

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1995-06-13** | Period of Report: **1995-06-13**
SEC Accession No. **0000095304-95-000004**

([HTML Version](#) on [secdatabase.com](#))

FILER

SUN CO INC

CIK: **95304** | IRS No.: **231743282** | State of Incorporation: **PA** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-06841** | Film No.: **95546646**
SIC: **2911** Petroleum refining

Business Address
*TEN PENN CENTER
1801 MARKET ST
PHILADELPHIA PA 19103-1699
2159776111*

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: June 13, 1995

SUN COMPANY, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	1-6841	23-1743282
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS employer identification number)

Ten Penn Center, 1801 Market Street, Philadelphia, PA 19103-1699

(Address of principal executive offices) (Zip Code)

(215) 977-3000

(Registrant's telephone number, including area code)Item 2. Acquisition or Disposition of Assets.

On June 8, 1995, Sun Company, Inc. ("Sun" or the "Company") completed the sale of its remaining 55 percent interest in Suncor Inc. ("Suncor"), to a group of Canadian underwriters led by Nesbitt Burns. The underwriting group will offer the shares publicly in Canada, and by way of private placement in the United States.

Under terms of the agreement with Nesbitt Burns, Sun was to receive gross proceeds of approximately C\$1,167 million (US\$855 million), payable in three equal installments. In a separate transaction, Sun subsequently sold all but one-half of the third installment receivable. As a result, Sun will ultimately receive cash proceeds of US\$770 million, after commissions, discount and U.S. dollar exchange, of which US\$635 million will be received in June 1995, with the remainder expected to be received in June 1996.

Suncor is a vertically integrated Canadian petroleum company whose operations consist of the exploration, production and marketing of conventional crude oil and natural gas, the production and marketing of synthetic crude oil from oil sands, and petroleum refining and marketing.

Item 5. Other Events.

(a) Recent Developments

SUN COMPANY TO IMPLEMENT
BROAD OPERATIONAL AND FINANCIAL CHANGES;
DECLARES DIVIDEND ON COMMON STOCK
AND NEW DEPOSITARY SHARES

PHILADELPHIA, June 13, 1995 -- Sun Company, Inc. (NYSE: SUN) today announced details of an extensive operational and financial restructuring that Sun Chairman/CEO Robert H. Campbell said "will significantly improve our competitive position and establish a solid foundation for improved financial performance."

Sun is the largest independent U.S. refiner-marketer, with five domestic refineries and more than 4,000 Sunoco retail outlets in 17 states from Maine to Indiana and the District of Columbia.

"The changes we are making will enable us to focus on our core businesses and significantly strengthen our financial position so we can invest in growth projects," Campbell said. "We believe this will enhance the value of Sun Company to our shareholders and the many other groups who have a stake in the company, including our customers, suppliers, employees and the communities where we operate."

He said there are seven elements in the operational and financial restructuring. They are:

<PAGE 3>

OPERATIONAL ELEMENTS

- * cost reductions of \$110 million a year, principally by a reduction of 800 primarily staff and support positions;

- * the restructuring of Sun Company into eight "separate and discrete, but not autonomous, business units" plus a holding company and a service company;

FINANCIAL ELEMENTS

- * the already-completed sale of the company's 55-percent interest in Suncor, its former Canadian subsidiary, for net cash proceeds of U.S.\$770 million, of which \$635 million will be received in mid-June, with the remainder due in 1996;

- * the reduction of Sun's debt by more than \$500 million through the use of at least \$335 million of Suncor proceeds to repay company debt and the elimination of approximately \$180 million of debt as part of the Suncor sale;

- * the reduction of Sun's quarterly common stock dividend from 45 cents a share (\$1.80 per year) to 25 cents a share (\$1.00 per year);

- * the use of some Suncor proceeds to make a cash tender offer for up to 6.4 million shares of Sun common stock via a "Dutch auction" at a price between \$30 and \$33 per share, followed by a possible open market purchase program of up to \$100 million in Sun common stock after the conclusion of the tender offer. (Sun stock closed yesterday at \$31.25 per share. The tender offer to shareholders will be made on June 13 and will remain open until July 24.)

- * an offer to shareholders to exchange their common shares tax free for an equal number of "depositary shares" that will pay an annual dividend of \$1.80 per share for three years. The company will exchange up to 25 million shares in total. (Each depositary share represents one-half of a preference share -- a new series of cumulative preferred stock -- and will have half the voting rights of a common share. Their value will be capped

at \$40 per share plus any remaining "excess" dividend, and they are subject to redemption for common stock.)

The exchange offer will be made at the same time as the cash tender offer and will also expire on July 24, 1995. If more than 6.4 million shares are tendered in the Dutch auction or more than 25 million shares in the exchange offer, submissions will be subject to proration.

Campbell said that Sun's board of directors declared dividends payable on both common stock and the new depositary shares for the third quarter of 1995. The common stock dividend will be \$.25 per share, and the dividend on depositary shares will be \$.45 per share. Payment date for the common stock dividend is September 8, 1995, payable to shareholders of record on August 10. The dividend on depositary shares is payable September 13, 1995, to shareholders of record on August 10.

Campbell said the multi-faceted plan was the result of a competitive assessment of all aspects of the refining and marketing business. "Refining margins for gasoline and distillate fuel, the principal products made from crude oil, have narrowed significantly in the past four years, requiring us to continually reduce our cost structure," he said.

<PAGE 4>

He pointed out that the financial aspects of the restructuring are directly linked with the operational changes. "The proceeds of the Suncor sale enable us to repay a large portion of our debt and buy back some of our stock, while the reduced dividend and annual cost reductions provide ongoing cash for growth projects that will increase shareholder value over time," he stated.

Commenting on the operational changes, Campbell said that organizing into eight business units would "increase accountability for bottom line performance, allow each unit to focus on different ways of operating in different business environments, better integrate oil flow decision-making, and provide tighter cost controls." The eight units are:

- * Northeast Sunoco Branded Fuels -- primarily sales of Sunoco gasoline through service stations in New England and the Mid-Atlantic states, but also including branded sales of other fuels;

- * Northeast Refining and Wholesale, composed of the Philadelphia and Marcus Hook, Pa., refineries, and the wholesale marketing of fuels made there;

- * Toledo Refining & Marketing, including the Toledo (Ohio) Refinery, sales of products made there, and the retail marketing of Sunoco gasoline in the areas supplied from the refinery;

- * Chemicals, consisting of the manufacture and sale of chemicals;

- * Lubricants Refining & Marketing, consisting of the manufacture and sale of lubricants and related fuels produced at Sun's Tulsa (Okla.) and Puerto Rico refineries, including blending, packaging and customer service;

- * Logistics, composed of Sun's crude oil and products pipelines, domestic crude oil lease acquisition, marketing terminals, and the company's rail, tank car, transport and marine operations;

- * International Production, principally crude oil and natural gas produced in the U.K. North Sea; and

- * Coal, consisting of several Eastern coal mines and a coke producing facility;

Campbell said a service company would be created from existing support groups to provide services to these eight units. "This service company will be compared with external providers to determine the most cost effective way of providing needed services," Campbell noted.

Commenting on the dividend reduction, Campbell said that, based on Monday's share price of \$31.25, Sun's previous \$1.80 per share dividend represented a yield of 5.8 percent, more than double that of its competitors. "We maintained that dividend level in anticipation that market conditions would right themselves shortly and financial performance would improve, but we can no longer wait for that to happen," he said. "It

is tempting to speculate that the downward pressure on our refining margins has peaked and will soon subside, but at Sun we think that to count on that would be a risky strategy indeed."

"The new annual dividend on common stock of \$1.00 per share is still an attractive yield compared to our competition and the average S&P 500 company," Campbell said. "By having a dividend level comparable to our competitors, we will have sufficient funds to make sound investments in our value-added businesses and to improve our basic refining capability." The new dividend will take effect with the third quarter payment scheduled for September 1995, Campbell noted.

<PAGE 5>

He added that Sun will record an estimated after-tax charge in the 1995 second quarter of \$100 million related to employee terminations and the write-down to net realizable value of certain refining-marketing and coal assets. He said the Suncor sale will result in a second quarter after-tax gain of approximately \$150 million.

Sun Company, Inc. (NYSE: SUN), headquartered in Philadelphia, operates five domestic refineries and markets gasoline under the Sunoco brand through more than 4,000 service stations in 17 states from Maine to Indiana and the District of Columbia. These outlets include more than 600 Sunoco A-Plus convenience stores and 350 Sunoco Ultra Service Centers. Sun sells lubricants and petrochemicals worldwide, operates domestic pipelines and terminals, and produces crude oil and natural gas internationally. Sun recently sold its 55 percent interest in Suncor, a fully-integrated Canadian oil company.

6

<TABLE>
<CAPTION>

Item 7. Financial Statements and Exhibits.

PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)
Sun Company, Inc. and Subsidiaries

(Millions of Dollars)

	At March 31, 1995			
	Pro Forma Adjustments Increase (Decrease)			
	Historical	Sale of Suncor (1)	Repayment of Debt/ Stock Repurchase	Pro Forma
<S>	<C>	<C>	<C>	<C>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 26	\$ 635	\$ (635)	\$ 24
Accounts and notes receivable, net of allowances	655	(141)	--	514
Inventories	682	(125)	--	557
Deferred income taxes	119	--	--	119
Total Current Assets	1,482	367	(635)	1,214
Investment in Coal Operations				
Held for Sale	54	--	--	54
Investment in Real Estate Operations				
Held for Sale	130	--	--	130

Receivable from Sale of Suncor stock	--	124	--	124
Long-Term Receivables and Investments	85	(4)	--	81
Properties, Plants and Equipment, net	4,416	(1,281)	--	3,135
Deferred Charges and Other Assets	308	(38)	--	270
	-----	-----	-----	-----
Total Assets	\$6,475	\$ (832)	\$ (635)	\$5,008
	=====	=====	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities				
Accounts payable	\$ 774	\$ (108)	\$ --	\$ 666
Accrued liabilities	559	(90)	--	469
Short-term borrowings	324	--	(207)	117
Current portion of long-term debt	100	(4)	(82)	14
Taxes payable	226	15	--	183
		(58)		
	-----	-----	-----	-----
Total Current Liabilities	1,983	(245)	(289)	1,449
Long-Term Debt				
Retirement Benefit Liabilities	1,099	(175)	(46)	878
Deferred Income Taxes	512	(45)	--	467
	301	72	--	165
		(208)		
Other Deferred Credits and Liabilities	394	(105)	--	289
Minority Interest	376	(376)	--	--
Stockholders' Equity				
Common stock	130	--	--	130
Capital in excess of par value	1,309	--	--	1,309
Cumulative foreign currency translation adjustment	(87)	87	--	--
Earnings employed in the business	1,479	163	--	1,642
	-----	-----	-----	-----
	2,831	250	--	3,081
Less common stock held in treasury, at cost	1,021	--	300	1,321
	-----	-----	-----	-----
Total Stockholders' Equity	1,810	250	(300)	1,760
	-----	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$6,475	\$ (832)	\$ (635)	\$5,008
	=====	=====	=====	=====

(1) To reflect the removal of account balances and to record the net proceeds and after-tax gain resulting from the sale of Suncor (Note 2).

The accompanying notes are an integral part of these pro forma statements.

</TABLE>

7

<TABLE>

<CAPTION>

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
Sun Company, Inc. and Subsidiaries

(Millions of Dollars Except Per Share Amounts)

For the Year
Ended December 31, 1994

Pro Forma
Adjustments
Increase (Decrease)

<S>	Historical ----- <C>	Sale of Suncor (1) ----- <C>	Repayment of Debt/ Stock Repurchase ----- <C>	Pro Forma ----- <C>
REVENUES				
Sales and other operating revenue (including consumer excise taxes)	\$9,818	\$(1,397)	\$ --	\$8,421
Gain on divestments	51	--	--	51
Interest income	16	(2)	--	14
Income (loss) from investments in operations held for sale	(1)	--	--	(1)
Other income	24	(3)	--	21
	----- 9,908	----- (1,402)	----- --	----- 8,506
COSTS AND EXPENSES				
Cost of products sold and operating expenses	6,276	(508)	--	5,768
Selling, general and administrative expenses	703	(119)	--	584
Taxes, other than income taxes	2,253	(527)	--	1,726
Depreciation, depletion and amortization	359	(90)	--	269
Exploratory costs and leasehold impairment	24	(24)	--	--
Provision for write-down of assets and other matters	54	--	--	54
Minority interest	35	(35)	--	--
Interest cost and debt expense	97	(14)	(22)	61
Interest capitalized	(13)	2	--	(11)
	----- 9,788	----- (1,315)	----- (22)	----- 8,451
Income before provision (credit) for income taxes and cumulative effect of change in accounting principle	120	(87)	22	55
Provision (credit) for income taxes	23	(50)	8	(19)
	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle	97	(37)	14	74
Cumulative effect of change in accounting principle	(7)	--	--	(7)
	-----	-----	-----	-----
NET INCOME	\$ 90 =====	\$ (37) =====	\$ 14 =====	\$ 67 =====
Earnings (loss) per share of common stock:				
Income before cumulative effect of change in accounting principle	\$.91			\$.76
Cumulative effect of change in accounting principle	(.07)			(.07)
	-----			-----
Net income	\$.84 =====			\$.69 =====

(1) To reflect the removal of Suncor's results of operations (Note 3).

The accompanying notes are an integral part of these pro forma statements.

</TABLE>

8

<TABLE>

<CAPTION>

PRO FORMA CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
Sun Company, Inc. and Subsidiaries

(Millions of Dollars Except Per Share Amounts)

	For the Three Months Ended March 31, 1995			
	Pro Forma Adjustments Increase (Decrease)			
	Historical	Sale of Suncor(1)	Repayment of Debt/ Stock Repurchase	Pro Forma
<S>	<C>	<C>	<C>	<C>
REVENUES				
Sales and other operating revenue (including consumer excise taxes)	\$2,578	\$ (361)	\$ --	\$2,217
Interest income	2	(1)	--	1
Income (loss) from investments in operations held for sale	1	--	--	1
Other income	7	(1)	--	6
	-----	-----	-----	-----
	2,588	(363)	--	2,225
	-----	-----	-----	-----
COSTS AND EXPENSES				
Cost of products sold and operating expenses	1,752	(129)	--	1,623
Selling, general and administrative expenses	178	(36)	--	142
Taxes, other than income taxes	520	(125)	--	395
Depreciation, depletion and amortization	97	(24)	--	73
Exploratory costs and leasehold impairment	10	(10)	--	--
Minority interest	10	(10)	--	--
Interest cost and debt expense	31	(4)	(5)	22
Interest capitalized	(2)	1	--	(1)
	-----	-----	-----	-----
	2,596	(337)	(5)	2,254
	-----	-----	-----	-----
Income (loss) before provision (credit) for income taxes	(8)	(26)	5	(29)
Provision (credit) for income taxes	(1)	(15)	2	(14)
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ (7)	\$ (11)	\$ 3	\$ (15)
	=====	=====	=====	=====
Net income (loss) per share of common stock	\$ (.07)			\$ (.15)
	=====			=====

(1) To reflect the removal of Suncor's results of operations (Note 3).

The accompanying notes are an integral part of these pro forma statements.

</TABLE>

Sun Company, Inc.

Notes to Unaudited Pro Forma Consolidated Financial Statements

1. As described in Item 2 of this Form 8-K, on June 8, 1995, Sun completed the sale of its remaining interest in Suncor. On June 13, the Company announced its intention to use the net cash proceeds from this sale to repay debt and repurchase Sun common shares. The historical consolidated balance sheet and income statements of Sun have been adjusted to give effect to these transactions as discussed below. The pro forma consolidated balance sheet and income statements do not include an estimated after-tax charge of \$100 million to be recognized in the second quarter of 1995 related to employee terminations and the write-down to net realizable value of certain refining and marketing and coal assets.
2. The balance sheet pro forma adjustments assume the transactions giving rise to the adjustments were consummated on March 31, 1995. The pro forma balance sheet gives effect to the disposition of all assets and liabilities of Suncor and the aforementioned debt repayment and share repurchase transactions. Included in earnings employed in the business in the pro forma balance sheet is a pro forma gain of \$163 million (after current income taxes payable of \$15 million and deferred income taxes of \$72 million) resulting from the sale of Suncor. The actual gain of approximately \$150 million to be recorded in the second quarter of 1995 will be based on the book value of Sun's investment in Suncor on the June 8, 1995 sale date. In addition, the net cash proceeds of \$635 million to be received in June 1995 from the sale were assumed to be used to (i) repay \$335 million of Company indebtedness; and (ii) repurchase 10 million shares of Company common stock at an assumed weighted average price of \$30 per share via a Dutch Auction tender offer (6.4 million shares) and open market purchases (3.6 million shares). The remaining net proceeds from the sale, which total \$124 million after discount, are reflected as "Receivable from Sale of Suncor Stock" in the pro forma balance sheet. Such proceeds are expected to be received in June 1996.
3. The statement of income pro forma adjustments assume the transactions giving rise to the adjustments were consummated January 1, 1994. The pro forma consolidated statements of income give effect to the removal of Suncor's results of operations and a reduction in interest expense due to the assumed repayment of debt. In addition, the increase in the pro forma tax provisions resulting from the reduction in interest expense were computed using the statutory rates for the periods presented. In accordance with pro forma reporting rules, no gain from the Suncor divestment is reflected in the consolidated pro forma statements of income for the periods presented.
4. Earnings per share included in the pro forma consolidated statements of income are based on the average number of common shares outstanding for the periods presented. On a historical basis, the weighted average number of common shares outstanding (in thousands) totalled 107,043 and 107,053 for the year ended December 31, 1994 and three-months ended March 31, 1995, respectively. For calculation of the pro

10

Notes to Unaudited Pro Forma Consolidated Financial Statements (continued)

forma earnings per share, the average number of shares was adjusted to reflect the assumed repurchase of 10 million shares on January 1, 1994.

5. The pro forma consolidated financial statements should be read in

conjunction with the historical consolidated financial statements and notes thereto of Sun Company, Inc. The pro forma consolidated financial statements are not necessarily indicative of the actual results that would have been achieved had the transactions been in effect on the dates or for the periods indicated, nor are they necessarily indicative of future results.

11

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN COMPANY, INC.

BY s/ RICHARD L. CARTLIDGE

Richard L. Cartlidge
Comptroller
(Principal Accounting Officer)

DATE June 13, 1995

EXHIBIT INDEX

Exhibit Number	Exhibit
2	Suncor Inc. Prospectus dated June 1, 1995.
4.1	Articles of Incorporation of Sun Company, Inc., as amended May 4, 1995.
4.2	Sun Company, Inc. By-Laws, as amended May 4, 1995.
4.3	Statement of Designation.
99.1	Underwriting Agreement re: sale of common shares of Suncor Inc.
99.2	Installment Receipt and Pledge Agreement re: sale of Suncor Inc.

EXHIBIT 2

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or any similar authority in Canada has in any way passed upon the merits of the securities offered hereby and any representation to the contrary is an offence. The securities offered under this short form prospectus have not and will not be registered under the United States Securities Act of 1933 and, except in limited circumstances, may not be offered or sold within the United States or to U.S. persons. This short form prospectus does not constitute an offer to sell or solicitation of an offer to buy any of the securities offered hereby within the United States or to U.S. persons. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference may be obtained on request without charge from the Vice President and General Counsel of Suncor Inc., 36 York Mills Road, North York, Ontario, M2P 2C5 (telephone (416) 733-7300). For the purposes of the Province of Quebec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Vice President and General Counsel of Suncor Inc. at the above-mentioned address and telephone number.

Secondary Offering by Sun Canada, Inc.

[ARTWORK]
\$1,167,481,068

29,935,412 Common Shares
(Represented by Instalment Receipts)

The common shares of Suncor Inc. ("Suncor") offered hereby (the "Common Shares") will be sold by Sun Canada, Inc. (the "Selling Shareholder"), a wholly-owned subsidiary of Sun Company, Inc. ("Sun"), at a price of \$39.00 per Common Share, which will be payable on an instalment basis. The first instalment of \$13.00 per Common Share is payable on the closing of this offering, the second instalment of \$13.00 per Common Share is payable on or before June 10, 1996, and the final instalment of \$13.00 per Common Share is payable on or before December 30, 1996. The Common Shares will be pledged to the Selling Shareholder to secure the obligation to pay the second and final instalments of the purchase price for the Common Shares. Prior to full payment,

beneficial ownership of the Common Shares will be represented by instalment receipts (the "Instalment Receipts"). If a registered holder of an Instalment Receipt does not pay the second instalment or the final instalment on or before the due dates, the Common

Shares represented by such registered holder's Instalment Receipt may, at the Selling Shareholder's option, upon compliance with applicable law, be reacquired by the Selling Shareholder in full satisfaction of the obligations to pay the outstanding instalments, or such Common Shares may be sold and the registered holder shall remain liable for any deficiency in the proceeds of such sale. See "Details of the Offering".

The outstanding common shares of Suncor are listed on the Toronto, Montreal, Alberta and Vancouver stock exchanges in Canada and on the American Stock Exchange in the United States. The Toronto and Montreal stock exchanges have conditionally approved the listing of the Instalment Receipts subject to the fulfillment of the requirements of the exchanges on or before August 28, 1995, including the distribution of the Instalment Receipts to a minimum number of public holders. On May 31, 1995, the closing sale price of the common shares of Suncor on The Toronto Stock Exchange was \$39.00. The offering price for the Common Shares has been determined by negotiation between the Selling Shareholder and the Underwriters. Suncor has been advised that, upon completion of the offering, neither the Selling Shareholder nor Sun will own beneficially, directly or indirectly, any shares or other securities of Suncor. No portion of the proceeds of this offering by the Selling Shareholder will be received by Suncor.

In the opinion of counsel, the Common Shares, represented by Instalment Receipts will, at the date of closing, be eligible for investment under certain statutes as set out under "Eligibility for Investment".

Price: \$39.00 per Common Share, of which \$13.00 is payable on closing

	Price to Public	Underwriters' Fee	Net Proceeds to the Selling Shareholder (1)
Per Common Share			
First Instalment	\$13.00	\$1.56	\$11.44
Second Instalment	13.00	--	13.00
Final Instalment	13.00	--	13.00
Total per Common Share	\$39.00	\$1.56	\$37.44
Total Offering	(1)	(2)	(3)

- (1) \$1,167,481,068.00
- (2) \$46,699,242.72
- (3) \$1,120,781,825.28

(1) Before deduction of the expenses of the offering estimated at \$1.5 million which, together with the Underwriters' fee are payable by the Selling Shareholder.

The Underwriters, as principals, conditionally offer the Common Shares, subject to prior sale, if, as and when sold by the Selling Shareholder and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Suncor by Osler, Hoskin & Harcourt, on behalf of the Selling Shareholder and Sun by Fasken Campbell Godfrey and on behalf of the Underwriters by Davies, Ward & Beck. Subscriptions for the Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the offering will take place on June 8, 1995, or such other date as may be agreed upon, but not later than July 6, 1995, and that Instalment Receipts representing the Common Shares will be available for delivery at closing. Registered holders of Instalment Receipts will receive share certificates evidencing the Common Shares as soon as practicable after payment of the final instalment.

June 1, 1995

Table of Contents

Documents Incorporated by Reference	2
Summary of the Offering	3
Suncor Inc.	4
Selling Shareholder	4
Recent Developments	4
Details of the Offering	4
Plan of Distribution	8
Canadian Federal Income Tax Considerations	9
Eligibility for Investment	10
Legal Matters	11
Auditors, Transfer Agent and Registrar	11
Statutory Rights of Withdrawal and Rescission	11
Certificate of Suncor	12
Certificate of the Underwriters	13

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of Suncor which have been filed with securities commissions or similar regulatory authorities in each of the provinces of Canada, are incorporated by reference into

and form an integral part of this short form prospectus:

- (a) the Annual Information Form dated March 16, 1995;
- (b) the Management Proxy Circular dated March 1, 1995 relating to the Annual and Special Meeting of Shareholders held on April 27, 1995;
- (c) the audited consolidated financial statements as at and for the fiscal years ended December 31, 1994, December 31, 1993 and December 31, 1992 together with the auditors' report thereon dated January 20, 1995 and Management's Discussion and Analysis as contained in Suncor's Annual Report for the year ended December 31, 1994;
- (d) the unaudited consolidated financial statements as contained in Suncor's First Quarter 1995 Report to Shareholders dated April 19, 1995;
- (e) the unaudited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in Suncor's Form 10-Q for the quarter ended March 31, 1995; and
- (f) the Material Change Report of Suncor dated May 30, 1995, which reported the offering contemplated herein.

Any annual information form, material change report (other than confidential reports), comparative interim financial statements or management proxy circular filed by Suncor with securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to termination of this offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or replaces such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

SUMMARY OF THE OFFERING

Offering: 29,935,412 Common Shares to

be sold by the Selling Shareholder, to be represented by Instalment Receipts.

Amount: \$1,167,481,068.00

Price: \$39.00 per Common Share, payable in instalments of which \$13.00 is payable on the closing of this offering, \$13.00 is payable on or before June 10, 1996 and \$13.00 is payable on or before December 30, 1996.

Instalment Payment Arrangements:

The purchase price for the Common Shares is payable on an instalment basis. Prior to full payment, beneficial ownership of the Common Shares will be represented by Instalment Receipts. The first instalment of \$13.00 per Common Share is payable on the closing of this offering, the second instalment of \$13.00 per Common Share is payable on or before June 10, 1996 and the final instalment of \$13.00 per Common Share is payable on or before December 30, 1996 (in each case not later than 1:00 p.m. local time on the relevant date) by the registered holder of the Instalment Receipt representing Common Shares. The Common Shares will be pledged to the Selling Shareholder and held by a security agent on its behalf to secure the obligations to pay the second and final instalments of the purchase price for the Common Shares. As soon as practicable after payment of the final instalment, the registered holder of an Instalment Receipt will receive a certificate representing the underlying Common Shares, which Common Shares will no longer be subject to the pledge in

favour of the Selling Shareholder. If a registered

holder of an Instalment Receipt does not pay the second or final instalments on or before the due dates, the Common Shares as represented by such Instalment Receipt may, at the Selling Shareholder's option, upon compliance with applicable law, be reacquired by the Selling Shareholder in full satisfaction of the registered holder's obligation. Alternatively, such Common Shares may be sold and the registered holder shall remain liable for any deficiency if the proceeds of such sale are insufficient to cover the amount of the second instalment, if applicable, and the final instalment and the costs of sale (such costs of sale not to exceed \$1.00 per Common Share).

Rights of Instalment Receipt Holders:

Registered holders of Instalment Receipts will be entitled, in the manner set forth in the Instalment Receipt Agreement described herein, unless they have defaulted on their obligations thereunder, to fully participate in all dividends and other distributions, to exercise the votes attached to the Common Shares represented by such Instalment Receipts and to receive periodic reports and other materials in like manner as if they were registered holders of the Common Shares.

Ownership of Suncor by the Selling Shareholder:

The Selling Shareholder's 29,935,412 Common Shares, representing approximately 54.80 per cent of the common shares of Suncor will be distributed to the public pursuant

to this offering. Suncor has been advised that following the closing of this offering, neither the Selling Shareholder nor Sun will own beneficially, directly or indirectly, any shares or other securities of Suncor.

Eligibility for Investment: In the opinion of counsel, the Common Shares represented by Instalment Receipts will, at the date of closing, be eligible for investment under certain statutes as set forth under "Eligibility for Investment".

The above information is a summary only and is qualified by the detailed information appearing elsewhere in this short form prospectus or incorporated by reference herein.

SUNCOR INC.

Suncor, a Canadian integrated oil and gas company, is engaged in the exploration for and acquisition, production and marketing of, crude oil and natural gas and in the refining and marketing of petroleum products. Suncor has three principal operating groups: Oil Sands Group, based near Fort McMurray, Alberta, which mines and upgrades oil sands and markets high quality light sweet crude oil and custom blends; Resources Group, based in Calgary, Alberta, which explores for, acquires, produces and markets natural gas and conventional crude oil; and Sunoco Group, with headquarters in North York, Ontario, which refines and markets transportation fuels, petrochemicals and heating oils.

Suncor's registered and principal office is currently located at 36 York Mills Road, North York, Ontario, M2P 2C5. Suncor has announced publicly its intention to move its registered and principal office to Calgary, Alberta by the end of 1995. In this short form prospectus, references to Suncor include Suncor Inc. and its subsidiaries unless the context otherwise requires.

SELLING SHAREHOLDER

As of May 24, 1995, the Selling Shareholder owned 29,935,412 common shares of Suncor, which represented approximately 54.80 per cent of the issued common shares of Suncor. Suncor has been advised that following the closing of the offering, neither the Selling Shareholder nor Sun will own beneficially, directly or indirectly, any shares or other securities of Suncor.

RECENT DEVELOPMENTS

Suncor has declared a cash dividend of \$0.27 per common share payable on June 26, 1995 to shareholders of record at the close of business on June 15, 1995. Holders of Common Shares represented by Instalment Receipts on June 15, 1995 will be entitled to such dividend.

DETAILS OF THE OFFERING

The offering consists of 29,935,412 Common Shares which are being sold by the Selling Shareholder on an instalment basis. Prior to receipt by the Custodian (as defined below) of both the second instalment and the final instalment, beneficial ownership of the Common Shares will be represented by Instalment Receipts and the Common Shares will be pledged by the Underwriters to the Selling Shareholder pursuant to the terms of the Instalment Receipt Agreement (described below). Upon due payment of the second instalment and the final instalment pursuant to the Instalment Receipt Agreement, registered holders of Instalment Receipts will become registered holders of the Common Shares.

Common Shares and Instalment Receipts

The following is a summary of the material attributes and characteristics of the Instalment Receipts and the rights and obligations of registered holders thereof. Reference is made to the instalment receipt and pledge agreement (the "Instalment Receipt Agreement") among the Selling Shareholder, Sun, Suncor, the Underwriters, Montreal Trust Company of Canada (the "Custodian") and The R-M Trust Company (the "Security Agent"), which will hold the Common Shares pledged to the Selling Shareholder, to be dated as of the date of closing of this offering. For the purposes of this description of the material attributes and characteristics of the Instalment Receipts, a "Holder" means a person who is shown on the register of holders of Instalment Receipts maintained under the Instalment Receipt Agreement. Copies of the Instalment Receipt Agreement will be available for inspection (in draft form prior to closing) at the principal Stock and Bond Transfer offices of the Custodian in Toronto, Montreal, Calgary, Edmonton and Vancouver. This description does not purport to be complete and reference is made to the Instalment Receipt Agreement for a complete statement of the attributes and characteristics of the Instalment Receipts and the rights and obligations of the Holders thereof.

The first instalment of \$13.00 per Common Share is payable on the closing of this offering which is expected to occur on or about June 8, 1995 (but not later than July 6, 1995); the second instalment of \$13.00 per Common Share is payable on or

before June 10, 1996 (the "Second Instalment Date"); and the final instalment of \$13.00 per Common Share is payable on or before December 30, 1996 (the "Final Instalment Date"). The second and final instalment payments must be received by the Custodian no later than 1:00 p.m. (local time) on the relevant date.

Holders of Instalment Receipts will be bound by the terms of the Instalment Receipt Agreement. The Instalment Receipt Agreement will provide that legal title to the Common Shares offered hereby will be held by the Custodian following payment of the first instalment pursuant to the Underwriting Agreement (described under "Plan of Distribution") and until both the second and final instalments have been fully paid to the Custodian on or before the Second Instalment Date and the Final Instalment Date, respectively. The Common Shares offered hereby will be pledged to the Selling Shareholder by the Underwriters at closing and will be held in the possession of the Security Agent subject to the terms of the Instalment Receipt Agreement. By acquiring and holding an Instalment Receipt, the Holder thereof acknowledges that the Common Shares represented thereby will be held as continuing security for the obligations of such Holder to pay the unpaid instalments and other amounts payable under the Instalment Receipt Agreement and that the pledge will remain in effect and be binding and effective notwithstanding any transfer of or other dealings with the Instalment Receipt and the rights evidenced or arising thereby.

Following payment of the first instalment, beneficial ownership of the Common Shares will be represented by first instalment receipts ("First Instalment Receipts") and following payment of the second instalment, beneficial ownership of the Common Shares will be represented by second instalment receipts ("Second Instalment Receipts"). Certificates evidencing the First Instalment Receipts will be available for delivery at closing and certificates evidencing the Second Instalment Receipts will be issued after timely payment of the second instalment and presentation and delivery of First Instalment Receipts, as more fully described below.

A First Instalment Receipt will, among other things, evidence that the first instalment has been paid in respect of the number of Common Shares specified therein and the right of the Holder thereof, subject to compliance with the provisions of the Instalment Receipt Agreement, to become the Holder of a Second Instalment Receipt upon payment in full of the second instalment with respect to such shares. A Second Instalment Receipt will, among other things, evidence that the first and second instalments have been paid in respect of the number of Common Shares specified therein and the right of the Holder thereof, subject to compliance with the provisions of the Instalment Receipt Agreement, to become the registered holder of such shares upon payment in full of the final instalment with respect to such shares.

By becoming a Holder of a First Instalment Receipt, a person is deemed: (a) to have assumed the obligations to pay the second instalment (and to thereupon receive a Second Instalment Receipt) and to comply with the terms of the Second Instalment Receipt including the obligation to pay the final instalment; and (b) to have acquired the Common Shares represented by the First Instalment Receipt subject to the pledge of such Common Shares which secures such obligations. By becoming a Holder of a Second Instalment Receipt, a person is deemed: (a) to have assumed the obligation to pay the final instalment and to thereupon become entitled to receive a share certificate representing such Common Shares; and (b) to continue to beneficially own the Common Shares represented by the Second Instalment Receipt, subject to the pledge of such Common Shares which secures such obligation.

The Instalment Receipt Agreement will require the Custodian to mail to the Holders of Instalment Receipts, as determined on a date being not more than 14 days before the date of mailing, notices of the Second Instalment Date and the Final Instalment Date and the amount of the relevant instalment not less than 30 days prior to the Second Instalment Date and the Final Instalment Date, respectively. Payment of the second instalment and the final instalment is required when due whether or not a Holder receives a notice of the Second Instalment Date or of the Final Instalment Date from the Custodian. Subject to compliance with the provisions of the Instalment Receipt Agreement, as soon as practicable after: (a) timely payment of the second instalment and presentation and surrender of the relevant First Instalment Receipt certificate, a Second Instalment Receipt will be registered

in the name of, and a certificate evidencing the Second Instalment Receipt will be forwarded to, the Holder of the First Instalment Receipt; and (b) timely payment of the final instalment and presentation and surrender of the relevant Second Instalment Receipt certificate, the Common Shares represented thereby will be registered in the name of, and a certificate evidencing Common Shares will be forwarded to, the Holder of the Second Instalment Receipt, in either case, without additional charge.

A Holder of an Instalment Receipt will be entitled to make payment, in accordance with the provisions of the Instalment Receipt Agreement, of the second instalment and the final instalment at any time prior to the Second Instalment Date and the Final Instalment Date with respect to any Common Shares represented thereby and thereby to become the registered holder of such Common Shares.

Rights and Privileges

Under the Instalment Receipt Agreement, Holders of

Instalment Receipts will have the same rights and privileges, and be subject to the same limitations, as registered holders of common shares of Suncor, except for certain rights and privileges which are limited under the Instalment Receipt Agreement in order to protect the value of the collateral secured by the pledge to the Selling Shareholder of the Common Shares represented by the Instalment Receipts or except where the exercise of such rights and privileges would not be practicable. In particular, a Holder of Instalment Receipts will be entitled under arrangements through the Custodian, in the manner set forth in the Instalment Receipt Agreement, unless it has defaulted on its obligations thereunder, to participate fully in all dividends and other distributions on the Common Shares, to exercise the votes attached to the Common Shares represented by such Instalment Receipts and to receive periodic reports and other materials in like manner as if it were the registered holder of the Common Shares.

In particular, the Instalment Receipt Agreement will contain the following provisions:

- (a) Dividends on Common Shares which are declared to be payable in cash (other than Excess Dividends, as defined below), shall be remitted, net of any applicable withholding taxes, to persons who, on the applicable dividend record date in respect of such Common Shares, are Holders of the Instalment Receipts representing such Common Shares. "Excess Dividends" means the aggregate of (i) the amount, if any, by which in a particular fiscal year ending December 31 the aggregate of all cash dividends declared and paid in respect of the Common Shares exceeds \$1.75 per common share, (ii) all cash paid in respect of the Common Shares on a Reorganization (as defined below) and (iii) all cash paid in respect of the Common Shares on a liquidation, dissolution or winding up of Suncor.
- (b) Excess Dividends will not be distributed by the Custodian to the Holders of Instalment Receipts but will be remitted for the benefit of the Selling Shareholder to be applied equally in reduction of the second and final instalments payable on the Common Shares by all Holders. Any balance remaining shall be remitted by the Custodian, net of any unpaid applicable withholding taxes, to the Holders according to their entitlement.
- (c) Dividends paid in additional common shares of Suncor ("Stock Dividends") shall be registered in

the name of the Custodian and shall be held by the Security Agent as security for the performance of the obligations of the Holders of Instalment Receipts to pay the second instalment and the final instalment and upon payment of the final instalment, shall be distributed to the Holders according to their entitlement.

- (d) If Suncor issues or distributes (including on liquidation, dissolution or winding up) to all, or substantially all, of the holders of common shares of Suncor, any (i) securities, (ii) options, rights or warrants to purchase any securities, (iii) evidences of indebtedness or (iv) assets, whether of Suncor or of any other corporation (excluding cash dividends and Stock Dividends) (collectively, the "Distributed Property"), the Custodian will, as promptly as commercially reasonable, sell such Distributed Property. The Custodian shall remit the net proceeds from such sale for the benefit of the Selling Shareholder to be applied equally in reduction of the second and final instalments payable on the Common Shares by all Holders. Any balance remaining shall be remitted by the Custodian, net of any unpaid applicable withholding taxes, to the Holders according to their entitlement.
- (e) Upon any subdivision or consolidation of the common shares of Suncor, the number of shares to be registered in the name of a Holder of an Instalment Receipt on payment of the final instalment will be adjusted proportionately, and the adjusted number of such shares shall be registered in the name of the Custodian and held by the Security Agent as security for the performance of the obligations of the Holder.
- (f) Upon any change or reclassification of the common shares of Suncor or any amalgamation, merger, reorganization, transfer of all or substantially all of the assets or other similar transaction affecting Suncor (a "Reorganization"), the appropriate kind and number of shares or other securities or property resulting from such Reorganization will be substituted for the Common Shares represented by an Instalment Receipt, and will be registered in the name of the Custodian and held by the Security Agent as security for the performance of the obligations of the Holder of such Instalment Receipt.

Transfer of Instalment Receipts

Transfers of Instalment Receipts will be registrable at the principal offices of the Custodian in Toronto, Montreal, Calgary, Edmonton and Vancouver. Upon registration of the transfer of an Instalment Receipt, the transferee will acquire the transferor's rights, subject to the pledge in favour of the Selling Shareholder, and become subject to the obligations of a Holder under the Instalment Receipt Agreement, including the assumption by the transferee of the obligation to pay the second instalment, if applicable, and the final instalment. The person requesting registration of the transfer of an Instalment Receipt is deemed to warrant such person's authority to do so as, or on behalf of the transferee. Upon registration of such transfer, the transferor will cease to have any further rights or obligations thereunder. No transfer of a First Instalment Receipt tendered for registration after the Second Instalment Date, and no transfer of a Second Instalment Receipt tendered for registration after the Final Instalment Date, will be accepted for registration (subject to certain exceptions applicable to intermediaries holding Instalment Receipts on behalf of non-registered holders).

