

ARTICLES OF MERGER
OF DOMESTIC CORPORATIONS
INTO
WATSON CANAL COMPANY

2006 FEB -5 AM 8:48

SECRETARY OF STATE
STATE OF IDAHO

Pursuant to the provisions of Section 30-1-1101, et. seq. of the Idaho Business Corporation Act, the undersigned corporations adopt the following Articles of Merger for the purpose of merging them into one of such corporations:

FIRST: The following Plan of Merger was approved by the shareholders of each of the undersigned corporations in the manner prescribed by the Idaho Business Corporation Act:

I.

RECITALS

- A. Watson Canal Company is validly organized, existing and in good standing under the laws of the State of Idaho. All of the merging corporations are validly organized, existing and in good standing under the laws of the State of Idaho.
- B. Watson Canal Company, the surviving Corporation, has an authorized capital of 5,308.40 shares of Common Stock with a par value of \$1.00 each, divided into 2,617 shares of Class A stock, 1,691.40 shares of Class B stock, and 1,000 shares of Class C stock. As of date hereof the incorporators, representing all of the merging corporations, have subscribed to 8 shares of its capital stock, which will all be assigned to shareholders as a part of the allocation of stock in the surviving corporation, as hereinafter set forth.
- C. Watson Slough Irrigation Company, Limited, has an authorized capital of 338.28 shares of Common Stock with a par value of \$1.00 each, of which on the 5th day of January, 2006, 338.28 shares were issued and outstanding.
- D. Watson Slough Ditch Company, Limited has an authorized capital of 2,617 shares of Common Stock with a par value of \$1.00 each, of which on the 5th day of January, 2006, 2,617 shares were issued and outstanding.
- E. Crawford Lateral Ditch Company has an authorized capital of 1752.50 shares of Common Stock with a par value of \$1.00 each, of which on the 5th day of January, 2006, 1752.50 shares were issued and outstanding.
- F. Duncan Ditch Company, Limited has an authorized capital of 163.10 shares of Common Stock with a par value of \$1.00 each, of which on the 5th day of January, 2006, 163.10 shares were issued and outstanding.

IDAHO SECRETARY OF STATE
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G. The Boards of Directors of the Constituent Corporations have considered the proposed plan and they determined that it is in the best interests of their respective corporations and stockholders that the Merging Corporations merge with and into Watson Canal Company, in accordance with the provisions of applicable statutes of the States of Idaho, they have submitted it to the stockholders of the respective Merging Corporations.

II.

PLAN OF MERGER

The plan is to have the Constituent Corporations agree, each with the other, to merge into a single corporation which shall be Watson Canal Company, the Surviving Corporation, (whose name shall not be changed and whose Articles of Incorporation [except as shall be restated within thirty (30) days] shall not be amended in any respects as provided herein) pursuant to the laws of the State of Idaho, and shall agree upon and prescribe the terms and conditions of the statutory merger, the mode of carrying it into effect and the manner and basis of converting the shares of the Merging Corporations into shares of the Surviving Corporation, as herein set forth:

On the effective date of the merger, the Merging Corporations shall be merged with and into Watson Canal Company, an Idaho Corporation, and the separate existence of the Merging Corporations shall cease; the Constituent Corporations shall become a single corporation named "Watson Canal Company", an Idaho corporation, which shall be the Surviving Corporation.

III.

ARTICLES OF INCORPORATION OF SURVIVING CORPORATION

The Articles of Incorporation [as shall be restated within thirty (30) days] of Watson Canal Company, the surviving corporation, which shall be filed with the Idaho Secretary of State, shall not be amended, [except as shall be restated within thirty (30) days] and shall continue to be the Articles of Incorporation of the Surviving Corporation until further amended in accordance with the Non-Profit Corporation Laws of the State of Idaho.

Such Articles of Incorporation, as thus set forth, were certified by the Secretary of State of the State of Idaho on January 3, 2004.

IV.

BY-LAWS OF SURVIVING CORPORATION

The By-Laws of Watson Canal Company, in effect immediately prior to the effective date of the merger shall continue to be the By-Laws of the Surviving Corporation, until altered or repealed in the manner provided by law and such By-Laws.

