

**CONSOLIDATED WATER CO. LTD.**  
Regatta Office Park, Windward Three, 4th Floor, West Bay Road  
P.O. Box 1114  
Grand Cayman, KY1-1102  
Cayman Islands

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**Notice of Annual General Meeting of Shareholders  
to be held on Tuesday, May 25, 2010**

Notice is hereby given that the Annual General Meeting of Shareholders of Consolidated Water Co. Ltd. (the "Company") will be held at the Grand Cayman Beach Suites, 747 West Bay Road, Grand Cayman, Cayman Islands at 10:00 a.m., local time, on Tuesday, May 25, 2010 for the purpose of considering and acting upon the following matters:

1. The election of one director to the Board of Directors;
2. The ratification of the selection of MarcumRachlin, a division of Marcum LLP, as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010, at the remuneration to be determined by the Audit Committee of the Board of Directors; and
3. Such other business as may properly come before the meeting.

Admittance to the meeting will be limited to shareholders. The Board of Directors has fixed the close of business on April 1, 2010 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and any postponement or adjournment thereof. Accordingly, only shareholders of record at the close of business on that date will be entitled to vote at the meeting. EACH SHAREHOLDER IS URGED TO SUBMIT A PROXY AS SOON AS POSSIBLE VIA EITHER THE INTERNET OR MAIL. ALL PROXIES (AND ANY POWER OF ATTORNEY OR OTHER AUTHORITY UNDER WHICH IT IS SIGNED, OR A NOTARIZED COPY OF SUCH AUTHORITY) MUST BE DEPOSITED BY MAIL AT THE FOLLOWING ADDRESS: VOTE PROCESSING, C/O BROADRIDGE, 51 MERCEDES WAY, EDGEWOOD, NY 11717 OR ELECTRONICALLY AT WWW.PROXYVOTE.COM AT LEAST 24 HOURS BEFORE THE MEETING IN ORDER TO BE VOTED AT THE MEETING. SHAREHOLDERS WHO EXECUTE A PROXY MAY ATTEND THE MEETING. ATTENDANCE AT THE MEETING WILL AUTOMATICALLY REVOKE A SHAREHOLDER'S PREVIOUSLY SUBMITTED PROXY. THEREFORE, A SHAREHOLDER WHO ATTENDS THE MEETING WILL NEED TO VOTE HIS, HER OR ITS SHARES AT THE MEETING IN ORDER FOR HIS, HER OR ITS SHARES TO BE COUNTED. IN THE CASE OF JOINT HOLDERS, THE VOTE OF THE SENIOR HOLDER WHO TENDERS A VOTE, WHETHER IN PERSON OR BY PROXY, SHALL BE ACCEPTED TO THE EXCLUSION OF THE VOTES OF THE OTHER JOINT HOLDERS, AND FOR THIS PURPOSE SENIORITY SHALL BE DETERMINED BY THE ORDER IN WHICH THE NAMES OF THE HOLDERS STAND IN THE REGISTER.

By Order of the Board of Directors,

Wilmer F. Pergande  
Chairman of the Board  
April 15, 2010

Enclosures

## **CONSOLIDATED WATER CO. LTD.**

### **Annual General Meeting of Shareholders**

**Tuesday, May 25, 2010**

#### **Proxy Statement**

This Proxy Statement has been prepared and is distributed and made available by the board of directors (the "Board of Directors") of Consolidated Water Co. Ltd. (the "Company") in connection with the solicitation of proxies for the Annual General Meeting of Shareholders of the Company (the "Annual General Meeting") to be held at the Grand Cayman Beach Suites, 747 West Bay Road, Grand Cayman, Cayman Islands at 10:00 a.m., local time, on Tuesday, May 25, 2010, and any adjournment or postponement thereof for the purpose set forth in the accompanying Notice of Annual General Meeting of Shareholders.

It is anticipated that this Proxy Statement and the accompanying form of proxy will be distributed to shareholders, and will be made available for viewing, downloading and printing by shareholders at [www.proxyvote.com](http://www.proxyvote.com), on or about April 15, 2010. The Company will bear the cost of the solicitation of proxies.

