

Companies and the subsidiary corporations for a period of twelve (12) consecutive calendar months ending not more than ninety (90) days prior to such application shall have been each case equal to at least one and one-half ($1\frac{1}{2}$) times the total annual bond interest charge of the Companies and the subsidiary corporations. ~~COMPANIES~~

The term "net earnings" of the Companies and the subsidiary corporations as used in this Article, shall in the case of each application for the authentication of notes be construed to mean the amount remaining after deducting from the earnings derived from the operation of the plants and properties owned by the Companies and the subsidiary corporations at the time application is made for the issuance of notes (including plants and properties acquired simultaneously with the issuance of the notes applied for) and from the income from any securities or other property then owned by the Companies and the subsidiary corporations, all operating expenses, including taxes, rentals, insurance and reasonable and proper expenditures for current maintenance and repairs, but excluding depreciation and amortization of debt discount and expense.

In the case of the earnings of any of the respective subsidiary corporations, less than all of the outstanding capital stock of which is owned by the Companies, or any of them, or by any other subsidiary corporation, there shall also be deducted from such earnings, for the purposes of this section, a sum equal to the aggregate of (1) such an amount of the balance remaining after subtracting from the gross earnings of such subsidiary corporation.

(a) The operating expenses of such subsidiary corporation; (b) the annual interest charges on all funded obligations of such subsidiary corporation, and (c) the amount of the dividends paid during such twelve-months period, or accumulated and unpaid at the end thereof, on the then outstanding shares of the preferred capital stock of such subsidiary corporation

as, in relation to such balance, is proportionate to the ratio of the number of shares of the outstanding common capital stock of such subsidiary corporation other than the shares owned by the Companies, or any of them, or any other subsidiary corporation, to the total number of shares of such common capital stock then outstanding, and (2) the amount of dividends paid, or accumulated and unpaid, as aforesaid, upon the shares of such preferred capital stock other than those owned by the Companies, or any of them, or any other subsidiary corporation.

In case such subsidiary corporation shall have two or more classes of preferred stock, an appropriate apportionment of the earnings of such subsidiary corporation, in accordance with recognized accounting practice, shall be made for the purpose of determining the amount of such earnings to be used as the basis for the issuance of notes hereunder.

In case any of the property of any of the Companies or of any subsidiary corporation shall have been owned by it during a part but not during the whole of the period for which such earnings are to be calculated, the net earnings of such property during the portion of such period which preceded the acquisition of such property by such Company or by such subsidiary corporation shall be included in the net earnings for the purposes of this Indenture; provided that only such earnings of such property during the period preceding acquisition shall be included as the accountant calculating net earnings for the purpose of this section shall have segregated and identified as derived solely from such uses as those to which the Company acquiring said property intends to put such property thereafter. In case any property of the Companies, or any of them, or of any subsidiary corporation, shall have been in existence for a part only of such twelve-months period, then the earnings from such property, used for the authentication of notes under this Section, shall be determined by using as a basis the earnings derived from such property for the period for which it shall have been in existence, and multiplied proportionately to determine earnings for a twelve-months period