V.

DIRECTORS AND OFFICERS OF SURVIVING CORPORATION

The Directors and Officers of Watson Canal Company, immediately prior to the effective date of the merger shall continue to be the Directors of the Surviving Corporation, to hold office for the terms specified in the By-Laws of the Surviving Corporation and until their respective successors are duly elected and qualified.

VI.

MANNER AND BASIS OF CONVERSION OF SHARES

A. The treatment of the shares of the merging corporations into shares of the common stock of the surviving corporation are as follows:

| <i>Name of Corp.</i> | Its Shares | SHARES IN Watson Canal Company, TO BE ISSUED TO THE SHAREHOLDERS OF THE MERGING CORPORATIONS | | | | |
|--------------------------------------|------------|---|----------|----------------------------|---------|---------|
| | | Class A | Class B | Class C Presently Unissued | xxxxxxx | xxxxxxx |
| Watson Slough Irr. Company, Limited | 338.28 | 0.00 | 1,691.40 | 0.00 | | |
| Watson Slough Ditch Company, Limited | 2,617 | 2,617 | 0.00 | 0.00 | | |
| Crawford Lateral Ditch Company | 1,752.50 | 0.00 | 0.00 | 0.00 | | |
| Duncan Ditch Company, Limited | 163.10 | 0.00 | 0.00 | 0.00 | | |
| Totals | 4,870.88 | 2,617.00 | 1,691.40 | 0.00 | | |

B. No shares of the capital stock of the surviving corporation have been issued, but 8 of its shares have been subscribed for by the incorporators thereof. The incorporators are all representatives of the merging corporations, and said subscriptions shall be assigned by the incorporators, and merged in with the shares of the surviving corporation to be issued to the merging corporations' shareholders in exchange for their shares in the merging

corporations, so that all of the stock to be issued by the surviving corporation, at the time of this merger, shall be issued to the shareholders of the merging corporations.

C. Each share of the Merging Corporation's Common Stock which is issued and outstanding immediately prior to the effective date of the merger, shall by virtue of the merger be converted into and become, without action on the part of the holder of such Common Stock, fully paid and assessable shares of a Class of the Common Stock of the Surviving Corporation in accordance with the table above; provided, however, fractional shares may be issued. Each outstanding certificate for Common Stock of the Merging Corporations shall thereupon be deemed for all purposes to evidence ownership of the number of shares of Common Stock of the Surviving Corporation into which the same shall have been converted at the rate set forth above.

D. As soon as practicable after the effective date of the merger, each holder of outstanding certificates for Common Stock theretofore issued by the Merging Corporations shall be entitled, upon surrender of the same by such holder for cancellation, as directed by the Surviving Corporation, to receive new certificates for the number of shares of Common Stock of the Surviving Corporation to which he is entitled.

VII.

EFFECT OF MERGER

A. On the effective date of the merger, the Surviving Corporation shall possess all the rights, privileges, powers, and franchises of a public as well as a private nature of each of the Constituent Corporations, and shall become subject to all the restrictions, disabilities and duties of each of the Constituent Corporations and all of the singular rights, privileges, powers and franchises of each of the Constituent Corporations. All water rights, canals, diversionary works, cash, bank, checking and savings accounts, and all other property, real, personal and mixed, and debts due to each of the Constituent Corporations on whatever account, as well as all other things in action or belonging to each of the Constituent Corporations shall be vested in the Surviving Corporation; and all property, assets, rights, privileges, powers, franchises and immunities, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the respective Constituent Corporations; and the title to any real estate vested by deed or otherwise, in either of the Constituent Corporations, shall not revert or be in any way impaired by reason of the merger; provided, however, that all of the creditors and liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities, obligations and duties of the respective Constituent Corporations shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities, obligations and duties had been incurred or contracted by it.

