

AGREEMENT OF MERGER

AGREEMENT OF MERGER, dated as of February 8, 1966, between SIPCO, INC., a California corporation, (hereinafter sometimes referred to as "Sipco") and SSI, INC., a California corporation (hereinafter sometimes referred to as "SSI").

WITNESSETH:

WHEREAS, Sipco is a corporation organized and existing under the laws of the State of California, pursuant to its Certificate of Incorporation filed in the office of the Secretary of State of California on January 31, 1966; and

WHEREAS, the authorized capital stock of Sipco consists of the following:

- (i) Eleven thousand (11,000) shares of \$5 cumulative non-convertible preferred stock, without par value, of which no shares are issued or outstanding;
- (ii) Ten million (10,000,000) shares of common stock, of \$1 par value per share, of which 500 shares are issued and outstanding; and

WHEREAS, Sipco is a wholly owned subsidiary of Sunset International Petroleum Corporation, a Delaware corporation (hereinafter sometimes referred to as "Sunset"); and

WHEREAS, the authorized capital stock of Sunset consists of the following:

- (i) Two hundred thousand (200,000) shares of preferred stock, without par value, issuable in series, of which the following shares are issued and outstanding: 16,107 shares of Series A, \$5 cumulative convertible preferred stock (excluding 7,811 shares held in the treasury of Sunset); 20,472 shares of Series B, \$6 cumulative convertible preferred stock (excluding 7,028 shares held in the treasury of Sunset); and 10,949 shares of Series C, \$5 cumulative non-convertible preferred stock;
- (ii) Ten million (10,000,000) shares of common stock of \$1 par value per share. (A) of which 6,531,449 shares are issued and outstanding (excluding 257,837 shares held in the treasury of Sunset); (B) of which 351,542 shares are reserved for issuance pursuant to Sunset stock option plans (of which reserved shares 177,042 shares are under option); and (C) of which 1,000,000 shares are reserved for issuance upon exercise of outstanding stock purchase warrants; and

WHEREAS, Sipco has entered into an Agreement of Merger, dated February 8, 1966, with Sunset, whereby, subject to certain terms and conditions, Sunset will be merged into Sipco; and

WHEREAS, SSI is a corporation organized and existing under the laws of the State of California, pursuant to its Certificate of Incorporation filed in the office of the Secretary of State of California on February 2, 1966; and

WHEREAS, the authorized capital stock of SSI consists of 2,500 shares of common stock, of \$10 par value per share, of which 100 shares are issued and outstanding; and