Liability of Instalment Receipt Holders

Pursuant to the Instalment Receipt Agreement, the Underwriters will pledge the Common Shares purchased on an instalment basis to secure payment of the second instalment and the final instalment. If payment of the second instalment or the final instalment is not duly received by the Custodian from a Holder of Instalment Receipts when due, the Instalment Receipt Agreement will provide that (except as set out below) any Common Shares (and any securities or property substituted therefor or in addition thereto) then remaining pledged under the Instalment Receipt Agreement in respect of such Instalment Receipts, may, at the option of the Selling Shareholder, subject to complying with applicable law, be reacquired by the Selling Shareholder in full satisfaction of the obligations of such Holder of Instalment Receipts secured thereby. The Instalment Receipt Agreement will further provide that the Selling Shareholder may direct the Custodian to sell the Common Shares (and any securities or property substituted therefor or in addition thereto) in respect of which payment of the second instalment or the final instalment was not duly received, in accordance with the requirements of applicable law and of the Instalment Receipt Agreement, and remit to the Holder of the Instalment Receipt the Holder's pro rata portion of the proceeds of such sale after deducting therefrom the amount of the remaining unpaid instalments together with the Holder's pro rata portion of the costs of such sale, which shall in any event not exceed \$1.00 per Common Share. Notwithstanding the foregoing, in the event

that payment of the second instalment or the final instalment in respect of an aggregate of less than 5% of the Common Shares represented by Instalment Receipts has not been duly received by the Custodian when due, the Custodian must sell the Common Shares (and any securities or property substituted therefor or in addition thereto) in respect of which payment of the second instalment or the final instalment was not duly received and apply the proceeds of such sale in the manner described above. The Instalment Receipt Agreement will provide that unless the Selling Shareholder shall have reacquired the Common Shares in full satisfaction of the obligations of a Holder, the foregoing shall not limit any other remedies available to the Selling Shareholder against such Holder of the Instalment Receipt in the event the proceeds of such sale are insufficient to cover the amount of the second instalment, if applicable, and the final instalment and the costs of sale (such costs of sale not to exceed \$1.00 per Common Share) and accordingly, such Holder shall in such circumstances remain liable to the Selling Shareholder for any such deficiency.

Holders of Instalment Receipts who are non-residents of Canada will be required to pay the cost of all withholding taxes payable in respect of any cash dividends, Excess Dividends, Stock Dividends, Distributed Property or Reorganization. Any such withholding tax will be payable on such distributions even if the payment thereof is directed to the Selling Shareholder on account of the non-resident's unpaid instalments and even if there is not sufficient cash in the distribution to pay such withholding tax. Provision for the payment of this tax by non-residents is set out in the Instalment Receipt Agreement.

General

The Custodian may require Holders of Instalment Receipts from time to time to furnish such information and documents as may be necessary or appropriate to comply with any fiscal or other laws or regulations relating to common shares of Suncor or to rights and obligations represented by Instalment Receipts. The Custodian and the Security Agent shall not be responsible for any taxes, duties, governmental charges or expenses which are or may become payable in respect of the Common Shares or Instalment Receipts. In this regard, the Custodian and the Security Agent shall be entitled to deduct or withhold from any payment or other distribution required or

contemplated by the Instalment Receipt Agreement such money or property, or to require Holders of Instalment Receipts to make any

required payments, and to withhold delivery of certificates representing the Common Shares from defaulting Holders of Instalment Receipts until satisfactory provision for payment is made, in respect of any non-resident Canadian withholding taxes.

The Selling Shareholder will be liable for charges and expenses of the Custodian and the Security Agent except for any taxes, duties and other government charges which may be payable by Holders of Instalment Receipts as described above.

Apart from changes which do not materially prejudice the Holders of Instalment Receipts as a group (which may be made without consent of such Holders), the Instalment Receipt Agreement may not be amended without the affirmative vote of the Holders of Instalment Receipts entitled to not less than two-thirds of the Common Shares represented by Instalment Receipts which are represented and voted at a meeting duly called for the purpose. The procedure for such meetings will be substantially similar to that governing meetings of holders of Suncor's common shares.

PLAN OF DISTRIBUTION

Pursuant to an Underwriting Agreement dated May 24, 1995 (the "Underwriting Agreement") among Suncor, Sun, the Selling Shareholder, Nesbitt Burns Inc., Gordon Capital Corporation, RBC Dominion Securities Inc., Wood Gundy Inc., ScotiaMcLeod Inc., Goldman Sachs Canada, Midland Walwyn Capital Inc., Richardson Greenshields of Canada Limited, First Marathon Securities Limited, Levesque Beaubien Geoffrion Inc., Toronto Dominion Securities Inc., and Peters & Co. Limited, as underwriters (collectively, the "Underwriters") the Selling Shareholder has agreed to sell and the Underwriters have severally agreed to purchase, as principals, on June 8, 1995, or on such later date as may be agreed upon by the parties but in any event not later than July 6, 1995, an aggregate of 29,935,412 Common Shares at a purchase price of \$39.00 per Common Share payable in cash to the Selling Shareholder as to \$13.00 per Common Share by the Underwriters against delivery of Common Share certificates, as to \$13.00 per share (being the second instalment on the Common Shares) by the registered holders of Instalment Receipts on or before June 10, 1996, and as to \$13.00 per share (being the final instalment on the Common Shares) by the registered holders of Instalment Receipts on or before December 30, 1996. The Selling Shareholder has agreed to pay to the Underwriters at closing a fee of \$46,699,242.72 for their services performed in connection with this offering. The Selling Shareholder, Sun and Suncor have agreed to indemnify the Underwriters and their directors, officers, employees and agents against certain liabilities.

The Underwriting Agreement provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events. The Underwriters, however, shall take up and pay for all of the Common Shares if any are purchased under the Underwriting

Agreement. Suncor has agreed with the Underwriters that it will not, for the period ending 90 days after the closing, issue or sell

any common shares of Suncor or any securities convertible into or exchangeable or exercisable for common shares of Suncor, except common shares of Suncor required to be issued pursuant to officers', directors' and employees' stock options or other awards now outstanding or hereinafter issued in the ordinary course, without the prior consent of Nesbitt Burns Inc.

The Instalment Receipts and the Common Shares underlying the Instalment Receipts have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Each Underwriter has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell any Instalment Receipts or Common Shares underlying Instalment Receipts (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Instalment Receipts or Common Shares underlying Instalment Receipts during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of the Instalment Receipts or Common Shares underlying Instalment Receipts within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Instalment Receipts or Common Shares underlying Instalment Receipts within the United States by a dealer that is not participating in the offering may violate the registration requirements of the U.S. Securities Act.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Underwriters may not, throughout the period of distribution under this short form prospectus, bid for or purchase Common Shares or Instalment Receipts representing Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of The Toronto Stock Exchange and The Montreal Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order

was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this offering the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Common Shares or Instalment Receipts representing Common Shares of Suncor at levels other than those which otherwise might prevail on the open market. Throughout the period of distribution such transactions, if commenced, may be discontinued at any time.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Osler, Hoskin & Harcourt, counsel for Suncor, Fasken Campbell Godfrey, counsel for the Selling Shareholder and Sun, and Davies, Ward & Beck, counsel for the Underwriters, the following summary describes the principal Canadian federal income tax considerations generally applicable to a Holder who acquires Common Shares pursuant to this offering and who, for purposes of the Income Tax Act (Canada) (the "Tax Act"), is a resident of Canada, holds such shares as capital property and deals at arm's length with Suncor, the Selling Shareholder, Sun and the Underwriters. Generally, Common Shares will be considered capital property to a Holder provided that such Holder does not hold the Common Shares in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure in the nature of trade. Certain Holders whose Common Shares might not otherwise qualify as capital property may be entitled to obtain such qualification in certain circumstances by making the election permitted by subsection 39(4) of the Tax Act. This summary is not addressed to Holders that are "financial institutions" for purposes of the mark-to-market rules contained in the Proposed Amendments (as defined below) or to Holders, an interest in which would be a "tax shelter investment" as defined in such Proposed Amendments.

This summary is based upon the current provisions of the Tax Act and the regulations thereto (the "Regulations") in force as of the date hereof, all specific proposals to amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments") and counsel's understanding of the current administrative and assessing policies of Revenue Canada. This description is not exhaustive of all possible Canadian federal income tax consequences and, except for the Proposed Amendments, does not anticipate any changes in the law whether by legislative, governmental or judicial decision or action, nor does it take into account provincial or foreign tax considerations, which may differ significantly from those discussed herein. A reference herein to a "Common Share" includes a Common Share represented by an Instalment Receipt.

Holders that are trusts governed by a registered retirement

savings plan, registered retirement income fund or a deferred profit sharing plan are referred to the additional Canadian federal income tax considerations relevant to such holders under "Eligibility for Investment".

The summary is of a general nature only and is not intended to be legal or tax advice to any particular Holder. Consequently, holders should consult their own tax advisors with respect to their individual circumstances.

Taxation of Dividends

Dividends received (including Excess Dividends applied to reduce the amount of the second instalment or the final instalment and Stock Dividends) on a Common Share will be included in a Holder's income as taxable dividends received from a taxable Canadian corporation. Normal gross-up and dividend tax credit rules will generally apply to dividends received by an individual, and dividends received by a corporation will normally be

deductible in computing its taxable income. Certain corporations (including a private corporation as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on such dividends.

Disposition of Common Shares

Upon the disposition or deemed disposition of a Common Share, a Holder will realize a capital gain (or a capital loss) to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base to the Holder of the Common Share and any reasonable costs of disposition. In this regard, the adjusted cost base to a Holder of a Common Share will include all amounts paid or payable by the Holder for such Common Share, including the amount of the second instalment and the final instalment. For purposes of determining the adjusted cost base of such Common Shares the adjusted cost base of the Common Share will be averaged with the adjusted cost base of any other common shares of Suncor then owned by such Holder as capital property other than common shares of Suncor owned or deemed to have been owned on December 31, 1971 for purposes of the Income Tax Application Rules. The proceeds of disposition to a holder who disposes of a Common Share will include the amount of any unpaid instalment.

Three-quarters of any capital gain realized by a Holder will be required to be included in computing the Holder's income as a taxable capital gain. Three-quarters of any capital loss realized by a Holder may normally be deducted by such Holder against taxable capital gains realized by the Holder in the year of disposition or the three preceding taxation years, or any subsequent

taxation years, subject to detailed rules contained in the Tax Act in this regard.

In the case of a Holder that is a corporation, the amount of any capital loss otherwise determined resulting from the disposition of a Common Share may be reduced by the amount of dividends previously received or deemed to have been received thereon in accordance with detailed rules contained in the Tax Act in this regard. Analogous rules apply where a corporation is a member of a partnership or a beneficiary of a trust which owns Common Shares. The Proposed Amendments will extend these rules to apply where a trust or partnership is a member of a partnership or beneficiary of a trust that owns Common Shares.

Where the collateral constituted by a Common Share is accepted by the Selling Shareholder in full satisfaction of the obligations of a Holder as a consequence of the Holder's failure to pay the second instalment or the final instalment, the Holder will be subject to special rules in the Tax Act relating to repossession by a seller of property previously sold.

ELIGIBILITY FOR INVESTMENT

In the opinion of Osler, Hoskin & Harcourt, counsel for Suncor, Fasken Campbell Godfrey, counsel for the Selling Shareholder and Sun, and Davies, Ward & Beck, counsel for the Underwriters, at the date of closing, the Common Shares represented by Instalment Receipts offered by this prospectus will be eligible investments, without resort to the so-called "basket" provisions, and in certain cases subject to prudent investment requirements and to additional requirements relating to investment or lending policies or goals, under or by the following statutes:

- Insurance Companies Act (Canada)
- Insurance Act (Ontario)
- an Act respecting insurance (Quebec)
- Trust and Loan Companies Act (Canada)
- Loan and Trust Corporations Act (Ontario)
- an Act respecting trust companies and savings companies (Quebec)
- Pension Benefits Standards Act, 1985 (Canada)
- Pension Benefits Act (Ontario)
- Supplemental Pension Plans Act (Quebec)
- Trustee Act (Ontario)

In addition, in the opinion of such counsel, the Common Shares represented by Instalment Receipts will, at the date of closing, be qualified investments under the Income Tax Act (Canada) for trusts governed by a registered retirement savings plan, registered retirement income fund or a deferred profit sharing plan.

LEGAL MATTERS

The matters referred to under "Eligibility of Investment" and certain other legal matters in respect of this offering will be passed upon on behalf of Suncor by Osler, Hoskin & Harcourt, on behalf of the Selling Shareholder and Sun by Fasken Campbell Godfrey and on behalf of the Underwriters by Davies, Ward & Beck. At May 31, 1995, the partners and associates of each of Osler, Hoskin & Harcourt, Fasken Campbell Godfrey and Davies, Ward & Beck owned beneficially, directly or indirectly, less than 1% of the outstanding common shares of Suncor.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Suncor's auditors are Coopers & Lybrand, 145 King Street West, Toronto, Ontario, M5H 1V8.

Suncor's Transfer Agent and Registrar is Montreal Trust Company of Canada at its principal Stock and Bond Transfer offices located in Toronto, Montreal, Calgary, Edmonton and Vancouver.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in several of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in certain provinces, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF SUNCOR

Dated June 1, 1995

The foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus, as required by the securities laws of the provinces of Canada. For the purpose of the Province of Quebec, this simplified prospectus, as supplemented by the documents incorporated herein

by reference, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

(Signed) Richard L. George (Signed) David W. Byler
President Senior Vice President, Finance
and Chief Executive Officer(as Chief Financial Officer)

On behalf of the Board of Directors

(Signed) Ardagh S. Kingsmill, Q.C. (Signed) Bryan P. Davies
Director Director

CERTIFICATE OF THE UNDERWRITERS

Dated June 1, 1995

To the best of our knowledge, information and belief, the foregoing, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities laws of the provinces of Canada. For the purposes of the Securities Act (Quebec) and the regulation thereunder, to our knowledge, this simplified prospectus, as supplemented by the documents incorporated herein by reference, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

Nesbitt Burns Inc.

By: (signed) Donald K. Johnson

Gordon Capital Corporation RBC Dominion Securities Inc.

By: (signed) By: (signed)
L. Robin Cornwell Rosemarie N. Baker

Wood Gundy Inc. ScotiaMcLeod Inc.

By: (signed) Carol S. Perry By: (signed) Daniel F. Sullivan

Goldman

Sachs Richardson First
Canada Midland Greenshields Marathon
By: Goldman Sachs Walwyn of Canada Securities
Canada Inc. Capital Inc. Limited Limited

By: (signed) By: (signed) By: (signed) By: (signed)
David J. Donald A. William G. Richard S.
Gluskin Fox Copland Hallisey

Levesque Beaubien Toronto Dominion Peters & Co. Limited
Geoffrion Inc. Securities Inc.

By: (signed) By: (signed) By: (signed)
Ian D. McPherson Robert T. Wright Michael J. Tims

The following includes the name of every person or company having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of the Underwriters:

Nesbitt Burns Inc.: The Nesbitt Burns Corporation Limited, a majority-owned subsidiary of a Canadian chartered bank;

Gordon Capital Corporation: D. M. Beatty, B. Cameron, J. R. Connacher, J. N. Green, R. Li, R. S. Lloyd and D. G. Nelson;

RBC Dominion Securities Inc.: RBC Dominion Securities Limited, a majority-owned subsidiary of a Canadian chartered bank;

Wood Gundy Inc.: a wholly-owned subsidiary of The CIBC Wood Gundy Corporation, a majority-owned subsidiary of a Canadian chartered bank;

ScotiaMcLeod Inc.: a wholly-owned subsidiary of a Canadian chartered bank;

Goldman Sachs Canada: a limited partnership in which The Goldman, Sachs Group L.P. is the limited partner and Goldman Sachs Canada Inc., a wholly-owned subsidiary of The Goldman Sachs Group L.P., is the general partner;

Midland Walwyn Capital Inc.: a wholly-owned subsidiary of Midland Walwyn Inc.;

Richardson Greenshields of Canada Limited: a wholly-owned subsidiary of Richardson Greenshields Limited;

First Marathon Securities Limited: a wholly-owned subsidiary of First Marathon Inc.;

Levesque Beaubien Geoffrion Inc.: a wholly-owned subsidiary of Levesque, Beaubien and Company Inc., a majority-owned controlled subsidiary of a Canadian chartered bank;

Toronto Dominion Securities Inc.: a wholly-owned subsidiary of a Canadian chartered bank; and

Peters & Co. Limited: Robert G. Peters, Michael J. Tims, Wilfred A. Gobert, Robert M. Wilkinson, J. Cameron Bailey and William D. Bonner.

Suncor inc.

Articles of Incorporation
of Sun Company, Inc.

Articles of Incorporation of Sun Company, Inc.

First: The name of the Corporation is "Sun Company, Inc."

Second: The location and post office address of its registered office in this Commonwealth is 1801 Market Street, Philadelphia, Pennsylvania 19103.

Third: The Corporation shall have unlimited power to engage in and to do any lawful act concerning any or all lawful business for which corporations may be incorporated under the provisions of the Act of May 5, 1933 (P.L. 364, as amended). The Corporation is incorporated under the provisions of said Act.

Fourth: The total number of shares of capital stock which this Corporation shall have authority to issue is Two Hundred Fifteen Million (215,000,000) to be divided into two classes consisting of Fifteen Million (15,000,000) shares designated as "Cumulative Preference Stock" (hereinafter called "Preference Stock"), without par value, and Two Hundred Million (200,000,000) shares designated as "Common Stock," (hereinafter called "Common Stock"), \$1 par value.

The following is a description of each class of capital stock and a statement of the preferences, qualifications, privileges, limitations, restrictions, and other special or relative rights granted to or imposed upon the shares of each class:

Preference Stock

1. Authority of Board of Directors. Authority is hereby vested in the Board of Directors, by resolution, to divide any or all of the authorized shares of Preference Stock into series and, within the limitations provided by law and this Article Fourth, to fix and determine the designations, preferences, qualifications, privileges, limitations, options, conversion rights, and other special rights of each such series, including but not limited to the right to fix and determine:

(a) the designation of and the number of shares issuable in each such series;

(b) the annual dividend rate, expressed in a dollar amount per share, for each such series;

(c) the right, if any, of the Corporation to redeem shares of any such series, and the terms and conditions on which shares of each such series may be redeemed;

(d) the amounts payable upon shares of each such series in the event of the voluntary or involuntary liquidation, dissolution or winding up of the

Corporation;

(e) the sinking fund provisions, if any, for the redemption or purchase of shares of each such series;

(f) the voting rights, if any, for the shares of each such series; provided, however, that the number of votes per share of Preference Stock shall in no event exceed one (1);

(g) the terms and conditions, if any, on which shares of each such series may be converted into shares of stock of this Corporation; provided, however, that shares of Preference Stock shall not be convertible into shares of any class of stock of the Corporation other than Common Stock and shall not be convertible into more than one share of Common Stock, or such greater or lesser number as will reflect the effect of stock dividends, stock splits or stock combinations affecting Common Stock and occurring after May 9, 1980, subject to such terms and conditions, including provision for fractional shares, as the Board of Directors shall authorize;

3

(h) the stated value per share for each such series; and

(i) any and all such other provisions as may be fixed or determined by the Board of Directors of the Corporation pursuant to Pennsylvania law.

2. Parity of Series of Preference Stock and Shares Within Series; Priority of Preference Stock. All shares of the same series of Preference Stock shall be identical with each other share of such series in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative. Except as determined by the Board of Directors as permitted by the provisions of paragraph 1 hereof, all series of Preference Stock shall rank equally with and be identical in all respects to each other series.

Preference Stock shall rank, as to dividends and upon liquidation, dissolution or winding up, prior to Common Stock and to any other capital stock of the Corporation hereafter authorized, other than capital stock which shall by its terms rank prior to or on a parity with Preference Stock and which shall be authorized pursuant to subparagraph 9(a) hereof.

3. Dividends. Before any dividends (other than dividends payable in stock ranking junior to Preference Stock) on any class or classes of stock of the Corporation ranking junior to Preference Stock as to dividends or upon liquidation shall be declared and set apart for payment or paid, the holders of shares of Preference Stock of each series shall be entitled to receive cash dividends, when and as declared by the Board of Directors at the annual rate, and no more, fixed in the resolution adopted by the Board of Directors providing for the issue of such series. Such dividends shall be payable in cash quarterly, each such quarterly payment to be in respect of the quarterly period ending with the day next preceding the date of such payment (except in the case of the first dividend which shall be in respect of the period beginning with the initial date of issue of such shares and ending with the day next preceding the date of such payment), to holders of Preference Stock of record on the respective dates, not exceeding forty (40) days preceding such quarterly dividend payment dates, fixed for that

purpose by the Board of Directors. With respect to each series of Preference Stock, such dividends shall be cumulative from the date or dates of issue of such series, which date or dates may be set by the Board of Directors pursuant to the provisions of paragraph 1 hereof. No dividends shall be declared or paid or set apart for payment on any series of Preference Stock in respect of any quarterly dividend period unless there shall likewise be or have been declared and paid or set apart for payment on all shares of Preference Stock of each other series at the time outstanding like dividends in proportion to the respective annual dividend rates fixed therefor as hereinbefore provided for all quarterly dividend periods coinciding with or ending before such quarterly dividend period. Accruals of dividends shall not bear interest.

4. Redemption. The Corporation, at the option of the Board of Directors, may, at any time permitted by the resolution adopted by the Board of Directors providing for the issue of any series of Preference Stock and at the redemption price or prices stated in said resolution, redeem the whole or any part of the shares of such series at the time outstanding. If at any time less than all of the shares of Preference Stock then outstanding are to be called for redemption, the shares to be redeemed may be selected by lot or by such other equitable method as the Board of Directors in its discretion may determine. Notice of every redemption, stating the redemption date, the redemption price, and the placement of payment

4

thereof, shall be given by mailing a copy of such notice at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the holders of record of the shares of Preference Stock to be redeemed at their addresses as the same shall appear on the books of the Corporation. The Corporation, upon mailing notice of redemption as aforesaid or upon irrevocably authorizing the bank or trust company hereinafter mentioned to mail such notice, may deposit or cause to be deposited in trust with a bank or trust company in the City of Philadelphia, Commonwealth of Pennsylvania, or in the Borough of Manhattan, City and State of New York, an amount equal to the redemption price of the shares to be redeemed plus any accrued and unpaid dividends thereon, which amount shall be payable to the holders of the shares to be redeemed upon surrender of certificates therefor on or after the date fixed for redemption or prior thereto if so directed by the Board of Directors. Upon such deposit, or if no such deposit is made, then from and after the date fixed for redemption unless the Board of Directors shall default in making payment of the redemption price plus accrued and unpaid dividends upon surrender of certificates as aforesaid, the shares called for redemption shall cease to be outstanding and the holders thereof shall cease to be stockholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares other than the right to receive the redemption price plus accrued and unpaid dividends from such bank or trust company or from the Corporation, as the case may be, without interest thereon, upon surrender of certificates as aforesaid;

provided, that conversion rights, if any, of shares called for redemption shall terminate at the close of business on the business day prior to the date fixed for redemption. Any funds so deposited which shall not be required for such redemption because of the exercise of conversion rights subsequent to the date of such deposit shall be returned to the Corporation. In case any holder of shares of Preference Stock which have been called for redemption shall not, within six (6) years after the date of such deposit, have claimed the amount deposited with respect to the redemption thereof, such bank or trust company, upon demand, shall pay over to the Corporation such unclaimed amount and shall thereupon be relieved of all responsibility in respect thereof to such holder, and thereafter such holder shall look only to the Corporation for payment thereof. Any interest which may accrue on funds so deposited shall be paid to the Corporation from time to time.

5. Status of Shares of Preference Stock Redeemed or Acquired. Unless otherwise specifically provided in the resolutions of the Board of Directors authorizing the issue of any series of Preference Stock, shares of any series of Preference Stock which have been redeemed, purchased or acquired by the Corporation by means other than conversion (whether through the operation of a sinking fund or otherwise) shall have the status of authorized and unissued shares of Preference Stock and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Stock to be created by resolution of the Board of Directors or as part of any other series of Preference Stock. Shares of any series of Preference Stock converted shall not be reissued and the Board of Directors shall take appropriate actions to reflect the conversion of Preference Stock from time to time by effecting reductions in the number of shares of Preference Stock which the Corporation is authorized to issue.

5

6. Redemption or Acquisition of Preference Stock During Default in Payment of Dividends. If at any time the Corporation shall have failed to pay dividends in full on Preference Stock, thereafter and until dividends in full including all accrued and unpaid dividends on shares of all series of Preference Stock at the time outstanding, shall have been declared and set apart for payment or paid, (i) the Corporation, without the affirmative vote or consent of the holders of at least a majority of the shares of Preference Stock at the time outstanding, voting or consenting separately as a class without regard to series, given in person or by proxy, either in writing or by resolution adopted at a meeting, shall not redeem less than all the shares of Preference Stock at such time outstanding, regardless of series, other than in accordance with paragraph 8 hereof and (ii) neither the Corporation nor any subsidiary shall purchase any shares of Preference Stock except in accordance with a purchase offer made in writing or by publication, as determined by the Board of Directors, in their sole discretion after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series, shall

determine (which determination shall be final and conclusive) will result in fair and equitable treatment among the respective series; provided, however, that (iii) unless prohibited by the provisions applicable to any series, the Corporation, to meet the requirements of any sinking fund provision with respect to any series, may use shares of such series acquired by it prior to such failure and then held by it as treasury stock, and (iv) nothing shall prevent the Corporation from completing the purchase or redemption of shares of Preference Stock for which a purchase contract was entered into for any sinking fund purposes or the notice of redemption of which was mailed to the holders thereof, prior to such default.

7. Dividends and Distributions on and Redemption and Acquisition of Junior Classes of Stock. So long as any shares of Preference Stock are outstanding, the Corporation shall not declare or set apart for payment or pay any dividends (other than stock dividends payable on shares of stock ranking junior to Preference Stock) or make any distribution on any other class or classes of stock of the Corporation ranking junior to Preference Stock as to dividends or upon liquidation and shall not redeem, purchase or otherwise acquire, or permit any subsidiary to purchase or otherwise acquire, any shares of any such junior class if at the time of making such declaration, payment, distribution, redemption, purchase or acquisition the Corporation shall be in default with respect to any dividend payable on, or any obligation to purchase, shares of any series of Preference Stock; provided, however, that, notwithstanding the foregoing, the Corporation may at any time redeem, purchase or otherwise acquire shares of stock of any such junior class in exchange for, or out of the net cash proceeds from the sale of, other shares of stock of any junior class.

8. Retirement of Shares. If in any case the amounts payable with respect to any obligations to retire shares of Preference Stock are not paid in full in the case of all series with respect to which such obligations exist, the number of shares of the various series to be retired shall be in proportion to the respective amounts which would be payable on account of such obligations if all amounts payable were discharged in full.

9. Action by Corporation Requiring Approval of Preference Stock. The Corporation shall not, without the affirmative vote or consent of the holders of at least 66 2/3% of the number of shares of Preference Stock at the time outstanding, voting or consenting (as the case may be) separately

6

as a class without regard to series, given in person or by proxy, either in writing or by resolution adopted at a meeting:

(a) create any class of stock ranking prior to or on a parity with Preference Stock as to dividends or upon liquidation or increase the authorized number of shares of any such previously authorized class of stock;

(b) alter or change any of the provisions hereof so as adversely to affect the preferences, special rights or powers given to the Preference

Stock;

(c) increase the number of shares of Preference Stock which the Corporation is authorized to issue; or

(d) alter or change any of the provisions hereof or of the resolution adopted by the Board of Directors providing for the issue of such series so as adversely to affect the preferences, special rights or powers given to such series.

10. Special Voting Rights. If the Corporation shall have failed to pay, or declare and set apart for payment, dividends on Preference Stock in an aggregate amount equivalent to six (6) full quarterly dividends on all shares of Preference Stock at the time outstanding, the number of Directors of the Corporation shall be increased by two (2) at the first annual meeting of the shareholders of the Corporation held thereafter, and at such meeting and at each subsequent annual meeting until dividends payable for all past quarterly dividend periods on all outstanding shares of Preference Stock shall have been paid, or declared and set apart for payment, in full, the holders of the shares of Preference Stock shall have, in addition to any other voting rights which they otherwise may have, the exclusive and special right, voting separately as a class without regard to series, each share of Preference Stock entitling the holder thereof to one (1) vote per share, to elect two (2) additional members of the Board of Directors to hold office for a term of one (1) year; provided, that the right to vote as a class upon the election of such two (2) additional Directors shall not limit the right of holders of any series of Preference Stock to vote upon the election of all other Directors and upon other matters if and to the extent that such holders are entitled to vote pursuant to the resolution adopted by the Board of Directors pursuant to paragraph 1 hereof, providing for the issue of such series. Upon such payment, or declaration and setting apart for payment, in full, the terms of the two (2) additional Directors so elected shall forthwith terminate, and the number of Directors of the Corporation shall be reduced by two (2) and such voting right of the holders of shares of Preference Stock shall cease, subject to increase in the number of Directors as aforesaid and to re-vesting of such voting right in the event of each and every additional failure in the payment of dividends in an aggregate amount equivalent to six (6) full quarterly dividends as aforesaid.

11. Liquidation of the Corporation. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, Preference Stock shall be preferred as to assets over Common Stock and any other class or classes of stock ranking junior to Preference Stock so that the holders of shares of Preference Stock of each series shall be entitled to be paid or to have set apart for payment, before any distribution is made to the holders of Common Stock and any other class or classes of stock ranking junior to Preference Stock, the amount fixed in accordance with paragraph 1

including the date fixed for such payment and the holders of Preference Stock shall not be entitled to any other payment.

If upon any such liquidation, dissolution or winding up of the Corporation, its net assets shall be insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding shares of Preference Stock are entitled as above provided, the entire remaining net assets of the Corporation shall be distributed among the holders of Preference Stock in amounts proportionate to the full preferential amounts to which they are respectively entitled.

For the purposes of this paragraph 11, the voluntary sale, lease, exchange or transfer for cash, shares of stock (securities or other consideration) of all or substantially all the Corporation's property or assets to, or its consolidation or merger with, one or more corporations shall not be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

12. Voting Rights. Except as otherwise provided by the provisions of this Article Fourth or by statute or when fixed in accordance with the provisions of paragraph 1 hereof, the holders of shares of Preference Stock shall not be entitled to any voting rights.

13. Definitions. For the purposes of this Article Fourth and of any resolution of the Board of Directors providing for the issue of any series of Preference Stock or of any statement filed with the Secretary of State of the Commonwealth of Pennsylvania (unless otherwise provided in any such resolution or statement):

(a) The term "outstanding," when used in reference to shares of stock, shall mean issued shares excluding:

(i) shares held by the Corporation or a subsidiary; and

(ii) shares called for redemption if funds for the redemption thereof have been deposited in trust.

(b) Any class or classes of stock of the Corporation shall be deemed to rank:

(i) prior to Preference Stock, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Preference Stock;

(ii) on a parity with Preference Stock, either as to dividends or upon liquidation, whether or not the dividend rates or dividend payment dates or the redemption or liquidation prices per share thereof be different from those of Preference Stock, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority one (1) over the other as between the holders of such class or classes and the holders of Preference Stock; and

(iii) junior to Preference Stock, either as to dividends or upon liquidation, if the rights of the holders of such class or classes shall be subject or subordinate to the rights of the holders of Preference Stock in

respect of the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be.

(c) The term "subsidiary" as used herein shall mean any corporation 51% or more of the outstanding stock having voting rights of which is at the time owned or controlled directly or indirectly by the Corporation.

8

Common Stock

Each holder of record of Common Stock shall have the right to one (1) vote for each share of Common Stock standing in his name on the books of the Corporation. Except as required by law or as otherwise specifically provided in this Article Fourth, the holders of Preference Stock having voting rights and holders of Common Stock shall vote together as one class.

Preemptive Rights

Neither the holders of Preference Stock nor the holders of Common Stock shall have any preemptive rights, and the Corporation shall have the right to issue and to sell to any person or persons any shares of its capital stock or any option rights or any securities having conversion or option rights, without first offering such shares, rights or securities to any holders of Preference Stock or Common Stock.

Fifth: 1. The affirmative vote of the holders of not less than 75% of the outstanding shares of "Voting Stock" held by shareholders other than a "Related Person" shall be required for the approval or authorization of any "Business Combination" of the Corporation with any Related Person; provided, however, that the 75% voting requirement shall not be applicable if:

(i) The "Continuing Directors" of the Corporation by at least a two-thirds vote of such Continuing Directors have expressly approved such Business Combination either in advance of or subsequent to such Related Person's having become a Related Person; or

(ii) The cash or fair market value (as determined by at least two-thirds of the Continuing Directors) of the property, securities or other consideration to be received per share by holders of Voting Stock of the Corporation in the Business Combination is not less than the "Highest Per Share Price" or the "Highest Equivalent Price" paid by the Related Person in acquiring any of its holdings of the Corporation's Voting Stock.

2. For purposes of this Article FIFTH:

(i) The term "Business Combination" shall mean (a) any merger or consolidation of the Corporation or a subsidiary of the Corporation with or into a Related Person, (b) any sale, lease, exchange, transfer or other disposition, including without limitation a mortgage or any other security device, of all or any "Substantial Part" of the assets either of the Corporation (including without limitation any voting securities of a subsidiary) or of a subsidiary of the Corporation to a Related Person, (c) any merger or consolidation of a Related Person with or into the Corporation or a subsidiary of the Corporation, (d) any sale, lease, exchange, transfer or other disposition, including without limitation a

mortgage or other security device, of all or any Substantial Part of the assets of a Related Person to the Corporation or a subsidiary of the Corporation, (e) the issuance of any securities of the Corporation or a subsidiary of the Corporation to a Related Person other than the issuance on a pro rata basis to all holders of shares of the same class pursuant to a stock split or stock dividend, or a distribution of warrants or rights, (f) any recapitalization that would have the effect of increasing the voting power of a Related Person, and (g) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination.

9

(ii) The term "Related Person" shall mean and include any individual, corporation, partnership or other person or entity which, together with its "Affiliates" and "Associates" becomes the "Beneficial Owner" of an aggregate of 10% or more of the outstanding Voting Stock of the Corporation, and any Affiliate or Associate of any such individual, corporation, partnership or other person or entity; provided, however, that the term "Related Person" shall not include (1) a person or entity whose acquisition of such aggregate percentage of Voting Stock was approved in advance by two-thirds of the Continuing Directors or (2) any trustee or fiduciary when acting in such capacity with respect to any employee benefit plan of the Corporation or a wholly owned subsidiary of the Corporation. No person who became a Related Person prior to December 31, 1983 shall be treated as a Related Person for the purpose of voting on any amendment, alteration, change or repeal of this Article FIFTH or voting on any Business Combination to which such Related Person is not a party.

(iii) The term "Substantial Part" shall mean an amount equal to 10% or more of the fair market value as determined by two-thirds of the Continuing Directors of the total consolidated assets of the Corporation and its subsidiaries taken as a whole as of the end of its most recent fiscal year ended prior to the time the determination is being made.

(iv) The term "Beneficial Owner" shall mean any person (1) who beneficially owns shares of Voting Stock within the meaning ascribed in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on the date of adoption of this Article FIFTH by the shareholders of the Corporation, or (2) who has the right to acquire voting Shares (whether or not such right is exercisable immediately) pursuant to any agreement, contract, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise.

(v) For purposes of subparagraph 1(ii) of this Article FIFTH, the term "other consideration to be received" shall include, without limitation, the value per share of Common Stock or other capital stock of the Corporation retained by its existing shareholders as adjusted to give effect to the proposed Business Combination in the event of any Business Combination in which the Corporation is a surviving corporation.

(vi) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock entitled to vote on each matter on which the holders of record of Common Stock shall be entitled to vote, and each reference to a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(vii) The term "Continuing Director" shall mean a Director who was a member of the Board of Directors of the Corporation immediately prior to the time that the Related Person involved in a Business Combination became a Related Person. As to any person who became a Related Person prior to December 31, 1983, a Continuing Director shall mean a Director who was a member of the Board of Directors on December 31, 1983.

(viii) A Related Person shall be deemed to have acquired a share of the Voting Stock of the Corporation at the time when such Related Person became the Beneficial Owner thereof. With respect to the shares owned by Affiliates, Associates or other persons whose ownership is attributed to a

10

Related Person under the foregoing definition of Related Person, if the price paid by such Related Person for such shares is not determinable by two-thirds of the Continuing Directors, the price so paid shall be deemed to be the higher of (a) the price paid upon the acquisition thereof by the Affiliate, Associate or other person or (b) the market price of the shares in question at the time when the Related Person became the Beneficial Owner thereof.

(ix) The terms "Highest Per Share Price" and "Highest Equivalent Price" as used in this Article FIFTH shall mean the following: If there is only one (1) class of capital stock of the Corporation issued and outstanding, the Highest Per Share Price shall mean the highest price that can be determined to have been paid at any time by the Related Person for any share or shares of that class of capital stock. If there is more than one class of capital stock of the Corporation issued and outstanding, the Highest Equivalent Price shall mean, with respect to each class and series of capital stock of the Corporation, the amount determined by two-thirds of the Continuing Directors, on whatever basis they believe is appropriate, to be the highest per share price equivalent of the highest price that can be determined to have been paid at any time by the Related Person for any share or shares of any class of series of capital stock of the Corporation. In determining the Highest Per Share Price and Highest Equivalent Price, all purchases by the Related Person shall be taken into account regardless of whether the shares were purchased before or after the Related Person became a Related Person. Also, the Highest Per Share Price and the Highest Equivalent Price shall include any brokerage commissions, transfer taxes and soliciting dealers' fees or other value paid by the Related Person with respect to the shares of capital stock of the Corporation acquire by the Related Person.

(x) The terms "Affiliate" and "Associate" shall have the same meaning as in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as on the date of the adoption of this Article FIFTH by the shareholders of the Corporation.

3. The provisions set forth in this Article FIFTH may not be amended, altered, changed or repealed in any respect unless such action is approved by the affirmative vote of the holders of not less than 75% of the outstanding shares of Voting Stock of the Corporation at a meeting of the shareholders duly called for the consideration of such amendment, alteration, change or repeal; provided, however, that if there is a Related Person, such action must also be approved by the affirmative vote of the holders of not less than 75% of the outstanding shares of Voting Stock not held by any Related Person.

Sixth: The duration of the Corporation shall be perpetual.

Seventh: The business and affairs of the Corporation shall be managed by a Board of Directors. The number of Directors of the Corporation shall be fixed from time to time by the Bylaws but shall not be fixed at less than five (5). The number of the Directors may be increased or diminished (but not to less than five (5)), as may from time to time be provided in the Bylaws. In case of any increase in the number of Directors the additional Directors shall be elected as may be provided in the Bylaws, either by the Directors or by the shareholders.

11

The shareholders of the Corporation shall not be entitled to cumulative voting rights in the election of Directors.

Any officer elected or appointed by the Board of Directors may be removed at any time by affirmative vote of a majority of the whole Board of Directors.

The Board of Directors, by the affirmative vote of a majority of the whole Board, may appoint from the Directors an Executive Committee, of which a majority shall constitute a quorum, and to such extent as shall be provided in the Bylaws such Committee shall have and may exercise all or any of the powers of the Board of Directors, including the power to cause the seal of the Corporation to be affixed to all papers that may require it.

The Board of Directors, by the affirmative vote of a majority of the whole Board, may appoint any other standing committees, and such standing committees shall have and may exercise such powers as shall be conferred or authorized by the Bylaws.

The Board of Directors shall have power from time to time to fix and to determine and to vary the amount of the working capital of the Corporation and to direct and determine the use and disposition of any surplus or net profits over and above the capital stock paid in.

Subject always to alteration and repeal by the shareholders, and to

Bylaws made by the shareholders, the Board of Directors may make Bylaws and from time to time to time may alter, amend or repeal any Bylaws; and any Bylaws made by the Board of Directors may be so altered or repealed by the shareholders at any annual meeting or at any special meeting, provided notice of such proposed alteration or repeal be included in the notice of the special meeting.

Eighth: 1. Any direct or indirect purchase or other acquisition by the Corporation of any "Equity Security" of any class or series from any "Five Percent Holder", if such Five Percent Holder has been the "Beneficial Owner" of such security for less than two years prior to the earlier of the date of such purchase or any agreement in respect thereof at a price in excess of the "Fair Market Value" thereof, shall, except as hereinafter expressly provided, require the affirmative vote of the holders of at least a majority of the "Voting Stock" excluding Voting Stock of which such Five Percent Holder is the Beneficial Owner; provided, however, that the foregoing majority voting requirement shall not be applicable with respect to (i) any purchase or other acquisition of an Equity Security made as part of a tender or exchange offer by the Corporation to purchase Equity Securities of the same class made on the same terms to all holders of such security, or (ii) a purchase program effected on the open market and not the result of a privately-negotiated transaction, or (iii) any optional or required redemption of an Equity Security pursuant to the terms of such security.

2. For purposes of this Article EIGHTH:

(i) The term "Equity Security" means an equity security of the Corporation within the meaning ascribed to such term in Section 3(a)(11) of the Securities Exchange Act of 1934, as in effect on January 1, 1985.

(ii) The term "Fair Market Value" means, in the case of any Equity Security, the closing sale price on the trading day immediately preceding the earlier of the date of any purchase subject to Paragraph 1 of this Article EIGHTH, or the date of any agreement in respect thereof (such earlier date, the "Valuation Date"), of a share of such Equity Security on

12

the Composite Tape for New York Stock Exchange Listed Stocks, or, if such security is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such security is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such security is listed, or, if such security is not listed on any such Exchange, the closing bid quotation with respect to such security on the trading day immediately preceding the Valuation Date on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the Fair Market Value on the Valuation Date of such security as determined by the Board of Directors in good faith.