B. If at any time after the merger becomes effective it shall appear to the Surviving Corporation that any further assignments or assurances are necessary or desirable to

evidence the vesting in the Surviving Corporation of the title to any of the property or rights of the Merging Corporations, those persons who were proper officers and directors of the Merging Corporations as of the effective date of the merger shall execute, acknowledge and deliver such assignments or other instruments and do such acts as may be necessary or appropriate to evidence the vesting of title to such property or rights in the Surviving Corporation. For such purposes the capacity and authority of the Merging Corporations and their officers shall be deemed to be continuing.

C. The Surviving Corporation shall agree that it may be served with process in the State of Idaho and shall irrevocably appoint the Secretary of State of Idaho as its agent to accept service of process, in any proceeding for the enforcement of any obligation of the Merging Corporations arising in the State of Idaho prior to the effective date of the merger, and in any proceedings for the enforcement of the rights of a dissenting shareholder of the Merging Corporations against the Surviving Corporation.

VIII.

ACCOUNTING AND STATE CAPITAL

When the merger becomes effective, subject to such changes, adjustments or eliminations as may be made in accordance with generally accepted accounting principles, (a) the assets and liabilities of the Constituent Corporations shall be recorded in the accounting records of the Surviving Corporation at the amounts at which they shall be carried at that time in the accounting records of the Constituent Corporations, (b) the amount of stated capital with which the Surviving Corporation shall begin business immediately after the effective date of the merger is \$4,308.40.

IX.

ABANDONMENT

This Plan and Agreement of Merger may be abandoned by action of the Board of Directors of either Watson Canal Company, or the Merging Corporations at any time prior to the effective date of the merger, whether before or after submission to their respective stockholders, upon the happening of any one of the following events:

1. If the merger fails to obtain the requisite vote of stockholders (subscribers) of Watson Canal Company, or of Stockholders of the Merging Corporations not later than April 1, 2006; or
2. If, in the judgment of the Board of Directors of Watson Canal Company, or of the Merging Corporations, the merger would be impracticable because of the number of stockholders of either thereof who assert their right to have their stock appraised and to receive payment therefore as provided in the Corporation Law of the State of Idaho.

X.

REPRESENTATIONS AND WARRANTIES

Watson Canal Company, and the Merging Corporations shall each represent and warrant to the other that between the date hereof and the time when the merger becomes effective they will not enter into any employment contracts, grant any stock options or issue any stock or securities, or declare or pay any dividends in stock or cash or make any other distribution on or with respect to their outstanding stock.

XI.

EFFECTIVE DATE

The effective date of the merger provided for by this Agreement shall be the date on which the last act prior to recording required to complete the merger under the respective laws of the State of Idaho is performed.

SECOND: As to each of the undersigned corporations, the number of shares outstanding, and the designation and number of outstanding shares of each class entitled to a vote as a class on such Plan, are as follows:

| <u>Name of Corporation</u> | <u>Number of Shares Entitled to Vote as a Class</u> | | |
|--|---|----------------------------------|-----------------------------|
| | <u>Shares Outstanding</u> | <u>Designation of Class:</u> | <u>Number of Shares</u> |
| Watson Slough Irrigation Company, Limited | 338.28 | Common | 338.28 |
| Watson Slough Ditch Company, Limited | 2,617.00 | Common | 2,617.00 |
| Crawford Lateral Ditch Company | 1,752.50 | Common | 1,752.50 |
| Duncan Ditch Company, Limited | 163.10 | Common | 163.10 |
| Watson Canal Company | 8 (subscribed) | Common | 8 (subscribed) |

THIRD: As to each of the undersigned corporations, the total number of shares voted for and against such Plan, respectively, and, as to each class entitled to vote thereon as a class, the number of shares of such class voted for and against such


Plan, respectively, are as follows:

Number of Shares
Entitled to Vote as a Class

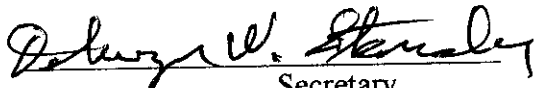
| <u>Name of Corp.</u> | <u>Total Voted For</u> | <u>Total Voted Against</u> | <u>Class</u> | <u>Voted For</u> | <u>Voted Against</u> |
|--------------------------------------|--------------------------------|------------------------------------|--------------|----------------------|--------------------------|
| Watson Slough Irrigation Co. Ltd. | 270.64 | -0- | Common | All | -0- |
| Watson Slough Ditch Co. Ltd. | 2,124.5 | -0- | Common | All | -0- |
| Crawford Lateral Ditch Company | 1418.5 | -0- | Common | All | -0- |
| Duncan Ditch Company, Ltd. | 158.1 | -0- | Common | All | -0- |

DATED: January 5, 2006.

