly exchange export rates.
## Assets

### Current Assets:
- Cash in Banks and on Hand: $14,657,406.67
- U. S. Government and Other Marketable Securities, at Cost (December 31, 1936 Market Value in excess of Cost): $90,720.66
- Notes and Accounts Receivable (less Reserves of $1,886,942.37): $12,434,670.15
- Inventories (at the lower of Cost or Market): $11,526,974.53

**Total Current Assets**: $38,709,772.01

### Notes and Accounts Receivable Maturing After 1937: $981,750.61

### Investments:
- Radio-Keith-Orpheum Corporation (In proceedings under Section 77B, Act of June 7, 1934) Represented by 605,731⅔ shares of Common Stock (23⅓%) and $4,893,327.50 of Ten-Year Debentures (42%), at Cost: $7,215,747.00
- An option, effective until December 31, 1937, has been granted for the purchase of these holdings for the sum of $6,000,000, reducible by an amount equal to interest at 6% per annum for the unelapsed period from the actual date of purchase to December 31, 1937.
- Sundry Investments in and Advances to Associated and Other Companies, at Cost (less Reserve of $3,363,147.76): $2,019,075.28

**Total Investments**: $9,234,822.28

### Fixed Assets:
- Factories, Radio Communication and Broadcasting Stations, Warehouses, Service Shops, Offices, etc.—Land, Buildings and Equipment, at Cost: $82,405,506.30
  - Less: Reserve for Depreciation and write-down of Fixed Assets: $53,193,667.30
  - $29,211,839.00
- Patents, Contracts and Goodwill: $16,136,592.15
  - Less: Reserve for Patents: $7,563,473.97
  - $8,573,118.18

**Total Fixed Assets**: $37,784,957.18

### Deferred Charges:
- Development—Television Field Test: $595,989.83
- Taxes, Insurance—Paid in Advance, etc.: $442,763.99

**Total Deferred Charges**: $1,038,753.82

**Total Assets**: $87,750,055.90

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After a reorganization of Radio-Keith-Orpheum Corporation, and if the above referred to option is not exercised, there may arise a liability upon RCA in respect of certain securities of Radio-Keith-Orpheum Corporation sold during 1935 for an amount of securities (received in such reorganization) of a maximum appraised value not exceeding $1,300,000.00.

Net Current Assets of Foreign Subsidiary Companies are converted into dollars at the prevailing exchange export rates at December 31, 1936.
### Liabilities and Capital

**Current Liabilities:**
- Accounts Payable and Accruals: $10,319,059.05
- Mortgage on Real Estate on Broad Street, New York City, called for redemption February 1, 1937: $875,000.00
- Note Payable (non-interest bearing, due November, 1937): $530,463.00

**Total Current Liabilities:** $11,724,522.05

**Other Liabilities:**
- Notes Payable to Banks, due April 8, 1941: $10,000,000.00
- Notes Payable to Others (Serial Notes Payable in eleven annual installments): $507,194.40

**Total Other Liabilities:** $10,507,194.40

**Reserve for Contingencies** (after net credits of $391,400.68 during the year, including $327,500 transferred from Reserve on Investments, now no longer required): $2,749,746.88

**General Reserve** (changes during the year are referred to in Note below): $4,750,707.37

**Capital Stock:**
- $3.50 Cumulative Convertible First Preferred No Par Value, Redemption Value $100 per share:
  - Authorized: 920,300 shares
  - Issued: 899,092.8 shares
  - Value: $14,546,096.49

- “B” Preferred Cumulative $5 Dividend No Par Value, Redemption Value $100 per share:
  - Authorized and issued: (Unconverted under Recapitalization Plan approved by Stockholders April 7, 1936) 17,653 shares
  - Value: $378,027.79

- Common, No Par Value:
  - Authorized: 18,500,000 shares
  - Issued: 13,879,556 shares
  - Value: $27,759,112.00

**Total Capital Stock:** $42,683,236.28

**Earned Surplus:** $15,334,648.92

**Total Liabilities and Capital:** $87,750,055.90

**Contingent Liability:**
- Customers’ Notes Receivable of Subsidiary Company discounted: $25,581.32

During the year, General Reserve was charged with $2,214,787.26, the total of the premium paid on redemption of “A” Preferred Stock, together with the expenses incurred in connection with the Recapitalization Plan, less a profit (referred to in the Directors’ Report) on the sale of an investment in an affiliated company. The shares stated as issued include 27,990 shares of Common Stock reserved for issue to stockholders of predecessor company. Funds were deposited to provide for the redemption of the entire “A” Preferred Stock, including stock previously reserved for issue to stockholders of predecessor company. The dividends in arrears on the “B” Preferred Stock amount to $26.25 per share or $463,391.25.
To the Stockholders of
Radio Corporation of America:

