

securities or other property of the same character and amount to which such ERVIN Stockholders would have been entitled had such shares been delivered on such April 1. The foregoing provisions of this paragraph (d) are subject to the following provisions:

(i) The aggregate number of shares of CYANAMID Common Stock to be delivered as of April 1 in any such year shall not exceed 195,122 shares.

(ii) The aggregate number of shares of CYANAMID Common Stock to be delivered on all such dates shall not exceed the lesser of 487,804 shares or one fewer than the number of shares delivered to the ERVIN Stockholders on the Effective Date of the Merger.

(iii) The aggregate market value (determined as provided in paragraph (f) below) of shares of CYANAMID Common Stock to be delivered on all such dates shall not exceed \$18,750,000.

(iv) When shares of CYANAMID Common Stock have once been delivered in respect of any particular amount of Cumulative Excess Earnings, no further shares of CYANAMID Common Stock shall be delivered in respect of such amount of Cumulative Excess Earnings.

(v) If by reason of the limitation contained in (i) above, shares of CYANAMID Common Stock are not delivered as of any such April 1 in respect of the full amount of Cumulative Excess Earnings through the Fiscal Year ending March 31 of the year in question, the Cumulative Excess Earnings in respect of which shares are not so delivered shall be carried forward to the calculation to be made in respect of succeeding Fiscal Years, but shall not constitute Cumulative Excess Earnings for purposes of such calculation unless the base amount of \$1,146,888 has been earned for all succeeding Fiscal Years to the date of calculation.

(vi) When either of the limitations contained in (ii) or (iii) above have been reached, no further shares of CYANAMID Common Stock shall be delivered.

(c) Of the total number of shares of CYANAMID Common Stock delivered as of each such April 1 as provided above (except for any shares delivered within 12 months after the Effective Date of the Merger), a portion thereof shall constitute principal and the remainder thereof shall constitute interest on the portion thereof constituting principal at the rate of 4% per annum from the Effective Date of the Merger to the date of delivery. All shares representing interest shall be represented by separate certificates. In the event that the number of shares representing interest as to any ERVIN Stockholder would produce a fractional share, the number of shares represented by the separate certificate shall be increased to the next higher full share.

(f) The market value of a share of CYANAMID Common Stock shall be taken as the average of the closing prices of such Common Stock on the New York Stock Exchange on each trading day in the month of March of the Fiscal Year in respect of which such share is delivered. The market value of a share once so determined shall be its market value for all purposes of this Agreement.

(g) The "Cumulative Net Earnings" of the Surviving Corporation for purposes of the formula set forth in paragraph (d) above shall be the cumulative net earnings after income taxes of the Surviving Corporation and its subsidiaries for the period beginning April 1, 1970, and ending March 31 of the year in which the calculation is made as stated in separate certified consolidated financial statements of the Surviving Corporation and its subsidiaries prepared by CYANAMID's certified public accountants (presently Messrs. Peat, Marwick, Mitchell & Co.) determined in accordance with generally accepted accounting principles applied on a basis consistent with those applied in determining the net earnings of ERVIN and its subsidiaries for the Fiscal Year of ERVIN ended March 31, 1970. In determining such Cumulative Net Earnings, the following shall apply:

(i) No charge against earnings shall be made, by way of interest or otherwise, for the additional capital to be supplied by CYANAMID as provided in § 5.01.