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CARIBBEAN UTILITIES COMPANY, LTD.

INSIDER TRADING POLICY


Effective Date: July 31, 2004

1. Introduction

Caribbean Utilities Company, Ltd. (the “Company”) encourages all employees, officers and directors to become shareholders of the Company. These individuals may from time to time become aware of corporate developments or plans or other information that may affect the value of the Company’s securities before these developments, plans or information are made public. Trading securities of the Company while in possession of such information before it is generally disclosed (known as “insider trading”), or disclosing such information to third parties before it is generally disclosed (known as “tipping”), is, in most cases, against the law and may expose an individual to prosecution or civil lawsuits. Such action will also result in a lack of confidence in the market for the Company’s securities, harming both the Company and its shareholders. Accordingly, the Company has established this Policy to assist its employees, officers, directors and certain other persons in complying with the prohibitions against insider trading and tipping.

The procedures and restrictions set forth in this Policy are only a general framework to assist Company Personnel (as defined below) in ensuring that any purchase or sale of relevant securities occurs without violation of applicable securities laws. Company Personnel have the ultimate responsibility for complying with applicable securities laws and should obtain additional guidance, including independent legal advice, as may be appropriate for their own circumstances.

The Company’s Board of Directors will designate one or more individuals from time to time as Insider Trading Policy Administrator(s) for the purpose of administering this Policy. At the date hereof, the designated Insider Trading Policy Administrator is the Company Secretary and Chief Governance Officer. This Policy has been reviewed and approved by the Company’s Board of Directors and may be reviewed and updated periodically by the Company’s Nominating and Corporate Governance Committee. Any amendments to this Policy will be subject to approval by the Board of Directors.

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2. Application

The following persons are required to observe and comply with this Policy:

- (a) all directors, officers and employees of the Company; and
- (b) partnerships, trusts, corporations, self-directed retirement plans and similar entities over which any of the individuals referred to in Section 2(a) above exercise control or direction.

For the purposes of this Policy, the persons listed above are collectively referred to as “Company Personnel”.


For the purpose of this Policy, all references to trading in securities of the Company are deemed to include any derivatives-based or other monetization transaction or arrangement relating to the Company’s securities.

3. Inside Information

“Inside Information” means:

- a change in the business, operations or capital of the Company that would reasonably be expected to have a significant effect on the market price or value of the securities of the Company (which includes any decision to implement such a change by the Board of Directors or by senior management who believe that confirmation of the decision by the Board of Directors is probable);
- a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the securities of the Company; or
- any information that a reasonable investor would be likely to consider important in deciding whether to buy, hold or sell securities of the Company,

in each case, which has not been generally disclosed. Examples of information that may constitute Inside Information are set out in Schedule A attached hereto. It is the responsibility of any Company Personnel contemplating a trade in securities of the Company to consider prior to such trade whether he or she is in possession of any information that constitutes Inside Information. If in doubt, the individual should consult with the Insider Trading Policy

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Administrator(s). In addition, Section 6(a) of this Policy requires that certain Company Personnel pre-clear trades in securities of the Company.

4. Prohibition Against Trading on Inside Information


Company Personnel must not trade securities of the Company with the knowledge of Inside Information until:

- two trading days after the disclosure to the public of the Inside Information, whether by way of press release or a filing made with securities regulatory authorities; or
- the Inside Information ceases to be material (e.g. a potential transaction that was the subject of the information is abandoned, and either Company Personnel are so advised by the Insider Trading Policy Administrator(s) or such abandonment has been generally disclosed).

5. No Speculating, Short-Selling, Puts and Calls

Trading in securities of the Company by Company Personnel with access to Inside Information may give rise to actual or perceived contraventions of applicable securities laws and/or inappropriate conflicts of interest. To prevent such actual or perceived contraventions, Company Personnel are prohibited from, directly or indirectly, undertaking any of the following activities:

- speculating in securities of the Company, which may include buying with the intention of quickly reselling such securities, or selling securities of the Company with the intention of quickly buying such securities (other than in connection with the acquisition and sale of shares issued under the Company's executive stock option plan or any other Company benefit plan or arrangement);
- short selling a security of the Company or any other arrangement that results in a gain only if the value of the Company's securities declines in the future;
- selling a "call option" giving the holder an option to purchase securities of the Company; and
- buying a "put option" giving the holder an option to sell securities of the Company.