Only holders of record of the Company's Ordinary Shares, par value CI\$0.50 per share (the "Ordinary Shares"), and the Company's Redeemable Preference Shares, par value CI\$0.50 per share (the "Redeemable Preference Shares"), on the books of the Company at the close of business on April 1, 2010, are entitled to vote at the Annual General Meeting. On that date, there were 14,541,878 Ordinary Shares and 17,192 Redeemable Preference Shares issued and outstanding. All matters that come before this Annual General Meeting will be decided by a poll that will be demanded in each case by Frederick W. McTaggart or David W. Sasnett, the persons who are appointed proxies in the proxy card which accompanies this Proxy Statement. Each shareholder of record is entitled to one vote for each Ordinary Share or Redeemable Preference Share (collectively, the "Shares") held on all polled matters that come before the Annual General Meeting. The holders of 33 1/3% of the issued and outstanding Shares, present in person or represented by proxy, will constitute a quorum for the transaction of business at the Annual General Meeting. For Proposal 1, the election of one director, the nominee shall be elected as director if the number of Shares voted "for" such nominee's election exceeds the number of Shares voted "against" such nominee's election. The approval of holders of at least a majority of the Shares voted is required to ratify the selection of MarcumRachlin, a division of Marcum LLP ("MarcumRachlin"), as the Company's independent registered public accounting firm. Broker non-votes (which occur when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner) will be treated as abstentions and not treated as votes cast and, therefore, will not affect the outcome of the vote.

Shares represented by a properly executed proxy must be received not later than 24 hours before the scheduled time of the meeting and if received in time to permit its use at the meeting or any postponement or adjournment thereof will be voted in accordance with the instructions indicated therein. If no instructions are indicated, the Shares represented by the proxy will be voted "for" the election of the nominee for director and in favor of the proposal to ratify the selection of MarcumRachlin as the Company's independent registered public accounting firm.

A shareholder of record who has given a proxy may revoke it at any time before it is voted at the meeting by giving written notice of such revocation to the office of the Secretary of the Company, or by executing and delivering to the Company not later than 24 hours before the scheduled time of the meeting a proxy bearing a later date. A proxy automatically will be revoked if a shareholder attends the meeting.

Shareholders may, by electronic means via the Internet or by mail, appoint a proxy to vote Shares as more fully described below:

- By Internet: Go to [www.proxyvote.com](http://www.proxyvote.com) and follow the instructions. Shareholders should have their proxy card available when accessing the site.
- By Mail: If shareholders have received a proxy card, shareholders should mark their vote, sign their name exactly as it appears on the proxy card, date the card and return it in the envelope provided.

Unless otherwise indicated herein, all references to "\$" are to United States dollars.

*The Company is considered a “foreign private issuer” under the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”). As a foreign private issuer, the Company is not subject to the SEC’s proxy rules and regulations, including the requirement to deliver a proxy statement when proxies are solicited. Nonetheless, the Company is voluntarily providing its shareholders with a proxy statement that complies with the SEC’s rules and regulations. The information in this proxy statement shall not be deemed to be “soliciting material” or “filed” with the SEC or incorporated by reference into any Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.*

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## PROPOSAL 1

### Election of Group I Director

The shareholders of the Company will elect one Group I director at the Annual General Meeting. The nominee listed below has consented to being named a nominee in this Proxy Statement and has agreed to serve as a director if elected at the Annual General Meeting. If prior to the Annual General Meeting, the nominee should become unavailable to serve, the proxies in his favor will be void. The Board of Directors knows of no reason to anticipate that this will occur.

In accordance with the Articles, the Board of Directors is divided into three groups, designated Group I, Group II and Group III. At the 2010 Annual General Meeting, shareholders will be electing the Group I director. Directors in Group II and Group III will be eligible for reelection at the Company's Annual General Meetings in 2011 and 2012, respectively. Each group, upon election, serves for a three-year term.

William T. Andrews and Steven A. Carr, who have served on the Board of Directors for seven years and 12 years, respectively, are not standing for re-election as Group I directors.