WATSON CANAL COMPANY
an Idaho corporation
(the "Surviving Corporation")

By: , President

ATTEST:

, Secretary

Watson Slough Irrigation Company, Limited
an Idaho corporation
(a "Merging Corporation")

By: Karl Williams
Karl Williams, President

ATTEST:

Delwyn W. Stander
Delwyn W. Stander, Secretary

Watson Slough Ditch Company, Limited
an Idaho corporation
(a "Merging Corporation")

By: Merlin Morgan
Merlin Morgan, President

ATTEST:

Delwyn W. Stander
Delwyn W. Stander, Secretary

Crawford Lateral Ditch Company
an Idaho corporation
(a "Merging Corporation")

By: Jerry Jensen
Jerry Jensen, President

ATTEST:

Delwyn W. Stander
Delwyn W. Stander, Secretary

Duncan Ditch Company, Limited
an Idaho corporation
(a "Merging Corporation")

By: Karl Williams
Karl Williams, President

ATTEST:

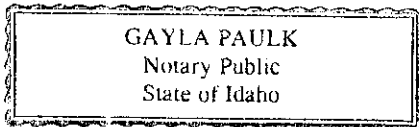
C.W. Kirkham
C.W. Kirkham, Secretary

STATE OF IDAHO,)

ss.

County of Bingham.)

The undersigned, a notary public, do hereby certify that on this 24th day of January, 2006, personally appeared before me Merlyn Morgan and Delwyn W. Stander, who, being first duly sworn, declared that they are the President and Secretary, respectively, of Watson Canal Company, an Idaho corporation, that they signed the foregoing document as said President and Secretary of the corporation, and that the statements therein contained are true.



Gayla Paulk
Notary Public for Idaho
Residing at: Blackfoot, Idaho
My Commission Expires: 11/17/07

STATE OF IDAHO,)

ss.

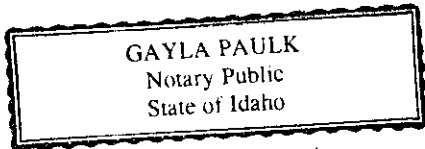
County of Bingham.)

STATE OF IDAHO,)

ss.

County of Bingham.)

The undersigned, a notary public, do hereby certify that on this 24 day of January, 2006, personally appeared before me **Jerry Jensen** and **Delwyn W. Stander**, who, being first duly sworn, declared that they are the President and Secretary, respectively, of Crawford Lateral Ditch Company, an Idaho corporation, that they signed the foregoing document as said President and Secretary of the corporation, and that the statements therein contained are true.



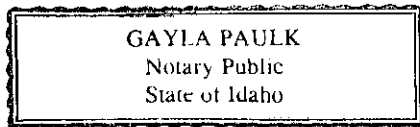
Gayla Paulk
Notary Public for Idaho
Residing at: Blackfoot, Idaho
My Commission Expires: 11/17/07

STATE OF IDAHO,)

ss.

County of Bingham.)

The undersigned, a notary public, do hereby certify that on this 24 day of January, 2006, personally appeared before me **Karl Williams** and **C.W. Kirkham**, who, being first duly sworn, declared that they are the President and Secretary, respectively, of Duncan Ditch Company, Limited, an Idaho corporation, that they signed the foregoing document as said President and Secretary of the corporation, and that the statements therein contained are true.



Gayla Paulk
Notary Public for Idaho
Residing at: Blackfoot, Idaho
My Commission Expires: 11/17/07