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6. Restrictions on Trading of the Company Securities

(a) *Trading Pre-Clearance*


To help prevent trades in securities of the Company that may contravene or be perceived to contravene applicable securities laws, each of the Company Personnel specified below is required to notify an Insider Trading Policy Administrator of any proposed trade of securities of the Company by such person before effecting the trade and to confirm that there is no Inside Information that has not been generally disclosed:

- a director;
- the Chief Executive Officer, Chief Financial Officer or Company Secretary and Chief Governance Officer;
- an employee who reports directly to the Chief Executive Officer, Chief Financial Officer or Company Secretary and Chief Governance Officer (a “First Level Employee”);
- an employee who reports directly to a First Level Employee; and
- an individual that is notified by an Insider Trading Policy Administrator that the individual’s trades in securities of the Company will be subject to pre-clearance in accordance with this Policy.

Such notification shall be made by providing (by facsimile or e-mail) a Trade Notice to an Insider Trading Policy Administrator no later than 12:00 noon (Cayman time) on the second business day before the date of the proposed transaction. Prior to the date of the proposed transaction, the Insider Trading Policy Administrator will notify any individual that has filed a Trade Notice in accordance with this Policy whether the Company reasonably believes that there is Inside Information that has not been generally disclosed or otherwise anticipates that the proposed transaction will contravene applicable securities laws or this Policy, and whether or not the proposed transaction may be made. If an individual that has filed a Trade Notice in accordance with the foregoing has not received a response from the Insider Trading Policy Administrator prior to the proposed date of the transaction, the individual may proceed with such transaction in accordance with applicable securities laws and this Policy. An approval to proceed with a transaction should not be taken to be investment advice. All approved transactions are made at the risk of the Company Personnel carrying out the transaction.

(b) *Scheduled Blackout Periods*

No Company Personnel may trade in securities of the Company during the period commencing on the 15th day of the last month of each fiscal quarter and ending at the opening of the Toronto

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Stock Exchange on the second business day following the date on which a press release has been issued in respect of the Company’s interim or annual financial results (otherwise known as a “black-out period”).

(c) *Extraordinary Blackout Periods*

Additional black-out periods may be prescribed from time to time by the Insider Trading Policy Administrator(s) at any time at which it is determined there may be undisclosed Inside Information concerning the Company that makes it inappropriate for all or some Company Personnel to be trading. In such circumstances, the Insider Trading Policy Administrator(s) will issue a notice instructing these individuals not to trade in securities of the Company until further notice.

(d) *Exemptions*


Individuals subject to a blackout period who wish to trade Company securities may apply to an Insider Trading Policy Administrator for approval to trade securities of the Company during the blackout period. Any such request should describe the nature of and reasons for the proposed trade. The Insider Trading Policy Administrator will consider such requests and inform the requisitioning individual whether or not the proposed trade may be made.

7. Prohibition Against Tipping

Company Personnel are prohibited from communicating Inside Information to any person outside the Company, unless: (i) disclosure is in the necessary course of the Company’s business and the disclosure is made pursuant to the proper performance by such Company Personnel of his or her duties on behalf of the Company; (ii) the information is determined by the Insider Trading Policy Administrator(s) not to be Inside Information; (iii) disclosure is compelled by judicial process; or (iv) disclosure is expressly authorized by the Insider Trading Policy Administrator(s) or the Board of Directors.

Subject to the above, Inside Information is to be kept strictly confidential by all Company Personnel until after it has been generally disclosed. Discussing Inside Information within the hearing of, or leaving it exposed to, any person who has no need to know is to be avoided at all times. Company Personnel with knowledge of Inside Information shall not encourage any other person or company to trade in the securities of the Company, regardless of whether the Inside Information is specifically communicated to such person or company.

This prohibition against tipping also applies to family members of Company Personnel and to other people living in the same household as Company Personnel. Company Personnel are

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prohibited from disclosing Inside Information to such persons. Any trading in securities of the Company by such persons when they are aware of Inside Information is an offence, and would be subject to the penalties discussed in Section 10 of this Policy.