(iii) The term "Person" shall mean any individual, corporation,

partnership or other entity and shall include any group comprised of any Person and any other Person with whom such Person or any Affiliate or Associate of such Person has any agreement, arrangement or understanding, directly or indirectly, for the purpose of acquiring, holding, voting or disposing of Voting Stock, and any member of such group.

(iv) The term "Five Percent Holder" shall mean and include any Person which, together with its "Affiliates" and "Associates" becomes the Beneficial Owner of an aggregate of five percent (5%) or more of any class of Voting Stock of the Corporation, and any Affiliate or Associate of any such Person; provided, however, that for purposes of this Article EIGHTH, including, without limitation, Paragraphs 1 and 4 hereof, the term Five Percent Holder shall not include (1) any trustee or fiduciary when acting in such capacity with respect to any employee benefit plan of the Corporation or a wholly owned subsidiary of the Corporation or (2) any Person that would have been a Five Percent Holder on December 31, 1984 if this Article EIGHTH were then in effect.

(v) The terms "Affiliate" and "Associate" shall have the meanings ascribed to them in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on May 3, 1984.

(vi) The term "Beneficial Owner" shall mean any person (1) who beneficially owns shares of Voting Stock within the meaning ascribed in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on May 3, 1984, or (2) who has the right to acquire Voting Stock (whether or not such right is exercisable immediately) pursuant to any agreement, contract, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise.

(vii) The term "Voting Stock" shall mean all of the outstanding shares of Common Stock, and the outstanding shares of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation entitled to vote on each matter on which the holders of Common Stock shall be entitled to vote, and each reference to a vote of a proportion of shares of Voting Stock shall refer to such proportion of the votes entitled to be cast by such shares.

(viii) In any determination whether a Person is a Five Percent Holder for purposes of this Article EIGHTH, the relevant class of securities outstanding shall be deemed to comprise all such securities deemed owned by such Person and its Affiliates and Associates through application of

Paragraph 2(vi)(2) of this Article EIGHTH, but shall not include any other securities of such class which may be issuable pursuant to any agreement, contract, arrangement or understanding, or upon exercise of conversion rights, exchange rights, warrants or options, or otherwise.

3. The Board of Directors shall have the power to interpret all the provisions of this Article EIGHTH and their application to a particular transaction, including, without limitation, the power to determine (a) whether a Person is a Five Percent Holder, (b) the number of shares of Voting Stock or other Equity Securities of which any Person and its Affiliates and Associates are the Beneficial Owners, (c) whether a Person is an Affiliate or Associate of another, and (d) what is Fair Market Value and whether a price is above Fair Market Value as of a given date. Any such determination made by the Board of Directors shall be conclusive and binding to the fullest extent permitted by law.

4. The provisions set forth in this Article EIGHTH may not be amended, altered, changed or repealed in any respect and no provision inconsistent herewith shall be adopted unless such action is approved by the affirmative vote of the holders of at least 75% of the Voting Stock of the Corporation at any annual meeting of shareholders or at any special meeting duly called for that purpose, provided notice of such amendment, alteration, change or repeal or adoption be included in the notice of the special meeting; provided, however, that if there is a Five Percent Holder such action must also be approved by the affirmative vote of the holders of at least 75% of the Voting Stock excluding Voting Stock of which any Five Percent Holder is the Beneficial Owner.

Ninth: 1. Directors and Officers as Fiduciaries. A Director or Officer of the Corporation shall stand in a fiduciary relation to the Corporation and shall perform his or her duties as a Director or officer, including his or her duties as a member of any committee of the board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of the Corporation, and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duties, a Director or officer shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by one or more officers of employees of the Corporation whom the Director or officer reasonably believes to be reliable and competent with respect to the matters presented, counsel, public accountants or other persons as to matters that the Director or officer reasonably believes to be within the professional or expert competence of such person, or a committee of the Board of Directors upon which the Director or officer does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the Director or officer reasonably believes to merit confidence. A Director or officer shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted. Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a Director or officer of the Corporation or any failure to take any action shall be presumed to be in the best interests of the Corporation.

2. Personal Liability of Directors. A Director of the Corporation shall

not be personally liable, as such, for monetary damages (including without

14

limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless (1) the Director has breached the duties of his or her office or has failed to perform his or her duties as a Director in good faith, in a manner he or she reasonably believed to be in the best interests of the Corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

3. Personal Liability of Officers. An officer of the Corporation shall not be personally liable, as such, to the Corporation or its shareholders for monetary damages (including without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense or any nature (including, without limitation, attorneys' fees and disbursements)) for any action taken, or any failure to take any action, unless (1) the officer has breached the duties of his or her office or has failed to perform his or her duties as an officer in good faith, in a manner he or she reasonably believed to be in the best interests of the Corporation and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Tenth: Any record holder of at least ten percent (10%) of the outstanding shares of the Corporation's Voting Stock shall have the rights to:

- (a) call a special meeting of the shareholders; and
- (b) to propose an amendment to the articles by a petition setting forth the proposed amendment, which petition shall be directed to, and filed with, the Board of Directors;

subject, however, to all limitations and restrictions which are, or may hereafter be, imposed on, or with respect to, the Corporation's Voting Stock and/or record holders of the Corporation's Voting Stock by Pennsylvania statutory law (other than the provisions of Section 2521(a) of the Pennsylvania Business Corporation Law of 1988), these articles, or the Corporation's Bylaws. For purposes of this Article TENTH, the term "Voting Stock" shall mean all of the outstanding shares of Common Stock, and the outstanding shares of any class or series of stock having preference over the Common Stock as to liquidation entitled to vote on each matter on which the holders of Common Stock shall be entitled to vote, and reference to a percentage of shares of Voting Stock shall refer to the percentage of votes entitled to be cast by such shares.

Approved and Filed: August 4, 1971
Amended and Restated: March 30, 1990
Amended: December 23, 1992
Amended: May 4, 1995

I, _____ Secretary of Sun Company, Inc.
hereby certify that the foregoing is a true and correct copy of the
Articles of Incorporation of Sun Company, Inc.

Date:

Secretary

Sun Company, Inc.
Bylaws

Table of Contents

	Page
Article I	
Directors	
Section 1 - Membership	4
Section 2 - Vacancies	4
Section 3 - Emergency Board	4
Section 4 - Liability of Directors	5
Section 5 - Nomination of Directors	5
Article II	
Meetings of the Board of Directors	
Section 1 - Place	6
Section 2 - Annual & Regular Meetings	6
Section 3 - Special Meetings	6
Section 4 - Notice	6
Section 5 - Waiver of Notice	6
Section 6 - Notice of Adjourned Meeting	6
Section 7 - Quorum	6
Section 8 - Consent Action	7
Article III	
Committees	
Section 1 - Executive Committee	7
Section 2 - Notice	7
Section 3 - Special Committees	7
Section 4 - Relationship to Board	7
Section 5 - Quorum	7
Section 6 - Vacancies	7
Article IV	
Officers	
Section 1 - Designation	8
Section 2 - Authority	8
Section 3 - Chairman of the Board	8
Section 4 - Vice Chairman of the Board	8
Section 5 - President	9
Section 6 - Executive Vice Presidents	9
Section 7 - Vice Presidents	9
Section 8 - Secretary	9

Section 9 - Treasurer	9
Section 10 - Comptroller	9
Section 11 - General Auditor	9
Section 12 - Assistant Officers	10
Article V	
Meetings of Shareholders	
Section 1 - Annual Meetings	10
Section 2 - Special Meetings	10
Section 3 - Notice	10
Section 4 - Quorum	10
Section 5 - Voting	10
Section 6 - Adjournment	10
Section 7 - Proxies	11
Section 8 - Shareholders List	11
3	
Section 9 - Record Date	11
Section 10 - Certification by Nominee	11
Section 11 - Judge of Election	12
Article VI	
Stock Certificates	
Section 1 - Description	12
Section 2 - Transfers	12
Section 3 - Registered Shareholders	12
Section 4 - Lost Certificates	13
Section 5 - Dividends	13
Article VII	
Indemnification	
Section 1 - General	13
Section 2 - Agreements for Indemnification and Funding	13
Section 3 - Expenses	13
Section 4 - Disputes	14
Article VIII	
General Provisions	
Section 1 - Voting Shares of Other Corporations	14
Section 2 - Seal	14
Section 3 - Inapplicability of Certain Section of the Pennsylvania Business Corporation Law	14
Section 4 - Amendments	14

Article I: Directors

Membership

Section 1. The business and affairs of the Corporation shall be managed by a Board of Directors consisting of the number of Directors equal to those elected at the annual meeting of shareholders or as may from time to time be determined by the Board, except that it shall not consist of less than five members. Except as hereinafter provided in the case of vacancies, Directors shall be elected by ballot at the annual meeting of shareholders and shall hold office for one year and until successors are duly elected and qualified, or until earlier resignation or removal. Directors need not be residents of the state of the Commonwealth of Pennsylvania.

Vacancies

Section 2. Vacancies in the Board of Directors may be filled by a majority of the incumbent members of the Board, though such majority be less than a quorum. If the number of Directors is at any time increased, the incumbent Directors may by majority vote elect any additional Director. Such newly elected Director shall hold office until the next annual meeting of the shareholders and until a successor is elected and qualified, or until earlier resignation or removal.

Emergency Board

Section 3. In the event of any emergency by reason of nuclear attack or other attacks by enemy forces upon the North American Continent, there shall be constituted without further action or authority an Emergency Board of Directors. In the event of an emergency by reason of physical disasters of national or greater scope, an attack upon the United States outside the North American Continent, or an imminent threat of an attack or physical disaster of national or greater scope upon the North American Continent, there shall be constituted an Emergency Board of Directors by declaration of the Chairman of the Board of Directors. The Emergency Board shall consist of at least three members from the regular Board of Directors or from officers of the Corporation or its subsidiaries who are not members of the regular Board of Directors but who have been designated as alternate members of the Emergency Board. The Emergency Board may exercise all of the powers of the regular Board of Directors in the management of the business, affairs and property of the Corporation during the emergency and until such time as the regular Board of Directors shall resume the exercise of its powers.

The original members of the Emergency Board shall be the Chairman, the President and the Executive Vice Presidents who are members of the Board of Directors, provided however, that any vacancy existing because of the unavailability of any two of the foregoing persons shall be filled by the alternate members. The Chairman of the Board shall serve as Chairman of any meeting of the Emergency Board or, in the event of his unavailability for any reason, the President or an Executive Vice President, in order designated by the Chairman of the Board, shall serve in this capacity. In

the event of the unavailability for any reason of all of the foregoing persons, an alternate member shall serve as Chairman at any meeting of the Emergency Board in the order previously designated for membership by resolution of the regular Board of Directors.

5

Meetings may be called by any member of the Emergency Board. Two members shall constitute a quorum for the transaction of business and the act of any two members present at a meeting shall be the act of the Emergency Board. Meetings may be held by any means of communication and Directors shall be deemed present if they are in communication with other directors by any means. Notice of meetings may be given at any time and in any manner, provided that a reasonable effort shall be made to give actual notice to each member of the Emergency Board.

To the extent not inconsistent with this Section 3 of Article I, the Bylaws in their entirety shall remain in effect during any such emergency. No officer, Director or employee acting in good faith in accordance with this Section 3 of Article I or any resolutions made pursuant hereto, shall be liable for his conduct unless it is willful misconduct.

Liability of Directors

Section 4. A Director of the Corporation shall not be personally liable for monetary damages, as such, for any action taken or any failure to take any action, unless (1) he has breached the duties of his office or has failed to perform his duties as a Director in good faith, in a manner he reasonably believed to be in the best interest of the Corporation and with such care, including reasonable inquiry, skill and diligence, as a person or ordinary prudence would use under similar circumstances; and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Nomination of Directors

Section 5. Nominations for election to the Board of Directors may be made by shareholders entitled to vote for the election of Directors only in the manner specified in this Section. Shareholders may submit nominations for consideration by a committee appointed by the Board of Directors for that purpose. A nomination shall be submitted in writing to the Secretary of the Corporation no later than the December 31st prior to the Annual Meeting at which such nomination is intended to be considered. Nominations may be made at any meeting of shareholders called for the purpose of election of Directors if written notice of the shareholder's intent to make such nominations at the meeting is delivered to the Secretary of the Corporation at least 30 days before such meeting. Such nominations and written notice shall contain the following information:

- a) name, residence and business address of the nominating shareholder;
- b) a representation that the shareholder is a record holder or beneficial owner of the Corporation's voting shares and a statement of the number of such shares:

c) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the individuals specified in the notice, if the nominations are to be made at a meeting of shareholders;

d) information regarding each nominee such as would be required to be included in a proxy statement;

e) a description of all arrangements or understandings between and among the shareholder and each and every nominee; and

f) the written consent of each nominee to serve as a Director, if elected.

6

The judge of election or the person presiding at the meeting, in the absence of the judge of election, shall determine whether any nomination is made according to these procedures and should be accepted. Such decision shall be deemed conclusive and binding on all shareholders of the Corporation.

Article II: Meetings of the Board of Directors

Place

Section 1. Meetings of the Board of Directors, regular or special may be held either within or without the Commonwealth of Pennsylvania.

Annual & Regular Meetings

Section 2. As soon as practicable following their election at the annual meeting of the shareholders, the Directors shall meet for the purpose of organization. Regular meetings of the Board of Directors thereafter may be held at such times and at such places as the Board may by resolution determine.

Special Meetings

Section 3. Special meetings of the Board of Directors may be called at any time by the Chairman of the Board of Directors, the Vice Chairman, the President, an Executive Vice President who is a member of the Board of Directors, or upon the written request of a majority of the Directors.

Notice

Section 4. No notice shall be required of the meeting of the Board of Directors for the purpose of organization or for the regular meetings fixed as aforesaid, but at least forty-eight hours notice shall be given by mail or telegram of all special meetings of the Directors specifying the place, day and hour of the meeting. Neither the business to be transacted nor the purpose of any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. This notice may be waived by a Director in writing either before or after the meeting.

Waiver of Notice

Section 5. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting except where a Director attends for the

express purpose of objecting to the transaction of any business because the meeting has not been lawfully called or convened.

Notice of Adjourned Meeting

Section 6. Notice of an adjourned meeting of the Board of Directors need not be given if the time and place are fixed at the meeting adjourning.

Quorum

Section 7. At all meetings of the Board of Directors, a majority of the Directors in office shall constitute a quorum for the transaction of business. The act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater or lesser number is required by statute or the Articles of Incorporation. The majority of Directors present, though less than a quorum, may adjourn any meeting from time to time.

7

Consent Action

Section 8. Any action required to be taken at a meeting of the Board or any committee thereof shall be deemed the action of the Board of Directors or of a committee thereof if all the Directors or committee members, as the case may be, execute, either before or after the action is taken, a written consent thereto, and the consent is filed with the records of the Corporation.

Article III: Committees

Executive Committee

Section 1. The Board of Directors shall designate an Executive Committee consisting of such number of members as may be determined from time to time to serve at the pleasure of the Board who shall be elected from the members of the Board by a majority of the whole Board. The Committee shall elect a Chairman from among its members. To the extent permitted by Pennsylvania laws, the Executive Committee may exercise all or any of the powers of the Board of Directors in the management of the business, affairs and property of the Corporation during the interval between meetings of the Board; provided however, that no action shall be taken by the Executive Committee if any member of such Committee has voted in opposition thereto.

Notice

Section 2. The Executive Committee need not hold its meetings at any particular time or place, but such meetings shall be held upon reasonable notice to members of the Committee.

Special Committees

Section 3. The Board of Directors may appoint such other standing or special committees, and officers therefor, as it may deem proper, and, to the extent permitted by Pennsylvania laws, may delegate to such committees any of the powers possessed by the Board which may be required by such

committees in carrying out the purposes for which they are appointed. Each of such committees shall have at least three members. Membership on the Board of Directors shall not be prerequisite to membership on such committees.

Relationship to Board

Section 4. Committees shall be responsible to the full Board of Directors and shall report upon the exercise of their powers and duties at each regular meeting of the Board of Directors, or when called upon by the Board.

Quorum

Section 5. A majority of any committee shall constitute a quorum for the transaction of business, and shall be required to constitute the act of the committee.

Vacancies

Section 5. The Board of Directors may fill vacancies in any committee, and may appoint one or more alternate members of a committee who shall have the power to act in the absence or disability of a member of such committee. The Board of Directors may abolish any committee at its pleasure, and may remove a committee member from membership on a committee at any time, with or without cause.

8

Article IV: Officers

Designation

Section 1. The officers of the Corporation shall be chosen by the Board of Directors at its organization meeting and shall include a Chairman of the Board of Directors, a President, one or more Executive Vice Presidents, one or more Vice Presidents, any of whom at the pleasure of the Board may be designated Senior Vice President or Group Vice President, a Secretary, a Treasurer, a Comptroller, and a General Auditor, all of who shall be the principal officers of the Corporation and may include one or more Vice Chairmen of the Board who would be principal officers, and such other officers and assistant officers as the Board of Directors may from time to time determine. Any number of offices may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law to be executed, acknowledged or verified by two or more officers. Of the officers so chosen by the Board of Directors, the Chairman of the Board of Directors, the Vice Chairmen of the Board of Directors, and the President shall be chosen from among the Directors. All officers of the Corporation shall hold their offices at the pleasure of the Board of Directors.

Authority

Section 2. Notwithstanding the legal authority conferred by these Bylaws upon the officers named herein, the Board of Directors may by resolution

establish such positions of authority, supervision and responsibility as in the judgment of the Board may be necessary or appropriate for the internal administration of the affairs of the Corporation. The performance of any duty by any officer shall be conclusive evidence of his authority to act, including the delegation of any of his powers to other officers or employees under his direction.

The Board of Directors may designate either the Chairman of the Board or the President as the Chief Executive Officer or the Chief Operating Officer of the Corporation.

The Chief Executive Officer shall have general supervision of the affairs of the Corporation, subject to the policies and direction of the Board of Directors, and shall supervise and direct all officers and employees of the Corporation, but may delegate in his discretion any of his powers to any officer or such other executives as he may designate.

The Chief Operating Officer shall have general supervision and direction of all operating officers and employees of the Corporation but may delegate in his discretion any of his powers to any Vice President or such other executives as he may designate.

Chairman of the Board

Section 3. The Chairman of the Board of Directors shall preside at all meetings of the shareholders and of the Board of Directors. He shall ex-officio be a member of all committees of the Board of Directors except as otherwise determined by the Board. He shall also perform such other duties as the Board of Directors may from time to time assign to him.

Vice Chairman of the Board

Section 4. The Vice Chairman of the Board of Directors shall perform such duties as the Board of Directors or the Chairman may from time to time assign to them.

9

President

Section 5. The President shall perform such duties as the Board of Directors or the Chairman may from time to time assign to him.

Executive Vice Presidents

Section 6. The Executive Vice Presidents shall perform such duties as shall, from time to time, be imposed upon them by the Chairman or the President.

Vice Presidents

Section 7. The Vice Presidents shall perform such duties and shall be responsible to such officers of the Corporation as the Chairman, President or an Executive Vice President may direct.

Secretary

Section 8. The Secretary shall keep the minutes of all meetings of the shareholders, the Board of Directors, all committees of the Board except as otherwise designated by the Board and shall give all notices of meetings of

the shareholders, the Boards and the committees of the Board of which he serves as Secretary. He shall have control of the custody of all deeds, contracts, agreements, and other corporate records, except as otherwise provided in these Bylaws or by the Board of Directors, and shall attend to such correspondence of the Corporation as the Chairman shall direct. He shall be the custodian of the seal of the Corporation and shall affix it to any instrument requiring the same, except as otherwise provided herein or by the Board of Directors. He shall be responsible to such officer or officers of the Corporation as the Chairman may designate.

Treasurer

Section 9. The Treasurer shall be responsible for all receipts and disbursements of the Corporation and the custodianship of the Corporation's funds. He shall have full authority, directly or by his delegation to selected officers or other employees, to receive and give receipts for all moneys due and payable to the Corporation from any source whatever, and to endorse checks, drafts, and warrants in its name and on its behalf. He shall be responsible for depositing the funds of the Corporation in its name in such depositories as may be designated by him; shall sign or delegate the signing of all checks, notes and drafts and shall be charged with the general establishment of the Corporation's policies and procedures relating to short-term financing, cash management, credits and collections and insurance.

Comptroller

Section 10. The Comptroller shall be the chief accounting officer of the Corporation and shall arrange for the keeping of adequate records of all assets, liabilities and transactions of the Corporation.

General Auditor

Section 11. The General Auditor shall be chief control officer of the Corporation and shall be responsible for the establishment of internal controls. He shall see that adequate audits are currently and regularly made.

10

Assistant Officers

Section 12. Assistant officers shall perform such duties as their immediate principal officers may from time to time direct or delegate, and, during the absence of said principal officers, shall perform all the duties of said principal officers.

Article V: Meetings of Shareholders

Annual Meetings

Section 1. The annual meeting of the shareholders for the election of Directors for the ensuing year and for the transaction of such other business as may be properly brought before the meeting shall be held each year on such day and at such time and place, either within or without

Pennsylvania, as shall be determined in advance by the Board of Directors.

Special Meetings

Section 2. Special meetings of the shareholders may be called at any time by the Chairman of the Board of Directors or by the order of the Board of Directors. Special meetings of the shareholders may also be called by any shareholder entitled to call such a meeting pursuant to, and in compliance with, the provisions of Article TENTH of the Articles of Incorporation of the Corporation.

Notice

Section 3. Unless waived, written notice of the time, place and purpose of every meeting of the shareholders shall be given by the Secretary not less than five nor more than ninety days before the date of the meeting either personally or by mail, to each shareholder of record entitled to vote at such meeting.

Quorum

Section 4. Unless otherwise provided in the Articles of Incorporation, by statute or these Bylaws, at all meetings of shareholders, the presence in person or by proxy, of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the meeting shall constitute a quorum for the transaction of business.

Voting

Section 5. When a quorum is present at any meeting of the shareholders, the shareholders entitled to vote and casting a majority of the votes at the meeting shall decide any question brought before such meeting, unless the question is one which, by express provision of law, the Articles of Incorporation, or these Bylaws, requires a different vote, in which case such express provision shall govern and control the decision of such question. The shareholders present in person or by proxy at any duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Adjournment

Section 6. The holders of shares entitled to cast a majority of the votes present or represented at any meeting may adjourn the meeting from time to time, though such majority constitutes less than a quorum. When a meeting is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting adjourning and at the adjourned

11

meeting only such business is transacted as might have been transacted at the original meeting.

Proxies

Section 7. Every shareholder entitled to vote at a meeting of

shareholders or to express consent or dissent without a meeting may authorize another person or persons to act for him by proxy. Every proxy shall be executed in writing by the shareholder or his agent. No proxy shall be valid after eleven months from the date of its execution, unless a longer time is expressly provided therein. Unless it is coupled with an interest, a proxy shall be revocable at will. A proxy shall not be revoked by the death or incapacity of the shareholder but shall continue in force until revoked by the personal representative or guardian of the shareholder. The presence at any meeting of a shareholder who has given a proxy shall not revoke such proxy unless the shareholder shall file written notice of such revocation with the Secretary of the meeting prior to the voting of such proxy.

Shareholders List

Section 8. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make and certify a complete list of the shareholders entitled to vote at a shareholders' meeting or any adjournment thereof. Such list shall be arranged alphabetically within class and series, with the address of and the number of shares held by each shareholder. The information contained in such list shall be made available to the shareholders by appropriate means at the time and place of the meeting of shareholders.

Record Date

Section 9. For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or allotment of any right, or for the purpose of any other action, the Board of Directors may fix, in advance, a record date for any such determination of shareholders. Such date shall not be more than ninety days before the date of such meeting nor more than ninety days prior to any other action. In such case only such shareholders as shall be shareholders of record on the date so fixed shall be entitled to notice of, and to vote at such meeting, or to receive payment of such dividend, or to receive such allotments of rights or to exercise such rights, as the case may be, notwithstanding transfer of any shares on the books of the Corporation after any record date so fixed. When the determination of shareholders of record entitled to notice of or to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board fixes a new record date under this section for the adjourned meeting.

Certification by Nominee

Section 10. The nominee shareholder of record of a shareholder dividend reinvestment plan or of an employee benefit plan may certify in writing to the Corporation that all or a portion of the shares of the Corporation registered in the name of such nominee are held for the account of a specified person or persons. Such certification shall be received by the Corporation no later than 15 days after the record date for each special or

annual meeting of shareholders. The certification shall be in the form specified by the Corporation and shall include such information as the name, address and number of shares of the beneficial owners, taxpayer identification number, and any other information that the Corporation may deem necessary. Upon receipt by the Corporation of such certification, the person or persons specified in the certification shall be deemed, for the purposes of notice of and voting at the meeting of shareholders, to be the holders of record of the number of shares specified, in place of the nominee shareholder of record.

Judge of Election

Section 11. In advance of any meeting of shareholders the Board may appoint one or three judges of election to act at the meeting or any adjournment thereof. If such judges are not so provided by the Board or shall fail to qualify, the person presiding at a shareholder meeting may, and on the request of any shareholder entitled to vote thereat shall, make such appointment. In case any person appointed as judge of election fails to appear or act, the vacancy may be filled by appointment made by the Board in advance of the meeting or at the meeting by the person presiding thereat. Each judge of election, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of judge of election at such meeting with strict impartiality and according to the best of his ability. No person shall be elected a Director at a meeting at which he has served as a judge of election.

Article VI: Stock Certificates

Description

Section 1. Certificates evidencing the ownership of the shares of stock of the Corporation of any class shall be issued to those entitled to them by transfer or otherwise. Each certificate shall bear a distinguishing number, the actual or facsimile signatures of the Chairman of the Board and of the Secretary, the actual or facsimile seal of the Corporation, and such recitals as may be required by law. The stock certificates in any class or classes shall be issued in numerical order, and a full record of the issuance of each such certificate shall be made in the books usually kept for that purpose or required by law. The certificates shall be of such form and design as the Board of Directors may adopt and the form and design thereof may from time to time be changed by the Board.

Transfers

Section 2. All shares of stock may be transferred on the books of the Corporation by the registered holders thereof or by their attorneys legally constituted or their legal representatives by surrender of the certificates therefor for cancellation and a written assignment of the shares evidenced thereby. The Board of Directors may from time to time appoint such transfer Agents and Registrars of stock as it may deem advisable and may define their powers and duties.

Registered Shareholders

Section 3. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold such person liable for calls and assessments and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Pennsylvania.

13

Lost Certificates

Section 4. Any person or persons applying for a certificate of stock to be issued in lieu of one alleged to be lost or destroyed shall, pursuant to the laws of Pennsylvania relating to lost or destroyed certificates of stock, furnish to the Corporation such information as the Board of Directors may require to ascertain whether a certificate of stock has been lost or destroyed.

Dividends

Section 5. If any date appointed for the payment of any dividend, or fixed for determining the shareholders of record to whom the same is payable, shall in any year fall upon a Sunday or legal holiday, then such dividend shall be payable or such shareholders of record shall be determined on the next succeeding day not a Sunday or legal holiday.

Article VII: Indemnification

General

Section 1. The Corporation shall pay on behalf of any individual who is or was a Director, officer, employee or agent of the Corporation, or who is or was serving at the request of the Corporation as Director, officer, trustee, fiduciary, employee or agent of any other domestic or foreign corporation or partnership, joint venture, sole proprietorship, trust or other enterprise, or who is or was serving as a fiduciary with respect to any employee benefit plan as a result of his employment by, or service as a Director of, the Corporation ("Indemnified Person") all expenses, including attorneys' fees and disbursements, incurred by such person in the defense or settlement of any civil, criminal, administrative or arbitral proceeding pending, threatened or completed against such person by reason of his being or having been such Indemnified Person, and shall indemnify such person against amounts paid or incurred by him in satisfaction of settlements, judgments, fines, and penalties in connection with any such proceeding, including any proceeding by or in the right of the Corporation, except where such indemnification is expressly prohibited by applicable law or where the acts or failures to act of the Indemnified Person constitute willful misconduct, self-dealing or recklessness. The foregoing right to payment and to indemnification shall not be exclusive of other rights to which such person may be entitled as a matter of law or otherwise.

Agreements for Indemnification and Funding

Section 2. The Corporation is authorized, but not required, to enter into agreements for indemnification with any Indemnified Person, however, failure to enter into such agreements shall not in any way limit the rights of such Indemnified Persons hereunder. The Corporation may, in addition to the foregoing, create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner its indemnification obligations.

Expenses

Section 3. Expenses incurred by a Director, officer, employee or agent in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation.

14

Disputes

Section 4. Any dispute related to the right to indemnification of or advancement of expenses to Indemnified Persons as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 which the Corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in accordance with the commercial arbitration rules then in effect of the American Arbitration Association.

Article VIII: General Provisions

Voting Shares of Other Corporations

Section 1. The Chairman or the Vice Chairmen of the Board of Directors, the President, any Executive Vice President, any Vice President, or the Secretary of the Corporation may vote, or appoint a proxy to vote, the shares of any other business corporation or nonprofit corporation which are registered in the name of the Corporation.

Seal

Section 2. The seal of the Corporation shall be circular in form, and shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal Pennsylvania."

Inapplicability of Certain Sections of the Pennsylvania Business Corporation Law

Section 3. 15 Pa.C.S. SS 2541-2548 (formerly Section 910), 15 Pa.C.S. SS 2551-2556 (formerly Section 91 1) and 15 Pa.C.S. SS 2571-2575 as adopted December 23, 1983, March 23, 1988 and April 27, 1990, respectively, shall not be applicable to this Corporation.

Amendments

Section 4. These Bylaws, including Article I, Section 4 entitled

"Liability of Directors" and Article VII entitled "Indemnification," may be altered or amended at any annual meeting of shareholders, or at any special meeting called for that purpose, by the shareholders entitled to vote and casting a majority of the votes at the meeting, or at any duly constituted meeting of the Board of Directors, by a majority of the Directors then in office. Any alteration or amendment of Article 1, Section 4 and Article VII shall be prospective only and shall not affect any rights or obligations then existing.

14

Certificate

I, _____ Secretary of Sun Company, Inc., a Pennsylvania corporation, hereby certify that the foregoing is a true, correct and complete copy of the Bylaws of Sun Company, Inc., as amended on May 4, 1995 and that said Bylaws are in full force and effect on this date.

In Witness Whereof, I have set my hand and the seal of Sun Company, Inc., this _____ day of _____ 19____

SUN COMPANY, INC.

Secretary

Bylaws Footnote:

All references to gender are denoted as "he."

SUN COMPANY, INC.

Statement of Designation for the
Issuance of Preference Stock
Pursuant to Section 1522 of the
Pennsylvania Business Corporation Law

Pursuant to section 1522 of the Pennsylvania Business Corporation Law of 1988, as amended, Sun Company, Inc., a Pennsylvania corporation ("Corporation"), does hereby file this Statement of Designation for the Issuance of Preference Stock in such series as designated by the Board of Directors of the Corporation by resolutions duly adopted at its meeting held Monday, June 12, 1995, and the Corporation, acting through its duly authorized officers, does hereby certify as follows:

FIRST: That the Articles of Incorporation of the Corporation ("Articles of Incorporation") at Article Fourth provide that,

The total number of shares of capital stock which this Corporation shall have authority to issue is Two Hundred Fifteen Million (215,000,000) to be divided into two classes consisting of Fifteen Million (15,000,000) shares designated as "Cumulative Preference Stock" (hereinafter called "Preference Stock"), without par value, and Two Hundred Million (200,000,000) shares designated as "Common Stock" (hereinafter called "Common Stock"), \$1 par value.

SECOND: That Article Fourth of the Articles of Incorporation further provides that authority is vested in the Board of Directors, by resolution, to divide any or all of the authorized shares of Preference Stock into series and to fix and determine the designations, preferences, qualifications, privileges, limitations, options, conversion rights, and other special rights of each such series.

THIRD: That, pursuant to the authority so vested in the Board of Directors by the Articles of Incorporation, the Board of Directors duly approved the following actions and adopted the following resolutions:

RESOLVED, That pursuant to the authority vested in the Board of Directors pursuant to the Articles of Incorporation of this Corporation, Twelve Million Five Hundred Thousand (12,500,000) shares of Preference Stock are hereby approved for issuance in such series as shall be hereinafter designated as the "Series A Cumulative Preference Stock," and each share of such Series A Cumulative Preference Stock shall be imposed upon and granted the

preferences, qualifications, privileges, limitations and other special rights set forth in the attached Exhibit A, which is incorporated into this resolution by reference; and

FURTHER RESOLVED, That pursuant to the authority vested in the Board of Directors pursuant to section 1522 of the Pennsylvania Business Corporation Law of 1988, as amended, the Corporation is hereby authorized to amend and restate the Articles of Incorporation to reflect the terms and provisions of the Series A Cumulative Preference Stock set forth in Exhibit A attached hereto.

FOURTH: That said resolutions were duly adopted by the Board of Directors at its meeting held on Monday, June 12, 1995 and such resolutions remain in full force and effect, without amendment.

IN WITNESS WHEREOF, the Corporation, acting through the undersigned duly authorized officers has executed this Statement and caused the corporate seal of the Corporation to be affixed as of this 12th day of June 1995.

R. M. Aiken, Jr.
Senior Vice President and
Chief Financial Officer

ATTEST:

Ann C. Mule
Secretary

Exhibit A

SERIES A CUMULATIVE PREFERENCE STOCK

1. Designation. The designation of the series of Preference Stock authorized by this resolution shall be Series A Cumulative Preference Stock (the "Series A Preference Stock") consisting of 12,500,000 shares.

2. Rank. The Series A Preference Stock shall rank, as to dividends and upon liquidation, dissolution or winding up, prior to

the Common Stock and to any other capital stock of the Corporation hereafter authorized, other than capital stock which shall by its terms rank prior to or on a parity with the Series A Preference Stock and which shall be authorized pursuant to paragraph 6(d) hereof. Any class or classes of stock of the Corporation shall be deemed to rank:

(i) prior to Series A Preference Stock, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of Series A Preference Stock;

(ii) on a parity with Series A Preference Stock, either as to dividends or upon liquidation, whether or not the dividend rates or dividend payment dates or the redemption or liquidation prices per share thereof be different from those of Series A Preference Stock, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority one (1) over the other as between the holder of such class or classes and the holders of Series A Preference Stock ("Parity Stock"); and

(iii) junior to Series A Preference Stock, either as to dividends or upon liquidation, if the rights of the holders of such class or classes shall be subject or subordinate to the rights of the holders of Series A Preference Stock in respect of the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be ("Junior Stock").

3 Dividends.

(a) The holders of outstanding shares of the Series A Preference Stock shall be entitled to receive, when and as declared by the Board of Directors, cash dividends accruing at the per share rate of \$3.60 per annum (the "Dividend Rate") and no more, payable in cash quarterly, each such quarterly payment to be in respect of the quarterly period ending with the day next preceding the date of such payment (except in the case of the first dividend which shall be in respect of the period beginning with June 12, 1995 and ending with the day next preceding the date of such payment),

to holders of Series A Preference Stock of record on the respective dates, not exceeding forty (40) days preceding such quarterly dividend payment dates, fixed for that purpose by the Board of Directors. Such dividends shall be cumulative from June 12, 1995 and shall accrue daily. Accruals of dividends shall not bear interest. Dividends will

be payable on or before each March 13, June 13, September 13 and December 13 (or, if any such day is not a business day, on the next succeeding business day).

(b) Before any dividends (other than dividends payable in Junior Stock) on any class or classes of stock of the Corporation ranking junior to Series A Preference Stock as to dividends or upon liquidation shall be declared and set apart for payments or paid, the holders of shares of Series A Preference Stock shall be entitled to receive cash dividends, when and as declared by the Board of Directors at the Dividend Rate, and no more. No dividends shall be declared or paid or set apart for payment on the Series A Preference Stock in respect of any quarterly dividend period unless there shall likewise be or have been declared and paid or set apart for payment on all shares of Preference Stock of each other series at the time outstanding like dividends in proportion to the respective annual dividend rates fixed therefor for all quarterly dividend periods coinciding with or ending before such quarterly dividend period.

(c) So long as any shares of Series A Preference Stock are outstanding, the Corporation shall not declare or set apart for payment or pay any dividends (other than stock dividends payable on shares of Junior Stock) or make any distribution on any other class or classes of stock of the Corporation ranking junior to Series A Preference Stock as to dividends or upon liquidation and shall not redeem, purchase or otherwise acquire, or permit any subsidiary to purchase or otherwise acquire, any shares of any such Junior Stock if at the time of making such declaration, payment, distribution, redemption, purchase or acquisition the Corporation shall be in default with respect to any dividend payable on, or any obligation to purchase, shares of Series A Preference Stock; provided, however, that, notwithstanding the foregoing, the Corporation may at any time redeem, purchase or otherwise acquire shares of stock of any such Junior Stock in exchange for, or out of the net cash proceeds from the sale of, other shares of stock of any Junior Stock.

4. Redemptions.

(a) Right to Call for Redemption. At any time and from time to time, the Corporation shall have the right to call, in whole or in part, the outstanding shares of the Series A Preference Stock for redemption, subject to the notice provisions set forth in paragraph (4)(h). On the redemption date (the "Redemption Date") with respect to any such redemption, the Corporation shall deliver to the holders thereof, in exchange for each such share called for redemption, the following consideration:

(1) in the event such Redemption Date is prior to June 12, 1998 (the "Specified Date"),

(i) a number of shares of Common Stock equal to the

Call Price (as defined in paragraph (4)(g)(ii)) in effect on the Redemption Date divided by the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the Notice Date, plus

(ii) an amount in cash equal to all accrued and unpaid dividends on such share of Series A Preference Stock to and including the Redemption Date, whether or not declared, out of funds legally available therefor (and dividends shall cease to accrue on such share as of such Redemption Date); and

(2) in the event such Redemption Date is on or after the Specified Date,

(i) shares of Common Stock at the Common Equivalent Rate (determined as provided in this paragraph (4)) in effect on the Redemption Date; plus

(ii) an amount in cash equal to all accrued and unpaid dividends on such share of Series A Preference Stock to and including the Redemption Date, whether or not declared, out of funds legally available for the payment of dividends (and dividends shall cease to accrue on such share as of such Redemption Date).

If at any time less than all of the shares of Series A Preference Stock then outstanding are to be called for redemption, the shares to be redeemed may be selected by lot or such other equitable method as the Board of Directors of the Corporation in its discretion may determine.

(b) Redemption or Acquisition of Series A Preference Stock During Default in Payment of Dividends. If at any time the Corporation shall have failed to pay dividends in full on Preference Stock, thereafter and until dividends in full including all accrued and unpaid dividends on shares of all series of Preference Stock at the time outstanding, shall have been declared and set apart for payment or paid, (i) the Corporation, without the affirmative vote or consent of the holders of at least a majority of the shares of Preference Stock at the time outstanding, voting or consenting

separately as a class without regard to series, given in person or by proxy, either in writing or by resolution adopted at a meeting, shall not redeem less than all the shares of Preference Stock at such time outstanding, regardless of series, other than in accordance with paragraph 4(f) hereof and (ii) neither the Corporation nor any subsidiary shall purchase any shares of Preference Stock except in accordance with a purchase offer made in writing or by publication, as determined by the Board of Directors, in their sole discretion after consideration of the respective annual dividend rates and other

relative rights and preferences of the respective series, shall determine (which determination shall be final and conclusive) will result in fair and equitable treatment among the respective series; provided, however, that (iii) unless prohibited by the provisions applicable to any series, the Corporation, to meet the requirements of any sinking fund provision with respect to any series, may use shares of such series acquired by it prior to such failure and then held by it as treasury stock, and (iv) nothing shall prevent the Corporation from completing the purchase or redemption of shares of Preference Stock for which a purchase contract was entered into for any sinking fund purposes or the notice of redemption of which was mailed to the holders thereof, prior to such default.

(c) Common Equivalent Rate; Adjustments. The Common Equivalent Rate to be used to determine the number of shares of Common Stock to be delivered on the redemption of the Series A Preference Stock in exchange for shares of Common Stock pursuant to paragraph (4) (a) (2) (a "Specified Redemption") shall be initially two shares of Common Stock for each share of Series A Preference Stock; provided, however, that such Common Equivalent Rate shall be subject to adjustment from time to time as provided below in this paragraph (4) (c). All adjustments to the Common Equivalent Rate shall be calculated to the nearest 1/100th of a share of Common Stock. Such rate as adjusted and in effect at any time is herein called the "Common Equivalent Rate."

