

RADIO -
SPLITDORF
1929

Splitdorf-Bethlehem Electrical Company

392 HIGH STREET
NEWARK, NEW JERSEY

REPORT
TO
STOCKHOLDERS



1929

Officers

| | |
|--|--------------------|
| President..... | Charles Edison |
| Vice President and General Manager..... | L. W. McChesney |
| Vice-President in Charge of Finance..... | Ralph H. Allen |
| Treasurer..... | H. F. Miller |
| Secretary..... | H. H. Eckert |
| General Counsel..... | Henry Lanahan |
| Assistant Vice President..... | E. C. Reed |
| Assistant Treasurer..... | E. H. Philips |
| Assistant Secretary..... | W. H. Balentine |
| Assistant Secretary..... | Frederick C. Erwin |

Directors

| | |
|---------------------|--------------------|
| Charles Edison | William M. Lybrand |
| Ralph H. Allen | H. F. Miller |
| George deK. Gilder | John V. Miller |
| Ernest J. Howe | William W. Nichols |
| Henry Lanahan | Eugene C. Reed |
| C. S. Williams, Jr. | |

Transfer Agent

Guaranty Trust Company of New York
New York

Registrar

Chase National Bank
New York

Corporate Office

392 High Street, Newark, N. J.

To
S
I
prese
the v
agem
N
be m
to Ja
T
A
Incor
N
above
has n
given
W
divid

Charles Edison
W. McChesney
Ralph H. Allen
... H. F. Miller
... H. H. Eckert
Henry Lanahan
... E. C. Reed
... E. H. Phillips
V. H. Valentine
Herick C. Erwin

392 High Street,
Newark, N. J.
April 10, 1930.

*To the Stockholders of the
Splindorf-Bethlehem Electrical Company*

I wish to express my appreciation again to the stockholders who were present, or represented by proxy, at the stockholders' meeting on April 1st, for the vote of confidence given the Edison management and the words of encouragement contained in the many letters sent to me during the past year.

No true appraisal of the results of the first year of Edison management can be made without first reminding ourselves of the conditions as they were prior to January 14th, 1929.

The year 1928 was a disastrous one for the Company:

- (a) The final figures showed a loss of over \$2,000,000 for the year.
- (b) Financial affairs had become increasingly alarming as the year progressed.
- (c) Banks and commercial creditors were pressing for payment; the Company had exhausted all avenues for further credit.
- (d) The whole organization both as to men and equipment had deteriorated, there being no morale and little discipline or loyalty left among the personnel by the end of 1928.
- (e) The products themselves had not been kept abreast of the times in point of engineering; and other products had been added, which it appeared later had no place in the Splindorf scheme, even if capital had been available to finance them.

Altogether, the situation, when the crisis came and Thomas A. Edison, Incorporated was asked to take over the management, was not a happy one.

No indictment of the previous management is intended by setting forth the above. It had its financial troubles which happily, the present management has not had to meet in any such overwhelming degree, due to the assistance given it through the treasury of Thomas A. Edison, Incorporated.

When the Edison management began functioning on January 14th, 1929, we divided the campaign of reconstruction into three parts:

1. Financial.
2. Putting the property and products in shape.
3. Constructive sales and manufacturing effort.

Obviously, no strict lines can be drawn between these periods, as they were in part, carried along simultaneously, but the work has progressed roughly, according to these divisions:

1. Financial

Thomas A. Edison, Incorporated has carried most of the financial burden during the past year with the exception of some bank lines of credit which have been arranged. Although it may appear from this statement that the matter was quickly arranged, the financial situation required the exertion of a large amount of time and energy of those charged with this task. I desire, at this time to express my appreciation to them for their efforts.

2. Operating Problems

The first few months of Edison operation were consumed almost wholly in trying to straighten out tangles, eliminate waste, stop leaks, improve the product, effect economies and recondition the machinery, dies, tools, etc., so that accurate work could be produced. Decisions had to be reached as to what disposition should be made of a number of products which had been added but which were showing a grave loss or diluting effort.

Some of the items of accomplishment from an operating standpoint are indicated below:

- (a) The machinery, tools and equipment, have been overhauled to a certain extent and satisfactory progress has been made toward producing accurate work with reasonable economy.
- (b) Personnel has been entirely reorganized with the result that the same work is being accomplished by a much reduced force and a large curtailment in expense. This is reflected in the final results of the year, which are commented upon elsewhere in this report.
- (c) The products manufactured have been redesigned to meet the standards of competition and for economical manufacture. From a condition of being half apologetic for our products, we can now face sales problems with the assurance that competition has nothing better to offer.
- (d) Inventories have been reduced not only by liquidation of obsolete stock, but through better control of work in process and an insistence on the part of the management of a higher rate of turn-over.
- (e) The Rol-Iron business which had been showing grave losses, was sold at an extremely satisfactory price and the losses from this business are now at an end.
- (f) We no longer pay \$40,000 a year for Chicago Sales Quarters but occupy premises costing \$4,000 per year with no detriment to our sales.
- (g) Losses in Toronto have been cut by abandoning the independent manufacture of Radio in that place, and these losses will be eliminated in the near future when the new plan of having distributors rather than having our own company in Canada, goes into effect.