If any Company Personnel has any doubt with respect to whether any information is Inside Information or whether disclosure of Inside Information is in the necessary course of business, the individual is required to contact an Insider Trading Policy Administrator.

8. Securities of Other Companies


In the course of the Company's business, Company Personnel may obtain material information about another publicly traded company that has not been generally disclosed. Securities laws generally prohibit such Company Personnel from trading in securities of that other company while in possession of such information or communicating such information to another person until such time as the information ceases to be material or becomes generally disclosed.

9. Reporting Requirements

The directors and "senior officers" (as defined in applicable securities laws) of the Company are "Insiders" under applicable securities laws. If you are uncertain as to whether you are an Insider, you must contact the Insider Trading Policy Administrator(s). Insiders are required to file reports with Canadian provincial securities regulators pursuant to the electronic filing system known as SEDI of any direct or indirect beneficial ownership of, or control or direction over, securities of the Company and of any change in such ownership, control or direction. In addition, effective February 28, 2004, Canadian securities laws will require such Insiders to also report any derivatives-based or other monetization transactions. Accordingly, insiders must also include in their reports any monetization, non-recourse loan or similar arrangement that changes the Insider's economic exposure to or interest in securities of the Company and which may not necessarily involve a sale. It is the responsibility of each Insider to comply with these reporting requirements, and Insiders are required to provide the Insider Trading Policy Administrator(s) with a copy of any insider report completed by the Insider concurrent with or in advance of its filing. The Company will assist any Insider in the preparation and filing of insider reports upon request.

10. Penalties and Civil Liability

The applicable securities laws that impose insider trading and tipping prohibitions also impose substantial penalties and civil liability for any breach of those prohibitions. The current penalties provided for by the *Securities Act* (Ontario) include fines of up to the greater of Cdn.\$5,000,000

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and three times the profit made or loss avoided, and/or a prison sentence of up to five years less a day.


Where a company is found to have committed an offence, the directors, officers and/or supervisory personnel of the company may be subject to the same or additional penalties.

11. Enforcement

All directors, officers and employees of the Company will be provided with a copy of this Policy. All directors, officers and employees of the Company must execute the certification set out in Schedule “B” regarding acknowledgement of and compliance with the procedures and restrictions set forth in this Policy. It is a condition of their (continued) appointment, employment or engagement that each of these persons at all times abide by the standards, requirements and procedures set out in this Policy unless a written authorization to proceed otherwise is received from an Insider Trading Policy Administrator. Any such person who violates this Policy may face disciplinary action up to and including termination of his or her employment or appointment with or engagement by the Company without notice. The violation of this Policy may also violate certain securities laws. If it appears that a director, officer or employee may have violated such securities laws, the Company may refer the matter to the appropriate regulatory authorities, which could lead to penalties, fines and/or imprisonment.

* * * * *

Should you have any questions or wish information concerning the above, please contact the Insider Trading Policy Administrator(s).


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SCHEDULE A

Common Examples of Inside Information

- certain proposed changes in capital structure
- proposed or pending financings
- material increases or decreases in the amount outstanding of securities or indebtedness
- proposed changes in corporate structure including amalgamations and reorganizations
- proposed acquisitions of other companies including take-over bids or mergers
- material acquisitions or dispositions of assets
- material changes or developments in contracts which would materially affect earnings upwards or downwards
- material changes in business of the Company
- changes in senior management or control of the Company
- bankruptcy or receivership
- the financial condition and results of operations of the Company
- indicated changes in revenues or earnings upwards or downwards of more than recent average size
- material legal proceedings
- defaults in material obligations
- the results of the submission of certain matters to a vote of securityholders
- certain transactions with directors, officers or principal securityholders

The foregoing examples are not exhaustive.

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SCHEDULE B

Certification – Insider Trading Policy of Caribbean Utilities Company, Ltd. (the “Company”)

The undersigned hereby certifies that he/she has read and understands the Company’s Insider Trading Policy, a copy of which is attached hereto, and agrees to comply with the procedures and restrictions set forth therein.

Date: _____

Signature: _____

Name: _____
 (please print)