

MORTGAGE RECORD 75

be taken either (a) at cost, or (b) at cost or market value whichever is lower, according to the method of accounting regularly followed by the Company or subsidiary, as the case may be, and accounts, notes and bills receivable at face amount after eliminating bad or doubtful items. Stocks and securities issued by subsidiaries shall not be deemed current assets.

Sec. 1.17. The words "current liabilities" mean and include accrued unpaid taxes, insurance, royalties, rentals, license fees, accrued interest and all other indebtedness and liabilities due or not due, direct or contingent, generally regarded as current liabilities according to recognized accounting practices, but shall not include indebtedness incurred by the Company on account of the acquisition or construction of fixed property subjected to the lien of this Indenture, or like indebtedness incurred by a subsidiary and evidenced by obligations acquired by the Company and pledged with the Corporate Trustee.

Sec. 1.18. The words "consolidated net earnings" mean the net earnings of the Company and subsidiaries from all sources for any twelve consecutive calendar months within the eighteen consecutive calendar months immediately preceding the date of the application in connection with which the consolidated net earnings are to be certified, as shown by a consolidated statement prepared in accordance with recognized accounting practices and in accordance with the provisions of this Section and from which inter-company items are eliminated. In computing said consolidated net earnings there shall be deducted from the gross earnings of the Company and its subsidiaries from all sources their total operating and non-operating expenses, insurance, taxes (other than Federal income taxes) and rentals, and also the proper proportionate share of earnings applicable to any stocks of subsidiaries which are not owned by the Company and pledged under this Indenture and all amounts actually expended for maintenance, but not any charge for interest, or for depreciation or obsolescence or expenditures for replacements or renewals. Capital gains or losses resulting from increase or decrease in value, whether realized or not, shall not be included in calculating consolidated net earnings for the purposes hereof. Each certificate of consolidated net earnings delivered to the Corporate Trustee in connection with any application under this Indenture shall be based upon the amount of stocks and securities of subsidiaries owned by the Company and pledged under this Indenture as of the date of such application (including stocks and/or securities to be so pledged in connection with such application) and shall include the earnings and deductions therefrom of all of said subsidiaries for the entire twelve months' period regardless of the date or dates of the acquisition and pledge of such stock and/or securities. In computing consolidated net earnings, if any property addition acquired during such eighteen months' period and owned at the close thereof by the Company or a subsidiary shall consist of a complete new property, plant or system (as distinguished from additions, improvements, betterments, developments, extensions or enlargements to, or of upon the properties, plants or systems owned by the Company or such subsidiary prior to such acquisition), or any such property addition is to be acquired out of the proceeds of Bonds applied for under this Indenture, there shall be included in the consolidated statement the actual earnings from and the expenses of the operation of each such new property, plant or system for the portion of such twelve months' period during which the same was not owned by the Company or a subsidiary (or for the whole of such period if not owned by the Company or a subsidiary during any portion of such period) in the same manner as if such new property, plant or system had been owned and operated during the whole of such period by the Company or a subsidiary, provided, however that if any property, plant or system of the Company or a subsidiary which was owned by the Company or a subsidiary during any part of such period shall be sold and the proceeds of such sale applied to the purchase of such new property, plant or system, or shall be conveyed in exchange for such new property or system, then and in such event the results of the operation of the property, plant or system so sold or exchanged shall not be included in computing such consolidated net earnings.

Sec. 1.19. The words "governmental authority" include Federal, State, municipal and other public authorities, commissions, boards and officers having jurisdiction as to the subject matter in respect of which the words are used and the word "consent" includes any order, approval, authorization or other action of such governmental authority, however denominated.

Sec. 1.20. The words "directors' resolution" mean a resolution certified by the Secretary or Assistant Secretary of the Company under its corporate seal to have been duly adopted by the Board of Directors of the Company at a meeting thereof duly called or held and at which a quorum was present and acting throughout.

Sec. 1.21. If at any time any question shall arise as to whether a particular method of accounting or accounting practice on the part of the Company or any subsidiary is in accordance with "recognized accounting practices" within the meaning of this Indenture, a certificate of an independent accountant furnished to the Corporate Trustee stating that in the opinion of such accountant the method of accounting or accounting practice so drawn in question is in accordance with recognized accounting practices, shall for all purposes of this Indenture be conclusive evidence that such method of accounting or accounting practice is in accordance with recognized accounting practices within the meaning of this Indenture, and shall be accepted by the Corporate Trustee as such, and the Corporate Trustee shall be fully protected in taking any action or declining to take any action in reliance upon such certificate. The Corporate Trustee may at any time in its discretion, but shall be under no duty to, employ an independent accountant at the expense of the Company to determine whether any method of accounting or accounting practice of the Company or any subsidiary which may be drawn in question is in accordance with recognized accounting practices as herein provided.

Sec. 1.22. Except when otherwise indicated or provided, words in the singular number include the plural as well as the singular number, and vice versa.

Sec. 1.23. The date of this Indenture and the Bonds of Series A. to wit, January 1, 1929, is intended as and for a date for the identification of the Bonds of said series and of this Indenture and is not intended to indicate that said Bonds were executed and delivered on said date or that this Indenture was executed and delivered on said date, this Indenture being executed and delivered on the latest date of acknowledgment hereof by any of the parties hereto. Reference in this Indenture and/or the Bonds or coupons to January first or July first or any other day of the year in case such day shall in any year fall on a Sunday or be a legal holiday shall be construed as meaning the next day thereafter not a Sunday or a legal holiday.

Sec. 1.24. Wherever in this Indenture provision is made for delivery to the Corporate Trustee of a certificate or opinion signed by any officer or officers of the Company or by any other person as to any matters of fact or opinion, such provision may be complied with by the Company by the delivery of more than one certificate or opinion certifying separately to the various matters of fact or opinion required to be included in the certificate or opinion so provided for and in such event said separate certificates or opinions need not all be signed by the same officers or persons but different officers or persons may certify to separate matters of fact or opinion, provided, however, that each such separate certificate or opinion shall be signed by an officer or officers or person or persons, as the case may be, by whom the certificate or opinion so provided for is authorized or required to be signed.

Sec. 1.25. No provision of this Indenture to the effect that property additions made the basis of any specified action shall not thereafter be made the basis of any other specified action shall be construed as preventing the Company from using a portion of such property additions as the basis of one action and another portion of portions thereof as the basis of another action, whether or not such property additions be susceptible of practical physical division into parts.

Sec. 1.26. All the covenants, stipulations, promises and agreements in this Indenture contained by or on behalf of the Company or the Trustee shall inure to and bind their respective successors and assigns.

Sec. 1.27. Nothing in this Indenture expressed or implied is intended, or shall be construed, to confer upon or to give to, any person or corporation other than the parties hereto and the Banker