The bulk of the work of the second period, that of putting the property and products in shape, has been accomplished. It should not be imagined from this that much does not remain to be done. This part of business is never done.

What I *do* mean is that we are now sufficiently secure in the quality and price of our product and our ability to manufacture it efficiently to give real consideration to the problems of disposing of it to advantage.

3. Sales

During the early part of 1929, the best that we could hope to do was to persuade customers, which include distributors and ultimate consumers, to have patience and not forsake the ship for the time being. We were able to hold a great many accounts on this basis. It was no easy task to make good the confidence placed in us. I am happy to say that today we are in much better standing with most of our trade and customers than at the beginning of the year. During the past three or four months we have even been able to add some new and important accounts. However, about all that can be said regarding sales is, as the period in which we have been vigorously going after business is so short, the performance of 1929 can not be taken as a true indication of what can be done in this direction.

There is included with this report a certified consolidated balance sheet of the Company and its subsidiaries as at December 31st, 1929, and for those of you who are interested in more detailed facts and figures there are shown on subsequent pages, comments on the balance sheet and a few items of interest regarding the business.

It will be noted from the facts and figures presented that while the Company's net worth diminished about \$2,000,000 in 1928, it substantially held its own in 1929. The net sales for 1929 make it one of the largest years in the history of the Company, having been 28% over the preceding year. In addition to sales assistance, Thomas A. Edison, Incorporated helped the Splitdorf Companies financially by cancelling a debt of \$450,000; also, by purchasing \$130,000 worth of the Company's stock at \$8.00 per share with the consent of the stockholders.

In closing, I wish to state that at no time have the Edison Interests attempted to influence the quoted price of the Company's stock for "window-dressing" or other purposes. I believe that the only way to make a stock properly worth more is to make the business worth more and I believe further that barring unforeseen events, and given the opportunity, the men who are now in charge of the active management of the Company's affairs are on the high road to *making* the business worth more.

Faithfully,

CHARLES EDISON,

President.

Lybrand, Ross, Bros. & Montgomery
ACCOUNTANTS AND AUDITORS

| | | |
|--------------|---------------|-----------|
| NEW YORK | PITTSBURGH | SEATTLE |
| PHILADELPHIA | DETROIT | — |
| CHICAGO | CLEVELAND | — |
| BOSTON | CINCINNATI | — |
| MEMPHIS | SAN FRANCISCO | LONDON |
| BALTIMORE | LOS ANGELES | PARIS |
| WASHINGTON | PORTLAND | BRUXELLES |

SPLITDORF-BETHLEHEM ELECTRIC

and Subsidiaries

CONSOLIDATED BALANCE SHEET

after giving effect to release
in accordance with agreement

A S S E T S:

Current assets:

| | | |
|--|------------------|--|
| Cash in banks and on hand | \$ 185,355.56 | |
| Accounts receivable, less reserves | 334,751.67 | |
| Inventories, at the lower of cost or market | 852,899.05 | |
| Prepaid insurance, rent, etc. | <u>34,374.54</u> | |
| Total current assets | 1,407,380.82 | |

Capital assets:

| | | |
|---|---------------------|--------------|
| Land | \$ 228,743.31 | |
| Buildings, machinery and equipment | <u>3,525,952.75</u> | |
| | 3,754,696.06 | |
| Less, Allowance for depreciation | <u>1,548,570.22</u> | 2,206,125.84 |
| Treasury stock (157.4 shares) and other securities | | 2,975.20 |
| Good will and patents | | 50,001.00 |

\$3,666,482.86

Notes: Land of the Splitdorf Electrical Company is included in the December 31, 1926, and its plant at appraised values revised to cost.

The total of net current assets in relation to the outstanding provided in the indenture under which they were issued.

We have examined the accounts of SPLITDORF-BETHLEHEM ELECTRIC 1929, and we certify that, in our opinion, the above balance sheet is the company as at that date.

New York, March 24, 1930.