(i) If the Corporation shall do any of the following (an "Adjustment Event"):

(A) pay a dividend or make a distribution with respect to Common Stock in shares of Common Stock,

(B) subdivide, reclassify or split its outstanding shares of Common Stock into a greater number of shares,

(C) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, or

(D) issue by reclassification of its shares of Common Stock any shares of Common Stock other than in a Fundamental Transaction (as defined in paragraph 4(g) (iv)),

then the Common Equivalent Rate in effect immediately prior to such Adjustment Event shall be adjusted so that the holder of a share of the Series A Preference Stock shall be entitled to receive on the redemption of such share of the Series A Preference Stock, the number of shares of Common Stock that such holder would have owned or been entitled to receive after the

happening of the Adjustment Event had such share of the Series A Preference Stock been redeemed pursuant to paragraph 4(a) immediately prior to the record date for such Adjustment Event, if any, or such Adjustment Event. Where the Adjustment Event is a dividend or distribution, the adjustment to the Common Equivalent Rate shall become effective as of the close of business on the record date for determination of stockholders entitled to receive such dividend or distribution; where the Adjustment Event is a subdivision, split, combination or reclassification, the adjustment to the Common Equivalent Rate shall become effective immediately after the effective date of such subdivision, split, combination or reclassification; and any shares of Common Stock issuable in payment of a dividend shall be deemed to have been issued immediately prior to the close of business on the record date for such dividend for purposes of calculating the number of outstanding shares of Common Stock under clauses (ii) and (iii) below. Such adjustment shall be made successively.

(ii) If the Corporation shall, after the date hereof, issue rights or warrants to all holders of its Common Stock entitling them (for a period not exceeding 45 days from the date of such issuance) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price of the Common Stock (determined pursuant to paragraph (4)(c)(v)), on the record date for the determination of stockholders entitled to receive such rights or warrants, then in each case the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect immediately prior to the date of issuance of such rights or warrants by a fraction (A) the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants, and (B) the denominator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants, immediately prior to such issuance, plus the number of shares of Common Stock which the aggregate offering price of the total number of shares of Common Stock so offered for subscription or purchase pursuant to such rights or warrants would purchase at such Current Market Price (determined by multiplying such total number of shares by the exercise price of such rights or warrants and dividing the product so obtained by such Current Market Price). Such adjustment shall become effective as of the close of business on the record date for the determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Common Equivalent Rate shall be readjusted to the Common Equivalent Rate which would then be in effect had the adjustments made upon the issuance of such rights

or warrants been made upon the basis of delivery of only the number of shares of Common Stock actually delivered. Such adjustment shall be made successively.

(iii) If the Corporation shall pay a dividend or make a distribution to all holders of its Common Stock of evidences of its indebtedness or other assets (including shares of capital stock of the Corporation (other than Common Stock) but excluding any distributions and dividends referred to in clause (i) above or any cash dividends), or shall issue to all holders of its Common Stock rights or warrants to subscribe for or purchase any of its securities (other than those referred to in clause (ii) above), then in each such case, the Common Equivalent Rate shall be adjusted by multiplying the Common Equivalent Rate in effect on the record date mentioned below by a fraction (A) the numerator of which shall be the Current Market Price of the Common Stock (determined pursuant to paragraph (4) (c) (v)) on the record date for the determination of stockholders entitled to receive such dividend or distribution, and (B) the denominator of which shall be such Current Market Price per share of Common Stock less the fair market value (as determined by the Board of Directors of the Corporation, whose determination shall be conclusive) as of such record date of the portion of the assets or evidences of indebtedness so distributed, or of such subscription rights or warrants, applicable to one share of Common Stock. Such adjustment shall become effective on the opening of business on the business day next following the record date for the determination of stockholders entitled to receive such dividend or distribution.

(iv) Anything in this paragraph (4) notwithstanding, the Corporation shall be entitled to make such upward adjustment in the Common Equivalent Rate, in addition to those required by this paragraph (4), as the Corporation in its sole discretion may determine to be advisable, in order that any stock dividends, subdivision of shares, distribution of rights to purchase stock or securities, or a distribution of securities convertible into or exchangeable for stock (or any transaction that could be treated as any of the foregoing transactions pursuant to Section 305 of the Internal Revenue Code of 1986, as amended) hereafter made by the Corporation to its stockholders shall not be taxable. If the Corporation determines that an adjustment to the Common Equivalent Rate should be made pursuant to this paragraph (4) (c) (iv), such adjustment shall be made effective as of such date as the Board of Directors of the Corporation determines. The determination of the Board of Directors of the Corporation as to whether an adjustment to the Common Equivalent Rate should be made pursuant to the foregoing provisions of this paragraph (4) (c) (iv), and, if so, as to what adjustment should be made and when, shall be conclusive, final and binding on the Corporation and all stockholders of the Corporation.

(v) As used in this paragraph (4), the "Current Market Price" of a share of Common Stock on any date shall be, except as otherwise specifically provided, the average of the daily Closing Prices (as defined in paragraph (4)(g)(iii)) for the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price; provided that if the Closing Price of the Common Stock on the Trading Date next

following such five-day period (the "next-day closing price") is less than 95% of such average Closing Price, then the Current Market Price per share of Common Stock on such date of determination will be the next-day closing price; provided, further, that, with respect to any redemption or antidilution adjustment, if any event that results in an adjustment of the Common Equivalent Rate occurs during the period beginning on the first day of the applicable determination period and ending on the applicable redemption date, the Current Market Price as determined pursuant to the foregoing will be appropriately adjusted to reflect the occurrence of such event.

(vi) In any case in which paragraph (4)(c) shall require that an adjustment as a result of any event become effective as of the close of business on the record date and the date fixed for Specified Redemption pursuant to paragraph (4)(a)(2) occurs after such record date, but before the occurrence of such event, the Corporation may in its sole discretion elect to defer the following until after the occurrence of such event: (A) issuing to the holder of any redeemed shares of the Series A Preference Stock the additional shares of Common Stock issuable upon such redemption as a result of such adjustment and (B) paying to such holder any amount in cash in lieu of a fractional share of Common Stock pursuant to paragraph (4)(e).

(vii) Before taking any action which would cause an adjustment to the Common Equivalent Rate that would cause the Corporation to issue shares of Common Stock for consideration below the then par value (if any) of the Common Stock upon redemption of the Series A Preference Stock, the Corporation will take any corporate action that may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of such Common Stock at such adjusted Common Equivalent Rate.

(d) Notice of Adjustments. Whenever the Common Equivalent Rate is adjusted as herein provided, the Corporation shall:

(i) forthwith compute the adjusted Common Equivalent Rate in accordance with this paragraph (4) and prepare a certificate signed by the Chief Executive Officer, the Chief

Financial Officer, any Vice President, or the Treasurer of the Corporation setting forth the adjusted Common Equivalent Rate, the method of calculation thereof in reasonable detail and the facts requiring such adjustment and upon which such adjustment is based, which certificate shall be conclusive, final and binding evidence of the correctness of the adjustment, and file such certificate forthwith with the transfer agent or agents for the Series A Preference Stock and the Common Stock; and

(ii) mail a notice stating that the Common Equivalent Rate has been adjusted, the facts requiring such adjustment and upon which such adjustment is based and setting forth the adjusted Common Equivalent Rate to the holders of record of the outstanding shares of the Series A Preference Stock at or prior

to the time the Corporation mails an interim statement to its stockholders covering the fiscal quarter during which the facts requiring such adjustment occurred, but in any event within 45 days of the end of such fiscal quarter.

(e) No Fractional Shares. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the redemption of any shares of Series A Preference Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the redemption of a share of Series A Preference Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the same fraction of the Current Market Price of the Common Stock determined as of the second Trading Date immediately preceding the relevant Notice Date. If more than one share shall be surrendered for redemption at one time by the same holder, the number of full shares of Common Stock issuable upon redemption thereof shall be computed on the basis of the aggregate number of shares of Series A Preference Stock so surrendered.

(f) Retirement. Shares of Series A Preference Stock which have been redeemed, purchased or acquired by the Corporation (whether through the operation of a sinking fund or otherwise) shall have the status of authorized and unissued shares of Preference Stock and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Stock to be created by resolution of the Board of Directors or as part of any other series of Preference Stock. If in any case the amounts payable with respect to any obligations to retire shares of Series A Preference Stock and any other series of Preference Stock are not paid in full in the case of all series with respect to which such obligations exist, the number of shares of the various series to be retired shall be in proportion to the respective amounts which would be payable on account of such obligations if all amounts payable were discharged in full.

(g) Definitions. As used in this paragraph 4 or elsewhere herein:

(i) the term "business day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York or the Commonwealth of Pennsylvania are authorized or obligated by law or executive order to close or are closed because of a banking moratorium or otherwise;

(ii) the term "Call Price" shall mean the per share price (payable in shares of Common Stock) at which the Corporation may redeem shares of Series A Preference Stock pursuant to paragraph 4(a)(1)), which shall be initially equal to \$84.79952, declining by \$.004444 on each day following June 12, 1995 (computed on the basis of a 360-day year of twelve 30-day months) to \$80.26664 on April 12, 1998 and equal to \$80 thereafter through June 11, 1998, if not sooner redeemed;

(iii) the term "Closing Price" on any day shall mean the closing sale price regular way (with any relevant due bills attached) on such day, or in case no such sale takes place on such day, the average of the reported closing bid and asked prices regular way (with any relevant due bills attached), in each case on the New York Stock Exchange Consolidated Tape (or any successor composite tape reporting transactions on national securities exchanges), or, if the Common Stock is not listed or admitted to trading on such Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading (which shall be the national securities exchange on which the greatest number of shares of Common Stock has been traded during the five consecutive Trading Dates ending on and including the date of determination of the Current Market Price), or, if not listed or admitted to trading on any national securities exchange, the average of the closing bid and asked prices regular way (with any relevant due bills attached) of the Common Stock on the over-the-counter market on the day in question as reported by the National Association of Securities Dealers Automated Quotation System, or a similarly generally accepted reporting service, or if not so available, as determined in good faith by the Board of Directors on the basis of such relevant factors as the Board of Directors in good faith considers appropriate;

(iv) the term "Fundamental Transaction" shall mean a merger or consolidation of the Corporation, a share exchange, division or conversion of the Corporation's capital stock or an amendment of the Corporation's Articles of Incorporation that results in the conversion or exchange of Common Stock into, or the right of the holders thereof to receive, in lieu of or in addition to their shares of Common Stock, other securities or other property (whether of the Corporation or any other entity);

(v) the term "Notice Date" with respect to any notice given by the Corporation in connection with a redemption of any of the Series A Preference Stock shall be the commencement of the mailing of such notice to the holders of the Series A Preference Stock in accordance with paragraph (4) (h);

(vi) the term "outstanding," when used in reference to shares of stock, shall mean issued shares excluding:

- (A) shares held by the Corporation or a subsidiary; and
- (B) shares called for redemption if funds for the redemption thereof have been deposited in trust;

(vii) the term "subsidiary" as used herein shall mean any corporation 51% or more of the outstanding stock having voting rights of which is at the time owned or controlled directly or indirectly by the Corporation; and

(viii) the term "Trading Date" shall mean a date on which the New York Stock Exchange (or any successor to such Exchange) is open for the transaction of business.

(h) Method of Redemption. Notice of every redemption, stating the redemption date, the redemption price, and the placement of payment thereof, shall be given by mailing a copy of such notice at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the holders of record of the shares of Series A Preference Stock to be redeemed at their addresses as the same shall appear on the books of the Corporation. The Corporation, upon mailing notice of redemption as aforesaid or upon irrevocably authorizing the bank or trust company hereinafter mentioned to mail such notice, may deposit or cause to be deposited in trust with a bank or trust company in the City of Philadelphia, Commonwealth of Pennsylvania, or in the Borough of Manhattan, City and State of New York, an amount equal to the redemption price of the shares to be redeemed plus any accrued and unpaid dividends thereon, which amount shall be payable to the holders of the shares to be redeemed upon surrender of certificates therefor on or after the date fixed for redemption or prior thereto if so directed by the Board of Directors. Upon such deposit, or if no such deposit is made, then from and after the date fixed for redemption unless the Board of Directors shall default in making payment of the redemption price plus accrued and unpaid dividends upon surrender of certificates as aforesaid, the shares called for redemption shall cease to be outstanding and the holders thereof shall cease to be stockholders with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares other than the right to receive the redemption price plus accrued and unpaid dividends from such bank or trust company or from the Corporation, as the case may be, without

interest thereon, upon surrender of certificates as aforesaid. In case any holder of shares of Series A Preference Stock which have been called for redemption shall not, within six (6) years after the date of such deposit, have claimed the amount deposited with respect to the redemption thereof, such bank or trust company, upon demand, shall pay over to the Corporation such unclaimed amount and shall thereupon be relieved of all responsibility in respect thereof to such holder, and thereafter such holder shall look only to the Corporation for payment thereof. Any interest which may accrue on funds so deposited shall be paid to the Corporation from time to time.

(i) Surrender of Certificates; Status. Each holder of shares of Series A Preference Stock to be redeemed shall surrender the certificates evidencing such shares (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation shall so require and the notice shall so state) to the Corporation at the place designated in the notice of such redemption and shall thereupon be entitled to receive certificates evidencing shares of Common Stock and to receive any other funds payable pursuant to this paragraph (4) following such surrender and following the date of such redemption. In case fewer than all the shares represented by any such surrendered certificate are called for redemption, a new certificate shall be issued at the expense of the Corporation representing the unredeemed shares. If such notice of redemption shall have been given, and if on the date fixed for redemption shares of Common Stock and other funds necessary for the redemption shall have been either set aside by the Corporation separate and apart from its other funds or assets in trust for the account of the holders of the shares to be redeemed (and so as to be and continue to be available therefor) or deposited with a bank or trust company as provided in paragraph (4)(h), then,

notwithstanding that the certificates evidencing any shares of Series A Preference Stock so called for redemption shall not have been surrendered, the shares represented thereby so called for redemption shall be deemed no longer outstanding, dividends with respect to the shares so called for redemption shall cease to accrue after the date fixed for redemption, and all rights with respect to the shares so called for redemption shall forthwith after such date cease and terminate, except for the right of the holders to receive the shares of Common Stock and other funds, if any, payable pursuant to this paragraph (4) without interest upon surrender of their certificates therefor.

(j) Dividend Payments. The holders of shares of Series A Preference Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares on the corresponding dividend payment date notwithstanding the call for redemption thereof (except that holders of shares called for redemption on a date occurring between such record date and the dividend payment date or on such dividend payment date shall not be entitled to receive such dividend on such dividend payment date but

instead will receive accrued and unpaid dividends to such redemption date.

(k) Payment of Taxes. The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on the redemption of shares of Series A Preference Stock pursuant to this paragraph (4); provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any registration of transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the registered holder of Series A Preference Stock redeemed or to be redeemed, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

5. Liquidation Preference.

(a) Upon the voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the Series A Preference Stock shall be preferred as to assets over Common Stock and any other Junior Stock so that the holder of each share of the Series A Preference Stock shall be entitled to be paid or to have set apart for payment in respect of each such share, before any distribution is made to the holders of Common Stock and any other Junior Stock, a liquidation preference equal to twice the fair market value (as determined by the Board of Directors of the Corporation based on advice of tax counsel in accordance with United States federal income tax principles, which determination shall be conclusive) of a Series A Depositary Share (as defined in the Deposit Agreement dated as of June 13, 1995 between the Corporation and First Chicago Trust Company of New York, as Depositary) on the date of issuance thereof, plus an amount equal to all dividends accrued and unpaid up to and including the date fixed for such payment, and such holder of a share of the Series A Preference Stock shall not be entitled to any other payment. If upon any such liquidation, dissolution or winding up of the Corporation,

its net assets shall be insufficient to permit the payment in full of the respective amounts to which the holders of all outstanding shares of the Series A Preference Stock and any outstanding Preference Stock that is Parity Stock are entitled, the entire remaining net assets of the Corporation shall be distributed among the holders of the Series A Preference Stock and any outstanding Preference Stock that is Parity Stock, in amounts proportionate to the full preferential amounts to which they are respectively entitled.

(b) The voluntary sale, lease, exchange or transfer for cash, shares of stock (securities or other consideration) of all or substantially all the Corporation's property or assets to, or its consolidation or merger with, one or more corporations shall not be

deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

6. Voting Rights.

(a) The holders of record of shares of Series A Preference Stock shall not be entitled to any voting rights except as hereinafter provided in this paragraph (6) or as otherwise provided in the Articles of Incorporation or by statute.

(b) The holders of shares of Series A Preference Stock shall be entitled to vote on all matters submitted to a vote of the holders of the Common Stock, voting together with the holders of the Common Stock (and any other class or series of capital stock of the Corporation entitled to vote together with the Common Stock) as one class. Each share of the Series A Preference Stock shall be entitled to one vote.

(c) (i) If the Corporation shall have failed to pay, or declare and set apart for payment, dividends on Preference Stock in an aggregate amount equivalent to six (6) full quarterly dividends on all shares of Preference Stock at the time outstanding, the number of Directors of the Corporation shall be increased by two (2) at the first annual meeting of the shareholders of the Corporation held thereafter, and at such meeting and at each subsequent annual meeting until dividends payable for all past quarterly dividend periods on all outstanding shares of Preference Stock shall have been paid, or declared and set apart for payment, in full, the holders of the shares of Preference Stock shall have, in addition to any other voting rights which they otherwise may have, the exclusive and special right, voting separately as a class without regard to series, each share of Preference Stock entitling the holder thereof to one (1) vote per share, to elect two (2) additional members of the Board of Directors to hold office for a term of one (1) year; provided, that the right to vote as a class upon the election of such two (2) additional Directors shall not limit the right of holders of the Series A Preference Stock to vote upon the election of all other Directors and upon other matters set forth in paragraph 6(b) above.

(ii) Upon such payment, or declaration and setting apart for payment, in full, the terms of the two (2) additional Directors so elected shall forthwith terminate, and the number of Directors of the Corporation shall be reduced by two (2) and such voting right of the holders of shares of Preference Stock shall cease, subject to increase in the number of Directors as aforesaid and to revesting of such

voting right in the event of each and every additional failure in the payment of dividends in an aggregate amount equivalent to six (6) full quarterly dividends as aforesaid.

(d) The Corporation shall not, without the affirmative vote or consent of the holders of at least 66 2/3% of the number of shares of

Preference Stock at the time outstanding, voting or consenting (as the case may be) separately as a class without regard to series, given in person or by proxy, either in writing or by resolution adopted at a meeting:

(i) create any class of stock ranking prior to or on a parity with Preference Stock as to dividends or upon liquidation or increase the authorized number of shares of any such previously authorized class of stock;

(ii) alter or change any of the provisions of the Articles of Incorporation so as to adversely affect the preferences, special rights or powers given to the Preference Stock;

(iii) increase the number of shares of Preference Stock which the Corporation is authorized to issue; or

(iv) alter or change any of the provisions of the Articles of Incorporation or hereof so as to adversely affect the preferences, special rights or powers given to the Series A Preference Stock.

7. Conversion. The Series A Preference Stock shall not have any conversion rights to convert into Common Stock.

8. Fundamental Transactions. Upon the effectiveness of a Fundamental Transaction at any time, each share of Series A Preference Stock shall be entitled to receive consideration per share (i) of the same type as is offered to or to be received by holders of Common Stock pursuant to or in connection with such Fundamental Transaction and (ii) having a fair value equal to the fair value of the Common Stock that each share of Series A Preference Stock would receive if such share of Series A Preference Stock were redeemed by the Company immediately prior to such time in accordance with paragraph 4 hereof.

UNDERWRITING AGREEMENT

May 24, 1995

Sun Company, Inc.
Ten Penn Center
1801 Market Street
Philadelphia, Pennsylvania
19103-1699
Attention: Mr. Robert M. Aiken, Jr.

Sun Canada, Inc.
c/o P.O. Box 20
Toronto-Dominion Centre
Toronto, Ontario
M5K 1N6

Suncor Inc.
36 York Mills Road
North York, Ontario
M2P 2C5

Dear Sirs:

The undersigned, Nesbitt Burns Inc. ("Nesbitt Burns"), Gordon Capital Corporation, RBC Dominion Securities Inc., Wood Gundy Inc., ScotiaMcLeod Inc., Goldman Sachs Canada, Midland Walwyn Capital Inc., Richardson Greenshields of Canada Limited, First Marathon Securities Limited, Levesque Beaubien Geoffrion Inc., Toronto Dominion Securities Inc. and Peters & Co. Limited (hereinafter individually referred to as an "Underwriter" and collectively as the "Underwriters") understand that Sun Canada, Inc., a wholly-owned subsidiary of Sun Company, Inc., proposes to sell 29,935,412 common shares (the "Offered Securities") of Suncor Inc. (the "Company"). Sun Canada Inc. and Sun Company, Inc., whose obligations shall be joint and several hereunder, are hereinafter referred to as the "Selling Shareholder". The Offered Securities will have attributes in all material respects the same as described in the English and French language versions of the Company's preliminary short form prospectus to be dated May 25, 1995 and signed and delivered by the Company and the Underwriters.

The Underwriters further understand that at the Closing Time, as defined herein, the issued and outstanding share capital of the Company will consist of 54,584,319 common shares, plus such number, if any, of common shares as may have been issued after April 30, 1995 pursuant to officers' and employees' stock options

now outstanding or hereafter issued in the ordinary course or as a result of the tender of outstanding scrip certificates.

Based upon and subject to the representations, warranties, terms and conditions contained herein:

- (a) Each of the Underwriters offers to purchase from the Selling Shareholder at the Closing Time all but not less than all its respective portion of the Offered Securities (based on the applicable percentage participation set forth in Section 23 hereof) at a price of \$39.00 per share. The Offered Securities will be sold on an instalment basis and, prior to full payment, will be evidenced by instalment receipts (the "Instalment Receipts"). The Purchase Price for each Offered Security shall be payable in three instalments. The first instalment of \$13.00 (the "First Instalment") shall be paid by the Underwriters on the Closing Date, the second instalment of \$13.00 (the "Second Instalment") shall be payable by the registered holders of the Instalment Receipts on or before June 10, 1996 and the third instalment of \$13.00 (the "Final Instalment") shall be payable by the registered holders of Instalment Receipts on or before December 30, 1996.

- (b) In consideration of the agreement of the Underwriters to purchase, market and distribute to the public the Offered Securities which will result from the acceptance of this offer and in consideration of the services rendered and to be rendered by the Underwriters in connection with, among other things, the organization, documentation and management of the proposed offering, including the provision of financial and marketing advice, assistance in the preparation of documentation, including the Preliminary Prospectus and the Prospectus (both as hereinafter defined), the formation of any special selling group necessary to distribute the Offered Securities, and performing administrative work in connection with the distribution of the Offered Securities, Sun Canada, Inc. shall pay and Sun Company, Inc. shall cause it to pay the Underwriters at the Closing Time a fee (the "Underwriting Fee") of \$1.56 per Offered Security purchased by the Underwriters against receipt of the purchase price of the Offered Securities.

Terms and Conditions

1. Definitions: In this Agreement:

- (a) "Business Day" means a day on which The Toronto Stock

Exchange is open for trading and banks are open for business in the cities of Toronto and Calgary;

- (b) "Canadian Securities Acts" means, collectively, the applicable securities laws of each of the provinces of Canada and the respective regulations and rules made thereunder;
- (c) "Closing" means the completion of the purchase and sale of the Offered Securities to take place at the Closing Time;
- (d) "Closing Date" means June 8, 1995, or such other date as may be agreed to by the parties hereto but in no event later than July 6, 1995;
- (e) "Closing Time" means 8:30 a.m. (Toronto time) on the Closing Date, or such other time on the Closing Date as the parties may agree upon;
- (f) "Common Shares" means the common shares in the capital of the Company;
- (g) "Company's Excluded Provisions" means, collectively, information or statements relating solely to the Selling Firms or the Selling Shareholder or any of them, or set forth in the second paragraph under the heading "Voting Shares and Principal Holders Thereof" in the Company's Management Proxy Circular dated March 1, 1995, paragraph five under the heading "Plan of Distribution" and all paragraphs under the heading "Selling Shareholder" in the Preliminary Prospectus, and any statements appearing on the face page of the Preliminary Prospectus derived therefrom, together with the corresponding paragraphs in the Prospectus;
- (h) "Custodian" means Montreal Trust Company of Canada, appointed as custodian pursuant to the Instalment Agreement;
- (i) "distribution" means distribution or distribution to the public, as the case may be, under relevant securities legislation in any province of Canada, and "distribute" has a corresponding meaning;
- (j) "Instalment Agreement" means an agreement to be dated as of the Closing Date among the Selling Shareholder, the Company, the Underwriters, the Security Agent and the Custodian pursuant to which the Instalment Receipts are to be issued;

- (k) "Majority Underwriters" means Underwriters that are obligated to purchase, in the aggregate, more than 50% of the Offered Securities;
- (l) the meanings of the terms "material change", "material fact" and "misrepresentation" shall have the respective meanings given thereto by the Canadian Securities Acts or any of them;
- (m) "Preliminary Prospectus" means the short form preliminary prospectus signed and certified in accordance with the Canadian Securities Acts, and the French language version thereof, relating to the offering and distribution of the Offered Securities to the public in the Qualifying Jurisdictions, including the documents incorporated therein by reference;
- (n) "Prospectus" means the final short form prospectus of the Company to be approved, signed and certified in accordance with the Canadian Securities Acts, and the French language version thereof, relating to the offering and distribution of the Offered Securities to the public in the Qualifying Jurisdictions, including the documents incorporated therein by reference;
- (o) "Qualifying Jurisdictions" means all of the provinces of Canada;
- (p) "Regulation S" means Regulation S promulgated by the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended;
- (q) "Securities Commissions" means, collectively, the British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia Securities Commissions, Commission des valeurs mobilières du Québec, the Prince Edward Island and Newfoundland Departments of Justice and the Office of the Administrator of Securities (New Brunswick);
- (r) "Security Agent" means a corporation to be incorporated and wholly-owned by the Custodian, which shall be appointed as security agent pursuant to the Instalment Agreement;
- (s) "Selling Firms" means the Underwriters and other investment dealers and brokers with which the Underwriters have a contractual relationship for the distribution of the Offered Securities;
- (t) "Selling Shareholder's Excluded Provisions" means, collectively, information or statements relating solely

to the Selling Firms, or set forth in paragraph five under the heading "Plan of Distribution", in the Preliminary Prospectus, and any statements appearing on the face page of the Preliminary Prospectus derived therefrom, together with the corresponding paragraphs in the Prospectus;

- (u) Supplementary Material" means, collectively, any amendment to the Prospectus, any amended or supplemental Preliminary Prospectus or Prospectus which may be filed by or on behalf of the Company under the Canadian Securities Acts in connection with the offering of the Offered Securities; and
- (v) "U.S. Securities Laws" means the Securities Act of 1933 as amended, of the United States, and any other laws of the United States applicable in connection with the offering for sale or sale of the Instalment Receipts and the Offered Securities.

2. Offered Securities: Each of the Company and the Selling Shareholder represents and warrants that the Offered Securities are duly and validly authorized and issued, are outstanding as fully paid and non-assessable shares in the capital of the Company and have attributes and characteristics which conform in all material respects to the attributes and characteristics described in the Preliminary Prospectus.

3. Filing: The Company and the Selling Shareholder shall use all reasonable efforts to fulfil as soon as practicable to the reasonable satisfaction of the Underwriters' counsel all legal requirements to be fulfilled by the Company and the Selling Shareholder, respectively, to enable the Offered Securities to be offered for sale and sold to the public in the Qualifying Jurisdictions by the Underwriters directly or through other investment dealers and brokers who comply with the applicable securities laws of the Qualifying Jurisdictions. Without limiting the generality of the foregoing, these legal requirements include the preparation and filing of the Preliminary Prospectus and the Prospectus in each Qualifying Jurisdiction and the obtaining of appropriate receipts and permissions promptly. The Preliminary Prospectus and all required accompanying documents shall be filed in Ontario no later than 5:00 p.m. (local time) on May 25, 1995, and in all other Qualifying Jurisdictions no later than 5:00 p.m. (local time) on May 26, 1995. The Prospectus and all required accompanying documents shall be filed in Ontario no later than 5:00 p.m. (local time) on June 2, 1995 and in all other Qualifying Jurisdictions no later than 5:00 p.m. (local time) on June 5, 1995.

4. Offering to the Public:

(a) The Underwriters will offer the Offered Securities, for sale to the public in Canada directly, and will offer the Instalment Receipts and the Offered Securities in the United States through investment dealers and brokers duly licensed under applicable laws in each case only as permitted by applicable laws and in the manner described herein, at an offering price not exceeding the offering price set forth on the cover page of the Prospectus and upon the terms and conditions set forth in the agreement resulting from the acceptance of this offer. The Underwriters agree that they will distribute the Instalment Receipts and the Offered Securities in a manner which complies in all respects with all applicable laws and regulations of each jurisdiction in which the Instalment Receipts and the Offered Securities are offered for sale, whether or not any securities are actually sold in such jurisdictions, or the Preliminary Prospectus, the Prospectus or any other offering material may be distributed and will not distribute the Instalment Receipts and the Offered Securities or publish any prospectus, circular, advertisement or other offering material in any jurisdiction outside the Qualifying Jurisdictions in such manner as to require registration of the Instalment Receipts and the Offered Securities, or the filing of a prospectus or any similar document with respect to the Instalment Receipts and the Offered Securities by the Company or the Selling Shareholder or as a result of which the Company or the Selling Shareholder or any of their respective directors, officers or employees could become subject to any inquiry, investigation or proceeding commenced or threatened by any securities regulatory authority, stock exchange or other competent authority, under the laws of any jurisdiction other than the Qualifying Jurisdictions and will require each Selling Firm to agree not to distribute the Instalment Receipts and the Offered Securities except as permitted in the agreement resulting from the acceptance of this offer. For the purposes of this paragraph, the Underwriters shall be entitled to assume that the Offered Securities are qualified for distribution under the securities laws of those Qualifying Jurisdictions where a receipt or similar document for the Prospectus shall have been obtained from the applicable securities regulatory authority following the filing of the Prospectus. Notwithstanding the foregoing provisions of this paragraph, an Underwriter will not be liable to the Company under this paragraph with respect to a default by another Underwriter under this paragraph.

(b) The Company and the Selling Shareholder shall cooperate in all respects with the Underwriters to allow and assist the Underwriters to participate fully in the preparation of the Preliminary Prospectus and Prospectus and any Supplementary

Material and shall allow the Underwriters to conduct all "due diligence" investigations which the Underwriters may reasonably require to fulfil the Underwriters' obligations as underwriters and

to enable the Underwriters responsibly to execute any certificate required to be executed by the Underwriters in such documentation.

(c) The Underwriters agree that they and their United States broker-dealer affiliates will comply, and they will provide in any selling group agreement that each member of the selling group will comply, with the U.S. selling restrictions set forth in Schedule A to this Agreement, provided, however, that an Underwriter which is not itself in breach of this paragraph or Schedule A will not be liable to the Company under this paragraph or Schedule A with respect to a breach by another Underwriter or, provided that the Underwriters have provided in any selling group agreement that members of the selling group will comply with such U.S. selling restrictions, by a member of the selling group of this paragraph or Schedule A.

(d) The Underwriters acknowledge that neither the Company nor the Selling Shareholder is taking any steps to qualify the Offered Securities for distribution outside of Canada.

(e) The Selling Shareholder undertakes and agrees that the entering into of the Instalment Agreement by the Underwriters, and the holding of the Offered Securities pursuant thereto, shall satisfy and release the Underwriters in respect of any obligation with respect to payment of the Second Instalment and Final Instalment (other than obligations of the Underwriters as registered holders of Instalment Receipts), and that thereafter only the registered holder of an Instalment Receipt from time to time shall have any obligations with respect to the payment of the Second Instalment and Final Instalment.

(f) The Selling Shareholder and the Company shall take all such reasonable action within their power as may be necessary to ensure that the Instalment Receipts are listed on the Toronto and Montreal stock exchanges at all times on and after the Closing Date at least until the due date for payment of the Final Instalment.

5. Delivery of Documents: The Company shall deliver and the Selling Shareholder shall use all reasonable efforts to cause to be delivered to the Underwriters the documents set out below, as appropriate, at the respective times indicated:

(a) immediately prior to the filing of each of the Preliminary Prospectus and the Prospectus with the Securities Commissions, the Preliminary Prospectus and Prospectus, as the case may be, prepared in accordance with the Canadian Securities Acts and signed by the

Company and the Selling Shareholder as required thereby;

- (b) immediately prior to the filing thereof with the Commission des valeurs mobilières du Québec, the French language version of each of the Preliminary Prospectus and the Prospectus signed by the Company;
- (c) on the date of the filing of the French language version of each of the Preliminary Prospectus and the Prospectus, an opinion of Coopers & Lybrand, the auditors of the Company, in form and content satisfactory to the Underwriters, acting reasonably, to the effect that the French language versions of the sections entitled "Selected Consolidated Financial Information", Management's Discussion and Analysis", the audited consolidated financial statements of the Company and the notes thereto, together with the auditors' report thereon and the unaudited interim financial statements of the Company, and the notes thereto, which are contained or incorporated by reference in the French language version of the Preliminary Prospectus or the Prospectus, as the case may be, (all of which information is hereinafter referred to as "Financial Information") are in all material respects a complete and proper translation of the corresponding items in or incorporated by reference in the English language version of such document;
- (d) on the date of the filing of the French language version of each of the Preliminary Prospectus and the Prospectus, an opinion of Quebec counsel to the Company, dated the date of the Preliminary Prospectus or the date of the Prospectus, as applicable, in form and content satisfactory to the Underwriters to the effect that the French language version of the Prospectus (except the Financial Information) is in all material respects a complete and accurate translation of the English language version of the Prospectus and that the two versions are not susceptible to any materially different interpretations with respect to any material matter contained therein; and
- (e) forthwith upon preparation, any amendment to the Preliminary Prospectus or the Prospectus prepared in accordance with the Canadian Securities Acts and signed by the Company and the Selling Shareholder as required thereby.

The Company shall promptly deliver and the Selling Shareholder shall use all reasonable efforts to cause to be delivered to the

Underwriters any Supplementary Material required to be prepared or filed by the Company under the laws of any Qualifying Jurisdiction. Such Supplementary Material shall be in form and substance

satisfactory to the Underwriters, acting reasonably.

The delivery to the Underwriters of the Preliminary Prospectus, the Prospectus and any Supplementary Material shall constitute the consent by the Company and the Selling Shareholder to the use by the Underwriters and the other Selling Firms of such documents in the applicable jurisdictions in connection with the distribution of the Offered Securities in compliance with the provisions of this offer and subject to the provisions of Section 4 hereof.

6. Distribution: As soon as possible, and in any event not later than May 26, 1995, in the case of the Preliminary Prospectus and within 48 hours from the filing of the Prospectus or the execution of any amendment or supplement to the Preliminary Prospectus or the Prospectus, the Company shall deliver and the Selling Shareholder shall use all reasonable efforts to cause to be delivered to the Underwriters without charge commercial copies of the Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, as the case may be, in such numbers and at such locations as the Underwriters may reasonably require by instructions given within 24 hours of each time any such filing or execution occurs.

7. Opinions and Comfort Letter:

(a) Coincident with the signing of the Prospectus, the Company shall deliver and the Selling Shareholder shall use all reasonable efforts to cause to be delivered to the Underwriters, dated the date of the Prospectus, an expanded comfort letter from Coopers & Lybrand with respect to the financial and accounting information regarding the Company contained in the Prospectus which comfort letter shall be in addition to the consent letters addressed to the Securities Commissions and shall be based on a review by the auditors having a cutoff date not more than three Business Days prior to the date of the expanded comfort letter, which is acceptable in form and substance to the Underwriters, acting reasonably.

(b) Opinions and comfort letters similar to those referred to in paragraphs 5(c) and (d), in the case of the Preliminary Prospectus and the Prospectus, and in paragraph 7(a), in the case of the Prospectus, hereof shall be delivered to the Underwriters coincident with the signing of any amended or supplemental Preliminary Prospectus or Prospectus in each case dated the date of such amended or supplemental Preliminary Prospectus or Prospectus.

8. Material Change: During the period of distribution, the Company and the Selling Shareholder shall promptly notify the Underwriters in writing of:

- (a) any change (actual, contemplated or threatened), in or affecting the business, prospects, affairs, management, operations, assets, liabilities (contingent or otherwise), capital or ownership of the Company; or
- (b) any change in any fact contained or referred to in the Preliminary Prospectus, the Prospectus or any Supplementary Material as it exists immediately prior to such change;

which change is, or may be, of such a nature as to render the Preliminary Prospectus, the Prospectus or any Supplementary Material as it exists immediately prior to such change, misleading or untrue or would result in any of such documents, as they exist immediately prior to such change, containing a misrepresentation or which would result in any of such documents, as they exist immediately prior to such change, not complying with the laws of any Qualifying Jurisdiction or jurisdiction in the United States in which the Offered Securities are being offered for sale or which change would reasonably be expected to have a significant effect on the market price or value of any securities of the Company. The obligation of the Selling Shareholder so to notify shall only relate to changes known or which reasonably ought to have been known to the Selling Shareholder as a principal shareholder of the Company. The Company and the Selling Shareholder shall, to the reasonable satisfaction of the Underwriters' counsel, promptly comply, in the case of the Company and use all reasonable efforts to cause to be complied with, in the case of the Selling Shareholder, with all applicable filing and other requirements under securities laws in the Qualifying Jurisdictions and elsewhere arising as a result of such change, it being acknowledged that the Company shall not be required to file a registration statement under U.S. Securities Laws or otherwise qualify the Offered Securities for distribution outside Canada. The Company and the Selling Shareholder shall in good faith discuss with the Underwriters any change in circumstances (actual or proposed within the Company's or the Selling Shareholder's knowledge) which is of such a nature that there is reasonable doubt whether notice need be given to the Underwriters pursuant to this section and, in any event, prior to making any filing referred to in this Section 8.

In addition, if during the period from the signing of the Preliminary Prospectus or the Prospectus to the completion of the distribution of the Offered Securities as notified to the Company and the Selling Shareholder pursuant to Section 18 there is any

change in any applicable securities laws which results in a requirement to file Supplementary Material, the Company and the Selling Shareholder each shall promptly, to the reasonable satisfaction of the Underwriters' counsel, make any such filing required to be made by it, in the applicable jurisdiction or

jurisdictions, it being acknowledged that the Company shall not be required to file a registration statement under U.S. Securities Laws or otherwise qualify the Offered Securities for distribution outside Canada.

9. Representations and Warranties

(a) The delivery by the Company to the Underwriters of the documents referred to in Sections 5(a) and (d) hereof shall constitute the Company's representation and warranty to the Underwriters that:

- (A) except with respect to the Company's Excluded Provisions, each such document at the time of its signing or filing fully complied with the requirements of the applicable securities laws in the Qualifying Jurisdictions pursuant to which it was filed and all the information and statements contained therein are, at the respective dates of delivery thereof, true and accurate, contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Company and its subsidiaries, taken together, and relating to the subsidiaries, as required by the applicable securities laws in the Qualifying Jurisdictions;
- (B) except with respect to the Company's Excluded Provisions, no material fact or information has been omitted from the said documents and no other fact or information has been omitted therefrom which is necessary to make the statements contained therein not misleading in light of the circumstances in which they were made;
- (C) the financial statements included or incorporated by reference in such documents present fairly the consolidated financial position of the Company as at the dates indicated and the results of its operations for the periods specified and except as otherwise stated in such documents, the said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis;
- (D) each of the Company and its material subsidiaries has been duly incorporated and is

validly existing as a subsisting corporation under the laws of its jurisdiction of incorporation with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Preliminary Prospectus or Prospectus; and each of the Company and its material subsidiaries is duly qualified as a foreign or extra-provincial corporation, as the case may be, to transact business in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries, taken as a whole;

- (E) the Company and each of its material subsidiaries is not in violation of its charter or by-laws; the Company and each of its subsidiaries is not in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which it is a party or by which it may be bound or to which any of its property or assets is subject, other than defaults that in the aggregate do not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries, taken as a whole; and the execution, delivery and performance of the agreement which will result from the Company's and the Selling Shareholder's acceptance of this offer and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company

or any of its subsidiaries is a party or by which the Company or any of its subsidiaries may be bound or to which any of the property or assets of the Company or any of its subsidiaries is subject (other than conflicts, breaches, defaults, liens, charges and encumbrances that in the aggregate do not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries, taken as a whole), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any of its subsidiaries or any applicable law, administrative regulation or administrative or court decree (other than violations that in the aggregate do not have a material adverse effect on the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its subsidiaries, taken as a whole);

- (F) no authorization, approval or consent of any court or governmental authority or agency in Canada is required to be obtained by the Company in connection with the sale and delivery of the Offered Securities hereunder, except such as may be required under the Canadian Securities Acts; the Company has not caused any copies of the Preliminary Prospectus, the Prospectus or any amendments or reproductions thereof or thereto to be distributed or delivered to any persons (except parties hereto and their employees and advisers) in the United States, its territories or possessions;
- (G) Sun Canada, Inc. is the registered holder on the books of the Company of 29,935,412 of the 54,584,319 total issued and outstanding Common Shares, which as at April 30, 1995, constituted all of the issued and outstanding shares in the capital of the Company and approximately 40 common shares are subject to issuance pursuant to outstanding scrip certificates;
- (H) as of the date hereof, no person, firm or corporation has any agreement or option, or

right or privilege (whether pre-emptive or contractual) capable of becoming an agreement for the purchase, subscription or issuance of any of the unissued shares, securities or warrants (including convertible securities or warrants) of the Company except for the common shares of the Company issuable to directors, officers and employees pursuant to stock options now outstanding or as a result of the tender of outstanding scrip certificates;

- (I) all authorizations, approvals and consents to be obtained by the Company under applicable laws or otherwise for the execution and delivery of the agreement which will result from the Company's and the Selling Shareholder's acceptance of this offer have been obtained and are in full force, and the said agreement will be a legal, valid and binding agreement of the Company enforceable in accordance with its terms subject to equitable principles and laws respecting the enforcement of creditors' rights.