The affirmative vote of the holders of a majority of the Shares cast at the Annual General Meeting is required to elect the director. Unless shareholders specify otherwise on the accompanying proxy, it will be voted "FOR" the Group I nominee listed below.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF THE NOMINEE LISTED BELOW.**

#### **Information regarding Group I Director.**

**Brian E. Butler**, age 60, has been a director of our Company since 1983. Mr. Butler, a full time resident of the Cayman Islands, has been the president since 1977 of Butler Property Development Group, a consortium of property development companies specializing in luxury resort projects in the Cayman Islands, Turks and Caicos Islands and British Columbia, Canada.

Mr. Butler was selected to serve as a member of our Board of Directors because of his more than 40 years of experience as a property developer in the Caribbean and his knowledge of and business connections on the Cayman Islands.

#### **Information Regarding Group II Directors – For Informational Purposes – Not to be Elected at the 2010 Annual General Meeting**

**Carson K. Ebanks**, age 54, became the Cayman Islands government nominated director of our Company in May of 2001. Mr. Ebanks was the Director of Planning for the Cayman Islands from 1991 — 1997. Since 1997, he has served the Cayman Islands Government as a Chief Officer currently for the Ministry of Finance, Tourism and Development. Mr. Ebanks is a Justice of the Peace, a Fellow of the Royal Geographic Society and a member of the American Planning Association and a member of the Most Excellent Order of the British Empire. He holds a Bachelor of Environmental Studies (Hons. Urban and Regional Planning — Peace and Conflict Studies Minor) from the University of Waterloo and a Master of Arts — Planning in Community and Regional Planning from the University of British Columbia. He is a trustee of the National Gallery of the Cayman Islands. Mr. Ebanks has served on the

Boards of the Trustees for the Cayman Islands Museum, the Cayman Islands Civil Service Co-operative Credit Union, the Housing Development Corporation, the Water Authority-Cayman, the National Roads Authority, and is the Secretary General of the Cayman Islands Olympic Committee.

Mr. Ebanks, who was nominated to serve on our Board of Directors by the Cayman Islands government, was selected to serve as a member of our Board of Directors because of his knowledge of government affairs, connections within the Cayman Islands government and his experience in the water industry.

**Richard L. Finlay**, age 51, has served as a director of our Company since 1995. Mr. Finlay is an attorney and notary public and has practiced law in the Cayman Islands since 1992. Prior to that, Mr. Finlay served as Director of Legal Studies of the Cayman Islands Government from 1989 to 1992. From 1983 to 1989, Mr. Finlay was a partner with a Canadian law firm located in Regina, Canada. Mr. Finlay has served as the Cayman Islands' representative to the International Company and Commercial Law Review and is a former editor of the Cayman Islands Law Bulletin.

Mr. Finlay was selected to serve as a member of our Board of Directors because of his knowledge of our Company and experience as a corporate lawyer, practicing in the Cayman Islands and abroad.

**Clarence B. Flowers, Jr.**, age 54, has been a director of our Company since 1991. Mr. Flowers is, and has been since 1985, the principal of Orchid Development Company, a real estate developer in the Cayman Islands. Mr. Flowers also serves as a director of C.L. Flowers & Son, which is the largest manufacturer of wall systems in the Cayman Islands, and Cayman National Bank, a retail bank.

Mr. Flowers was selected to serve as a member of our Board of Directors because of his over 40 years of experience in the construction industry as a real estate developer in the Cayman Islands.

**Frederick W. McTaggart**, age 47, has been a director of our Company since 1998, President since October 2000 and Chief Executive Officer since January 1, 2004. Mr. McTaggart served as Chief Financial Officer of the Company from February 2001 to January 1, 2004. From April 1994 to October 2000, Mr. McTaggart was the Managing Director of the Water Authority-Cayman, the government-owned water utility serving certain areas of the Cayman Islands. From March 1987 to April 1994 he held the positions of Deputy Director and Operations Engineer with the Water Authority-Cayman. He received his B.S. degree in Building Construction from the Georgia Institute of Technology in 1985. Mr. McTaggart is the brother of Mr. Gregory S. McTaggart, the Vice President of Cayman Operations.