SPLITDORF-BETHLEHEM ELECTRICAL COMPANY

and Subsidiaries

CONSOLIDATED BALANCE SHEET, December 31, 1929

after giving effect to release from indebtedness of \$450,000
in accordance with agreement dated January 2, 1930)

LIABILITIES:

Current liabilities:

| | | |
|---|--|---|
| \$ 185,355.56 334,751.67 852,899.05 <u>34,374.54</u> 1,407,380.82 | Notes payable Accounts payable Accrued royalties, wages, interest, etc. Total current liabilities Five year 7 per cent. convertible debentures, due September 1, 1932 Reserve for contingencies Minority interest in subsidiary companies | \$ 225,000.00 279,879.91 <u>238,601.08</u> 743,480.99 1,250,000.00 139,500.00 58,874.00 |
|---|--|---|

C A P I T A L:

| | | |
|---|--|--|
| 2,206,125.84 2,975.20 50,001.00 <u>33,666,482.86</u> | Capital stocks Authorized 300,000, outstanding 212,003.6 shares, no par value Capital surplus including surplus from appraisal Less, Deficit, net of indebtedness canceled | \$3,015,697.12 <u>4,970,814.45</u> 7,986,511.57 <u>6,511,883.70</u> 1,474,627.87 <u>\$3,666,482.86</u> |
|---|--|--|

Electrical Company is included in the above capital assets at appraised values at
at appraised values revised to June 30, 1925, with subsequent additions at

assets in relation to the outstanding debentures is now less than the amount
which they were issued.

its of SPLITDORF-BETHLEHEM ELECTRICAL COMPANY and Subsidiaries as at December 31,
in opinion, the above balance sheet fairly reflects the financial condition of

Raymond Ross Brown & Montgomery
Accountants and Auditors.

Comments on the Balance Sheet
and a few
Items of Interest Regarding the Business

The balance sheet of the Company shows improvement in nearly every respect:

(a) *Accounts Payable and Other Liabilities Decreased.*

Among other liabilities which the Edison management has extinguished, are the following:

| | |
|---|-----------|
| Laurencelle & Adler Notes..... | \$15,000 |
| Radio Corp. of America Notes..... | 10,000 |
| U. S. Government Tax Claim..... | 21,000 |
| Torrington Notes Payable..... | 40,000 |
| Alvord Notes Payable..... | 12,500 |
| Notes Payable to T. A. Edison, Incorporated... .. | 600,000 |
| | \$698,500 |

(\$450,000 of the last item represents cancellation of debt.)

(b) *Larger Volume of Business on Smaller Inventories.*

Sales were increased 28% over the previous year on smaller inventories.

(c) *Current Ratio Improved.*

The ratio of current assets to current liabilities improved from slightly over 1 to 1 at December 31st, 1928 to almost 2 to 1 at December 31st, 1929.

(d) *Book Value per Share.*

The book value per share was \$7.83 on December 31st, 1928 and decreased to \$6.95 per share on December 31st, 1929. Considering the fact that this, the first year of Edison management, was necessarily a "clean-up year", it is gratifying to find that the book value of the stock almost held its own.

(e) *Net Worth.*

The net worth, which after deducting value of minority stockholdings in subsidiary companies was \$1,516,000 at December 31st, 1928, decreased to \$1,474,000 at December 31st, 1929—a decrease of \$42,000. This decrease is

after interest on debentures of \$87,500 and after depreciation deductions of \$128,000 and all charges and reserves of every name and nature, including many "hang-overs" which will not occur again, such as:

| | |
|-----------------------------------|----------|
| Roll-Over..... | \$75,000 |
| Radio Adjustments..... | 50,000 |
| Inventory losses, bad debts, etc. | |

Thus, it will be noted that while the Company's net worth diminished about \$2,000,000 in 1928, it substantially held its own in 1929.

(f) *Bank Loans.*

Last year, following the annual meeting, Thomas A. Edison, Incorporated enabled the Splitdorf Companies to pay off all bank loans. Subsequently new lines were arranged to enable the Companies to go on a cash discount basis. Bank loans totaling \$210,000 were outstanding at December 31st, 1929, but since that time \$40,000 has been paid off voluntarily, leaving only \$170,000 today.

(g) *Other Savings Through Edison Management.*

While the savings in cash discounts are considerable they are small in comparison with other savings which Edison management made possible through permitting the Splitdorf Companies to use the centralized Service Departments of the Edison Industries, such as Treasury, Secretarial, Traffic, Purchasing, Personnel, Tax, Legal, Auditing, etc. Some of the savings are intangible and some will be cumulative as long as the Company continues under Edison management. An example of a few of the savings follows:

| | |
|--|-----------|
| Treasury..... | \$2,500 |
| Secretarial, Accounting and Insurance..... | 18,000 |
| Traffic Department..... | 36,500 |
| Purchasing..... | 2,000 |
| Personnel Department..... | 20,000 |
| Tax..... | 15,000 |
| Legal..... | 3,000 |
| Auditing..... | 5,000 |
| | <hr/> |
| | \$102,000 |

We have not, of course, attempted to list above *all* of the savings.

