

2. Immediately upon obtaining the new capital the Bank shall set up an unallocated reserve of \$6,900,000.00 against the carrying value of individual occupied banking premises criticized in the report of examination of August 31, 1939, including those shown on the Bank's books and in its investment in Merchants National Realty Corporation. Within one year after this reserve is set up, it shall be used to reduce the carrying values of such banking premises or the carrying value of the Bank's investment in Merchants National Realty Corporation, as the case may be, unless in the meantime the Bank shall have furnished to the Comptroller of the Currency complete information satisfactory to him with respect to (1) the actual cost of each such banking premise to the Bank or any of its affiliated, associated or related companies when such premise was first acquired whether by the Bank or by any of its affiliated, associated or related companies, (2) any capital expenditures since made, and (3) the depreciation which has been taken upon each such premise. With respect to any premise acquired as the result of purchasing another bank, the price allowed to the seller, exclusive of any increase thereof for any reason other than the actual value of the premise, shall, for the purposes of this paragraph, be deemed to be its cost. Upon furnishing such information within the one year, the reserve shall be used to reduce the carrying value of each such banking premise by the amount of adequate depreciation during the ownership of the building by the Bank or any of its affiliated, associated or related companies, not previously taken, which should have been taken in accordance with sound banking practices, and by the amount of any "write-ups". The remainder of such reserve, if any, may be returned to the undivided profits account. All depreciation shall be calculated on the basis of depreciation allowed banks by the Treasury Department for income tax purposes.