

(ii) At CYANAMID's option, there shall be charged against earnings for any Fiscal Year any reduction in the excess of aggregate fair market value of all property owned by the Surviving Corporation and its subsidiaries at the end of that Fiscal Year over aggregate book value of such property then owned as compared with the amount of such excess of aggregate fair market value of all property owned by the ERVIN Companies on March 31, 1970 over aggregate book value of such property then owned. For this purpose, the property owned by the ERVIN Companies shall be Appraised as of March 31, 1970. If CYANAMID shall desire in any year to exercise its option to have such reduction charged against such earnings it shall give notice to the ERVIN Stockholders of such election within 10 days after the receipt of the certified financial statements of the Surviving Corporation for the year in question, and the property owned by the Surviving Corporation and its subsidiaries at the end of such Fiscal Year shall be Appraised. As used in this subparagraph (ii), the term "Appraised" shall refer to the following procedure: CYANAMID shall proceed, at its own expense, to have the property owned by the Surviving Corporation at the end of the Fiscal Year in question appraised on the basis of fair market value by an appraiser selected by CYANAMID and shall deliver a copy of such appraisal to the ERVIN Stockholders within 10 days after its receipt by CYANAMID. Within 10 days after receipt of such appraisal, the ERVIN Stockholders may notify CYANAMID and the Surviving Corporation that they wish to have such property appraised, at their own expense, by an appraiser selected by them, in which event they shall promptly proceed with such appraisal and shall deliver a copy of such appraisal to CYANAMID and the Surviving Corporation within 10 days after its receipt by the ERVIN Stockholders. If the aggregate fair market values shown by the two appraisals do not vary more than 10% of the higher appraised value, the aggregate fair market value shall be taken as the average of the two appraisals. If the two appraisals vary by more than such amount and CYANAMID or the Surviving Corporation or such ERVIN Stockholders are unwilling to accept the average of the two appraisals, a third appraisal shall be conducted by an appraiser selected by CYANAMID to whom the Surviving Corporation and the ERVIN Stockholders shall have no reasonable objection. The expense of such third appraisal shall be borne equally by CYANAMID and the ERVIN Stockholders. The fair market value shall be the average of the appraisal conducted by such third appraiser and the closer of the first two appraisals. If in any year any charge against earnings shall have been made by reason of the provisions of this subparagraph, then, unless the maximum number of shares of CYANAMID Common Stock or shares having the maximum market value shall have been delivered despite such charge, the property owned by the Surviving Corporation and its subsidiaries shall be Appraised as of the end of the last Fiscal Year in respect of which shares of CYANAMID Common Stock would be deliverable hereunder, and there shall be added back to net earnings for such Fiscal Year any charge previously so made to the extent that the deficiencies in excess aggregate fair market value have been made up.

(iii) Capital supplied by CYANAMID in addition to that provided for in § 5.01 shall be charged for at a rate to be determined at the time.

(iv) No charge shall be made to earnings by way of allocation of CYANAMID overhead; reasonable charges may be made for services requested by the Surviving Corporation actually performed by CYANAMID (such as tax, legal, insurance, etc.) on the basis of the time spent or other reasonable basis. The reasonable costs and expenses of the audit of the Surviving Corporation as of the close of each Fiscal Year (either by direct charge or by a charge by CYANAMID for reimbursement of a portion of CYANAMID's overall audit charge) may be charged against earnings of the Surviving Corporation and its subsidiaries, but there shall be no other charge for auditing costs by CYANAMID or its accountants unless such costs are incurred at the specific request of the Surviving Corporation.

(v) The charge for income taxes shall be the provision for taxes stated in the separate financial statements of the Surviving Corporation regardless of the actual amount of the Surviving Corporation's proportionate share of CYANAMID's consolidated tax payment. The charge for income taxes shall be computed on the basis of net earnings of the Surviving Corporation