

other operating expense account. No amounts need be deducted for appropriations or reserves for depreciation, retirements and/or depletion or for renewals and replacements, other than special reserves for renewals or replacements which, in such practice, are chargeable to current repairs or maintenance or other operating expense account. The "*Net Earnings After Depreciation and Depletion*" of the Company shall be ascertained and computed by deducting from the Net Earnings Before Depreciation and Depletion either (a) an amount equal to the reasonable and proper charges for depreciation, retirements and/or depletion as determined by the Company, or (b) an amount equal to the sum of (i) the average annual serial maturity requirements for the then unexpired term of all Bonds of the initial sixteen series outstanding hereunder at the time of determination, plus (ii) the aggregate of the average annual sinking fund and/or serial maturity requirements for the then unexpired term of all Bonds of each other series outstanding at said time and of all Bonds of each other series to be authenticated and delivered on the basis of any then pending application, if the amount referred to in this *Clause (b)* shall be greater than the amount referred to in the preceding *Clause (a)*. In determining any such average annual requirement, any fraction of a full year of any unexpired term remaining after deducting all full year periods of such term (or if there be no such full year periods, then without such deduction) shall be treated as one full year. If any of the property of the Company shall have been owned by it during a part, but not during the whole, of any period for which said net earnings are to be computed, or shall have been acquired by the Company after the expiration of said period, and shall be subject to the direct lien of this Indenture, the actual net earnings of such property during such part of such period as shall have preceded the acquisition thereof by the Company shall be treated as net earnings of the Company for the purposes of this Paragraph, but such net earnings shall be ascertained and computed by the methods hereinabove in this Paragraph pre-