Mr. McTaggart was selected to serve as a member of our Board of Directors because of his technical and managerial experience in the water industry, and his experience as the principal executive officer of the Water Authority-Cayman.

**Information Regarding Group III Directors – For Information Purposes – Not to be Elected at the 2010 Annual General Meeting.**

**Wilmer F. Pergande**, age 70, has been a director of our Company since 1978 and Chairman since November 2009. He has more than 45 years of management and engineering experience in the desalinization industry. Mr. Pergande is the principal of WF Pergande Consulting LLC currently providing consulting engineering services in the areas of desalination and fluid dynamics technologies.

He retired in 2006 as the Global Leader for Desalination and Process Equipment for GE Infrastructure, Water and Process Technologies, a water desalination and treatment division of GE, which position he held since 2002. From 1995 to 2001, Mr. Pergande held the position of Vice-President of Special Projects, and CEO of a subsidiary, of Osmonics, Inc., a publicly-traded water treatment and purification company, until its acquisition by General Electric Co. Before joining Osmonics, Mr. Pergande was the Chief Executive Officer of Licon International, Inc., a publicly traded manufacturer of liquid separation and processing equipment from 1992 to 1995. Previously, Mr. Pergande was the President of Mechanical Equipment Company, Inc. from 1978 to 1992, and held managerial and executive positions from 1969 to 1977 with AquaChem Inc., both companies being manufacturers of seawater desalination equipment. He has been a Director of the International Desalination Association for three terms and also served as its Treasurer and Secretary.

Mr. Pergande was selected to serve as a member of our Board of Directors because of his management and engineering experience in the desalinization industry, and his organizational, sales and marketing skills.

**David W. Sasnett**, age 53, has served as a director of our Company since December 2004 and in June 2006 became our Executive Vice President and Chief Financial Officer. From October 2005 until June 2006 Mr. Sasnett was the Chief Financial Officer of VoIP, Inc., a publicly-traded provider of communication services utilizing voice over internet protocol technology. During 2004, he was the Vice President of Finance and Controller for MasTec, Inc., a publicly-traded specialty contractor and infrastructure provider. Mr. Sasnett was employed from 1994 to 2002 by Catalina Lighting, Inc. and from 1996 to 2002 served as the Chief Financial Officer of Catalina Lighting, Inc., a publicly-traded manufacturer and distributor of residential lighting and other consumer products. Mr. Sasnett is presently serving on the Board of Directors of Web Safety, Inc. His experience also includes more than 12 years with the accounting, auditing and consulting firm of Deloitte & Touche, LLP.

Mr. Sasnett was selected to serve as a member of our Board of Directors because of his accounting, auditing and consulting background and his experience as principal financial officer of several publicly-traded entities.

**Leonard J. Sokolow**, age 53, became a director of our Company on June 1, 2006. From November 1999 until January 2007, Mr. Sokolow was CEO and President, and a member of the Board of Directors of vFinance, Inc., a publicly-traded financial services company, which he co-founded. From January 2007 until July 2008, Mr. Sokolow was the Chairman of the Board of Directors and CEO of vFinance, Inc. until it merged into National Holdings Corporation, a publicly traded financial services company. Since July 2008, Mr. Sokolow has been Vice-Chairman of the Board of Directors and President of National Holdings Corporation. Mr. Sokolow was Founder, Chairman and Chief Executive Officer of the Americas Growth Fund, Inc., a closed-end 1940 Act management investment company, from 1994 to 1998. From 1988 until 1993, Mr. Sokolow was EVP and General Counsel of Applica, Inc., a publicly-traded appliance marketing and distribution company. From 1982 until 1988, Mr. Sokolow practiced corporate, securities and tax law and was one of the founding attorneys and a partner of an international boutique law firm. From 1980 until 1982, he worked as a CPA for Ernst & Young and KPMG Peat Marwick.

Mr. Sokolow was selected to serve as a member of our Board of Directors because of his experience as a director, principal executive officer, his legal, accounting, auditing and consulting background and his qualification as our “audit committee financial expert.”