(b) The delivery by the Company to the Underwriters of the documents referred to in Sections 5(a) and (d) hereof shall constitute the Selling Shareholder's representation and warranty to the Underwriters that:

- (A) each of Sun Company, Inc. and Sun Canada, Inc. has been duly incorporated, and is validly existing as a subsisting corporation under the laws of Pennsylvania (in the case of Sun Company, Inc.) and Delaware (in the case of Sun Canada, Inc.), and Sun Canada, Inc. has the corporate power and authority to own and to sell the Offered Shares as contemplated hereby;
- (B) the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action by the Selling Shareholder and will not result in any violation of the provisions of the charter or by-laws of the Selling Shareholder or any applicable law, administrative regulation or administrative or court decree binding on the Selling Shareholder;

- (C) no authorization, approval or consent of any court or governmental authority or agency is required to be obtained by the Selling Shareholder in connection with the sale and delivery of the Offered Securities in any Qualifying Jurisdictions or jurisdiction in the United States, except as may be required under applicable securities laws therein;
- (D) at the Closing Time, Sun Canada, Inc. will have good and marketable title to the Offered Securities free and clear of any pledge, lien, security interest, encumbrance, claim or equity; and upon delivery of the Offered Securities against payment of the purchase price therefor as herein contemplated, the Underwriters will receive good and marketable title to the Offered Securities free and clear of any pledge, lien, security interest, encumbrance, claim or equity, except as provided in the Instalment Agreement;
- (E) all authorizations, approvals and consents under applicable laws or otherwise for the execution and delivery by the Selling Shareholder of the agreement which will result from the acceptance of this offer have been obtained and are in full force; and the Selling Shareholder has full right, power and authority to enter into the said agreement and to sell, transfer and deliver the Offered Securities; and the said agreement will be a legal, valid and binding agreement of the Selling Shareholder enforceable in accordance with its terms subject to equitable principles and laws respecting the enforcement of creditors' rights;
- (F) the Selling Shareholder is not prompted to sell the Offered Securities to be sold by it hereunder by a material fact or material change concerning the offering of the Offered Securities that is not set forth in the Preliminary Prospectus or the Prospectus;
- (G) except with respect to the Selling Shareholder's Excluded Provisions, each document referred to in Section 5 hereof at the time of its signing or filing fully complied with the requirements of the applicable securities laws in the Qualifying

Jurisdictions pursuant to which it was filed and all the information and statements contained therein are at the respective dates of delivery thereof, true and accurate, contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Company and its subsidiaries, taken together, and relating to the Offered Securities, as required by the applicable securities laws in the Qualifying Jurisdictions;

- (H) except with respect to the Selling Shareholder's Excluded Provisions, no material fact or information has been omitted from the said documents and no other fact or information has been omitted therefrom which is necessary to make the statements contained therein not misleading in light of the circumstances in which they were made;
- (I) the financial statements included in such documents present fairly the consolidated financial position of the Company as at the dates indicated and the results of its operations for the periods specified and except as otherwise stated in such documents, the said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis;
- (J) the Selling Shareholder has not caused any copies of the Preliminary Prospectus, the Prospectus, or any amendments or reproductions thereof or thereto to be distributed or delivered to any persons (except the parties hereto and their employees and advisers) in the United States, its territories or possessions; and
- (K) none of the Selling Shareholder nor any of their affiliates (other than the Company and its subsidiaries) or any person acting on their behalf has offered or will offer to sell the Instalment Receipts or the Offered Securities by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act of 1933, as amended) or in any

manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act of 1933, as amended.

(c) Any certificate signed by any officer or other authorized signatory of the Company or the Selling Shareholder and delivered to the Underwriters or to their counsel shall be deemed a representation and warranty by the Company or by the Selling Shareholder, respectively, to each Underwriter as to the matters covered by the certificate.

(d) The Underwriters individually represent and warrant to the Company and the Selling Shareholder that their marketing documentation and all other statements made, whether in writing or orally, by them or their employees or agents, will only include information contained in or derived from the Preliminary Prospectus, the Prospectus or any Supplementary Material or taken or derived from publicly available industry or market reports, sources or data, and will not purport to make a statement attributable to the Company or the Selling Shareholder unless such statement is found in the Preliminary Prospectus, the Prospectus or any Supplementary Material.

(e) Each of the Company and the Selling Shareholder hereby represent, warrant, covenant and agree to and with the Underwriters that:

(i) neither it, its affiliates nor any person acting on its behalf has offered or will offer to sell the Offered Securities or the Instalment Receipts by means of any form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act of 1933, as amended)

or in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act of 1933, as amended;

(ii) neither it, its affiliates or any person acting on its behalf has engaged or will engage in any directed selling efforts in the United States within the meaning of Regulation S with respect to the Offered Securities or the Instalment Receipts; and

(iii) it has complied and will comply with the applicable offering restriction requirements of Regulation S.

10. Closing: The Underwriters' purchase of the Offered

Securities under the agreement resulting from the acceptance of this offer shall take place at the Closing Time at the offices of Osler, Hoskin and Harcourt, 66th Floor, 1 First Canadian Place, Toronto, Ontario or at such other place as may be agreed by the Underwriters and the Selling Shareholder.

11. Closing Conditions: The obligations of the Underwriters under the agreement resulting from the acceptance of this offer are conditional upon and subject to the Underwriters receiving, at the Closing Time:

- (a) evidence satisfactory to the Underwriters that the Selling Shareholder and the Company have obtained all necessary approvals for the listing of the Instalment Receipts on the Toronto and Montreal stock exchanges;
- (b) one definitive and bilingual share certificate representing the Offered Securities registered in the name of Nesbitt Burns (or in such other name or names as the Underwriters may notify the Selling Shareholder of in writing not less than 48 hours prior to the Closing Time) against payment to the Selling Shareholder, or as the Selling Shareholder may direct to the Underwriters in writing no less than 24 hours prior to the Closing Time, of the aggregate First Instalment for the Offered Securities by bank draft or certified cheque payable in Toronto;
- (c) the Underwriting Fee by bank draft or certified cheque payable in Toronto and made payable to Nesbitt Burns (or as the Underwriters may direct by notice given to the Selling Shareholder in writing not less than 24 hours prior to the Closing Time);
- (d) three certificates dated as of Closing Time, one signed on behalf of the Company by the President and Chief Executive Officer and the Senior Vice-President, Finance of the Company or such other persons as may be agreed upon by the Underwriters, acting reasonably, and one signed on behalf of each of Sun Company, Inc. and Sun Canada, Inc. by an authorized signatory who is acceptable to the Underwriters, acting reasonably, certifying that to the best of the knowledge, information and belief of each such person, after having made or caused to be made all reasonable inquiries and having carefully examined the Prospectus and any amendments thereto and except as may be disclosed in the Prospectus or any amendments thereto:
 - (i) no order ceasing or suspending trading in any securities of the Company or prohibiting the

sale of the Offered Securities has been issued and, to the knowledge of such person, no proceedings for such purposes are pending or threatened;

- (ii) since the date of the Prospectus, (A) there has been no material change, (actual, contemplate or threatened) in the business, affairs, operations, management, assets, liabilities (contingent or otherwise) or capital of the Company and its subsidiaries, taken as a whole, and (B) there have been no dividends (other than regular dividends), repayment of an equity advance or other distribution of any kind declared, paid or made by the Company on or in respect of its equity capital;
- (iii) since the date of the Prospectus, no transaction material to the Company and its subsidiaries, taken as a whole, has been entered into by the Company or any of its subsidiaries, except in the normal course of its business;
- (iv) in the case of the Company's certificate, neither the Company nor any of its subsidiaries have any material contingent liability out of the ordinary course of business which is material to the Company and its subsidiaries taken as a whole;
- (v) in the case of the Company's certificate, there are no actions, suits, proceedings or inquiries in existence or, to the knowledge of such officers, pending or threatened against or affecting the Company or any of its subsidiaries at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality, which may in any way materially affect the Company and its subsidiaries as a whole;
- (vi) the representations and warranties on the part of the Company (in the case of its certificate) or the Selling Shareholder (in the case of its certificates) contemplated in Section 9 hereof are true and correct at Closing Time as if made at such time; and

- (vii) the Company (in the case of its certificate) and the Selling Shareholder (in the case of its certificates) has complied with all covenants and satisfied all terms and conditions hereof to be complied with and satisfied by it except to the extent that the same has been waived by the Underwriters in writing pursuant to Section 20 hereof;

- (e) a duly executed Instalment Agreement in scope, form and substance reasonably satisfactory to the Underwriters which will provide that the Company will only take action that gives rise to the exercise of a right of dissent of its Shareholders if the registered holders of Instalment Receipts are offered the identical rights of dissent subject to a requirement to the effect that a dissenting holder who wishes to make a demand for payment in accordance with such dissent rights must first prepay the Second Instalment and the Final Instalment;

- (f) opinions, to the reasonable satisfaction of the Underwriters and their counsel, addressed to the Underwriters, as to all such legal matters as the Underwriters may reasonably request including, without limitation:
 - (i) of Osler, Hoskin & Harcourt as counsel to the Company as to the incorporation and existence of the Company, the authorized capital of the Company, the authorization and execution of the Preliminary Prospectus and the Prospectus on behalf of the Company, the qualification for distribution of the Offered Securities in the Qualifying Jurisdictions, the conformity of the Offered Securities to the description thereof in the Prospectus, the validity and enforceability of each of the agreement which will result from the acceptance of this offer and the Instalment Agreement (subject to the normal opinion qualifications and in particular as to the enforceability of the indemnity and contribution provisions hereof), compliance with the constating documents of the Company, the qualification of the Offered Securities as investments under the statutes listed in the Prospectus without recourse to the so-called "basket" provisions thereof, the approval of the form of share certificate and the opinion expressed in the Prospectus under the heading "Canadian Federal Income Tax

Considerations";

(ii) of the Assistant General Counsel of Sun Company, Inc. as regards United States laws and Fasken Campbell Godfrey as special Canadian counsel to the Selling Shareholder and Sun as regards Canadian law, as to the incorporation and existence of the Selling Shareholder, the sale of the Offered Securities hereunder, the qualification for distribution of the Offered Securities in the Qualifying Jurisdictions, the validity and enforceability of each of the agreement which will result from the acceptance of this offer and the Instalment Agreement (subject to the normal opinion qualifications and in particular as to the enforceability of the indemnity and contribution provisions hereof), compliance with the constating documents of the Selling Shareholder, the qualification of the Offered Securities as investments under the statutes listed in the Prospectus without recourse to the so-called "basket" provisions thereof and the opinion referred to in the Prospectus under the heading "Canadian Federal Income Tax Considerations";

(iii) of Davies, Ward & Beck as counsel to the Underwriters, as to the incorporation, organization and existence of the Company, the authorized capital of the Company, the authorization and execution of the Preliminary Prospectus and the Prospectus by the Company, the qualification for distribution of the Offered Securities in the Qualifying Jurisdictions, the conformity of the Offered Securities to the description thereof in the Prospectus, the validity and enforceability of the agreement which will result from the acceptance of this offer (subject to the normal opinion qualifications and in particular as to the enforceability of the indemnity and contribution provisions hereof), the qualification of the Offered Securities as investments under the statutes listed in the Prospectus without recourse to the so-called "basket" provisions thereof and the opinion referred to in the Prospectus under the heading "Canadian Federal Income Tax Considerations", counsel to the Underwriters

being permitted to rely on counsel to the Company and the Selling Shareholder with respect to matters pertaining to the Company and the Selling Shareholder;

all counsel may rely on local counsel acceptable to them in other jurisdictions with respect to matters governed by the laws of jurisdictions other than their home jurisdictions and also may rely, as to matter of fact alone, on certificates or statutory declarations of corporate officers, the auditors of the Company and public officials;

- (g) a comfort letter from the Company's auditors dated the Closing Date to the same effect as the letter referred to in clause 7(b) hereof bringing the information contained in the comfort letter referred to in clause 7(b) forward to the Closing Time, provided that such comfort letter shall be based on a review by the auditors having a cutoff date not more than three business days prior to the Closing Date; and
- (h) an opinion of the Company's Quebec counsel, dated the Closing Date and acceptable in form and substance to the Underwriters' counsel, as to compliance with the laws of the Province of Quebec relating to the use of the French language.

12. Delivery of Certificates: At the Closing Time, the definitive certificates representing the Offered Securities, along with a duly executed instrument of transfer and assignment in favour of the Custodian shall be delivered, as required by the Instalment Agreement. The Custodian shall thereupon deliver to the Underwriters an Instalment Receipt in favour of Nesbitt Burns which shall be immediately exchangeable, as provided for in the Instalment Agreement, for such number of Instalment Receipts in such denominations and in such names as the Underwriters may instruct, not less than two Business Days prior to the Closing Time, which shall be available for exchange and delivery at the expense of the Selling Shareholder, at the principal offices of the Custodian in Vancouver, Calgary, Edmonton, Toronto and Montreal.

13. Indemnities by the Company and Selling Shareholder: The Company and the Selling Shareholder, jointly and severally (subject to section 14), shall protect and indemnify the Underwriters and their directors, officers, employees and agents (the "Indemnified Parties") from and against all losses (other than losses of profit in connection with the distribution of the Offered Securities), claims, costs, damages and liabilities caused by or arising directly or indirectly by reason of:

- (a) any information or statement (except any information or statement relating to solely the Underwriters or any of them) contained in the Preliminary Prospectus, the Prospectus or in any amendment or supplement to either thereof (except any document or material delivered or filed solely by the Selling Firms or any of them) being or being alleged to be a misrepresentation or untrue or any omission or alleged omission to state therein any material fact (except facts relating solely to the Selling Firms or any of them) required to be stated therein or necessary to make any of the statements therein not misleading in light of the circumstances in which they were made;
- (b) any order made or any inquiry, investigation or proceeding instituted, threatened or announced by any court, securities regulatory authority, stock exchange or by any other competent authority, based upon any untrue statement, omission or misrepresentation or alleged untrue statement, omission or misrepresentation (except a statement, omission or misrepresentation relating solely to the Selling Firms or any of them) in the Preliminary Prospectus, the Prospectus or in any amendment or supplement to either thereof (except any document or material delivered or filed solely by the Selling Firms or any of them) preventing or restricting the trading in or the sale or distribution of the Offered Securities or any of them or any other securities of the Company in any jurisdiction;
- (c) the Company not complying with any requirement of applicable legislation of Canada or any Qualifying Jurisdictions to make any document available for inspection; or
- (d) the breach of any representations, warranties or covenants of the Company or the Selling Shareholder herein (except, in the case of the Company's indemnity, the representations, warranties and covenants of the Selling Shareholder);

and will reimburse the Indemnified Parties for all costs, charges and expenses, as incurred, which any of them may pay or incur in connection with investigating or disputing any such claim or action. This indemnity will be in addition to any liability which the Company or the Selling Shareholder may otherwise have.

If any claim contemplated by this Section shall be asserted against any of the Indemnified Parties, or if any potential claim contemplated by this Section shall come to the

knowledge of any of the Indemnified Parties, the Indemnified Party concerned shall notify the Company and the Selling Shareholder as soon as reasonably practicable of the nature of such claim (provided that any failure to so notify in respect of any potential claim shall not affect the Company's or the Selling Shareholder's liability under this Section and provided further that any failure to so notify in respect of any actual claim shall affect the Company's or the Selling Shareholder's liability under this Section only to the extent that the Company or the Selling Shareholder is prejudiced by such failure). The Company shall, subject as hereinafter provided, be entitled (but not required) to assume the defence on behalf of the Indemnified Party of any suit brought to enforce such claim; provided that the defence shall be through legal counsel selected by the Company and acceptable to the Indemnified Party, acting reasonably, and no admission of liability shall be made by the Company or the Selling Shareholder or the Indemnified Party without, in each case, the prior written consent of all the parties hereto, such consent not to be unreasonably withheld. An Indemnified Party shall have the right to employ separate counsel in any such suit and participate in the defence thereof but the fees and expenses of such counsel shall be at the expense of the Indemnified Party unless:

- (i) the Company fails to assume the defence of such suit on behalf of the Indemnified party within ten days of receiving notice of such suit;
- (ii) the employment of such counsel has been authorized by the Company; or
- (iii) the named parties to any such suit (including any added or third parties) include both the Indemnified Party and the Company or the Selling Shareholder and the Indemnified Party shall have been advised by counsel that representation of the Indemnified Party by counsel for the Company or the Selling Shareholder is inappropriate as a result of potential or actual conflicting interests of those represented;

(in each of which cases (i), (ii) or (iii) the Company shall not have the right to assume the defence of such suit on behalf of the Indemnified Party but the Company shall be liable to pay the reasonable fees and expenses of one firm of separate counsel for all Indemnified Parties and, in addition, one firm of local counsel in each applicable jurisdiction).

In the event the Company and the Selling Shareholder jointly notify the Indemnified Party in writing, the Selling

Shareholder may assume the defence of any suit brought to enforce any such claim, and all the rights and responsibilities of the Company provided in the foregoing paragraph shall be deemed to be rights and responsibilities of the Selling Shareholder, mutatis mutandis.

The Company and the Selling Shareholder further agree not to claim contribution from the Indemnified Parties in the event of any action brought against the Company as a result of any information, statement or omission referred to in (a) or (b) above (except any information or statement relating solely to the Selling Firms or any of them).

The Company and the Selling Shareholder hereby acknowledge that the Underwriters are acting as agents for the Underwriters' directors, officers, employees and agents as regards the covenants of the Company and the Selling Shareholder under this Section and Section 15 with respect to all such directors, officers, employees and agents.

14. Indemnity Qualifications: Notwithstanding the provisions of Section 13 hereof:

- (a) the Company shall have no responsibility to indemnify the Indemnified Parties with respect to any claim contemplated by Section 13(a) or 13(b) hereof in respect of the Company's Excluded Provisions or any information or statement corresponding thereto in any amendment or supplement to the Preliminary Prospectus or the Prospectus;
- (b) the Selling Shareholder shall have no responsibility to indemnify the Indemnified Parties with respect to any claim contemplated by Section 13(a) or 13(b) hereof in respect of the Selling Shareholder's Excluded Provisions or any information or statement corresponding thereto in any amendment or supplement to the Preliminary Prospectus or the Prospectus;
- (c) the Selling Shareholder shall have no responsibility to indemnify the Indemnified Parties in respect of any claim contemplated by Section 13(c) hereof; and
- (d) the foregoing rights of indemnity shall not enure to any Indemnified Party if the Company and the Selling Shareholder have complied with the provisions of Section 8 hereof and the claim for indemnification relates to a person asserting a claim in respect of an alleged untrue statement in or alleged omission from any document, including the Preliminary Prospectus or the Prospectus, and such person was not provided with a copy of the

Prospectus or Supplementary Material which corrects such alleged untrue statement or alleged omission and which is required, under applicable law, to be delivered to such person by such Indemnified Party.

15. Contribution:

(a) In order to provide for just and equitable contribution in circumstances in which the indemnity provided in Section 13 hereof, as modified by Section 14 hereof, would otherwise be available in accordance with its terms but is, for any reason not solely attributable to any one or more of the Indemnified Parties, held to be unavailable to or unenforceable by the Indemnified Parties or enforceable otherwise than in accordance with its terms, the Underwriters and the Company and the Selling Shareholder shall contribute to the aggregate of all claims, expenses, costs and liabilities and all losses (other than losses of profits) of the nature contemplated in Section 13 hereof and suffered or incurred by the Indemnified Parties in proportions such that the Underwriters shall be responsible for the portion represented by the percentage that the total Underwriting Fee payable by the

Selling Shareholder bears to the total gross proceeds to the Selling Shareholder of the Offered Securities, both as determined pursuant to the provisions hereof, and the Company and the Selling Shareholder shall, subject to paragraph (b) of this section, be responsible for the balance, whether or not it has been sued or sued separately; provided that the Underwriters shall not in any event be liable to contribute, in the aggregate, any amount in excess of such total Underwriting Fee or any portion thereof actually received. However, no party who has engaged in any fraud, fraudulent misrepresentation or gross negligence shall be entitled to claim contribution from any person who has not engaged in such fraud, fraudulent, misrepresentation or gross negligence.

(b) Notwithstanding the provisions of Section 15(a):

(i) the Company shall have no responsibility to contribute in respect of any claim contemplated by Section 13(a) or 13(b) hereof in respect of the Company's Excluded Provisions or any information or statement corresponding thereto in any amendment or supplement to the Preliminary Prospectus or the Prospectus;

(ii) the Selling Shareholder shall have no responsibility to contribute in respect of any claim contemplated by Section 13(a) or (b) hereof in respect of the Selling Shareholder's Excluded Provisions or any information or

statement corresponding thereto in any amendment or supplement to the Preliminary Prospectus or the Prospectus; and

- (iii) the Selling Shareholder shall have no responsibility to contribute in respect of any claim contemplated by Section 13(c) hereof.

(c) The rights to contribution provided in this Section shall be in addition to and not in derogation of any other right to contribution which the Indemnified Parties or the Company or the Selling Shareholder may have by statute or otherwise at law provided that paragraph (b) of this section shall apply, mutatis mutandis, in respect of such other right.

(d) If an Indemnified Party has reason to believe that a claim for contribution may arise, the Indemnified Party shall give the Company and the Selling Shareholder notice thereof in writing, but failure to so notify shall not relieve the Company or the Selling Shareholder of any obligation which they may have to the

Indemnified Party under this Section provided that the Company or the Selling Shareholder is not materially prejudiced by such failure, and the right of the Company (or, in the circumstances contemplated by Section 13, of the Selling Shareholder) to assume the defence of such Indemnified Party shall apply as set out in Section 13 hereof, mutatis mutandis.

16. Expenses: Whether or not the transactions herein contemplated shall be completed, all expenses of or incidental to the issue, delivery and sale of the Offered Securities and of or incidental to all other matters in connection with the transactions herein set out shall be borne by the Selling Shareholder including, without limitation, expenses payable in connection with the qualification of the Offered Securities for sale to the public (including filing fees payable to securities regulatory authorities), listing fees, the fees and expenses of the Company's counsel and auditors, all costs incurred in connection with the preparation, translation, printing and delivery of the Preliminary Prospectus and the Prospectus including commercial copies thereof, any Supplementary Material and the definitive certificates in bilingual form representing the Offered Securities; provided, however, that no such payment shall be made for any taxes for which any Underwriter is entitled to a credit or refund. The fees and disbursements of the Underwriters' counsel and the Underwriters' "out-of-pocket" expenses will be borne by the Underwriters except that the Underwriters shall be reimbursed by the Selling Shareholder for all of these fees, disbursements and expenses if the sale of the Offered Securities, as herein contemplated, is not completed because of an action or inaction of the Company or the Selling Shareholder or for any other reason which is not a default

hereunder by the Underwriters or which is not an election by the Majority Underwriters to terminate this Agreement under Section 17, it being recognized that a default by any of the Underwriters shall not affect the entitlement of the other Underwriters to reimbursement even if they do not elect to purchase the defaulting Underwriters' share of the Offered Securities. If the Underwriters decide to place a "tombstone" advertisement in respect of the transaction without any request for same from the Selling Shareholder, the cost of such advertisement shall be for the account of the Underwriters; otherwise such cost shall be shared as to 50% by the Underwriters and 50% by the Selling Shareholder.

17. Early Termination: In addition to any other remedies which may be available to the Underwriters, the obligations of the Underwriters to purchase the Offered Securities may be terminated, at the election of the Majority Underwriters, if prior to the Closing Time:

- (a) there should develop, occur or come into effect or existence any catastrophe, crisis or accident of national or international consequence, any law or regulation or any other event, action or occurrence of any nature whatsoever including, without limiting the generality of the foregoing, any outbreak of war, rebellion or armed hostilities which, in the opinion of the Underwriters, acting reasonably, materially and adversely affects or may materially and adversely affect the Canadian or United States financial markets or the business of the Company and its subsidiaries (taken as a whole), by giving the Company and the Selling Shareholder written notice to that effect not later than the Closing Time;
- (b) any order or ruling is issued, any inquiry, investigation or other proceeding (whether formal or informal) in relation to the Company or its directors or officers, is made, threatened or announced by any officer or official of any stock exchange, securities commission or other regulatory authority, or any law or regulation is promulgated or changed which, in the opinion of the Underwriters, acting reasonably, operates to prevent or restrict trading in or distribution of the Offered Securities, by giving the Company and the Selling Shareholder written notice to that effect not later than the Closing Time; or
- (c) there shall occur any material change or change in a material fact such as is contemplated by subsection 8(a) hereof (other than a change related solely to the Selling Firms) which, in the opinion of the Underwriters, acting reasonably, materially and adversely affects or may materially and adversely affect the market price or value

of the Common Shares, by giving the Company and the Selling Shareholder written notice to that effect not later than the Closing Time.

In the event of any such termination, the Underwriters who have not elected to so terminate shall be deemed contemporaneously to have terminated their respective obligations hereunder unless such Underwriters shall have been given written notice by the Selling Shareholder of such termination and shall, within 24 hours of receipt of such notice, have given the Selling Shareholder and the Company written notice to the effect that such remaining Underwriters thereby assume, pro rata, the obligations of the Majority Underwriters who have terminated their obligations hereunder.

If the obligations of the Underwriters are terminated hereunder there shall be no further liability on the part of the Underwriters to the Company or the Selling Shareholder and the liability of the Company and of the Selling Shareholder hereunder shall be limited to their respective obligations under Sections 13, 14, 15 and 16 hereof relating to Indemnities, Contribution and Expenses.

18. Completion of Distribution: After the Closing Time, the Underwriters shall:

- (a) use their best efforts to complete the distribution of the Offered Securities as promptly as possible; and
- (b) give prompt notice to the Company and the Selling Shareholder once the Underwriters and other Selling Firms have ceased distribution of the Offered Securities, and of the total proceeds realized from such distribution in each province and territory of Canada and in the United States.

19. Restrictions on Sales: Except where Closing does not occur, the Company agrees that it will not, without the prior consent of Nesbitt Burns, which consent will not be unreasonably withheld, offer, sell or otherwise dispose of any Common Shares or any securities convertible into or exchangeable or exercisable for Common Shares or agree to do so or publicly announce any intention to do so (except Common Shares required to be issued pursuant to directors', officers' and employees' stock options or other awards now outstanding or hereafter issued in the ordinary course or as a result of the tender of scrip certificates) for a period of 90 days from the Closing Date.

20. Terms and Conditions: All material terms and conditions of this offer shall be construed as conditions, and any breach or failure to comply with any such terms or conditions by the Company

or the Selling Shareholder shall entitle the Underwriters, without limitation of any of their other remedies, to terminate their obligation to purchase the Offered Securities by giving written notice to that effect to the Company and the Selling Shareholder prior to the Closing Time. It is understood that the Underwriters may waive in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to their rights in respect of any other of such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Underwriters any such waiver or extension must be in writing.

21. Survival: The representations, warranties, obligations, indemnities and agreements of the Company, the Selling Shareholder and the Underwriters contained herein or delivered pursuant hereto shall survive the purchase by the Underwriters of the Offered Securities and shall continue in full force and effect notwithstanding any subsequent disposition by the Underwriters of the Offered Securities and the Underwriters shall be entitled to rely on the representations and warranties of the Company and the Selling Shareholder contained herein or delivered pursuant hereto notwithstanding any investigation which the Underwriters may undertake or which may be undertaken on their behalf.

22. Notices: Any notice or other communication to be given hereunder shall be addressed as follows:

To the Company:

Suncor Inc.
36 York Mills Road
North York, Ontario
M2P 2C5

Attention: Donald R. Brown, Q.C.
Vice President and General Counsel
Telephone: (416) 733-7300
Fax: (416) 733-7975

To the Selling Shareholder:

Sun Company, Inc.
Ten Penn Center
1801 Market Street
Philadelphia, Pennsylvania
19103-1699

Attention: Assistant General Counsel
Telephone: (215) 977-6332
Fax: (215) 977-6733

- and -

Sun Canada, Inc.
c/o P.O. Box 20
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1N6

Attention: D.J. Steadman
Telephone: (416) 868-3443
Fax: (416) 364-7813

To the Underwriters:

Nesbitt Burns Inc.
Suite 5000
1 First Canadian Place
Toronto, Ontario
M5X 1H3

Attention: Donald K. Johnson
Telephone: (416) 359-4000
Fax: (416) 359-4404

Any such notice or other communication shall be in writing and, unless delivered personally to a responsible officer of the addressee, shall be given by courier service or facsimile transmission and shall be deemed to have been received, if given by facsimile transmission, on the day of sending (or if such day is not a Business Day, the next Business Day) and, if given by courier service, on the next business day following the sending thereof. The Company, the Selling Shareholder and any of the Underwriters may change their respective addresses for notices by notice given in the manner aforesaid.

23. Participation: The Underwriters' obligations hereunder are several and not joint. Accordingly:

- (a) each of the Underwriters shall be obligated to purchase only the portion of the Offered Securities set opposite its name hereinafter in this Section; and
- (b) except as hereinafter provided, if on the Closing Date any one or more of the Underwriters fails or refuses to purchase its or their applicable percentage of the Offered Securities, the non-defaulting Underwriters who shall be willing and able to purchase their own applicable percentages of the Offered Securities shall be relieved of their obligations hereunder;

provided that, notwithstanding the provisions of clauses (a) and

(b) of this Section, (i) if the aggregate number of Offered Securities which a defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total number of Offered Securities, the non-defaulting Underwriters shall be obliged severally, in proportion to their respective commitments hereunder, to purchase the Offered Securities which such defaulting Underwriter or Underwriters have failed to purchase or (ii) if the aggregate number of Offered Securities which such defaulting

Underwriter or Underwriters agreed but failed to purchase exceeds 10% of the total number of Offered Securities, those Underwriters who shall be willing and able to purchase their respective applicable percentages of the Offered Securities shall have the right, but not the obligation (except as herein provided), to purchase the Offered Securities not purchased by the defaulting Underwriters pro rata or on such other basis as may be agreed among the non-defaulting Underwriters.

Notwithstanding anything contained herein, the Underwriters shall not be entitled to purchase in any event less than all the Offered Securities.

The applicable portion of the Offered Securities which each of the Underwriters shall separately be obliged to purchase is the percentage represented as a fraction as follows:

Nesbitt Burns Inc.	24.121%
Gordon Capital Corporation	19.096%
RBC Dominion Securities Inc.	19.096%
Wood Gundy Inc.	15.075%
ScotiaMcLeod Inc.	9.045%
Goldman Sachs Canada	3.015%
Midland Walwyn Capital Inc.	3.015%
Richardson Greenshields of Canada Limited	3.015%
First Marathon Securities Limited	2.010%
Levesque Beaubien Geoffrion Inc.	1.005%
Toronto Dominion Securities Inc.	1.005%
Peters & Co. Limited	0.502%

Nothing contained in this section shall relieve from responsibility to the Selling Shareholder hereunder an Underwriter who shall default in its obligation to purchase its applicable percentage of the Offered Securities.

24. Lead Underwriter: Except with respect to Section 17 (Termination), all transactions and notices on behalf of the Underwriters hereunder or contemplated hereby may be carried out or given on behalf of the Underwriters by Nesbitt Burns.

25. Stabilization: In connection with the distribution of the Offered Securities, the Underwriters may over-allot or effect

transactions which stabilize or maintain the market price of the Offered Securities at levels other than those which might otherwise prevail in the open market, but in each case only as permitted by applicable law. Such stabilizing transactions, if any, may be discontinued at any time.

26. Severability: If any provision of Section 13 or 15 (Indemnity or Contribution) is determined to be void or unenforceable in whole or in part, it shall be deemed not to affect or impair the validity of any other provision of the agreement resulting from the acceptance of this offer and such void or unenforceable provision shall be severable from the said agreement.

27. Time of Essence: Time shall be of the essence of the agreement resulting from the acceptance of this offer.

28. Governing Law: The agreement resulting from the acceptance of this offer shall be governed by and construed in accordance with the laws of the Province of Ontario and the courts of such province shall have exclusive jurisdiction over any dispute hereunder, to which jurisdiction the parties attorn.

29. Counterparts: This offer and the agreement resulting from the acceptance of this offer may be executed by manual or facsimile signature in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

If the foregoing is in accordance with your understanding and is agreed by you, will you please confirm your acceptance by signing the enclosed copies of this letter and returning the same to the Underwriters.

Yours truly,

NESBITT BURNS INC.

by _____

GORDON CAPITAL CORPORATION

by _____

RBC DOMINION SECURITIES INC.

by _____

WOOD GUNDY INC.

by _____

SCOTIAMCLEOD INC.

by _____

GOLDMAN SACHS CANADA
by GOLDMAN SACHS CANADA INC.

by _____

MIDLAND WALWYN CAPITAL INC.

by _____

RICHARDSON GREENSHIELDS OF
CANADA LIMITED

by _____

FIRST MARATHON SECURITIES
LIMITED

by _____

LEVESQUE BEAUBIEN GEOFFRION
INC.

by _____

TORONTO DOMINION SECURITIES
INC.

by _____

by _____

Accepted and agreed to this 24th day of May, 1995.

SUN COMPANY, INC.

SUNCOR INC.

by _____

by _____

SUN CANADA, INC.

by _____

SCHEDULE A

1. Each of the Underwriters makes the following representations and warranties:

- (a) (i) The Offered Securities and the Instalment Receipts have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the U.S. Securities Act. Neither it, its U.S. broker-dealer affiliates nor any selling group member have engaged or will engage in any directed selling efforts in the United States (as defined in Rule 902 of Regulation S under the U.S. Securities Act) with respect to the Offered Securities and the Instalment Receipts, and it has complied and will comply with the offering restriction requirements of Rule 903 of Regulation S. It and its U.S. broker-dealer affiliates have not offered or sold, and will not offer or sell any of the Instalment Receipts or the Offered Securities (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in accordance with Rule 903 of Regulation S or as provided in paragraph 2 below.
- (ii) It and its U.S. broker-dealer affiliates agree

that, at or prior to confirmation of the sale of the Instalment Receipts and the Offered Securities, the Underwriter or U.S. broker-dealer affiliate thereof making such sale will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Instalment Receipts and the Offered Securities from it during the restricted period a confirmation or notice to substantially the following effect:

"The Instalment Receipts and the Comon Shares covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "1933 Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the 1933 Act. Terms used herein have the meanings given to them in Regulation S."

- (b) Other than any banking or selling group agreement, we have not entered and will not enter into any contractual arrangement with respect to the distribution of the Instalment Receipts and the Offered Securities, except with our affiliates or with the prior written consent of the Company and the Selling Shareholder, which consent shall not be unreasonably withheld.
- (c) The Underwriters shall require each Selling Firm to agree, for the benefit of the Selling Shareholder and the Company, to comply with, and shall use reasonable efforts to ensure that each Selling Firm complies with, the provisions of clauses (a) and (b) above as if such provisions applied to such Selling Firm.

2. Each of the Underwriters represents, warrants and agrees to the Company and the Selling Shareholder that:

- (a) All offers and sales of the Instalment Receipts and the Offered Securities in the United States will be effected in accordance with all applicable U.S. broker-dealer requirements.
- (b) They have not used and will not use any written material other than the Preliminary Prospectus, the Prospectus, any Supplementary Material, any document incorporated therein by reference and a cover letter to accompany such

documents, together with a U.S. purchaser letter as contemplated by paragraph (e) below, and each offeree of the Instalment Receipts and the Offered Securities in the United States has been or will be sent a copy of such documents.

- (c) They reasonably believe that each such offeree is an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) under the U.S. Securities Act.
- (d) Neither they nor their U.S. broker-dealer affiliates have utilized any form of general solicitation or general advertising (as those terms are used in Regulation D under the U.S. Securities Act) or have offered to sell any of the Instalment Receipts or the Offered Securities in any manner involving a public offering within the meaning of Section 4(2) of the U.S. Securities Act.
- (e) Prior to any sale of Offered Securities or Instalment Receipts to any purchaser in the United States or to a U.S. person (a "U.S. Purchaser"), it will cause each U.S. Purchaser to represent, warrant and agree in writing to the Company and the Selling Shareholder that such U.S. Purchaser:
 - (i) is authorized to consummate the purchase of the Offered Securities or Instalment Receipts;
 - (ii) understands that the Offered Securities or Instalment Receipts have not been and will not be registered under the U.S. Securities Act and that such sale is being made in reliance on an exemption from registration under the U.S. Securities Act;
 - (iii) has received a copy, for its information only, of the Prospectus relating to the Offered Securities or Instalment Receipts and the documents incorporated by reference therein, and a U.S. covering memorandum and has had access to such additional information, if any, concerning the Company as it has considered necessary in connection with its decision to invest in the Offered Securities or Instalment Receipts;
 - (iv) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Offered Securities or Instalment Receipts and is able to bear the economic risks of such investment;

- (v) is an institutional "accredited investor" as defined in Rule 501(a) (1), (2), (3) or (7) under the U.S. Securities Act and is acquiring the Instalment Receipts and the Offered Securities for its own account or for the account of an institutional "accredited investor" as to which it has investment management discretion, and not with a view to any resale, distribution or other disposition of the Offered Securities or Instalment Receipts in violation of the United States securities laws;
- (vi) is purchasing Offered Securities or Instalment Receipts for its own account having an aggregate purchase price of at least U.S. \$100,000 or for one or more accounts as to which has investment management discretion and each such account is purchasing Offered Securities or Instalment Receipts having such an aggregate purchase price;
- (vii) agrees that if it decides to offer, sell or otherwise transfer any of the Offered Securities or Instalment Receipts, it will not offer, sell or otherwise transfer any of such Offered Securities or Instalment Receipts, directly or indirectly, unless:
 - (I) the sale is to the Company; or
 - (II) (A) the sale is to an institutional "accredited investor" within the meaning of Rule 501(a) (1), (2), (3) or (7) under the U.S. Securities Act and is of a number of Offered Securities having an aggregate market value at the time of such sale of not less than U.S. \$100,000, (B) a purchaser's letter containing representations, warranties and agreements substantially similar to those contained in this agreement (except that such purchaser's letter need not contain the representation set forth in paragraph (iii) above), and satisfactory to the Underwriters and the Company, is executed by the purchaser and delivered to the Underwriters and the Company, prior to the sale and (C) all offers or solicitations in connection with the sale are arranged and conducted solely by the Underwriters

or the Company; or

- (III) the sale is made outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations; or
- (IV) the sale is made pursuant to the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (acknowledging that the holding period therein may not begin until all instalments of the purchase price have been paid); or
- (V) the Offered Securities or Instalment Receipts are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable United States state laws and regulations governing the offer and sale of securities, and it has therefor furnished to the Underwriters and the Company an opinion of counsel to that effect from U.S. counsel of recognized standing reasonably satisfactory to the Company;

(vii) understands and acknowledges that upon the original purchase thereof, and until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state laws, the certificates representing the Instalment Receipts, and all certificates issued in exchange therefor or in substitution thereof, shall bear the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH

RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (AND APPLICABLE STATE

SECURITIES LAWS AND REGULATIONS), (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION AFTER PROVIDING AN OPINION OF U.S. COUNSEL SATISFACTORY TO THE CORPORATION OR (E) IN COMPLIANCE WITH CERTAIN OTHER PROCEDURES SATISFACTORY TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE, BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM MONTREAL TRUST COMPANY OF CANADA UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO MONTREAL TRUST COMPANY OF CANADA AND THE CORPORATION, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT;

and that all certificates representing Offered Securities (and all certificates issued in exchange therefor or in substitution thereof) issued upon surrender of any Instalment Receipt so legended will bear the same legend, provided that if the Offered Securities or Instalment Receipts are being sold under paragraph (vii) (III) above, the legend may be removed by providing a declaration to Montreal Trust Company of Canada, as registrar and transfer agent, to the following effect (or as the Company may prescribe from time to time):

"The undersigned (A) acknowledges that the sale of the securities to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933 (the "Securities Act") and (B) certifies that (1) it is not an affiliate of Suncor Inc. (as defined in Rule 405 under the Securities Act), (2) the offer of such securities was not made to a person in the United States, and either (a) at the time the buy order was originated, the

buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer

was outside the United States or (b) the transaction was executed on or through the facilities of The Toronto Stock Exchange, the Montreal Exchange or the Vancouver Stock Exchange and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States and (3) neither the seller nor any person acting on its behalf engaged in any directed selling efforts in connection with the offer and sale of such securities. Terms used herein have the meanings given to them by Regulation S."

and provided that, if any such Offered Securities or Instalment Receipts are being sold under paragraph (vii) (IV) above, the legend may be removed by delivery to Montreal Trust Company of Canada of an opinion of counsel, of recognized standing reasonably satisfactory to the Company, that such legend is no longer required under applicable requirements of the Securities Act or state securities laws; and

(ix) consents to the Company making a notation on its records or giving instructions to the Custodian or any transfer agent of the Offered Securities in order to implement the restrictions on transfer set forth and described herein.

