

date of this Agreement shall remain outstanding upon the same terms and conditions as are applicable thereto immediately prior to the effective date of this Agreement.

(f) No fractions of a share of any class of stock of either of the Constituent Corporations will be issued by reason of the Merger.

(g) The certificates representing shares of \$4.20 Cumulative Preferred Stock and Common Stock of the Surviving Corporation outstanding on the effective date of this Agreement shall continue to represent the same number of shares of said respective classes and shall not be required to be surrendered or exchanged by reason of any terms of this Agreement.

(h) As soon as practicable after the effective date of this Agreement the Surviving Corporation will deliver to the holders of certificates which prior to such effective date represented shares of Common Stock of Gaylord (in full satisfaction of all rights evidenced by such certificates), except to those who shall have objected and demanded the fair value of their shares as provided by law, certificates representing shares of Common Stock, par value \$5 per share, of the Surviving Corporation, in exchange for, on the basis hereinabove set forth, and against the surrender for cancellation of, certificates which represented shares of Common Stock of Gaylord, duly endorsed in blank, if required, to the Surviving Corporation at such place as may be designated by the Surviving Corporation. If any certificate for any shares of Common Stock of the Surviving Corporation is to be issued in a name other than that in which the certificate for shares surrendered for exchange shall be registered, it shall be a condition of such exchange that the certificate so surrendered shall be properly endorsed for transfer and that the person requesting such exchange shall pay to the Surviving Corporation any transfer or other taxes required by reason thereof or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not payable.

Between the date of this Agreement and the effective date hereof: (a) no dividend shall be declared or paid on the stock of either of the Constituent Corporations outstanding on the date of this Agreement, except that the Surviving Corporation may pay the regular quarterly dividend of 40¢ per share on its Common Stock payable October 1, 1955, and may declare the regular quarterly dividend of \$1.05 per share, payable December 1, 1955, on its \$4.20 Cumulative Preferred Stock, and except that Gaylord may pay its regular quarterly dividend of 45¢ per share on September 10, 1955, previously declared, and may declare and pay a final quarterly dividend of 45¢ per share on its Common Stock, payable on or about November 4, 1955, and (b) neither the Surviving Corporation nor Gaylord shall issue or sell, or issue rights to subscribe to, any shares of capital stock of any class prior to the effective date of this Agreement, except that the Surviving Corporation may issue shares of its Common Stock pursuant to options granted under its Selected Employees Stock Option Plan and may grant additional options under said Plan covering not to exceed, in the aggregate, 171,555 shares of its Common Stock.

On or about the effective date of this Agreement, a new corporation will be formed under the name "Gaylord Container Corporation" pursuant to the laws of the State of Missouri. The new corporation will be a wholly-owned subsidiary of the Surviving Corporation and its directors and officers will be selected exclusively from the present active management and operating personnel of Gaylord.

The new corporation will manage the operations of the Gaylord facilities and will supervise the sales of the products of such facilities and such other products as may be determined from time to time, all to be produced and sold by the Gaylord Container Division of the Surviving Corporation.

#### ARTICLE VI

The assets and liabilities of Gaylord, as of the effective date of this Agreement, shall be taken up on the books of the Surviving Corporation at the amounts at which they, respectively, shall at that time be carried on the books of Gaylord. The surplus appearing on the books of Gaylord shall be entered on the books of the Surviving Corporation as surplus of the same character, that is, earned surplus [earnings invested in the business] and capital surplus [other capital], as it was on the books of Gaylord, except to the extent to which combined capital surplus is capitalized by the issue of shares of Common Stock of the par value of \$5 per share of the Surviving Corporation upon the conversion of shares of Common Stock of the par value of \$1.66⅔ per share of Gaylord, or otherwise, and subject to such adjustments as the rules of good accounting practice shall require. From and after the effective date of this Agreement the amount of the capital of the Surviving Corporation which will be represented by the shares of its stock then outstanding (that is, the shares of \$4.20 Cumu-