**Raymond Whittaker**, age 56, has served as a director of our Company since 1988. Mr. Whittaker was the Managing Director of TransOcean Bank & Trust, Ltd., a bank and trust company located in the Cayman Islands and a subsidiary of Johnson International, Inc., a bank holding company located in Racine, Wisconsin from 1984 to December 2000. He is now the principal of his own company and management firm, FCM Ltd.

Mr. Whittaker was selected to serve as a member of our Board of Directors because of his management, financial and banking experience.

### **Board Leadership Structure and Risk Oversight**

Mr. McTaggart currently serves as our principal executive officer and Mr. Pergande, an independent director, currently serves as the Chairman of the Board of Directors. The Board of Directors has determined that having an independent director serve as Chairman of the Board of Directors is consistent with corporate governance best practices and is in the best interest of shareholders at this time. The structure ensures a greater role for the independent directors in the oversight of the Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of the Board of Directors.

The Board of Directors is engaged in the oversight of risk through regular updates from Mr. McTaggart, in his role as our Chief Executive Officer, and other members of our management team, regarding those risks confronting us, the actions and strategies necessary to mitigate those risks and the status and effectiveness of those actions and strategies. The updates are provided at regularly scheduled Board of Directors and Committee meetings as well as through more frequent informal meetings that include the Chairman of the Board of Directors, our Board of Directors, our Chief Executive Officer, our Chief Financial Officer and other members of our management team. The Board of Directors provides insight into the issues, based on the experience of its members, and provides constructive challenges to management's assumptions and assertions.

### **Governance of the Company**

Pursuant to the Company's Memorandum of Association, Articles of Association and Cayman Islands law, the Company's business, property and affairs are managed under the direction of the Board of Directors. Members of the Board of Directors are kept informed of the Company's business through discussions with the Chief Executive Officer and other senior officers, by reviewing materials provided to them and by participating in meetings of the Board of Directors and its committees.

The Board of Directors has determined that the director nominated for re-election and all of the directors whose terms will continue after the Meeting, other than Messrs. McTaggart and Sasnett, are "independent" as such term is defined by the applicable listing standards of The NASDAQ Stock Market LLC ("NASDAQ"). The Board of Directors based this determination primarily on a review of the responses of the directors to questions regarding their employment, affiliations and family and other relationships.

The Company schedules meetings of the Board of Directors quarterly, in conjunction with its Annual General Meeting, and as necessary throughout the year. The Company expects that all Directors

will attend each meeting, absent a valid reason, such as a scheduled conflict. The Board of Directors held six meetings during 2009.

Each director other than Carson K. Ebanks attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors held during 2009, and (ii) the total number of meetings held by all committees of the Board of Directors on which he served during 2009.

The Board of Directors has also adopted a Code of Business Conduct and Ethics that applies to all of the Company's directors, officers (including the principal executive officer, principal financial officer and principal accounting officer) and employees. Our Code of Business Conduct and Ethics is posted on the "Investors – Governance" section of the Company's website: <http://www.cwco.com>.

If, in the future, the Board of Directors amends the Code of Business Conduct and Ethics or grants a waiver to our principal executive officer, principal financial officer or principal accounting officer with respect to the Code of Business Conduct and Ethics, the Company will post the amendment or a description of the waiver on the "Investors - Governance" section of the Company's website.

### **Committees of the Board of Directors**

The Board of Directors has the following four committees: (1) Executive, (2) Compensation, (3) Audit and (4) Nominations. Except for the Executive Committee, the Board of Directors has adopted a written charter for each of the other committees. Such charters are posted on the "Investors - Governance" section of the Company's website: <http://www.cwco.com>.

#### *Executive Committee*

The Executive Committee is comprised of Messrs. Frederick McTaggart, Finlay, Flowers, Pergande and Whittaker. The Executive Committee did not meet during 2009. The functions of the Executive Committee include meeting to ensure that any matters which must be dealt with before the next Board of Directors meeting are addressed in a timely manner.

#### *Compensation Committee*

The Compensation Committee is comprised of Messrs. Finlay, Carr and Flowers. Prior to February 2009 the Committee was comprised of Messrs. Finlay, Pergande and Sokolow. The Compensation Committee met three times during 2009.