SUN CANADA, INC.
- - and -
SUN COMPANY, INC.
- - and -
SUNCOR INC.
- - and -
NESBITT BURNS INC.
GORDON CAPITAL CORPORATION
RBC DOMINION SECURITIES INC.
WOOD GUNDY INC.
SCOTIAMcLEOD INC.
GOLDMAN SACHS CANADA
MIDLAND WALWYN CAPITAL INC.
RICHARDSON GREENSHIELDS OF CANADA LIMITED
FIRST MARATHON SECURITIES LIMITED
LEVESQUE BEAUBIEN GEOFFRION INC.
TORONTO DOMINION SECURITIES INC.
PETERS & CO. LIMITED
- - and -
THE R-M TRUST COMPANY
- - and -
MONTREAL TRUST COMPANY OF CANADA

INSTALMENT RECEIPT AND PLEDGE AGREEMENT

MADE as of June 8, 1995

INDEX

Section

Page

Recitals

1

1.	Interpretation	
1(1)	Definitions	1
1(2)	Number and Gender	8
1(3)	Severability	8
1(4)	Divisions of Agreement	8
1(5)	Paramountcy	8
2.	Effectuating of Pledge and Issue of Instalment Receipts	
2(1)	Delivery of Share Certificates by Underwriters	8
2(2)	Registration of Shares; Beneficial Ownership	9
2(3)	Pledge	9
2(4)	Issue of First Instalment Receipts	10
2(5)	Custodian and Security Agent	10
2(6)	Delivery of the Collateral	12
2(7)	Legend	12
3	Instalment Receipts	
3(1)	Forms of Instalment Receipts	14
3(2)	Title to Instalment Receipts	14
3(3)	Shares Represented by Instalment Receipts	15
3(4)	Use of Suncor Trade Mark	15
4.	Maintenance of Listing; Securities Qualification	
4(1)	Listings	15
4(2)	Securities Qualification Requirements	15
5.	Payment of Instalments	
5(1)	Instalment Notices	16
5(2)	Prepayment of Instalments	17
5(3)	Consequences of Due Payment of Instalments	17
5(4)	Consequences of Non-Payment of an Instalment	18
5(5)	Payments to Selling Shareholder	24
5(6)	Securities Qualification	24

6.	Instalment Receipts and Issuance of Share Certificates	
6(1)	Instalment Receipts	24
6(2)	Issuance of Share Certificates	24
7.	Rights and Liabilities of Registered Holders	
7(1)	Cash Dividends, Cash, Distributed Property and Stock Dividends	25
7(2)	Liability for Taxes	29
7(3)	Meetings of the Company, Attendance, Voting	34
7(4)	General	35
7(5)	Convening of Meetings	36
7(6)	Transfers of Instalment Receipts	36
7(7)	Notices, Reports, etc.	38
7(8)	Inspection of the Register	38
7(9)	Record Dates	38
7(10)	Payments by Cheque	38
7(11)	U.S. Tax Information Reporting	40
8.	The Custodian and the Security Agent	
8(1)	Appointment of Custodian	41
8(2)	Appointment of Security Agent	41
8(3)	Termination of Appointment	41
8(4)	Notice of Change of the Custodian or the Security Agent	41
8(5)	Consequences of Change of the Custodian or the Security Agent	41
8(6)	Remuneration and Reimbursement of the Custodian and the Security Agent	42
8(7)	The Register	42
8(8)	Records Retention	42
8(9)	Availability of Records	43
8(10)	Transfer Facilities	43
8(11)	No Transfers After Second Payment Time or Final Payment Time	43
8(12)	Documents Forwarded to the Selling Shareholder	43
8(13)	Custodian's Performance of Duties	43
8(14)	Security Agent's Performance of Duties	43
8(15)	No Indemnity	43

9.	Protection and Indemnity of the Custodian, the Security Agent and the Company	
9(1)	Reliance on Experts	44
9(2)	Reliance on Certificate	44
9(3)	Discretion	44
9(4)	Indemnification of Custodian and Security Agent	44
9(5)	Indemnification of the Company	44
9(6)	Notice of Claims	45
9(7)	Limitation of Indemnities	46
9(8)	Reliance on Minutes	46
9(9)	Non-Entitlement to Indemnity	46
9(10)	Conflict of Interest	46
10.	General	
10(1)	Notices	47
10(2)	Power to Amend	48
10(3)	Compliance with Laws	48
10(4)	Termination	49
10(5)	Joint and Several Liability	49
10(6)	Governing Law	49
10(7)	Document in English	49
10(8)	Time of the Essence	49
10(9)	Counterparts	49
11.	Assignment; Successor Rights	
11(1)	Assignment by the Selling Shareholder	50
11(2)	Assumption by Assignee	50
11(3)	Information to Assignee	50
11(4)	Certificates, etc.	50
11(5)	No Set-Off	50
11(6)	Assignment by Other Parties	51
11(7)	Successors and Assigns	51

Schedules

1	Form of First Instalment Receipt
2	Form of Second Instalment Receipt
3	Notice of Payment Due Relating to Common Shares of Suncor Inc. Sold by Sun Canada, Inc.
4	Meetings of Registered Holders

INSTALMENT RECEIPT AND PLEDGE AGREEMENT

THIS AGREEMENT made as of June 8, 1995, among SUN CANADA, INC., a corporation incorporated under the laws of Delaware ("Sun Canada" or the "Selling Shareholder"), SUN COMPANY, INC., a corporation incorporated under the laws of Pennsylvania ("Sun"), SUNCOR INC., a corporation incorporated under the laws of Canada (the "Company"), NESBITT BURNS INC., GORDON CAPITAL CORPORATION, RBC DOMINION SECURITIES INC., WOOD GUNDY INC., SCOTIAMCLEOD INC., GOLDMAN SACHS CANADA, MIDLAND WALWYN CAPITAL INC., RICHARDSON GREENSHIELDS OF CANADA LIMITED, FIRST MARATHON SECURITIES LIMITED, LEVESQUE BEAUBIEN GEOFFRION INC., TORONTO DOMINION SECURITIES INC. and PETERS & CO. LIMITED (collectively, the "Underwriters"), THE R-M TRUST COMPANY, a trust company incorporated under the laws of Canada, and MONTREAL TRUST COMPANY OF CANADA, a trust company incorporated under the laws of Canada.

WHEREAS:

A. Sun Canada, the owner of 29,935,412 common shares of the Company, has agreed to sell all such common shares to the Underwriters pursuant to an agreement (the "Underwriting Agreement") dated May 24, 1995 among Sun Canada, Sun, the Company and the Underwriters at the price of \$39.00 per common share, payable in 3 instalments of \$13.00 each.

B. The Underwriting Agreement provides that the certificate for the shares sold thereunder shall be delivered as required by this agreement.

WITNESSETH that, in consideration of the premises and their respective covenants hereinafter contained, the parties hereto agree as follows:

1. Interpretation

(1) Definitions. In this agreement, unless the context otherwise requires, the following terms shall have the following respective meanings:

"affiliate" and "subsidiary" have the same respective meanings ascribed to those terms in the Securities Act (Ontario) at the date hereof.

"Agents" has the meaning ascribed thereto in subsection 9(4).

"articles" has the meaning ascribed thereto in the CBCA, as currently in force.

"business day" means a day which is not a Saturday, a Sunday or a statutory holiday in the Province of Ontario or the Province of Alberta.

"Cash Dividends" means dividends declared and paid in cash on any Common Shares that constitute part of the Collateral.

"CBCA" means the Canada Business Corporations Act, as amended from time to time, and includes any statute passed from time to time in substitution therefor, as amended from time to time.

"Collateral" has the meaning ascribed to that term in subsection 2(3).

"Common Shares" means common shares of the Company, however designated, and includes securities issued in substitution therefor on a Reorganization.

"Conditions" means the terms and conditions endorsed on an Instalment Receipt.

"Costs of Sale" means all reasonable expenses of every type of the Selling Shareholder paid by it or on its behalf in connection with the realization or sale of Instalment Shares and other Collateral as provided for in paragraph 5(4)(iv), including without limitation, legal and accounting charges, brokerage fees, interest expense equal to an amount determined by reference to the then prevailing prime rate plus one per cent applied to the deficiency owing on applicable Instalments of Defaulting Purchasers calculated daily and compounded monthly, for a period beginning on the Second Instalment Date or the Final Instalment Date, as applicable, and ending on the date that payment under paragraph 5(4)(vi) is made to the Selling Shareholder, the cost of obtaining any orders or rulings required to be obtained from securities regulatory authorities, underwriting fees and charges and the costs incurred in connection with the preparation and filing of any prospectus or other required documents; provided that, whatever the actual amount of such expenses, for the purposes of this agreement the Costs of

Sale shall not exceed \$1.00 per Instalment Share sold and any expenses of the type referred to above in excess of \$1.00 per Instalment Share sold will be the sole responsibility of the Selling Shareholder.

"Custodian" means Montreal Trust Company of Canada or such other trust company as may from time to time be appointed, as provided in section 8, by the Selling Shareholder to act as Custodian, and any reference to presentation, surrender or delivery to the Custodian hereunder means presentation, surrender or delivery, as the case may be, to it at its principal Stock and Bond Transfer office in any of the Designated Cities.

"Defaulting Purchaser" has the meaning ascribed to that term in paragraph 5(4) (vi).

"Designated Cities" means Montreal, Toronto, Calgary, Edmonton and Vancouver.

"Distributed Property" means any (i) securities, (ii) options, rights or warrants to purchase any securities, (iii) securities convertible into or exchangeable for securities, property or other assets, (iv) evidences of indebtedness, or (v) other property or assets, in each case whether of the Company or of any other person, distributed or issued by the Company or any of its subsidiaries or affiliates to all, or substantially all, of the holders of Common Shares, including, without limitation, (a) any of the foregoing distributed or issued upon a liquidation, dissolution or winding-up of the Company, and (b) any right, option, warrant or other security issued under a shareholder protection rights plan after the same has been separated from a related Common Share; but not including Cash Dividends, Stock Dividends and securities, cash or other property issued or delivered pursuant to a Reorganization.

"Excess Dividends" means, in respect of an Instalment Share on a particular date, that amount which is the aggregate of:

- (i) all Cash Dividends paid in a fiscal year of the Company ending after December 31, 1994 to the extent that the aggregate amount exceeds \$1.75 per Common Share;
- (ii) all cash (other than Cash Dividends) paid in respect of the Instalment Share under a Reorganization; and
- (iii) all cash paid in respect of the Instalment Share on a liquidation, dissolution or winding-up of the Company;

but not including amounts previously paid as Excess Dividends.

"Excess Proceeds" has the meaning ascribed thereto in paragraph 7(1)(ii).

"Final Instalment" means the final instalment of \$13.00 on account of the purchase price for each Instalment Share which is due and payable at the Final Payment Time, as such amount is reduced to the extent of any payment or set-off provided for in this agreement.

"Final Payment Time" means 1:00 p.m. (local time) on December 30, 1996.

"First Instalment" means the initial payment of \$13.00 per share on account of the purchase price for an Instalment Share payable on the closing of the sale of Instalment Shares to the Underwriters pursuant to the Underwriting Agreement.

"First Instalment Receipt" means an Instalment Receipt in the form annexed as Schedule 1 representing payment of the First Instalment in respect of a Related Share.

"First Named" means, in relation to joint Registered Holders in respect of a particular Instalment Receipt, the person named first in respect thereof in the Register.

"Instalment", without more, means a Second Instalment or a Final Instalment.

"Instalment Notice" means a notice sent or published pursuant to subsection 5(1).

"Instalment Receipt" means a First Instalment Receipt or a Second Instalment Receipt.

"Instalment Shares" means the 29,935,412 Common Shares sold to the Underwriters pursuant to the Underwriting Agreement and includes (i) such other securities and other property as are added thereto or substituted therefor pursuant to subsection 3(3), and (ii) any right, option, warrant or other security issued in respect of a Common Share under a shareholder protection rights plan prior to the separation thereof from the related Instalment Share.

"Intermediary" means an intermediary within the meaning ascribed to that term in NP 41 which has delivered to the

Company and the Custodian, in accordance with paragraph 7(2) (viii), a notice that such person is an intermediary which holds Instalment Receipts on behalf of Non-registered Holders.

"Managing Underwriter" means Nesbitt Burns Inc.

"Non-registered Holder" means a non-registered holder of an Instalment Receipt within the meaning ascribed to that term in NP 41, whose Instalment Receipt is held by an Intermediary.

"Non-registered Defaulting Purchaser" has the meaning ascribed to that term in paragraph 7(6) (vii).

"non-resident Registered Holder" means a Registered Holder who is not resident in Canada for the purposes of the Income Tax Act (Canada).

"NP 41" means National Policy Statement No. 41 of the Canadian Securities Administrators, as amended or substituted for from time to time.

"Obligations" means the indebtedness, obligation and liability of a Registered Holder from time to time to pay to the Selling Shareholder, in respect of each Instalment Share, an Instalment at or before each of the Second Payment Time and the Final Payment Time and, in the event of a sale as provided for in paragraph 5(4) (iv), the pro rata share of the Costs of Sale for which the Registered Holder of the Instalment Receipt representing such Instalment Share is liable pursuant to paragraph 5(4) (vi).

"person" includes an individual, a corporation, a partnership, an estate or trust, an unincorporated organization and a government or governmental organization.

"Pledge" means each of the pledges of Instalment Shares to secure the Obligations in respect of such Instalment Shares, as provided in subsection 2(3).

"pledge" means, as the context requires, (i) mortgage, hypothecate, pledge, charge, assign and grant a security interest in or (ii) a mortgage, hypothecation, pledge, charge, assignment and security interest.

"PPSA" means the Personal Property Security Act (Ontario), as amended from time to time, and includes any statute passed from time to time in substitution

therefor, as amended from time to time, and reference to a specific section of the PPSA shall be deemed to include a reference to any similar successor provision of the PPSA.

"prime rate" means that rate of interest, expressed as a rate per annum, announced by the Bank of Montreal from time to time as its reference rate for Canadian-dollar denominated loans to Canadian commercial borrowers.

"Proceeds" has the meaning ascribed to that term in the PPSA.

"Register" means the register which is to be kept by the Custodian under subsection 8(7).

"Registered Holder" means the person shown in the Register as the holder of an Instalment Receipt and, where the context so admits, includes joint holders of such Instalment Receipt.

"Regulation S" means Regulation S as adopted by the United States Securities and Exchange Commission under the U.S. Securities Act.

"Related Shares" in relation to any Instalment Receipt means the Instalment Shares represented by such Instalment Receipt.

"Reorganization" means any (i) subdivision, consolidation, reclassification or other similar change of the Instalment Shares, or (ii) reorganization, amalgamation, arrangement, merger or sale of assets affecting the Company or to which it is a party, transfer of all or substantially all of the assets of the Company, or similar transaction affecting the Company as a result of which holders of Instalment Shares shall be entitled to receive securities, cash or other property in exchange for, in conversion of, or in respect of the Instalment Shares.

"Second Instalment" means the instalment of \$13.00 per share on account of the purchase price for each Instalment Share which is due and payable at the Second Payment Time as such amount is reduced to the extent of any payment or set-off provided for in this agreement.

"Second Instalment Receipt" means an Instalment Receipt in the form annexed as Schedule 2 representing payment of the First Instalment and the Second Instalment in respect of a Related Share.

"Second Payment Time" means 1:00 p.m. (local time) on June 10, 1996.

"Security Agent" means The R-M Trust Company or such other corporation as may from time to time be appointed, as provided in section 8, by the Selling Shareholder to act as Security Agent.

"Special Resolution" has the meaning ascribed to that term in paragraph 18 of Schedule 4.

"Stock Dividends" means dividends declared and paid on the Instalment Shares solely by the issuance or distribution of Common Shares; provided that, for the purposes of this definition and the definitions of Cash Dividends and Distributed Property, if dividends shall be declared and paid in a combination of two or more of (i) cash, (ii) other property and (iii) by the issuance or distribution of Common Shares, the cash portion of such dividends, if any, shall be deemed to be Cash Dividends, the other property portion of such dividends, if any, shall be deemed to be Distributed Property and the Common Share portion of such dividends, if any, shall be deemed to be Stock Dividends.

"Taxes" means any taxes, duties or governmental charges or levies, including, without limitation, Withholding Tax, which may become payable in respect of any Related Shares or Instalment Receipts or rights represented thereby or distributions in respect thereof, and interest and penalties in respect thereof, liability for payment, collection or remittance of which may be lawfully asserted against any of the Selling Shareholder, the Custodian or the Security Agent as the result of any transaction herein contemplated, whether under any present or future fiscal or other law or regulation.

"Transfer Agent" means the transfer agent from time to time for the Common Shares.

"Underwriters' Receipt" has the meaning ascribed to that term in subsection 2(4).

"United States" has the meaning given to it in Regulation S.

"U.S. Person" has the meaning given to it in Regulation S.

"U.S. Securities Act" means the United States Securities

Act of 1933, as amended from time to time, and the rules and regulations of the United States Securities and Exchange Commission thereunder.

"Withholding Tax" means withholding tax levied under Part XIII of the Income Tax Act (Canada) and includes any similar Tax hereafter levied in addition to or in substitution therefor, and any penalties or interest in respect thereof.

(2) Number and Gender. In this agreement, words importing the singular number include the plural and vice versa and words importing gender include the masculine, feminine and neuter genders.

(3) Severability. In the event that any one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

(4) Divisions of Agreement. The division of this agreement into sections, subsections and other subdivisions and the provision of headings are for convenience of reference only and shall not affect the interpretation of the provisions to which they relate or of any other provisions hereof. References to a specific section, subsection or other subdivision or schedule are to the corresponding section, subsection or other subdivision or schedule of this agreement unless the context otherwise requires.

(5) Paramountcy. In the event of any inconsistency between the provisions of this agreement and the provisions of any one or more of the schedules hereto, the provisions of this agreement shall prevail.

2. Effectuating of Pledge and Issue of Instalment Receipts

(1) Delivery of Share Certificates by Underwriters. The Underwriters shall, upon the closing of the sale of Instalment Shares to the Underwriters provided for in the Underwriting Agreement, deliver to the Selling Shareholder the share certificate(s) representing such Instalment Shares, along with duly executed instruments of transfer and assignment in favour of the Custodian. Each Underwriter irrevocably authorizes and directs the

Managing Underwriter, on its behalf, to deliver the share certificate(s) representing the Instalment Shares as provided in this subsection (1). Forthwith after taking possession of such certificate(s), the Selling Shareholder shall deliver the same to the Security Agent, to be held by it on behalf of the Selling Shareholder.

(2) Registration of Shares; Beneficial Ownership. Upon receipt of the share certificate(s) as specified in subsection (1), the Security Agent shall promptly deliver the same to the Transfer Agent, cause the registration of the Instalment Shares in the name of the Custodian, and take possession of a duly registered share certificate or duly registered share certificates in respect of the Instalment Shares. Subject to the terms and conditions of this agreement and the Pledge of the Instalment Shares in favour of the Selling Shareholder, beneficial title to the Instalment Shares shall be held by the Registered Holders and legal title to each of the Instalment Shares shall be held by the Custodian on behalf of the Selling Shareholder.

(3) Pledge. As continuing security for the due and punctual payment of the Obligations in respect of the Instalment Shares and any obligations of any Registered Holder in respect of Withholding Tax and any other unpaid Taxes payable pursuant to subsection 7(2), each of the Underwriters, upon delivery by the Selling Shareholder of the certificate(s) representing the Instalment Shares as provided in subsection (1), pledges and grants to the Selling Shareholder, and for greater certainty and without limitation, the Selling Shareholder hereby reserves and takes, a fixed and specific purchase money security interest in each of the Instalment Shares purchased by such Underwriter pursuant to the Underwriting Agreement, all Proceeds, accretions thereto and substitutions therefor and all property from time to time received, receivable or otherwise issued or distributed in respect of the Related Shares including, without limitation, all Cash Dividends, whether or not Excess Dividends, Distributed Property, Stock Dividends, all securities, cash or other property under a Reorganization and Proceeds of any thereof, in each case paid or payable on or after the date hereof until the Final Payment Time or paid or payable after the Final Payment Time if the Final Instalment in respect of such Shares has not been paid (all such property and assets being collectively referred to herein as the "Collateral"). None of the Selling Shareholder and the Underwriters has agreed to postpone the time for attachment of such security interest. Such security interest in the Instalment Shares shall attach contemporaneously with the Underwriters first acquiring rights therein and shall be conclusively deemed for all purposes to continue despite any sale or transfer of, or any other dealing whatsoever in or with, an Instalment Receipt and the rights represented or arising thereby. In addition, as continuing security for the obligation of each Registered Holder of an Instalment Receipt to pay the Obligations referable to the Related Shares represented thereby, each Registered Holder of an Instalment Receipt shall be conclusively deemed for all purposes to have acknowledged and confirmed the Pledge as a continuing security for the Obligations assumed by such Registered Holder referable to such Related Shares and any

obligations of such Registered Holder in respect of Withholding Tax and any other unpaid Taxes payable pursuant to subsection 7(2). For greater certainty, the Company hereby subordinates and postpones any security interest it has or may have at any time in the Instalment Shares to the security interest of the Selling Shareholder.

(4) Issue of First Instalment Receipts. Upon the registration in the name of the Custodian, as provided for in subsection (2), of the Instalment Shares represented by the share certificate(s) delivered by the Underwriters to the Selling Shareholder pursuant to subsection (1), the Custodian shall execute, issue and deliver to the Managing Underwriter, on behalf of the Underwriters, a First Instalment Receipt (the "Underwriters' Receipt"), registered in the name of the Managing Underwriter, representing such Instalment Shares. The Managing Underwriter shall notify the Custodian in writing of the persons to whom First Instalment Receipts are to be issued on the transfer of the Underwriters' Receipt and the respective numbers of Instalment Shares to be respectively represented thereby. Upon receipt from the Managing Underwriter of such notice and of the Underwriters' Receipt, endorsed for transfer, or accompanied by a duly executed instrument of transfer and assignment, in form satisfactory to the Custodian, in accordance with such notice, the Custodian shall register such transfers and shall execute and issue, and shall, at its principal Stock and Bond Transfer office in each of the Designated Cities (as specified in such notice), deliver to the Underwriters or as the Managing Underwriter may in such notice direct, First Instalment Receipts, registered in the name or names of such person or persons, and representing such respective numbers of Instalment Shares, as stipulated by the Managing Underwriter in such notice.

(5) Custodian and Security Agent.

(i) The Security Agent hereby agrees that it shall at all times hold possession of the Collateral in Ontario and the Custodian hereby agrees that it shall execute, issue and deliver Instalment Receipts as contemplated in subsections 2(4) and 6(1) and paragraph 7(6)(v), solely as agent for and on behalf of the Selling Shareholder and not as agent for or on behalf of the Underwriters, any Registered Holder or any other person, anything herein or otherwise to the contrary notwithstanding.

(ii) The Custodian hereby irrevocably directs the Company to deliver to the Security Agent, for the purpose of perfecting the security interest in the Collateral, all Cash Dividends, all Distributed Property, all Stock Dividends, and all securities, cash or other property issued or delivered under a Reorganization which would

otherwise be delivered to the Custodian in its capacity as registered holder of the Instalment Shares, provided that all Cash Dividends which do not constitute Excess Dividends shall be delivered to the Custodian (unless the Selling Shareholder otherwise directs in accordance with paragraph (iii)) and all Distributed Property, Stock Dividends and all securities or other property issued or delivered pursuant to a Reorganization shall be registered in the name of the Custodian, and this shall be the Company's good and sufficient authority to do so. The Company hereby acknowledges such direction and agrees to act in accordance therewith. If at any time, notwithstanding the foregoing direction, the Custodian receives any Cash Dividends which constitute Excess Dividends or Cash Dividends which the Selling Shareholder has directed in accordance with paragraph (iii) to be paid to the Security Agent, Distributed Property, Stock Dividends or securities or other property issued or delivered under a Reorganization, the Custodian shall forthwith remit or deliver the same to the Security Agent for the purpose of perfecting the security interest therein, and for such purpose the Custodian hereby agrees that during the period such property is in its possession, it shall hold the same as agent for the Selling Shareholder and not as agent for the Registered Holders. The Company hereby appoints the Custodian as the Company's agent to withhold and remit all applicable Withholding Tax payable in respect of all Cash Dividends, Stock Dividends, Distributed Property and other securities, cash or other property issued or delivered under a Reorganization, and the Custodian accepts such appointment.

(iii) The Selling Shareholder may direct the Company to pay all or any part of a Cash Dividend which is not an Excess Dividend (in an amount not in excess of such Cash Dividend net of applicable Withholding Tax) to the Security Agent in lieu of the Custodian, to satisfy in whole or in part (a) any Obligation which is then due and unpaid in respect of an Instalment Receipt held by a Registered Holder or (b) any obligation of a Registered Holder in respect of Withholding Tax or any other unpaid Taxes payable pursuant to subsection 7(2); provided that the Selling Shareholder gives written notice to the Company, the Custodian and the Security Agent, not less than 5 business days prior to the payment date for such Cash Dividend, of the aggregate amount of the Cash

Dividend to be paid to the Security Agent in lieu of the Custodian, the name of each Registered Holder in respect of which any part of such Cash Dividend is to be paid to

the Security Agent in lieu of the Custodian, the amount and nature of the obligations of such Registered Holder to the Selling Shareholder in respect of which such Cash Dividend will be so applied and the amount of Withholding Tax, if any, payable in respect thereof. Any notice provided by the Selling Shareholder to the Company under this paragraph shall be the Company's good and sufficient authority to do so and the Company agrees to act in accordance therewith.

(6) Delivery of the Collateral. In addition to the certificates representing the Instalment Shares, as referred to in subsection (1), all other instruments representing or evidencing the Collateral shall be delivered to and held by the Security Agent pursuant hereto in Ontario as agent for, and in trust for, the Selling Shareholder as security for the Obligations and other amounts from time to time owing as specified in subsection (3) and shall be registered in the name of the Custodian or, if registration is not possible, be in suitable form for transfer by delivery to, or shall be accompanied by duly executed instruments of transfer or assignment in favour of, the Custodian, all in form and substance satisfactory to the Custodian and the Selling Shareholder, and the Custodian shall deliver to the Security Agent stock transfer powers or other instruments of transfer in respect of the Collateral duly endorsed in blank.

(7) Legend. Each Instalment Receipt issued into the United States or to a U.S. Person pursuant to the provisions of subsection (4) on the transfer of the Underwriters' Receipt (and all Instalment Receipts issued in exchange therefor or in substitution or on transfer thereof pursuant to the provisions of subsections 5(3), 6(1) or paragraph 7(6)(v)) shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE COMPANY THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (AND APPLICABLE STATE SECURITIES LAWS AND REGULATIONS),

(D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION AFTER PROVIDING AN OPINION OF U.S. COUNSEL SATISFACTORY TO THE COMPANY, OR

(E) IN COMPLIANCE WITH CERTAIN OTHER PROCEDURES SATISFACTORY TO THE COMPANY. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE, BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM MONTREAL TRUST COMPANY OF CANADA UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO MONTREAL TRUST COMPANY OF CANADA AND THE COMPANY, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

Provided that the Instalment Receipt will be reissued without such legend if disposed of in accordance with the provisions of (C), (D) or (E) above (if an applicable legal opinion of counsel of recognized standing reasonably satisfactory to the Company states that such legend would no longer be required under United States securities laws), or if the Instalment Receipt is being transferred or disposed of in accordance with (B) above and the transferor provides the declaration below to the Custodian:

The undersigned (A) acknowledges that the sale of the securities to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933 (the "Securities Act"), and (B) certifies that (1) it is not an affiliate of Suncor Inc. (as defined under Rule 405 of the Securities Act), (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believe that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of The Toronto Stock Exchange, The Montreal Exchange or the Vancouver Stock Exchange and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States and (3) neither the seller, nor any affiliate of the seller nor any person acting

on their behalf engaged in any directed selling efforts in connection with the offer and sale of such securities. Terms used herein have the meanings given to them by Regulation S.

In, or concurrently with the delivery of, the notice provided for in subsection (4), the Managing Underwriter shall notify the Custodian in writing of the persons whose Instalment Receipts are to bear such legend, and the Selling Shareholder, the Company and the Custodian shall be conclusively entitled to assume that only such persons are within the United States or U.S. Persons for the purposes of this subsection. The Custodian shall maintain a list of all Registered Holders from time to time of legended Instalment Receipts or, in its capacity as registrar for the Common Shares and Transfer Agent, of legended Common Share certificates issued in accordance with subsection 5(3).

3. Instalment Receipts

(1) Forms of Instalment Receipts.

- (i) First Instalment Receipts shall be substantially in the form set out in Schedule 1 and shall have endorsed thereon Conditions substantially in the form set out in that Schedule;
- (ii) Second Instalment Receipts shall be substantially in the form set out in Schedule 2 and shall have endorsed thereon Conditions substantially in the form set out in that Schedule;
- (iii) Instalment Receipts shall bear the manual signature of a duly authorized representative of the Custodian; and
- (iv) Instalment Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or changes not inconsistent with the provisions of this agreement as may be required to comply with applicable law or with the requirements of any securities exchange on which Instalment Receipts may be listed or to indicate any special limitations or restrictions to which any Instalment Receipts are subject.

(2) Title to Instalment Receipts. The Company, the Selling Shareholder, the Custodian and the Security Agent, notwithstanding any notice to the contrary and unless otherwise required by law, shall treat the Registered Holder of an Instalment Receipt as the absolute owner thereof and of the rights represented thereby for

all purposes, including determining the person entitled to any distribution of dividends or other distributions or to any notice provided for in this agreement.

(3) Shares Represented by Instalment Receipts. Upon any

Reorganization or any liquidation, dissolution or winding-up of the Company, as a result of which any securities or property or cash shall be received by the Custodian in exchange for or on conversion of or in respect of the Instalment Shares, the Instalment Receipts shall thenceforth represent the right to receive such Instalment Shares as so modified or added to, or the securities, property or cash so substituted for, such Instalment Shares, in the same manner and subject to the same conditions as if such Instalment Receipts specifically represented the right to receive such Instalment Shares as so modified or added to or the securities, property or cash so substituted, all of which shall be subject to the Pledge, and the Custodian shall, forthwith after the receipt by it of any security certificates resulting from any such Reorganization or any such liquidation, dissolution or winding-up or any such securities, property and/or cash, deliver the same to the Security Agent, to be held by the Security Agent on behalf of the Selling Shareholder.

(4) Use of Suncor Trade Mark. The Company hereby irrevocably consents to the use of the SUNCOR design trade mark on the Instalment Receipts.

4. Maintenance of Listing; Securities Qualification

(1) Listings. The Company and the Selling Shareholder shall, at the Selling Shareholder's expense, use all reasonable efforts to list and maintain the listing on The Toronto Stock Exchange and The Montreal Exchange of (i) the First Instalment Receipts until the Second Payment Time, and (ii) the Second Instalment Receipts thereafter until the Final Payment Time.

(2) Securities Qualification Requirements. In the event that, in the reasonable opinion of the Selling Shareholder or the Company, any prospectus or registration statement is required to be filed with, or any permission is required to be obtained from, any governmental authority in Canada or any other step is required under any federal or provincial law of Canada before any securities which a Registered Holder is entitled to receive hereunder may properly and legally be delivered and thereafter traded, which is not required in respect of such securities generally, the Selling Shareholder and the Company shall take such required action, at the expense of the Selling Shareholder and subject to agreement between the Selling Shareholder and the Company with respect to terms and conditions as to timing, notice, indemnities and other matters relating to such action.

5. Payment of Instalments

(1) Instalment Notices.

- (i) On or after April 25, 1996 but not later than May 10, 1996 in respect of the Second Instalment, and

on or after November 14, 1996 but not later than November 29, 1996 in respect of the Final Instalment, the Custodian shall cause to be delivered or sent by first class prepaid mail to each Registered Holder (or to the First Named in the case of joint Registered Holders) of an outstanding Instalment Receipt (as determined as of a date not more than 14 days before the date of mailing of such notice) a notice substantially in the form set out in Schedule 3, duly completed. Such notice shall be amended to reflect any changes made to the amount of the Second Instalment and/or Final Instalment pursuant to subsection 7(1). The failure to give such notice, and/or the failure of a Registered Holder to receive the same, shall not affect the obligation of a Registered Holder to pay the Instalments on the Instalment Shares represented by such Registered Holder's Instalment Receipts as, when and in the manner required by this agreement.

- (ii) Not later than March 11, 1996 in respect of the Second Instalment and not later than September 30, 1996 in respect of the Final Instalment, the Custodian shall cause to be published (a) once in the Report on Business section of a weekday national edition of The Globe and Mail and (b) once in the City of Montreal in a daily newspaper in the French language of general circulation in the City of Montreal, a notice setting out the Second Payment Time or the Final Payment Time, as applicable, and the amount of the Second Instalment or Final Instalment, as applicable, to become due in respect of each Instalment Share. Such notice shall also contain a statement substantially to the following effect:

"Failure by a Registered Holder to pay to the Custodian the total amount of the [Insert "Second" or "Final", as applicable] Instalment on the Common Shares that are represented by his or her [Insert "First" or "Second", as applicable] Instalment Receipt as provided in the Instalment Receipt Agreement and at or before 1:00 p.m. (local time) on [Insert "June 10, 1996" or "December 30, 1996",

as applicable] may result in such Common Shares being acquired by the Selling Shareholder in satisfaction of the obligations of the Registered Holder in respect of such Common Shares, or being sold by the Custodian. Notwithstanding the

foregoing, if payment of such [Insert "Second" or "Final", as applicable] Instalment is not made in respect of an aggregate of less than 5% of all the Common Shares represented by all [Insert "First" or "Second", as applicable] Instalment Receipts then outstanding, such Common Shares must be sold. In the event of a sale, the Registered Holder will be responsible for his or her portion of the Costs of Sale (to a maximum of \$1.00 per Common Share) and will be liable for any deficiency as and to the extent provided for in the Instalment Receipt Agreement."

(2) Prepayment of Instalments. Any Registered Holder shall be entitled at any time prior to the Final Payment Time to prepay the aggregate amount of the unpaid Instalments in respect of the Instalment Shares represented by any Instalment Receipt registered in the Registered Holder's name, but shall not otherwise be entitled to prepay, in whole or in part, any Instalment prior to the Second Payment Time or the Final Payment Time, as the case may be. A Registered Holder who holds a First Instalment Receipt and who prepays such aggregate amount of unpaid Instalments before the Second Payment Time shall have the same rights, mutatis mutandis, upon presentation and surrender to the Custodian of the Registered Holder's First Instalment Receipt as if the Registered Holder had duly paid the Second Instalment and received a Second Instalment Receipt and duly paid the Final Instalment and duly presented and surrendered to the Custodian such Registered Holder's Second Instalment Receipt in accordance with subsection (3).

(3) Consequences of Due Payment of Instalments. Subject to the provisions of paragraph 7(2)(vii), upon presentation and surrender to the Custodian of any First Instalment Receipt, and due payment to the Custodian of the aggregate amount of the Second Instalments in respect of the Related Shares represented by such First Instalment Receipt, at the Second Payment Time, the First Instalment Receipt shall be cancelled, the Custodian shall issue and send a Second Instalment Receipt to such Registered Holder in accordance with paragraph 10(1)(iii) and thereupon such First Instalment Receipt shall cease to be outstanding. Subject to the provisions of paragraph 7(2)(vii), upon presentation and surrender to the Custodian of any Second Instalment Receipt, and due payment to the Custodian of the aggregate amount of the Final Instalments in respect of the Related Shares represented by such Instalment Receipt, at or prior to the Final Payment Time, the Second Instalment Receipt shall be cancelled, the Pledge of the Collateral

in respect of the Related Shares shall be released without any further action, the Security Agent and the Custodian shall deliver to the Transfer Agent a share certificate or share certificates representing such Related Shares duly endorsed for transfer of such

Related Shares to the Registered Holder of such Second Instalment Receipt, and the Company shall cause the Transfer Agent to register such Related Shares in the register of shareholders of the Company in the name of such Registered Holder with such Registered Holder's address as shown in the Register and issue a share certificate representing such Related Shares in the name of such Registered Holder and deliver or cause to be delivered such share certificate to the Custodian, and, subject to the provisions of subsection 10(3), the Custodian shall send such share certificate to such Registered Holder in accordance with paragraph 10(1)(iii) and thereupon such Second Instalment Receipt shall cease to be outstanding. If such Instalment Receipt bears the legend provided for in subsection 2(7), the share certificate(s) representing the Related Shares so registered in the name of the Registered Holder shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (AND APPLICABLE STATE SECURITIES LAWS AND REGULATIONS), (D) PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION AFTER PROVIDING AN OPINION OF U.S. COUNSEL SATISFACTORY TO THE CORPORATION, OR (E) IN COMPLIANCE WITH CERTAIN OTHER PROCEDURES SATISFACTORY TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA. A NEW CERTIFICATE, BEARING NO LEGEND, DELIVERY OF WHICH WILL CONSTITUTE "GOOD DELIVERY" MAY BE OBTAINED FROM MONTREAL TRUST COMPANY OF CANADA UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO MONTREAL TRUST COMPANY OF CANADA AND THE CORPORATION, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT.

(4) Consequences of Non-Payment of an Instalment.

- (i) By acquiring and holding an Instalment Receipt, the Registered Holder thereof will be conclusively deemed to have acknowledged and agreed (a) to be bound by this

agreement, (b) that the Registered Holder has assumed and is bound to pay the Obligations outstanding at the date of such acquisition in respect of the Related Shares represented by such Instalment Receipt, (c) that such Related Shares are at the time of such acquisition and will continue to be pledged to the Selling Shareholder pursuant to this agreement to secure the Obligations in respect of the Related Shares and any obligations of such Registered Holder in respect of Withholding Tax and any other unpaid Taxes pursuant to subsection 7(2), (d) that the Registered Holder's rights in respect of such Related Shares are and will continue to be subject to the provisions of this agreement, and (e) that the Pledge is and will remain in effect and be binding and effective notwithstanding any prior, concurrent or subsequent transfer of or other dealings with the Instalment Receipts from time to time representing such Related Shares and the rights represented or arising thereby.

(ii) The Custodian shall promptly notify the Selling Shareholder of all Registered Holders of Instalment Receipts who have failed to effect payment of the Second Instalment by the Second Payment Time or the Final Instalment by the Final Payment Time. If the Custodian has not received payment of such Instalments by such times from a Registered Holder, such Registered Holder shall have no further right to pay such Second Instalment or Final Instalment, as the case may be, and the rights and obligations of the Selling Shareholder and such Registered Holder shall be only those set forth in this subsection 5(4) and the Registered Holder shall have no further rights under section 7, except the rights under paragraph 7(6)(vii).