Principal Products
of the
Splitdorf-Bethlehem Electrical Company
and Subsidiaries



MAGNETOS

SPARK PLUGS

MOTORS

STARTERS

GENERATORS

SOCKET WRENCHES

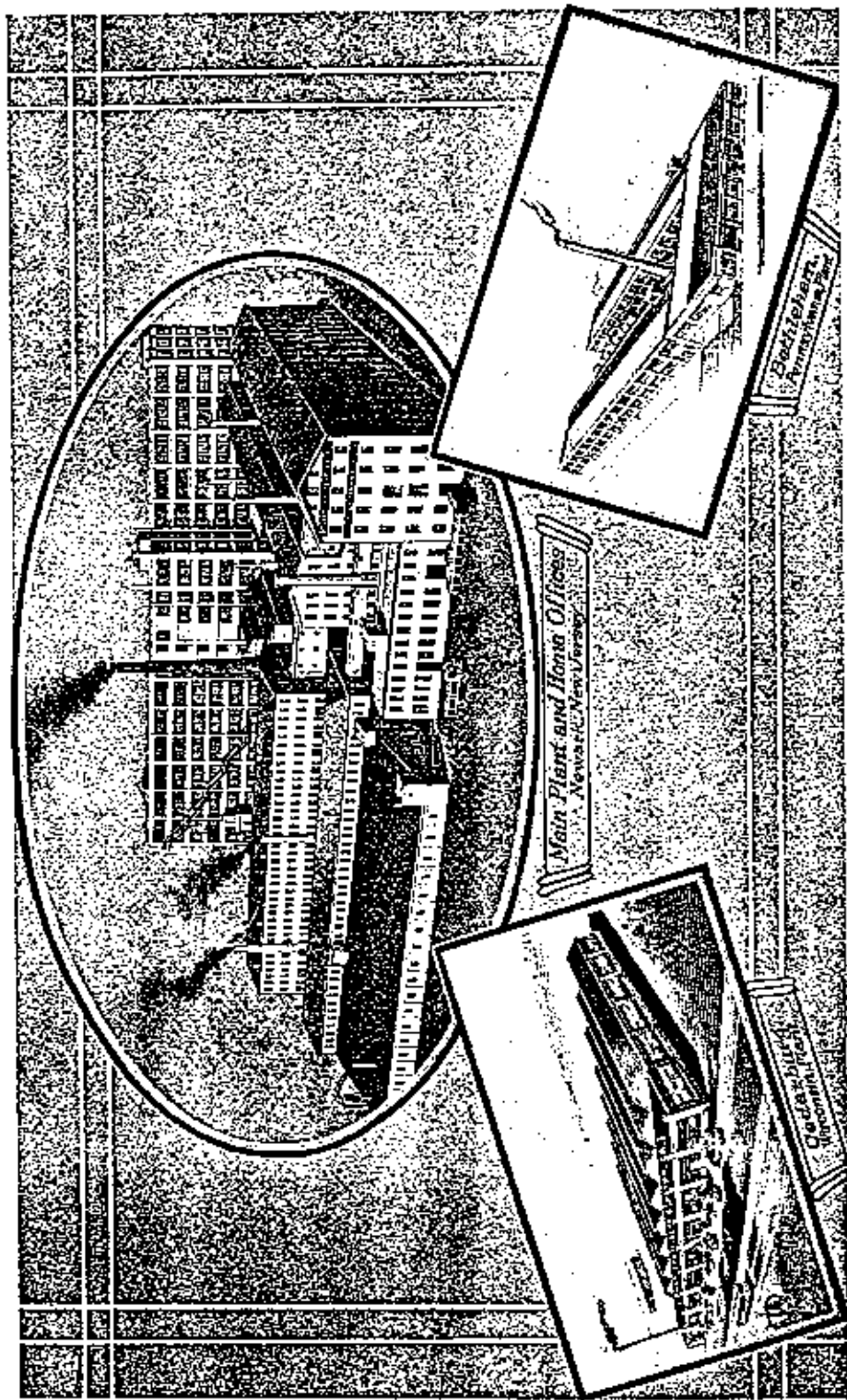
ELECTRICAL EQUIPMENT

RADIO EQUIPMENT

IGNITION CABLE



Company



PLANTS OF THE SPLINTDORE BETHLEHEM ELECTRICAL COMPANY AND SUBSIDIARIES