The Compensation Committee is responsible for reviewing and approving the executive compensation program for the Company and its subsidiaries, assessing executive performance, making grants of salary and annual incentive compensation, approving certain employment agreements and reviewing and consulting with the Company's management regarding the Compensation Discussion and Analysis that is included in the Company's proxy statement for each annual meeting. The Board of Directors has adopted a written charter for the Compensation Committee. The Board of Directors has determined that all members of the Compensation Committee are "independent directors," as such term is defined under the applicable rules of NASDAQ.

#### *Audit Committee*

The Board of Directors has an Audit Committee which is comprised of Messrs. Sokolow, Pergande and Whittaker. Mr. Whittaker was appointed to the Committee in November 2009. The composition of our Audit Committee was changed in February 2009 and, from February 2009 until Mr. Parker's resignation in October 2009, this Committee consisted of Messrs. Sokolow, Pergande and Parker. Prior to February 2009 the Committee was comprised of Messrs. Sokolow, Carr and Finlay. The Audit Committee met five times during 2009.

The Audit Committee assists the Board of Directors in monitoring the financial reporting process, the internal control structure and the independence and performance of the internal audit department and the independent public accountants. Its primary duties are to serve as an independent and objective party to monitor the Company's financial process and internal control system, to review and appraise the audit effort of the Company's independent accountants and to provide an open avenue of communications among the independent accountants, financial and senior management and the Board of Directors. The Board of Directors has adopted a written charter for the Audit Committee and the Audit Committee reviews and reassesses the adequacy of its charter on an annual basis. During the year, the Board of Directors examined the composition of the Audit Committee in light of NASDAQ's corporate governance rules and the regulations promulgated by the SEC applicable to audit committees. Based upon this examination, the Board of Directors has determined that all members of the Audit Committee are "independent directors" within the meaning of applicable rules and regulations of NASDAQ and the SEC. The Board of Directors has also determined that Mr. Sokolow qualifies as an "audit committee financial expert" as defined under applicable rules and regulations of NASDAQ and the SEC.

#### *Nominations Committee*

The Board of Directors has a Nominations Committee, which is comprised of Messrs. Sokolow, Butler and Pergande. The composition of our Nominations Committee was changed in February 2009 and again in October 2009. From February 2009 until October 2009 was comprised of Messrs. Carr, Butler and Pergande. Prior to February 2009 the Committee was comprised of Messrs. Carr, Pergande and Sokolow. The Nominations Committee met two times during 2009.

The Nominations Committee makes recommendations to the Board of Directors regarding the size and composition of the Board of Directors, establishes procedures for the nomination process, recommends candidates for election to the Board of Directors and nominates officers for election by the Board of Directors. The Board of Directors has determined that all members of the Nominations Committee are "independent directors", as such term is defined under the applicable rules of NASDAQ.

We do not have a formal diversity policy or set of guidelines in selecting and appointing directors that comprise the Board of Directors. However, when making recommendations to the Board of Directors regarding the size and composition of the Board of Directors, the Nominating Committee does consider each individual director's qualifications, skills, business experience and capacity to serve as a director and the diversity of these attributes for the Board of Directors as a whole.

To recommend a prospective nominee to the Board of Directors for the Nominations Committee's consideration, a shareholder may submit the candidate's name and qualifications in writing to the Secretary of the Company, Consolidated Water Co. Ltd., Regatta Office Park, Windward Three, 4th Floor, West Bay Road, P.O. Box 1114, Grand Cayman, KY1-1102, Cayman Islands.

## Shareholder Communication with Directors

Shareholders of the Company who want to communicate with the Board of Directors or any individual director may write to:

Consolidated Water Co. Ltd.  
Regatta Office Park, Windward Three, 4th Floor, West Bay Road  
P.O. Box 1114  
Grand Cayman, KY1-1102  
Cayman Islands  
Attn: Secretary of the Company

The letter should include a statement indicating that the sender is a shareholder of the Company. The Secretary will review all shareholder letters with the Board of Directors and depending on the subject matter will:

- Regularly forward any letter that deals with the function of the Board of Directors or any committees of the Board of Directors (or otherwise appropriate for Board attention) to the director or directors to whom it is addressed;
- Attempt to handle the inquiry directly if it relates to routine or ministerial matters, including requests for information about the Company and stock-related matters; or
- Based upon the advice of appropriate legal counsel, not forward the letter if it relates to an improper or irrelevant topic.