(iii) If, pursuant to paragraph (ii), the Custodian notifies the Selling Shareholder that the Second Instalments or the Final Instalments, as the case may be, in respect of 5% or more of the Instalment Shares forming part of the Collateral immediately prior to the Second Payment Time or the Final Payment Time, as the case may be, have not been duly paid by the Second Payment Time or the Final Payment Time, as the case may be, then, subject to receiving a notice to the contrary from the Selling Shareholder within 20 days after the notice given pursuant to paragraph (ii), the Selling Shareholder shall be deemed to have advised the Custodian that it proposes to accept the Instalment Shares (and any other related Collateral) then subject to the Pledge and in respect of

which the applicable Instalments have not been duly paid, in satisfaction of the Obligations secured hereby, and,

in such event, the Custodian shall, as agent for the Selling Shareholder and on its behalf, give such notices to Registered Holders of Instalment Receipts representing any of such Instalment Shares and to all such other persons as are entitled, and do all such other things as counsel for the Selling Shareholder shall advise are required by the PPSA and any other applicable law in order to enable such acceptance of the Collateral to occur. The Security Agent shall not release the Instalment Shares to the Selling Shareholder until it has received an opinion of counsel for the Selling Shareholder that all provisions of applicable law have been complied with to entitle the Selling Shareholder to receive such Instalment Shares.

- (iv) If (a), pursuant to paragraph (ii), the Custodian notifies the Selling Shareholder that the Second Instalments or the Final Instalments, as the case may be, in respect of less than 5% of the Instalment Shares forming part of the Collateral immediately prior to the Second Payment Time or the Final Payment Time, as the case may be, have not been duly paid by the Second Payment Time or the Final Payment Time, as the case may be, or (b) the Custodian receives from the Selling Shareholder the notice referred to in paragraph (iii), or (c) counsel for the Selling Shareholder advises the Custodian that such Instalment Shares or any part or parts thereof are required by applicable law to be disposed of, the Custodian shall (after consultation with the Selling Shareholder), as soon as practicable and in a commercially reasonable manner, sell such Instalment Shares and all other related non-cash Collateral, or such part or parts thereof, as the case may be, free and clear of the Pledge; provided that such sale by the Custodian:
- (A) of securities which are listed for trading on a stock exchange, shall be made on that exchange, or if listed for trading on more than one stock exchange, then on that exchange on which there has been the largest number of such securities traded in the preceding 30 trading days, unless, in each case, the Selling Shareholder advises the Custodian in writing that in its opinion sale in such manner cannot be completed within a reasonable period of time without a material adverse effect on the trading price of such securities on such exchange; and
- (B) in any other case shall be made by private or public sale in such commercially reasonable manner as the Custodian shall determine.

The Custodian shall do all things within its power to enable the Security Agent to make good delivery of any Instalment Shares or other Collateral so sold by the Custodian and to continue the Security Agent's possession of Instalment Shares and other Collateral not sold, including, without limitation, providing appropriate powers of attorney to transfer sold Instalment Shares and other Collateral and assisting in obtaining new securities certificates representing unsold Instalment Shares and other Collateral (where applicable).

(v) If any Instalment Shares and other Collateral are accepted by the Selling Shareholder pursuant to paragraph (iii) in satisfaction of the Obligations secured thereby, the Custodian shall promptly transfer such Instalment Shares and other Collateral to the Selling Shareholder. The Security Agent shall, on the written instructions from time to time of the Custodian, promptly deliver to the Custodian certificates representing the Instalment Shares and other Collateral sold as required by paragraph (iv) or required to be transferred to the Selling Shareholder pursuant to the foregoing provisions of this paragraph. Each time that Instalment Shares and other Collateral are sold by the Custodian pursuant to paragraph (iv), the Registered Holders of the Instalment Receipts which are required by paragraph (iv) to be sold shall be deemed to have sold the Instalment Shares and other Collateral so sold on a basis pro rata to the number of Instalment Shares respectively represented by their Instalment Receipts.

(vi) As soon as reasonably practicable after the sale of all such Instalment Shares and other Collateral as are required hereby at any particular time to be sold, the Custodian shall pay to the Selling Shareholder, out of and to the extent of the Proceeds of sale of such Instalment Shares and other Collateral and any interest earned on or with respect to such Proceeds, an amount equal to the aggregate of the unpaid Instalments and the Costs of Sale in respect of such Instalment Shares. Subject to the provisions of paragraph 7(2)(v), if such Proceeds and interest exceed the aggregate amount of such payments to the Selling Shareholder, the Custodian shall (subject to the requirements of applicable law) then pay the amount of such excess to the Registered Holders of the Instalment Receipts representing such Instalment Shares (each, a "Defaulting Purchaser"), on a basis pro rata to the number of Instalment Shares respectively represented by their Instalment Receipts. If such Proceeds and interest are less than the aggregate of the

unpaid Instalments and the Costs of Sale in respect of such Instalment Shares, each Registered Holder of Instalment Receipts representing any of such Instalment Shares shall be and remain liable to the Selling Shareholder to pay to it, on demand, an amount equal to such Registered Holder's portion of the deficiency, calculated on the basis of the ratio which the Instalment Shares so sold which are represented by such Registered Holder's Instalment Receipts is of all such Instalment Shares so sold. The Selling Shareholder shall advise the Custodian in writing of the Costs of Sale paid by the Selling Shareholder.

(vii) The Company and the Selling Shareholder shall not, in any event, and the Custodian and the Security Agent shall not, except in case of fraudulent or reckless conduct, be liable or responsible for any delay or failure to effect realization, for any inability to obtain the best or most favourable price for any Instalment Share or (except as required by applicable law) for any accounting to Registered Holders on realization. The Custodian shall, if so requested in writing, provide any Registered Holder or the Selling Shareholder with a statement of (a) the Proceeds of sale of the Instalment Shares sold as required by paragraph (iv), (b) the interest, if any, earned on or with respect to such Proceeds and (c) the Costs of Sale of such Instalment Shares, which, absent manifest error and subject to applicable law, shall be conclusive of the sums referred to therein.

(viii) Any payments to be made to a Defaulting Purchaser under paragraph (vi) shall be made by sending by mail, postage prepaid, a cheque to the Defaulting Purchaser (in the case of joint Registered Holders, to the First Named). The mailing of such cheque shall satisfy and discharge any liability for the moneys represented thereby unless such cheque is not paid on due presentation; provided that in the event of the non-receipt of such cheque by the Defaulting Purchaser, or the loss or destruction thereof, the Custodian, upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity satisfactory to it, shall issue to the Defaulting Purchaser a replacement cheque for the amount of such cheque. Neither the Selling Shareholder nor the Custodian shall be responsible for any loss or delay in transmission. Unless otherwise provided by applicable law, any such payment which is represented by such cheque which has not been presented for payment within 6 years after the date on which it was issued or

which otherwise remains unclaimed for a period of 6 years after such date of issue shall be forfeited and shall be paid by the Custodian at the written request of the Selling Shareholder to or to the order of the Selling Shareholder.

- (ix) The procedures, rights and remedies set out in this subsection shall be in addition to, and not in derogation of, any right or remedy which is available to the Selling Shareholder under this agreement or applicable law in the event that the Proceeds of sale or other disposition of any Instalment Shares and other related Collateral is less than the aggregate of the Instalments with respect thereto, the applicable pro rata portion of the Costs of Sale and any other amounts owing to the Selling Shareholder hereunder, and the exercise of or failure to exercise any right or remedy either in whole or in part shall not affect the exercise of any other right or remedy.

(5) Payments to Selling Shareholder. As soon as reasonably practicable after the receipt of any payment under subsections (2) or (3), the Custodian shall pay the amount thereof to the Selling Shareholder.

(6) Securities Qualification. In the event that the Custodian, pursuant to the terms of this agreement, is required to sell or dispose of, on behalf of the Selling Shareholder, any Collateral, and in the reasonable opinion of the Selling Shareholder the cooperation of the Company is required to facilitate the offering and sale to the public or otherwise of such Collateral, the Selling Shareholder may request that the Company cooperate in the preparation and filing of all documentation or the taking of all action necessary or desirable to effect such sale or disposition, and the Company shall, at the expense of the Selling Shareholder and subject to agreement between the Selling Shareholder and the Company with respect to terms and conditions as to timing, notice, indemnities and other matters, use all reasonable efforts to cooperate in the preparation and filing of all such documentation and cooperate in the taking of all such action.

6. Instalment Receipts and Issuance of Share Certificates

(1) Instalment Receipts. A Registered Holder who at any time before the Final Payment Time requires more than one Instalment Receipt in respect of the Instalment Shares represented by any of the Registered Holder's Instalment Receipts shall be entitled to have the same issued by the Custodian (but in the aggregate representing the same number of Instalment Shares as are represented by the Instalment Receipt being replaced), upon delivery and surrender to the Custodian of the Instalment Receipt

being replaced and payment of the Custodian's reasonable charges. Upon the registration by the Custodian of a transfer of an Instalment Receipt, such Instalment Receipt shall be cancelled and a new Instalment Receipt (representing the same number of Instalment Shares) issued to and in the name of the transferee, subject to compliance with the requirements of subsection 7(6).

(2) Issuance of Share Certificates. For purposes of the issuance of share certificates pursuant to subsection 5(3), the Custodian shall, as soon as reasonably practicable after the Final Payment Time, provide the Transfer Agent with a list of the Registered Holders in respect of whose Instalment Receipts the Instalments have been duly paid and the other requirements of subsection 5(3) have been satisfied (other than Instalment Receipts in respect of which the Instalments have been prepaid as provided for in subsection 5(2)).

7. Rights and Liabilities of Registered Holders

(1) Cash Dividends, Cash, Distributed Property and Stock Dividends.

- (i) All Cash Dividends which do not constitute Excess Dividends (other than Cash Dividends directed to be paid to the Security Agent in accordance with paragraph 2(5)(iii)) shall, forthwith after receipt thereof by the Custodian, be remitted by the Custodian (net of any applicable Withholding Tax) to the Registered Holders of record on the record date for such dividends determined pursuant to subsection 7(9) entitled thereto. All Cash Dividends and other cash which constitute Excess Dividends shall, immediately after receipt thereof by the Security Agent pursuant to paragraph 2(5)(ii), be deemed to have been applied: (a) if such dividends are paid at or after the Second Payment Time, in reduction pro rata of and to the extent of the aggregate unpaid amount of the Final Instalments and, (b) if such dividends are paid prior to the Second Payment Time, equally in reduction pro rata of and to the extent of the aggregate unpaid amount of the Second Instalments and the Final Instalments, and, in each case, be remitted to or held on behalf of the Selling Shareholder in accordance with the Selling Shareholder's written instruction. For greater certainty, to the extent that such Excess Dividends received by the Security Agent exceed the aggregate unpaid amount of the Final Instalments and Second Instalments, such excess shall be delivered promptly by the Security Agent to the Custodian, after receipt of a certificate of the Custodian as to such aggregate unpaid amount, and remitted (net of any applicable Withholding Tax) by the

Custodian pro rata to the Registered Holders of record on the record date for such dividends in accordance with subsection 7(9). All Cash Dividends directed to be paid to the Security Agent in accordance with paragraph 2(5)(iii), shall, promptly after receipt thereof by the Security Agent, be remitted to or held on behalf of the Selling Shareholder in accordance with the Selling Shareholder's written instructions, and in the absence of such instructions, shall be held in an interest-bearing account with a Canadian bank or trust company.

- (ii) All Distributed Property received by the Security Agent pursuant to paragraph 2(5)(ii) prior to the termination of the Pledge in respect of the Related Shares shall, as promptly as commercially reasonable, be sold by the Custodian (after consultation with the Selling

Shareholder) for cash in the market or by tender or by private contract on such date or dates and at such price or prices as the Custodian shall determine; provided, however, that any right, option, warrant or other security issued under a shareholder protection rights plan constituting Distributed Property shall be held by the Custodian and shall be sold by it only if and when the same have separated from the Instalment Share and the terms thereof have been adjusted to make the same exercisable at a price or subject to terms and conditions which give them more than merely nominal value, in which event the Custodian shall, as promptly as commercially reasonable, sell the same in any manner permitted hereunder other than by private contract to a person or group of persons purchasing the same other than for distribution to the public. The Security Agent shall deliver such Distributed Property to the purchaser or purchasers thereof at the direction of the Custodian in order to facilitate such sales, and the Custodian shall unconditionally and irrevocably direct the purchaser or purchasers of such Distributed Property to pay the purchase price therefor (a) in an amount equal to the costs of disposition in connection with the sale thereof, to the Custodian; (b) in an amount (the "Excess Proceeds") equal to the purchase price less the amount referred to in (a), to the extent that such net Proceeds do not exceed the unpaid balance of the Second Instalments and the Final Instalments in respect of the Related Shares, to the Security Agent; and (c) in the amount of the balance, being the amount of such net Proceeds which do not constitute Excess Proceeds, to the Custodian. Nothing in the foregoing sentence shall be construed as requiring the Security Agent to deliver any

Distributed Property to a purchaser thereof prior to the concurrent receipt of the Excess Proceeds referred to in clause (b) of such sentence. The Custodian shall then immediately remit pro rata to the Registered Holders of record on the record date for the distribution determined pursuant to subsection 7(9), all such net Proceeds that did not constitute Excess Proceeds (net of applicable Withholding Tax). All Excess Proceeds shall be deemed to have been applied upon receipt by the Security Agent: (a) if such excess is distributed at or after the Second Payment Time, in reduction pro rata of and to the extent of the aggregate unpaid amount of the Final Instalments and, (b) if such excess is distributed prior to the Second Payment Time, equally in reduction pro rata of and to the extent of the aggregate unpaid amount of the Second Instalments and Final Instalments, and in each case, shall be remitted to or held on behalf

of the Selling Shareholder in accordance with the Selling Shareholder's written instructions, and in the absence of such instructions, shall be held in an interest-bearing account with a Canadian bank or trust company.

- (iii) All Stock Dividends received by the Security Agent pursuant to paragraph 2(5)(ii) shall be registered in the Custodian's name and held by the Security Agent in accordance with paragraph 2(5)(i) pending payment of the Second Instalments and the Final Instalments. The Custodian shall deliver to the Security Agent stock transfer powers duly endorsed in blank in respect of the Stock Dividends. Upon payment by a Registered Holder of the Second Instalment and the Final Instalment for any Instalment Share and receipt of a notice from the Custodian confirming such payment, the Selling Shareholder shall promptly instruct the Custodian by written notice to, and the Custodian shall, promptly, transfer to the Registered Holder, the Stock Dividends so held in respect of such Instalment Share; provided that where one or more Registered Holders would be entitled to receive a fractional share as a result of such Stock Dividends which it would not be entitled to receive had it been a registered holder of such share, the Custodian shall (after consultation with the Selling Shareholder) as promptly as commercially reasonable sell all fractional shares to which all Registered Holders are entitled for cash in the market or by tender or by private contract on such date or dates and at such price or prices as the Custodian shall determine and promptly thereafter remit pro rata to each such Registered Holder the amount of cash received from the

sale of such fractional shares, less any costs of disposition in connection with the sale thereof.

- (iv) Forthwith after receipt by the Security Agent of securities or other property pursuant to a Reorganization, such securities or other property shall be registered in the name of the Custodian or, if registration is not possible, be in suitable form for transfer by delivery to or shall be accompanied by duly executed instruments of transfer or assignment in favour of the Custodian, and the Custodian shall deliver to the Security Agent stock transfer powers or other instruments for transfer duly endorsed in blank in respect of such securities or other property.

- (v) All Cash Dividends, Distributed Property or Stock Dividends received by the Custodian or the Security Agent in respect of any Instalment Share after all Instalments (and Costs of Sale, if applicable) in respect of such Instalment Share have been paid shall be delivered by the Security Agent to the Custodian (if applicable) and in any event remitted by the Custodian to the Registered Holder (net of applicable Withholding Tax) on the record date for such dividend or distribution or, if the record date is after the date of such payment, to the Registered Holder at the time all Instalments (and Costs of Sale, if applicable) in respect of such Instalment Share were paid.

- (vi) If pursuant to this subsection, the amount of the Second Instalment and/or Final Instalment is reduced, the Custodian shall, (a) promptly after determination of the amount of the reduction, give notice to the Company and the Selling Shareholder of such amount, and (b) promptly after application of the reduction against the Second Instalment, if applicable, and the Final Instalment, give notice to the Registered Holders informing them of the payment made on behalf of the Registered Holders and the resulting reduced amount of the Second Instalment and/or Final Instalment. In addition, the Company shall, by way of a press release, disclose the resulting reduced amount of the Second Instalment and/or Final Instalment. The Custodian shall note the amount of such reduction upon all Instalment Receipts issued subsequent to such reduction or thereafter tendered to it for such purpose by hand stamping or overprinting such certificates.

- (vii) For so long as the Instalment Shares are registered in the name of the Custodian, the Company will use its best

efforts to pay each Cash Dividend (to the extent such dividend is not an Excess Dividend or a Cash Dividend directed to be paid by the Selling Shareholder to the Security Agent pursuant to paragraph 2(5)(iii)) to the Custodian by delivering to the Custodian either (a) a cheque or (b) a banker's draft for such dividend payable to the Custodian (or cheques payable to the Registered Holders) at least 3 business days prior to the date on which such dividend is to be paid. The Custodian will use its best efforts to remit Cash Dividends received by it for distribution to the Registered Holders entitled thereto pursuant to paragraph (i) in a manner such that such dividends will be remitted to the Registered Holders entitled thereto at the same time as Cash Dividends are remitted to all other holders of Common Shares.

(viii) Notwithstanding anything provided herein to the contrary, the Selling Shareholder may, at any time prior to the application pursuant to this subsection (1) of any Excess Proceeds or Excess Dividends, the disposition of any Distributed Property or the registration of any Stock Dividend or securities or other property under a Reorganization in the name of the Custodian, by written notice given to the Custodian (with a copy of such notice to each of the Company and the Security Agent) waive its right to have the same so applied, disposed of or registered, as the case may be, to the extent set out in such notice, and, in such event the Custodian shall, subject to the provisions of subsection (2) and the provisions of paragraph (iii) as to fractional shares, forthwith pay or transfer to the Registered Holder the amount of the Excess Proceeds, Excess Dividends, Distributed Property, Stock Dividend or securities or other property the application, distribution or registration of which, as the case may be, was so waived, net of any Withholding Tax applicable to amounts payable to or credited in respect of a Registered Holder.

(ix) For greater certainty, any payments or transfers made by the Custodian to any Registered Holder of any amounts or property in accordance with provisions of this subsection shall be and be deemed to be made free and clear of the Pledge.

(2) Liability for Taxes.

(i) As between each Registered Holder and the parties hereto, the Registered Holder shall be liable for all Taxes which may become payable by, on behalf of or for

the account of such Registered Holder.

- (ii) For the purposes of this subsection (2), "distribution" means any payment, issue or distribution to holders of Common Shares of any Excess Dividend, Stock Dividend, Distributed Property or any securities or other property issued or distributed under a Reorganization. In the event that the Company wishes or becomes bound to make a distribution, other than a non-cash distribution under a Reorganization, (a) the Company will fix a record date (in this subsection, the "record date") for the distribution for the purpose of determining which of its shareholders will participate in the distribution, (b) the Company will notify the Custodian and the Selling Shareholder of the particulars of the distribution, the record date and the date on which the distribution will be paid or made (in this subsection, the "payment date") forthwith following the

determination by the directors of the Company of such record date and payment date, but in any event not less than 10 business days prior to the record date, and (c) the Company will ensure that the record date will precede the payment date by not less than 14 business days. Each of the Custodian and the Company shall provide the other with all information in its possession necessary for the Custodian to determine the amount of Withholding Tax to be remitted on behalf of each non-resident Registered Holder and otherwise to perform its obligations under this subsection.

- (iii) Whenever the Company proposes to make a distribution in respect of which the Custodian will become obligated to withhold an amount in respect of Withholding Tax payable by a non-resident Registered Holder, the Custodian shall promptly upon receipt of the notice thereof in accordance with paragraph (ii) give to each non-resident Registered Holder a notice containing a statement of such requirement, a request that the non-resident Registered Holder remit to the Custodian the amount of such Withholding Tax, or the Custodian's estimate thereof, and a statement that upon failure to remit such payment the non-resident Registered Holder will become liable to pay such amount to the Selling Shareholder and that amounts properly otherwise payable to such non-resident Registered Holder may be reduced in whole or partial satisfaction of such liability. The request for payment shall set out the manner in which payment is to be made, the date before which payment must be made (which date shall precede the payment date by no less than 3 business days) and the consequences of failure to

make such payment.

(iv) In the event that a non-resident Registered Holder fails to remit the payment referred to in paragraph (iii), and if the Custodian or the Security Agent shall receive a demand for or be obliged (on behalf of the Company or otherwise) to withhold and remit any Withholding Tax from or in respect of a distribution to be made or credited to, on behalf of or for the account of such non-resident Registered Holder, the Custodian shall, and is hereby authorized to, withhold the amount of the Withholding Tax from the relevant distribution.

(v) To the extent that the withholding and remittance provided for under paragraph (iv) would reduce the amount of the distribution to be paid to the Security Agent and applied pursuant to subsection (1) to an amount which is less than the amount to be so paid and applied with respect to the Related Shares of any other Registered

Holder, then (a) if the withholding and remittance is in respect of an Excess Dividend or Distributed Property such withheld amount shall be deemed to have been paid to the Security Agent and applied, in accordance with subsection (1), on account of the Final Instalment and the Second Instalment, if applicable, with respect to such non-resident Registered Holder's Related Shares and the Selling Shareholder shall be deemed to have paid on account of such Withholding Tax on behalf of such non-resident Registered Holder such amount as is equal to the amount withheld and remitted by the Custodian pursuant to paragraph (iv) and such non-resident Registered Holder shall be liable to pay the Selling Shareholder an amount equal to any such amount so deemed to be paid or (b) if the withholding and remittance is in respect of a Stock Dividend or a non-cash distribution under a Reorganization then, prior to any such payment being made to the Selling Shareholder, the Selling Shareholder shall make arrangements satisfactory to the Custodian whereby the Selling Shareholder shall pay to the Custodian on behalf of such non-resident Registered Holder such amount as is equal to the Withholding Tax required to be withheld and remitted by the Custodian, prior to the time required for remittance of such Withholding Tax to the applicable governmental authorities and such non-resident Registered Holder shall be liable to pay the Selling Shareholder any such amount paid by the Selling Shareholder to the Custodian. Any amount paid or deemed to be paid on behalf of a non-resident Registered Holder by the Selling Shareholder pursuant to this paragraph shall bear interest at the

prime rate plus one per cent, calculated daily and compounded monthly from the date of payment or deemed payment. The Custodian shall maintain a separate register representing the identity of and amount owing by each such non-resident Registered Holder to the Selling Shareholder. The Custodian may withhold any such amount owing by a non-resident Registered Holder from any concurrent or subsequent distribution or payment that would, were it not for such withholding, have been actually made to such non-resident Registered Holder and shall apply amounts so withheld to reimburse the Selling Shareholder for amounts paid or deemed to have been paid by it pursuant to this paragraph.

- (vi) Any amount withheld by the Custodian on account of Withholding Tax, including all such amounts paid or deemed to be paid on behalf of a non-resident Registered Holder by the Selling Shareholder pursuant to paragraph (v) or in respect of a Cash Dividend which is not an

Excess Dividend, shall be remitted by the Custodian to the appropriate government authorities within the time required by law and evidence thereof shall be delivered to the Company and the Selling Shareholder forthwith.

- (vii) The obligation of a non-resident Registered Holder to pay to the Selling Shareholder all amounts owing pursuant to paragraph (v) shall survive (a) the sale or transfer of any or all of the non-resident Registered Holder's Instalment Receipts to any other party and (b) payment in whole or in part of the Second Instalment and the Final Instalment in respect of the non-resident Registered Holder's Instalment Receipts. The Custodian and the Selling Shareholder shall be entitled to withhold delivery of certificates for Second Instalment Receipts, if applicable, and of share certificates in respect of the Related Shares to which such non-resident Registered Holder may be entitled until such payment has been received and if the non-resident Registered Holder is also a Defaulting Purchaser, such obligation may be recovered in accordance with paragraph 5(4)(vi). Notwithstanding the foregoing, the obligation of a non-resident Registered Holder to pay the Selling Shareholder all amounts owing under paragraph (v) is a personal obligation of the non-resident Registered Holder and shall not be assumed by or deemed to be assumed by any subsequent transferee of the Instalment Receipt or the Related Shares held by such non-resident Registered Holder.

- (viii) Each of the Company and the Custodian shall, from time to

time at the request of the other, acting reasonably, provide to the other such information as the requesting party may reasonably request as to Registered Holders which the Custodian or the Company believe are Intermediaries. In connection with any proposed payment or distribution to holders of Common Shares, the Company may give to any such Intermediary notice specifying a record date and a payment date in respect of such proposed distribution and requesting the Intermediary, if applicable, to give written notice to the Company and the Custodian, no later than the second business day immediately following the record date (which notice shall only be effective if received by the Company by such date):

- (a) that the Intermediary holds Instalment Receipts on behalf of Non-registered Holders in respect of whom Taxes will be payable in connection with the distribution;
 - (b) providing details of the names, addresses, holdings of Instalment Receipts, Withholding Tax payable (if reasonably calculable by the Intermediary) and such other details concerning such Non-registered Holders as the Company or the Custodian may reasonably require; and
 - (c) authorizing and directing the Company, and the Custodian to pay, credit, withhold and remit such Withholding Tax on account of such Non-registered Holders in respect of the distribution or to the appropriate governmental authorities within the required time.
- (ix) Upon receipt from an Intermediary of a proper notice in accordance with paragraph (viii), the provisions of paragraphs (i) to (vii) shall apply, mutatis mutandis, in respect of each Non-registered Holder of Instalment Receipts listed in such notice, as if each reference in those paragraphs to a Registered Holder were a reference to such Non-registered Holder; provided, however, that the rights of the Custodian and the Selling Shareholder under this subsection in respect of a failure by a Non-registered Holder to make payment in respect of Withholding Tax in accordance with paragraphs (iii) and (v), shall continue as against the Registered Holder of the relevant Instalment Receipts and the liability of such Registered Holder in respect thereof shall be joint and several with any liability of such Non-registered

Holder in respect thereof.

- (x) Each of the Company, the Selling Shareholder and the Custodian shall be entitled to rely upon the Register as being accurate, and shall not incur nor assume any liability to any person, including any Registered Holder, for such reliance upon the Register. In the event an Intermediary delivers a notice in accordance with paragraph (viii), each of the Company, the Selling Shareholder and the Custodian shall be entitled to rely upon such notice as being accurate, and shall not incur nor assume any liability to any person, including any Intermediary, any Registered Holder or any Non-registered Holder, for such reliance upon such notice.
- (xi) The provisions of this subsection shall apply notwithstanding any other provision of this agreement.

(3) Meetings of the Company, Attendance, Voting.

- (i) Whenever the Company proposes to convene a general meeting of its shareholders (the record date for which meeting is after the date of this agreement and before the date on which the Final Payment Time occurs), other than a meeting of the holders of a specific class or series of its shares other than Common Shares, it shall in the manner provided in subsection 10(1) and within the time periods required by applicable law (including the requirements of NP 41), send to each Registered Holder as of the applicable record date for such meeting a copy of the notice of the meeting and all other materials (except forms of proxy) sent to the registered holders of Common Shares together therewith, at the same date (or as soon thereafter as is reasonably practicable) as such notice and other material is sent to the registered holders of such Common Shares. The Company shall provide and enclose with such copy of the notice a form of appointment whereby the Registered Holder may appoint a person (who may be such Registered Holder) as proxy in relation to the Related Shares represented by such Instalment Receipt to act and vote at the meeting to the same extent as if such Registered Holder were the registered holder of such Related Shares. Such forms shall otherwise be drawn in such manner and with such content as the Custodian and the Company may approve (such approval not to be unreasonably withheld or delayed) and in any event shall be subject to compliance with the articles and the by-laws of the Company and all applicable law. The Custodian shall execute and deliver to the Company prior to the meeting proxies authorizing the Registered Holders as of the applicable record date,

with power of substitution, to act and vote at the meeting in respect of their respective Related Shares on behalf of the Custodian as registered holder of the Instalment Shares.

- (ii) If, following the sending of the materials referred to in paragraph (i) in respect of any meeting, a Registered Holder shall transfer the Registered Holder's Instalment Receipts or any part thereof or have any of the Registered Holder's Related Shares sold or accepted as provided for in subsection 5(4), the provisions of subsection 138(2) or (3) of the CBCA shall apply to such Registered Holder as if such holder had been the registered holder of the Related Shares and had transferred the ownership thereof after the applicable record date. If for any reason the Custodian acts on or fails to act on any transfer, neither the transferor nor the transferee nor any other party hereto shall be

entitled to object or have any action or claim in respect thereof against the Custodian.

- (iii) If in respect of any meeting of shareholders of the Company any Registered Holder fails to exercise or is lawfully prevented from exercising the Registered Holder's right under this agreement to be represented at such meeting, the Custodian shall not exercise at such meeting the voting rights attached to the Instalment Shares to which such Registered Holder's Instalment Receipts relate and the Registered Holder shall not be entitled to object.

- (iv) The Custodian shall not agree to the abridgement of the required time for the giving of any notice, or to waive notice, of any meeting of shareholders of the Company or sign a resolution in writing of shareholders of the Company without first obtaining the authorization of the Registered Holders in the manner provided in Schedule 4.

(4) General.

- (i) A Registered Holder that, if registered as the holder of such Registered Holder's Related Shares, would have some right under law or by statute or by virtue of the articles or the by-laws of the Company not otherwise expressly dealt with in this section (other than the right to be registered as the owner of or receive or transfer the share certificates representing the Related Shares), may give written notice to the Custodian requiring it to exercise those rights on its behalf as it shall direct and at its expense.

(ii) If the Custodian receives a notice referred to in paragraph (i), the Custodian may as a condition of compliance require from the Registered Holder that the Registered Holder lodge the applicable Instalment Receipt with the Custodian and provide such security and/or indemnity as to costs, expenses or other liabilities as the Custodian may reasonably require and shall subject to the foregoing exercise on behalf of that Registered Holder as it may direct the rights in question.

(iii) Notwithstanding paragraph (i), if the registered holders of Common Shares are entitled to a right to dissent under section 190 of the CBCA prior to the Final Payment Time in connection with any proposed action of the Company, then the Company shall offer a right of dissent to Registered Holders to the same extent that registered holders of Common Shares have a right of dissent under section 190 of the CBCA, subject to the provisions of

this paragraph. The Custodian shall (after consultation with the Company), if so directed by a Registered Holder, but subject to the Custodian's rights under paragraph (ii), deliver a written objection pursuant to subsection 190(5) of the CBCA in respect of all but not less than all of the Related Shares represented by such Registered Holder's Instalment Receipts and shall thereafter remit to such Registered Holder the notice received under subsection 190(6) of the CBCA. The Registered Holder shall, if it desires to proceed to deliver a demand for payment under subsection 190(7) of the CBCA, first duly pay all unpaid Instalments and other amounts owing to the Selling Shareholder hereunder in respect of the Registered Holder's Instalment Receipts and become the registered holder of the relevant Related Shares, in which case the Company shall not object to the continued exercise of rights of dissent in respect of such shares solely on the grounds that the shares have been transferred from the Custodian to the Registered Holder pursuant to this agreement following the delivery of the written objection by the Custodian referred to above. The Registered Holders acknowledge that the foregoing procedure is necessary in order to protect the value of the Collateral held pursuant to section 2 by the Security Agent on behalf of the Selling Shareholder.

(iv) Notwithstanding paragraph (i), a Registered Holder of an Instalment Receipt shall not be entitled to elect to receive Stock Dividends in lieu of Cash Dividends.

(5) Convening of Meetings. Meetings of the Registered Holders may

be convened and held in accordance with the provisions of Schedule 4.

(6) Transfers of Instalment Receipts.

- (i) A Registered Holder may transfer any of the Registered Holder's Instalment Receipts, and the rights represented thereby, in the manner and subject to the terms and conditions set out in this agreement and the schedules hereto. A transfer of an Instalment Receipt by the Registered Holder of such Instalment Receipt shall constitute a transfer of such Registered Holder's rights hereunder in respect of such Instalment Receipt and the Related Shares.
- (ii) A person, including a transferor, who, directly or indirectly or through Intermediaries, requests registration of the transfer of an Instalment Receipt, is deemed to warrant such person's authority to do so as or on behalf of the transferee.
- (iii) Instalment Receipts shall, as between the transferor and transferee, be transferable by delivery thereof properly endorsed or accompanied by proper instruments of transfer in suitable form for transfer by delivery.
- (iv) Except in respect of the transfers provided for in subsection 2(4), which shall be effected as provided for in that subsection, in order for a transferee of an Instalment Receipt to be entitled to obtain registration on the Register in respect of a transfer of such Instalment Receipt, the Registered Holder of such Instalment Receipt and the transferee shall be required to comply with the transfer requirements set out in the Instalment Receipt.
- (v) If any Instalment Receipt shall become defaced, lost, stolen or destroyed, then it may be replaced on such terms, if any, as to evidence and indemnity with or without security (if such Instalment Receipt is lost, stolen or destroyed) as the Custodian may think fit but, in the case of defacement, the defaced Instalment Receipt shall be surrendered to the Custodian before a new Instalment Receipt is issued. In the case of loss, theft or destruction, the Registered Holder shall also pay to the Custodian (if demanded) all expenses incidental to the investigation of evidence of loss, theft or destruction and the preparation of the requisite form of indemnity as aforesaid. Any such indemnity shall, if so

required by the Custodian, be in the form of an open-penalty bond for an indefinite amount in favour of the Selling Shareholder and the Custodian issued by an insurance company licensed to carry on business in the Province of Ontario.

- (vi) Upon the registration on the Register of a transfer of an Instalment Receipt, the transferor of such Instalment Receipt shall cease to have any obligation to pay the Instalments in respect of the Instalment Shares represented by such Instalment Receipt, which obligation shall be conclusively deemed to have been assumed by the transferee of such Instalment Receipt. Notwithstanding the foregoing provisions of this paragraph, upon the registration in the Register of the transfers of the Underwriters' Receipt from the Managing Underwriter, the

Underwriters shall cease to have any further rights under this agreement with respect to such Instalment Receipt and no recourse may be had against them in respect of any obligations under or pursuant to such Instalment Receipt except by way of enforcement against the Collateral as provided in this agreement, and the liability of the Underwriters in respect of such Instalment Receipt shall be limited to the extent, if any, that such liability may be required for the purposes of enforceability and enforcement of the Pledge.

- (vii) In the event that:

- (a) an Intermediary is the Registered Holder of an Instalment Receipt at the Second Payment Time or the Final Payment Time, as applicable;
- (b) such Intermediary holds the Instalment Receipt on behalf of a Non-registered Holder; and
- (c) such Non-registered Holder has failed to pay in full, or cause to be paid in full, when due, to the Custodian the Second Instalment or the Final Instalment, as applicable, in respect of the Instalment Receipts held on its behalf by such Intermediary (any such Non-registered Holder being referred to in this paragraph as a "Non-registered Defaulting Purchaser");

then, forthwith after the Second Payment Time or the Final Payment Time, as applicable, but in any event prior to the Selling Shareholder having realized upon the Collateral, such Intermediary may, notwithstanding subsection 8(11), cause to be transferred into the name

of such Non-registered Defaulting Purchaser the Instalment Receipts held by such Intermediary on behalf of such Non-registered Defaulting Purchaser, and the Custodian shall register such transfer into the name of such Non-registered Defaulting Purchaser.

(viii) To the extent not inconsistent with the terms of this agreement, the provisions of the CBCA respecting the transfer of securities shall apply, mutatis mutandis, to the transfer of Instalment Receipts.

(7) Notices, Reports, etc. Whenever the Company shall send to the Custodian in its capacity as registered holder of Instalment Shares any report, accounts, financial statement, circular or other document relating in any way to the affairs of the Company, the Company shall furnish to the Custodian sufficient quantities

thereof to enable the Custodian to send, and the Custodian shall send as soon as is reasonably practicable, to each Registered Holder a copy thereof, provided that no Registered Holder shall by virtue of this subsection become entitled thereto unless the Registered Holder would be so entitled if the Registered Holder were registered as a holder of Common Shares.

(8) Inspection of the Register. A Registered Holder may, upon production of satisfactory evidence that the Registered Holder is a Registered Holder, examine during the usual business hours of the Company or the Transfer Agent or Custodian, as the case may be, and may take extracts from, free of charge, the Register, any securities register of the Company, the articles and the by-laws of the Company, the minutes of meetings and resolutions of shareholders of the Company and copies of all notices filed with the Director under the CBCA. Such examination shall take place at the principal Stock and Bond Transfer office of the Custodian in Toronto in the case of the Register; at the principal office of the Transfer Agent or other agent of the Company in the case of any securities register of the Company; and at the registered office of the Company in the case of all other such records.

(9) Record Dates. The record date in respect of any of the rights conferred by the holding of Instalment Receipts shall be the same record date as that fixed by the Company in respect of the Related Shares.

(10) Payments by Cheque. Any moneys to be distributed by the Custodian to a Registered Holder may be paid by cheque sent by mail, postage prepaid, to the Registered Holder, or in the case of joint Registered Holders to the First Named, to the address shown on the Register, or to such address as the Registered Holder may in writing direct. Every such cheque sent by mail shall be at the

risk of the Registered Holder and shall be made payable to the order of the person to whom it is sent and the sending of such cheque shall satisfy and discharge all liability for the amount thereof as between the Registered Holder, on the one hand, and the Custodian, the Company and the Selling Shareholder, on the other, unless such cheque is not paid on due presentation; provided that in the event of the non-receipt of such cheque by the person to whom it is sent, or the loss or destruction thereof, the Custodian, upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity satisfactory to it, shall issue to such person a replacement cheque for the amount of such cheque. Unless otherwise provided by applicable law, any amount represented by such cheque which has not been presented for payment within 6 years after the date on which it was issued or which remains unclaimed for a period of 6 years after the date of such distribution shall be forfeited and shall be paid by the Custodian at the written request of the Selling Shareholder, to or to the order of the Selling Shareholder.

(11) U.S. Tax Information Reporting. For purposes of the "portfolio interest" rules under United States tax law, the Custodian shall act as a foreign paying agent in respect of the Registered Holders who are U.S. Persons with respect to their obligation to pay Instalments to any payee who is a foreign corporation for purposes of Section 881(a) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or a nonresident alien individual for purposes of Section 871(a) of the Code. In the event of sale or transfer by the Selling Shareholder of the right to receive Instalments or in the event of any subsequent transfer, the purchaser or the transferee shall be required to provide the Custodian with 2 duly completed copies of United States Internal Revenue Service Form W-8 or W-9, or successor applicable form, or any other applicable form duly requested by the Custodian, as well as a certificate representing that the purchaser or transferee is neither a 10%, within the meaning of Section 871(h) (3) (B) of the Code, shareholder of any of the Registered Holders who are U.S. Persons nor a controlled foreign corporation with respect to which any of the Registered Holders who are U.S. Persons is a related person within the meaning of Section 864(d) (4) of the Code (or, in lieu of such form and certificate, such purchaser or transferee may provide the Custodian, if applicable, with United States Internal Revenue Service Form 1001 or 4224 representing that such purchaser or transferee is exempt from United States federal withholding tax on the portion of any Instalment constituting interest or original issue discount for United States federal income tax purposes), unless such purchaser or transferee is a U.S. Person or a corporation organized under the laws of the United States or any State thereof (and furnishes the Custodian with a duly completed United States Internal Revenue Service Form W-9). If such a purchaser or transferee does not provide the Custodian with the appropriate forms and certificate

and otherwise fails to demonstrate its exemption from United States federal withholding tax on any portion of an Instalment constituting interest or original issue discount for United States federal income tax purposes, then the Custodian shall withhold the appropriate amount of tax from any payment to such purchaser or transferee from Registered Holders who are U. S. Persons and remit such tax to the United States Internal Revenue Service on behalf of the Registered Holders who are U.S. Persons. Notwithstanding the provisions of subsection 10(2), the Selling Shareholder and the Custodian may, at any time and from time to time, modify, amend, supplement or delete all or any part of this subsection, provided that, in their reasonable opinion, such modification, amendment, supplement or deletion does not materially prejudice the Registered Holders as a group or the Underwriters.

8. The Custodian and the Security Agent

(1) Appointment of Custodian. The Selling Shareholder hereby appoints Montreal Trust Company of Canada as the initial Custodian under and for the purposes of this agreement, and Montreal Trust Company of Canada hereby accepts such appointment.

(2) Appointment of Security Agent. The Selling Shareholder hereby appoints The R-M Trust Company as the initial Security Agent under and for the purposes of this agreement, and The R-M Trust Company hereby accepts such appointment.