We have made an examination of the Consolidated Balance Sheet of Radio Corporation of America and Subsidiary Companies as at December 31, 1936, and of the Consolidated Statement of Income and Earned Surplus for the year 1936. In connection therewith, we examined or tested accounting records of the Corporation and its Subsidiaries and other supporting evidence to the extent we considered sufficient and obtained all information and explanations requested by us from officers and employees of the companies. We also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions. We have accepted for certain foreign subsidiaries, amounting to 2.8 per cent of total assets, the audited accounts prepared by their public accountants as at either October 31st or November 30, 1936.

In our opinion, based upon such examination, the accompanying Consolidated Balance Sheet and related Consolidated Statement of Income and Earned Surplus, together with the notes thereon, fairly present, in accordance with accepted principles of accounting which have been consistently maintained by the Corporation, its financial position at December 31, 1936, and the results of its operations for the year ended that date.

New York, N. Y., February 18, 1937.
**PRINCIPAL PRODUCTS AND SERVICES OF RCA**

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<th>Services</th>
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<td>RCA Victor Home Radios and Radio-Phonographs</td>
<td>International Radio Communication Service with Forty-five Countries</td>
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<tr>
<td>Auto and Farm Radio Sets</td>
<td>Inter-City Radio Communication Service Between Eleven Cities of the United States</td>
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<td>Record Playing Devices and Attachments</td>
<td>RCA Photoradio Transmission Service</td>
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<td>Victor and Blue Bird Records</td>
<td>Marine Radio Communication Service to Ships at Sea</td>
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<td>RCA Receiving, Transmitting and Special Purpose Radio Tubes</td>
<td>Maintenance Service for Marine Radio Equipment</td>
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<tr>
<td>Transoceanic Radiotelephone-Radiotelegraph Equipment</td>
<td>RCA Addressed Program Service for Broadcasting Networks</td>
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<tr>
<td>Marine Transmitting and Receiving Equipment, and Direction Finders</td>
<td>RCA Frequency Measuring Service</td>
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<td>Police Radio Systems</td>
<td>RCA Photophone Service for Theatre Equipment</td>
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<td>Aircraft and Airport Radio Equipment</td>
<td>RCA Laboratory Service to Licensees</td>
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<td>Radio Equipment for Amateur Use</td>
<td>NBC Broadcasting through Nationwide Networks</td>
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<tr>
<td>RCA Photophone Sound Recording and Reproducing Equipment</td>
<td>NBC Artists Service for All Types of Professional Engagements</td>
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<td>Rear Projection Motion Picture Equipment</td>
<td>NBC Radio City Studio Tour</td>
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<td>Radio Broadcast Transmitters and Associated Studio Equipment</td>
<td>NBC “Thesaurus” Recorded Library Service for Radio Stations</td>
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<td>Electrical Transcriptions for Broadcasting</td>
<td>NBC Reference Recording Service</td>
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<td>Electric Chimes</td>
<td>NBC Custom Built Recorded Programs</td>
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<tr>
<td>Centralized Radio Distribution Systems</td>
<td>RCA Sound-on-Film Recording Service to Producers</td>
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<tr>
<td>Centralized Antennae Systems</td>
<td>RCA Recording for Personal Use</td>
</tr>
<tr>
<td>Public Address and Sound Re-enforcing Equipment</td>
<td>R.C.A. Institutes, for Technical Instruction</td>
</tr>
<tr>
<td>Laboratory and Test Equipment</td>
<td>Radiograms marked “Via RCA” may be filed at any office of R.C.A. Communications, Inc., or the Western Union Telegraph Company.</td>
</tr>
<tr>
<td>Component Radio Parts and Accessories</td>
<td>For information concerning RCA services, address the Department of Information, R.C.A. Building, 30 Rockefeller Plaza, New York, N.Y.</td>
</tr>
<tr>
<td>Theatre Hearing Aids</td>
<td></td>
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</tbody>
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