(3) Termination of Appointment. The Selling Shareholder may at any time, and within 60 days after the receipt by it of written notice from the Custodian that it wishes its appointment terminated or from the Security Agent that it wishes its appointment terminated, shall, terminate such appointment. The Selling Shareholder shall, concurrently with any such termination of the appointment of the Custodian or the Security Agent, appoint a new Custodian or a new Security Agent, as the case may be. Any appointment of a new Custodian or a new Security Agent shall be represented by a written agreement among the new Custodian or Security Agent, the Selling Shareholder and the Company, in which the new Custodian or Security Agent shall undertake and agree to perform its obligations as such under this agreement. Each of the Custodian and the Security Agent shall be a body corporate registered to carry on business as a trust corporation under the laws of the Province of Ontario or, in the case of the Security Agent, a corporation having its registered and principal office in the Province of Ontario and an affiliate of or otherwise under the de facto control and management of such a registered trust corporation.

(4) Notice of Change of the Custodian or the Security Agent. Notice of any change of the Custodian or the Security Agent shall be given by the successor Custodian or the successor Security Agent, as the case may be, to the Registered Holders within 30 days

after the appointment of such successor Custodian and/or successor Security Agent.

(5) Consequences of Change of the Custodian or the Security Agent. If the appointment of the Custodian hereunder terminates for any reason whatsoever, the Custodian shall, on the date on which such termination takes effect, deliver to the Transfer Agent duly executed instruments of transfer and assignment in favour of the successor Custodian of the Instalment Shares, vest or cause to be vested in the successor Custodian any cash, securities or other property then held by it hereunder and deliver to the successor Custodian the Register and all other books and records maintained by it pursuant to this agreement, upon payment of any outstanding fees owed. Upon such delivery and vesting being carried out, the successor Custodian shall be substituted for its predecessor for all purposes hereof. If the appointment of the Security Agent

hereunder terminates for any reason whatsoever, the Security Agent shall, on the date on which such termination takes effect, deliver to the Transfer Agent the share certificate(s) representing the Instalment Shares and vest or cause to be vested in the successor Security Agent any cash, securities or other property held by it hereunder. Upon such delivery and vesting being carried out, the successor Security Agent shall be substituted for its predecessor for all purposes hereof. Upon the delivery to the Transfer Agent of the share certificate(s) representing the Instalment Shares and duly executed instruments of transfer and assignment as aforesaid, the Company shall cause the registration of the Instalment Shares in the name of the successor Custodian or the delivery to the successor Security Agent of the share certificate(s) representing the Instalment Shares, registered in the name of the successor Custodian, as the case may be. Any expense payable as a result of the termination of the appointment of the Custodian or the Security Agent shall be paid by the Selling Shareholder if such termination is at the instance of the Selling Shareholder; provided that if the termination of the Custodian is at its request and without any prior request or fault of the Selling Shareholder, such expense shall be paid by the Custodian.

(6) Remuneration and Reimbursement of the Custodian and the Security Agent. The Custodian and the Security Agent shall each be remunerated for the performance of its duties hereunder, and reimbursed in respect of its costs and expenses, by the Selling Shareholder and by Sun at such rate and in such manner as may from time to time be agreed in writing by the parties concerned.

(7) The Register. The Custodian shall cause a register to be kept at its principal Stock and Bond Transfer office in the Municipality of Metropolitan Toronto, Ontario and shall ensure that the following particulars are entered therein:

- (i) the names and addresses of the Registered Holders;
- (ii) a statement of each holding of Related Shares represented by Instalment Receipts (for which purpose separate holdings by the same Registered Holder need only be aggregated if the Registered Holder's name and address in respect of each holding are identical);
- (iii) the date on which each person was entered in the Register as a Registered Holder in respect of each holding; and
- (iv) the date on which each person ceased to be the Registered Holder in respect of each holding.

(8) Records Retention. The Custodian shall retain until the termination of this agreement, and the Selling Shareholder shall retain or cause to be retained until the sixth anniversary of the day of the Final Payment Time:

- (i) all instruments of transfer of Instalment Receipts which are lodged for registration (or copies thereof), including the details shown thereon of the persons by or through whom they are lodged; and
- (ii) all cancelled Instalment Receipts (or copies thereof).

(9) Availability of Records. The Custodian shall ensure that the Register and any other books or records caused to be maintained by it hereunder are promptly made available, and that copies thereof are supplied, as and when requested by the Selling Shareholder or the Company so to do.

(10) Transfer Facilities. The Custodian shall cause facilities to be maintained for the transfer and delivery of Instalment Receipts at its principal Stock and Bond Transfer office in each of the Designated Cities.

(11) No Transfers After Second Payment Time or Final Payment Time. Except as provided in paragraph 7(6)(vii), the Custodian shall not accept any transfer of a First Instalment Receipt after the Second Payment Time or any transfer of a Second Instalment Receipt after the Final Payment Time.

(12) Documents Forwarded to the Selling Shareholder. Immediately prior to the termination of this agreement, the Custodian shall deliver to the Selling Shareholder, or as it may direct in writing, the documents referred to in subsections (7) and (8) and all other property in its possession as a result of this agreement and not at such time otherwise disposed of in accordance with the terms of this agreement.

(13) Custodian's Performance of Duties. In performing its duties hereunder, the Custodian will act diligently, honestly and in good faith and, subject always to express obligations to the Selling Shareholder in respect of the Collateral specified in this agreement, with a view to the best interests of the Registered Holders and shall exercise the same degree of care as a reasonably prudent custodian would exercise in comparable circumstances.

(14) Security Agent's Performance of Duties. In performing its duties hereunder, the Security Agent will act diligently, honestly and in good faith and with a view to the best interests of the Selling Shareholder and shall exercise the same degree of care as a reasonably prudent security agent would exercise in comparable circumstances.

(15) No Indemnity. It is agreed that neither the Custodian nor the Security Agent shall have any claims against the Underwriters or the Company for any indemnification hereunder.

9. Protection and Indemnity of the Custodian, the Security Agent and the Company

(1) Reliance on Experts. Each of the Custodian and the Security Agent may rely and act on the opinion or advice of, or information obtained from, any lawyer, banker, broker, accountant or other expert appointed or retained by either the Company or the Selling Shareholder and the Custodian and the Security Agent shall not be responsible for any loss occasioned by so relying and acting.

(2) Reliance on Certificate. Each of the Custodian and the Security Agent may in appropriate circumstances request, and may rely on and accept as sufficient evidence of any fact or matter, a certificate signed by any authorized signatory or signatories of the Company or the Selling Shareholder, whichever is appropriate, or, in addition, in the case of the Security Agent, of the Custodian, as to the fact or matter upon which it may, in the exercise of any of its duties, powers, authorities and discretions hereunder, be required to be satisfied or to have information, and it shall not be bound to call for further evidence and not be responsible for any loss that may be occasioned by acting on any such certificate.

(3) Discretion. Each of the Custodian and the Security Agent shall, as regards all the powers, authorities and discretions hereby vested in it, have reasonable discretion as to the exercise thereof and it shall not be responsible for any loss, costs, damages, expenses or inconvenience which may result from the exercise or non-exercise thereof in the absence of negligence.

(4) Indemnification of Custodian and Security Agent. The Custodian and the Security Agent, and every attorney, manager, agent,

delegate or other person appointed by either of them under this agreement (the "Agents") is each hereby indemnified by the Selling Shareholder and by Sun from and against all losses, liabilities, claims, proceedings, actions, demands and damages and all costs and expenses in connection therewith which it may incur or which may be made or brought against it as a result of the execution or purported execution of its duties or obligations under or pursuant to this agreement; provided that this indemnity applies only to the extent that such losses, liabilities, claims, proceedings, demands or damages or costs or expenses in connection therewith do not result from the wilful act or default or negligence of, or breach of the obligations of the Custodian or the Security Agent hereunder by, the Custodian or the Security Agent, as applicable, or any of its Agents.

(5) Indemnification of the Company. The Company is hereby indemnified by the Selling Shareholder and by Sun from and against all losses, liabilities, claims, proceedings, actions, demands and damages and all costs and expenses in connection therewith which it

may incur or which may be made or brought against it which arise out of, or in connection with, this agreement; provided that this indemnity applies only to the extent that such losses, liabilities, claims, proceedings, actions, demands or damages or costs or expenses in connection therewith do not result from the wilful act or default or negligence of, or breach of its obligations hereunder by, the Company.

(6) Notice of Claims. If any action or claim shall be brought against the Custodian or the Security Agent, any of the Agents or the Company in respect of which it appears to the Custodian or the Security Agent or any Agent in question or the Company, as the case may be, that indemnity may be sought by such person from the Selling Shareholder and Sun pursuant to subsections (4) or (5), as the case may be, the Custodian, the Security Agent and the Agent or the Company, as the case may be, shall as soon as practicable notify the Selling Shareholder and Sun in writing of such action or claim and if the Selling Shareholder or Sun assumes the defence of such action or claim in accordance with this subsection, the Custodian, the Security Agent and the Agent, or the Company, as the case may be, shall provide the Selling Shareholder and Sun, subject to the indemnity contained in subsections (4) or (5), as the case may be, with such information and assistance as the Selling Shareholder and Sun shall reasonably request. The Selling Shareholder and Sun shall, subject as hereinafter in this subsection provided, be entitled (but not required) to assume the defence of any such action or claim through legal counsel selected by the Selling Shareholder and Sun and acceptable to the indemnified party acting reasonably and no admission of liability shall be made by the Selling Shareholder or by Sun or by the indemnified party without, in each case, the prior written consent

of each of the others, such consent not to be unreasonably withheld. An indemnified party shall have the right to employ separate counsel in any such action or claim and participate in the defence thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (a) the Selling Shareholder and Sun fail to assume the defence of such action or claim on behalf of the indemnified party within 21 days after receiving notice of such action or claim, or (b) the Selling Shareholder and Sun otherwise agree in writing, or (c) the named parties to such action or claim include both the indemnified party and the Selling Shareholder and/or Sun and the indemnified party shall have been advised by counsel that there may be one or more legal defences available to it that are different from or in addition to those available to the Selling Shareholder and/or Sun, as the case may be, and if the indemnified party notifies the Selling Shareholder and Sun in writing that it elects to employ its own legal advisers, in each of which cases the Selling Shareholder and Sun shall not have the right to assume the defence of such action or claim on behalf of the indemnified party, but the Selling

Shareholder and Sun shall be liable to pay the reasonable fees and expenses of one firm of separate counsel for all indemnified parties and, in addition, one firm of local counsel in each applicable jurisdiction.

(7) Limitation of Indemnities. The indemnities contained in subsections (4) and (5) shall not extend to any losses, liabilities, claims, proceedings, actions, demands or damages which may result from the settlement or compromise of any action or claim brought against the Custodian, the Security Agent or an Agent or the Company, as the case may be, made or effected without the prior written consent of the Selling Shareholder and Sun (such consent not to be unreasonably withheld in a case where the Selling Shareholder and Sun have not at the time such consent is sought assumed the defence of the action or claim) or, except as provided in subsection (6), to any legal expenses which may result from the employment by the Custodian, the Security Agent or an Agent or the Company, as the case may be, of its own legal advisers in connection with any action or claim against it after the defence of such action or claim has been assumed by the Selling Shareholder and Sun.

(8) Reliance on Minutes. The Custodian shall not be responsible for having acted upon any resolution purporting to have been passed at any meeting of Registered Holders in respect whereof minutes have been made and signed though it may subsequently be found that there was some defect in the constitution of the meeting or the passing of the resolution or that for any reason the resolution was not valid or binding upon the Registered Holders.

(9) Non-Entitlement to Indemnity. Nothing in the preceding

subsections of this section shall, in any case in which the Custodian or the Security Agent has failed to show the degree of care and diligence required of it hereunder or by applicable law, exempt the Custodian or the Security Agent from or indemnify it against any liability in relation to its duties hereunder.

(10) Conflict of Interest. Each of the Custodian and the Security Agent, in the performance of its obligations hereunder, shall be the agent of the Selling Shareholder and not the agent of the Underwriters or of any Registered Holder of an Instalment Receipt. The Custodian shall not acquire, hold or deal with in its personal capacity, either in its own name or in the name of a nominee, any Instalment Receipts or any Instalment Shares but may so acquire, hold or deal with any other shares or securities or interests therein for the time being issued by the Company or enter into any contract or have financial dealings with the Company or the Selling Shareholder without being liable to account therefor under this agreement. In addition, the Custodian shall be entitled to acquire, hold and deal in Instalment Receipts and, after the

issuance as provided in subsection 5(3) of share certificates representing any Instalment Shares, such Instalment Shares, on behalf of any estate, trust or person in respect of which it is an executor, trustee or statutory guardian of property and on behalf of any customer of the Custodian, in each case without being liable to account therefor under this agreement. The Security Agent shall not acquire, hold or deal with in its personal capacity, on behalf of any estate, trust or person in respect of which it is an executor, trustee or statutory guardian of property, on behalf or for the account of any other person or in any other capacity whatsoever, and either in its own name or in the name of such estate, trust or person or the name of a nominee, and will not in any manner act as the agent of any Registered Holder of, any Instalment Receipt or, except as specifically provided herein and as agent for the Selling Shareholder, any Instalment Shares.

10. General

(1) Notices.

- (i) Any notice to be given by the Company or the Selling Shareholder or Sun or the Custodian or the Security Agent to any of the others shall be signed by an authorized signatory of the party giving the notice. Any such notice shall be addressed to the relevant party at its address set out below or at such other address as may be notified from time to time in accordance with this section. Any such notice to the Selling Shareholder shall be addressed to Three Christina Center, 201 North Walnut Street, Suite 1300, Wilmington, DE 19801, Attention: President. Any such notice to Sun shall be addressed to Ten Penn Center,

1801 Market Street, Philadelphia, PA 19103-1699,
Attention: Assistant General Counsel. Any such
notice to the Company shall be addressed to 36 York Mills
Road, North York, Ontario M2P 2C5, Attention: Vice
President and General Counsel. Any such notice to the
Custodian shall be addressed to 8th Floor, 151 Front
Street West, Toronto, Ontario M5J 2N1, Attention:
Manager, Client Services. Any such notice to the
Security Agent shall be addressed to 5th Floor, 393
University Avenue, Toronto, Ontario M5G 2M7, Attention:
Manager, Corporate Trust. Any such notice to the
Underwriters shall be given to the Managing Underwriter
and shall be addressed to Nesbitt Burns Inc., Suite 5000,
1 First Canadian Place, Toronto, Ontario M5X 1H3,
Attention: D. K. Johnson.

(ii) Any notice to a party hereto shall be deemed to have been
duly given if personally delivered.

(iii) Any notice to be given and any documents to be sent to
any Registered Holder may be given or sent to the
Registered Shareholder's address shown on the Register in
any manner permitted by the CBCA and the by-laws of the
Company from time to time in force in respect of notices
to shareholders and shall be deemed to be received (if
given or sent in such a manner) at the time specified in
the CBCA or such by-laws, the provisions of which shall
apply mutatis mutandis to notices given or documents sent
to Registered Holders.

(iv) Whenever payments are to be made or documents are to be
sent to any Registered Holder by the Custodian or by the
Selling Shareholder or by the Company, or by a Registered
Holder to the Custodian or to the Selling Shareholder or
to the Company, then if such payment is made or such
document is sent by any manner other than personal
delivery, such payment or document be so made or sent at
the risk of the Registered Holder.

(2) Power to Amend. All and any provisions of this agreement and
the Instalment Receipts may from time to time be amended by
agreement among the Company, the Custodian, the Security Agent, the
Selling Shareholder and Sun in any respect which they deem
necessary or desirable, without the need for any consent by or on
behalf of the Underwriters or the Registered Holders, for the
purpose of curing any ambiguity or of curing, correcting or
supplementing any defective provision contained herein or in any
manner which the Company, the Custodian, the Security Agent, the
Selling Shareholder and Sun may deem necessary or expedient and
which does not in their reasonable opinion materially prejudice the
Registered Holders as a group or the Underwriters. Any other

amendments shall, before being made by the Company, the Custodian, the Security Agent, the Selling Shareholder and Sun, be authorized by Special Resolution. The Underwriters shall not be required or entitled to be parties to any amending agreement, but no amendment of this agreement shall in any manner modify or extend the obligations or liabilities of the Underwriters hereunder. If this agreement is amended, references herein to this agreement shall, unless the context otherwise requires, be construed, as from the date from which such amendment is expressed to be made, as references to this agreement as so amended.

(3) Compliance with Laws. The Custodian may require Registered Holders from time to time to execute or furnish such documents and to furnish such information as, in the reasonable opinion of the Custodian, may be necessary or appropriate to comply with any fiscal or other laws or regulations relating to the Related Shares or the Instalment Receipts or to rights and obligations represented by the Instalment Receipts.

(4) Termination. This agreement and the rights and obligations of the parties hereto shall terminate on the first day after the day after which no further Instalments and other amounts payable pursuant hereto in respect of the Instalment Shares remain unpaid and no Instalment Shares or other property (other than cash represented by cheques in favour of Registered Holders which have not been presented for payment) remain deposited with the Custodian or held by the Security Agent; provided, however, that such termination shall not affect any obligation of any party hereto to make any payment to any of the others or to Registered Holders accrued at the date of termination or any obligation of a party hereto to indemnify any of the other parties hereto (including, without limitation, the indemnifications provided for in subsections 9(4) and (5)) and that the provisions of paragraphs 5(4)(vi) and (viii) and 7(2)(vii) and subsections 7(10) and 8(8) shall remain in full force and effect notwithstanding such termination. From and after the Final Payment Time, the Instalment Receipts shall cease, except as and to the extent provided in subsection 5(3), to entitle the Registered Holders thereof to become the registered holder of any Instalment Shares.

(5) Joint and Several Liability. The obligations of Sun and Sun Canada under this agreement are joint and several and all obligations of Sun or Sun Canada under this agreement are equally the obligations of the other.

(6) Governing Law. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the courts of such Province shall have exclusive jurisdiction over any dispute hereunder, to which jurisdiction the parties attorn.

(7) Document in English. The parties hereto acknowledge that they have requested and are satisfied that this agreement and all documents relating thereto be drafted in the English language. Les parties aux presentes reconnaissent qu'elles ont exige que la presente convention et tous les documents qui s'y rattachent soient rediges, et executes en anglais et s'en declarent satisfaites.

(8) Time of the Essence. Time shall be of the essence of this agreement.

(9) Counterparts. This agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

11. Assignment; Successor Rights.

(1) Assignment by the Selling Shareholder. The Selling Shareholder may freely assign, either absolutely or by way of security, this agreement and/or all or any part of its rights under this agreement to any person (each, an "assignee") without the consent of or notice to any other party hereto; provided, however, that no such assignment shall, except as provided in subsection (2), relieve the Selling Shareholder or Sun from all or any part of its obligations hereunder.

(2) Assumption by Assignee. The Selling Shareholder may, but shall not be bound to, deliver to the Company, the Custodian and the Security Agent an agreement by which an assignee which is one or more Canadian Schedule I banks assumes the obligations and agrees to be bound by all the terms and conditions of this agreement to the extent of the assignment to the assignee as if such assignee had been an original party hereto. Upon any such assignment and such assumption of the obligations of the Selling Shareholder by an assignee, the Selling Shareholder and Sun, on the one hand, and the Company, the Custodian and the Security Agent, on the other hand, shall be mutually released from their respective obligations hereunder to the extent of such assignment and assumption and shall thenceforth have no liability or obligations to each other to such extent, except in respect of matters which shall have arisen prior to such assignment.

(3) Information to Assignee. The Selling Shareholder and Sun may give any assignee or proposed assignee copies of financial statements and other reports and information furnished to either of them by or on behalf of the Company in connection with the offering and sale of the Instalment Receipts if the Selling Shareholder and Sun obtain from the assignee or proposed assignee substantially the same agreement as to confidentiality, if any, as they have furnished to the Company in connection with such statements,

reports and information, mutatis mutandis.

(4) Certificates, etc. The Company, the Custodian and the Security Agent shall, without charge to the assignee, give such certificates, acknowledgments and further assurances in respect of this agreement as the Selling Shareholder, Sun or any assignee may reasonably require in connection with any assignment pursuant to subsection (1).

(5) No Set-Off. From and after the effective date of an assignment to an assignee, no party to this agreement and no Registered Holder shall have any right of set-off against any amounts held by or under the control of such party hereunder or pursuant hereto or against any amounts owing by such Registered Holder hereunder, as the case may be, in respect of any indebtedness of or claim against such assignee, whether settled or not.

(6) Assignment by Other Parties. None of the parties hereto other than the Selling Shareholder may assign its rights under this agreement, except as provided in section 8 in the case of the Custodian and the Security Agent and in paragraph 7(6)(i) in the case of a Registered Holder (including, without limitation, the Managing Underwriter), without the prior written consent of the parties hereto other than such proposed assignor.

(7) Successors and Assigns. Subject to the foregoing provisions of this section, this agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

IN WITNESS WHEREOF the parties have executed this agreement.

SUN CANADA, INC.

by:

Authorized Officer

SUN COMPANY, INC.

by:

Manager, Finance-Mergers and
Acquisitions

SUNCOR INC.

by:

NESBITT BURNS INC.

by:

GORDON CAPITAL CORPORATION

by:

RBC DOMINION SECURITIES INC.

by:

WOOD GUNDY INC.

by:

SCOTIAMcLEOD INC.

by:

GOLDMAN SACHS CANADA

by GOLDMAN SACHS CANADA INC.

by:

MIDLAND WALWYN CAPITAL INC.

by:

RICHARDSON GREENSHIELDS OF CANADA
LIMITED

by:

FIRST MARATHON SECURITIES LIMITED

by:

LEVESQUE BEAUBIEN GEOFFRION INC.

by:

TORONTO DOMINION SECURITIES INC.

by:

PETERS & CO. LIMITED

by:

THE R-M TRUST COMPANY

by:

[Corporate Seal]

Linda Whitfield
Senior Solicitor

and by:

Stephanie Knox
Account Officer

MONTREAL TRUST COMPANY
OF CANADA

by:

[Corporate Seal]

Assistant Vice-President

and by:

Manager, Client Services

SCHEDULE 1

Form of First Instalment Receipt

Printer's proof annexed

SCHEDULE 2

Form of Second Instalment Receipt

Printer's proof annexed

SCHEDULE 3

NOTICE OF PAYMENT DUE RELATING TO COMMON SHARES
OF SUNCOR INC.
SOLD BY SUN CANADA, INC.

[NAME OF REGISTERED HOLDER]

- (1) No. of common shares for which payment is due: Number of [Insert "First" or "Second", as applicable] Instalment Receipt: -----
- (2) Amount of [Insert "Second" or "Final", as applicable] Instalment per common share
\$13.00 [or as applicable]
- (3) Total amount of [Insert "Second" or "Final", as applicable] Instalments:
\$
- (4) Time and Date for Payment: by 1:00 p.m. (local time) [Second Instalment, insert "June 10, 1996". Final Instalment, insert "December 30, 1996".]

In accordance with the terms of the Instalment Receipt and Pledge Agreement made as of June 8, 1995 and made among Sun Canada, Inc., Sun Company, Inc., Suncor Inc., Nesbitt Burns Inc. Gordon Capital Corporation, RBC Dominion Securities Inc., Wood Gundy Inc., ScotiaMcLeod Inc., Goldman Sachs Canada, Midland Walwyn Capital Inc., Richardson Greenshields of Canada Limited, First Marathon Securities Limited, Levesque Beaubien Geoffrion Inc., Toronto Dominion Securities Inc., Peters & Co. Limited, The R-M Trust Company and Montreal Trust Company of Canada (the "Custodian") (the "Instalment Receipt Agreement") the [Insert "Second" or "Final", as applicable] Instalment of \$13.00 per share on the number of common shares of Suncor Inc. ("Common Shares") shown in (1) above is due for payment not later than the time and date set out in (4) above. The total amount of [Insert "Second" or "Final", as applicable] Instalments shown in (3) above must be sent or delivered to the Custodian at one of the addresses shown below together with your

[Insert "First" or "Second", as applicable] Instalment Receipts so that they are actually received by the Custodian by such time.

Failure to pay the total amount of the [Insert "Second" or "Final", as applicable] Instalments at or before the time for payment set out in (4) above and to satisfy the other requirements set out in this paragraph may result in your Common Shares being accepted by Sun Canada, Inc. in satisfaction of the obligations secured by the pledge thereof which secures, or sold by the Custodian pursuant to the pledge thereof securing, among other things, the [Insert "Second" or "Final", as applicable] Instalments. The Instalment Receipt Agreement also provides that you will be responsible for your portion of the costs of sale, in the event of a sale and you will be liable for any deficiency as and to the extent provided for in such agreement.

In the Instalment Receipt Agreement, the Underwriters (as defined therein) pledged the Common Shares purchased on an instalment basis to secure payment of the Second and the Final Instalment. If payment of the [Insert "Second" or "Final", as applicable] Instalment is not duly received by the Custodian from a Registered Holder of an Instalment Receipt at or prior to the time and date set out in (4) above, the Instalment Receipt Agreement provides that (except as set out below) any Common Shares (and any substituted securities or property) then remaining pledged under the Instalment Receipt Agreement in respect of such Instalment Receipts, may, at the option of the Selling Shareholder, subject to complying with applicable law, be reacquired by the Selling Shareholder in full satisfaction of the obligations of such Registered Holder. The Instalment Receipt Agreement further provides that the Selling Shareholder may direct the Custodian to sell the Common Shares and any substituted securities or property in respect of which payment of the [Insert "Second" or "Final", as applicable] Instalment was not duly received, in accordance with the requirements of applicable law and of the Instalment Receipt Agreement, and remit to the Registered Holder of the relevant Instalment Receipt the Registered Holder's pro rata portion of the proceeds of such sale after deducting therefrom the amount of the remaining unpaid Instalments together with the Registered Holder's pro rata portion of the costs of such sale, which costs shall not, in any event, exceed \$1.00 per Common Share. Notwithstanding the foregoing, in the event that payment of the [Insert "Second" or "Final", as applicable] Instalment in respect of an aggregate of less than 5% of the Common Shares represented by Instalment Receipts is not duly received by the Custodian when due, the Custodian must sell the Common Shares or any substituted securities or property in respect of which payment of the [Insert "Second" or "Final", as applicable] Instalment has not been duly received and apply the proceeds of such sale in the manner described above. The Instalment Receipt Agreement provides that, unless the Selling Shareholder shall have reacquired the Common Shares in full

satisfaction of the obligations of a Registered Holder, the foregoing shall not limit any other remedies available to the

Selling Shareholder against such Registered Holder of an Instalment Receipt in the event the proceeds of such sale are insufficient to cover the amount of the [Insert "Second" or "Final", as applicable] Instalment and costs of sale (such costs not to exceed \$1.00 per Common Share), and accordingly, such Registered Holder shall in such circumstances remain liable to the Selling Shareholder for any such deficiency.

Registered Holders of Instalment Receipts who are non-residents of Canada are required to pay the costs of all withholding taxes payable in respect of any Cash Dividends, Excess Dividends, Stock Dividends, Distributed Property or Reorganization. Any such withholding tax is payable on such distributions even if the payment thereof is directed to the Selling Shareholder on account of the non-resident's unpaid Instalment and even if there is not sufficient cash in the distribution to pay such withholding tax. Provision for the payment of this tax by non-residents is set out in the Instalment Receipt Agreement.

Following actual receipt of cleared funds in the total amount of the [Insert "Second" or "Final", as applicable] Instalments and satisfaction of the other requirements set out in the previous paragraph, the Custodian will (except as provided in the Instalment Receipt Agreement) cause a [Insert "Second Instalment Receipt" or "share certificate", as applicable] for the number of Common Shares shown in (1) above to be sent to you.

Payment may be made by certified cheque, banker's draft or money order payable at par in Canada in Canadian dollars to MONTREAL TRUST COMPANY OF CANADA at one of the addresses set out below.

All payments and deliveries are sent at the risk of the sender and are only effective when cleared funds and such deliveries are actually received. If payments or deliveries are made by mail, registered mail is strongly suggested. The Custodian is not obliged to re-present a cheque which is returned unpaid on first presentation or to inform you that it has been so returned.

Addresses of Montreal Trust Company of Canada to which payment may be sent:

By Mail

By Hand

Stock Transfer Services
151 Front Street West
8th Floor

Toronto, Ontario
M5J 2N1

Stock Transfer Services
151 Front Street West
8th Floor
Toronto, Ontario
M5J 2N1

Stock Transfer Services
Place Montreal Trust
6th Floor
1800 McGill College Avenue
Montreal, Quebec
H3A 3K9

Stock Transfer Services
411 - 8th Avenue S.W.
Calgary, Alberta
T2P 1E7

Stock Transfer Services
Eaton Centre
10200 - 102 Avenue
Edmonton, Alberta
T5J 4B7

Stock Transfer Services
510 Burrard Street, 2nd Floor
Vancouver, British Columbia
V6C 3B9

SCHEDULE 4

Meetings of Registered Holders

1. Convening of Meeting

The Custodian or Sun Canada and Sun (acting jointly) or the Company may at any time convene a meeting of the Registered Holders and the Custodian shall do so upon a requisition in writing by the Registered Holders of Instalment Receipts representing at least 5% of all Instalment Shares represented by Instalment Receipts which are then outstanding and upon receiving such indemnity against the costs of summoning and holding such meeting as it may reasonably require. The Company may at any time convene a meeting of the Registered Holders at its own expense. Every

meeting shall be held in the Municipality of Metropolitan Toronto, Ontario or the City of Calgary, Alberta, or such other place in Canada as the Company, Sun Canada, Sun and the Custodian may decide.

2. Notice of Meetings

At least 21 days' notice, but not more than 50 days' notice, specifying the place, day and hour of meeting shall be given to the Registered Holders of outstanding Instalment Receipts of any meeting of the Registered Holders. The procedure for sending notice of meeting and meeting-related materials set out in NP 41 shall apply to all such meetings, mutatis mutandis. A copy of the notice shall be sent by prepaid mail to each of the Company, Sun Canada and Sun, the Custodian and the Security Agent, but no notice need be sent to the person convening the meeting. Such notice shall specify the general nature of the business to be transacted at the meeting thereby convened and shall be given in the manner provided in the Instalment Receipt Agreement, but the accidental omission to give such notice to, or the non-receipt of such notice by, any Registered Holder, Sun Canada, Sun, the Security Agent, the Custodian or the Company shall not invalidate any of the proceedings at the meeting. In case of a meeting being convened for the purpose of passing a Special Resolution, the notice shall also state the terms of the Special Resolution. Any Registered Holder present, either in person or by proxy, at any meeting of the Registered Holders shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

3. Quorum

At any such meeting persons at least 2 in number being the Registered Holders of Instalment Receipts representing at least 30% of the Instalment Shares represented by Instalment Receipts which are then outstanding, and/or proxies for such Registered Holders, shall (except for the purpose of passing a Special Resolution) form a quorum for the transaction of business. The

quorum at any such meeting for passing a Special Resolution shall be at least 2 persons who are the Registered Holders of Instalment Receipts representing at least a majority of the Instalment Shares represented by Instalment Receipts which are then outstanding and/or proxies for such Registered Holders. No business shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. If within 15 minutes from the time appointed for any meeting a quorum is not present, or, if subsequent to the opening of a meeting there ceases to be a quorum present, the meeting, if convened on the requisition of Registered Holders, shall be dissolved but in any other case the meeting shall stand adjourned to such day (not being less than 14 or more than 21

days thereafter), time and place as may be appointed by the Chair and at such adjourned meeting the Registered Holders present in person or by proxy and entitled to vote (whatever percentage of all the Instalment Shares is represented by their Instalment Receipts) shall form a quorum and shall have power to pass any Special Resolution or other resolution and to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. At least 10 days' notice of any adjourned meeting at which a Special Resolution is to be submitted shall be given in the manner provided in paragraph 2 of this schedule and such notice shall state that 2 Registered Holders present in person or by proxy at the adjourned meeting, whatever the percentage of Instalment Shares is represented by their Instalment Receipts, shall form a quorum.

4. Chair

Some person (who may but need not be a Registered Holder or the proxy of a Registered Holder) nominated in writing by the Custodian shall be entitled to take the chair at every such meeting and if no person is so nominated or if at any meeting a person so nominated shall not be present within 5 minutes after the time appointed for holding the meeting or shall be unable or shall refuse or fail to act, the Registered Holders present in person or by proxy shall choose one of their number or a representative of the Company, Sun Canada or Sun to be Chair.

5. Attendance by Sun Canada, Sun, the Security Agent, the Custodian and Company

Sun Canada, Sun, the Security Agent, the Custodian and the Company and their duly authorized representatives may attend and speak at any such meeting.

6. Voting

Every question, other than a Special Resolution, submitted to a meeting of the Registered Holders shall be decided in the first instance by a show of hands and a majority of the votes cast on such question shall be sufficient for all purposes and shall be the decision of the meeting (except as otherwise prescribed by law). In case of an equality of votes, the Chair shall, either on a show of hands or at a poll, have a casting vote in addition to the votes (if any) to which the Chair may be entitled as a Registered Holder or proxy for a Registered Holder. On a show of hands every Registered Holder or proxy for a Registered Holder who is present in person shall have one vote.

7. Chair's Declarations

At any meeting of the Registered Holders, unless a poll is demanded by the Chair or by at least one Registered Holder present in person or by proxy (either before or after any vote by a show of hands), a declaration by the Chair that a resolution has been carried or lost or carried by a particular majority shall be conclusive evidence of the fact. The Chair's decision on all matters or things shall be conclusive and binding upon the meeting.

8. Polls

If at any such meeting a poll is demanded as aforesaid, or if the question to be considered is a proposed Special Resolution, a poll shall be held in such manner and either at once or after an adjournment as the Chair directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was held. The Chair may, or if a ballot is to be taken shall, appoint one or more persons to act as scrutineers of the meeting or any adjournment thereof. The demand for a poll may be withdrawn at any time prior to the taking of a ballot. On a poll every Registered Holder who is present in person or by proxy shall have one vote for each Instalment Share represented by such Registered Holder's Instalment Receipts.

9. Objections and Errors

If (i) any objection shall be raised to the qualification of any voter (whether on a show of hands or on a poll) or (ii) any votes have been counted which ought not to have been counted or have not been counted which ought to have been counted, then the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chair of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chair decides that the same may have affected the decision of the meeting. The decision of the Chair on such matters shall be final and conclusive.

10. Adjournments

The Chair may with the consent of (and shall if directed by) any meeting at which a quorum is present adjourn the same from time to time and from place to place, but if it appears to the Chair of any meeting that it is likely to be impracticable to hold or continue that meeting because of the number of Registered Holders present in person or by proxy or wishing to attend, the Chair may adjourn the meeting to another time and place or sine die without the need for such consent. No business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took

place. Except as provided in paragraph 3 of this schedule, it shall not be necessary to give notice to the Registered Holders of an adjourned meeting.

11. Time and Place of Polls

Any poll demanded at any meeting on the election of a Chair or on any question of adjournment shall be taken at the meeting without adjournment. A poll demanded on any other question shall be taken at such time and place as the Chair directs.

12. Entitlement to Vote

The Registered Holder or in the case of joint Registered Holders any one of them shall be entitled to vote in respect of any Instalment Receipts either in person or by proxy and in the latter case as if such joint Registered Holder were solely entitled thereto and if more than one of such joint Registered Holders be present at any meeting either personally or by proxy that one of the joint Registered Holders so present who is First Named shall alone be entitled to vote.

13. Form of Proxy

Every instrument appointing a proxy shall be in writing under the hand of the appointor or of its attorney duly authorized in writing or in the case of a corporation under its corporate seal or under the hand of its duly authorized representative or attorney.

14. Identity of Proxy

A proxy need not be a Registered Holder.

15. Lodging of Proxies

The instrument appointing a proxy, the power of attorney or the other authority (if any) under which it is signed or a

notarially certified copy of such power or authority must be deposited at the office of the Custodian at which notices may from time to time be served on it under section 10 of the Instalment Receipt Agreement or such other place as shall be appointed for that purpose in the notice convening the meeting or in any document accompanying such notice, prior to the time appointed for holding the meeting or the taking of a poll at which the person named in such instrument proposes to vote, or, if specified in the notice convening the meeting or in any document accompanying such notice, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or the taking of a poll at which the person named in such instrument proposes to vote. A vote given in

accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the power or authority under which the instrument of proxy was signed or the transfer of the Instalment Receipts in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer shall have been received at the said office of the Custodian at which notices may from time to time be served on it under section 10 of the Instalment Receipt Agreement before the commencement of the meeting or adjourned meeting or the taking of a poll at which the instrument of proxy is to be used. No instrument appointing a proxy or power or authority shall be valid after the expiration of 12 months from the date named in it as the date of its execution. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

16. Special Resolution

A meeting of the Registered Holders shall, in addition to the powers given in the Instalment Receipt Agreement and above in this schedule, have the following powers exercisable by Special Resolution, namely:

- (a) power to sanction any modification or compromise of or arrangement in respect of the rights of the Registered Holders against the Company, the Custodian or the Selling Shareholder whether such rights shall arise under the Instalment Receipt Agreement or otherwise;
- (b) power to assent to any modifications of, additions or amendments to or deletions from the provisions contained in the Instalment Receipt Agreement or the Instalment Receipts proposed or agreed to by the Company and the Selling Shareholder and to authorize the Custodian on its own behalf and on behalf of the Registered Holders to concur in and execute any supplemental agreement embodying any such modifications, additions, amendments and/or deletions;
- (c) power to agree to the release or exoneration of the Custodian from any liability in respect of anything done or omitted to be done by the Custodian before the giving of such release; and
- (d) power to authorize the Custodian to agree to the abridgement of the required time for the giving of any notice of, or to waive notice of, any meeting of shareholders of the Company or to sign a resolution in writing of shareholders of the Company,

provided that no meeting of Registered Holders shall have power to

vary the rights of any Registered Holder, on due compliance with the provisions of the Instalment Receipt Agreement, to pay for, and take a transfer of, the Related Shares represented by his Instalment Receipts and, pending such transfer, to enjoy all the rights of ownership conferred by the Instalment Receipt Agreement upon him in respect of the Related Shares represented by his Instalment Receipts or to modify or abrogate any right any Registered Holder would otherwise have to receive the profits and income rising directly or indirectly from the Related Shares represented by his Instalment Receipts.

17. Binding Effect of Special Resolution

A Special Resolution passed at a meeting of the Registered Holders duly convened and held in accordance with this agreement shall be binding upon all the Registered Holders whether present or not present at such meeting and each of the Registered Holders and the Custodian (subject to the provisions for its indemnity contained in the Instalment Receipt Agreement) shall be bound to give effect thereto accordingly.

18. Meaning of "Special Resolution"

The expression "Special Resolution" when used in this schedule means a resolution passed at a meeting of the Registered Holders duly convened and held in accordance with the provisions herein contained relating to a meeting for passing a Special Resolution by a majority consisting of not less than two-thirds of the votes given on a poll.

19. Resolutions in Writing

A resolution in writing signed by or on behalf of all the Registered Holders of outstanding Instalment Receipts shall for all purposes be as valid and effectual as a Special Resolution passed at a meeting of the Registered Holders duly convened and held. Such resolution in writing may be contained in one or more

counterparts each signed by or on behalf of one or more of the Registered Holders.

20. Minutes

Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Custodian and any such minutes as aforesaid if purporting to be signed by the Chair of the meeting at which such resolutions were passed or proceedings had or by the Chair of the next succeeding meeting of the Registered Holders shall be conclusive evidence of the matters therein contained and until the contrary is proved every such

meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed and proceedings had thereat to have been duly passed and had.

21. Relationship with Instalment Receipt Agreement

The provisions of this schedule are in addition to and not in substitution for the provisions of the Instalment Receipt Agreement concerning meetings of the Registered Holders and notices thereof.

22. Time

In determining under any provisions of this schedule when notice of any meeting must be given, the date of giving of the notice shall be included and the date of the meeting shall be excluded.

23. Definitions.

In this schedule, "Instalment Receipt Agreement" means the agreement made as of June 8, 1995 among Sun Canada, Inc., Sun Company, Inc., Suncor Inc., Nesbitt Burns Inc., Gordon Capital Corporation, RBC Dominion Securities Inc., Wood Gundy Inc., ScotiaMcLeod Inc., Goldman Sachs Canada, Midland Walwyn Capital Inc., Richardson Greenshields of Canada Limited, First Marathon Securities Limited, Levesque Beaubien Geoffrion Inc., Toronto Dominion Securities Inc., Peters & Co. Limited, The R-M Trust Company and Montreal Trust Company of Canada providing, inter alia, for the issuance of Instalment Receipts, and terms defined in the Instalment Receipt Agreement have the meanings ascribed to them therein when used in this schedule.