The Secretary or another member of management of the Company will, at each meeting of the Board of Directors, present a summary of all letters received since the last meeting that were not forwarded to the Board of Directors and will make those letters available to the Board of Directors upon request.

## Audit Committee Report

The Audit Committee submits the following report for 2009:

The Committee has reviewed and discussed with both management and the outside auditors the audited consolidated financial statements as of and for the year ended December 31, 2009. The Committee's review included discussion with the outside auditors of matters required to be discussed by Statement on Auditing Standards No. 61, *Communication with Audit Committees*, as amended.

The Committee has received the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, *Independence Discussions with Audit Committees*, as amended, and has discussed with the independent auditors matters relating to the auditors' independence.

Based on the reviews and discussions referred to above, the Company recommended to the Board of Directors that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, for filing with the SEC.

Submitted by the Members of the 2009 Audit Committee

Wilmer F. Pergande  
Leonard J. Sokolow  
Raymond Whittaker

## PROPOSAL 2

### Ratification of the Selection of Independent Accountants

The Audit Committee has selected MarcumRachlin to continue as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010, and to render other professional services as required, at the remuneration to be determined by the Audit Committee of the Board of Directors.

We are asking our shareholders to ratify the selection of MarcumRachlin as our independent registered public accounting firm. Although ratification is not required by our Articles of Association or otherwise, the Board is submitting the selection of MarcumRachlin to our shareholders for ratification because we value our shareholders' views on the Company's independent registered public accounting firm and as a matter of good corporate practice. In the event that our shareholders fail to ratify the selection, it will be considered as a direction to the Audit Committee to consider the selection of a different firm. Even if the selection is ratified, the Audit Committee in its discretion may select a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders.

The affirmative vote of the holders of a majority of the Shares voted at the Annual General Meeting is necessary to ratify the selection of MarcumRachlin as the Company's independent accountants for the fiscal year ending December 31, 2010.

### Principal Accounting Fees and Services

The following table shows the fees that the Company paid or accrued for audit and other services provided by MarcumRachlin through June 1, 2009, for the fiscal years ended December 31, 2009 and 2008 (in US dollars).

	<u>2009</u>	<u>2008</u>
Audit	\$ 346,500	\$ 325,800
Audit-Related	—	—
Tax	3,000	6,000
All Other	—	—
Total	<u>\$ 349,500</u>	<u>\$ 331,800</u>

**Audit Fees:** This category includes the fees for the examination of the Company's consolidated financial statements and internal controls, review of the Company's Annual Report on Form 10-K and the quarterly reviews of the interim financial statements included in the Company's Quarterly Reports on Form 10-Q.

**Audit-Related Fees:** This category consists of services that are closely related to the financial audit process and primarily consists of review of reports filed and to be filed with the U.S. Securities and Exchange Commission and accounting advice relating thereto.

**Tax Fees:** This category relates to professional services for tax compliance, tax advice, and tax planning.

All audit services performed by MarcumRachlin were approved by the Audit Committee. The Audit Committee gives due consideration to the potential effect of non-audit services on maintaining the auditors independence.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE SELECTION OF MARCUMRACHLIN AS INDEPENDENT ACCOUNTANTS OF THE COMPANY.**

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT AND RELATED SHAREHOLDERS MATTERS**

The table below sets forth the beneficial ownership of our Ordinary Shares, of which 14,541,878 are outstanding as of April 1, 2010 and our Redeemable Preference Shares, of which 17,192 are outstanding as of April 1, 2010 by:

- each person or entity that we know beneficially owns more than 5% of our Ordinary Shares or Redeemable Preference Shares;
- each of our directors;
- our Chief Executive Officer and our Chief Financial Officer during the year ended December 31, 2009, and the three other most highly compensated executive officers who were serving as executive officers on December 31, 2009; and
- all of our executive officers and directors as a group.

<u>Title of Class</u>	<u>Identity of Person or Group</u>	<u>Amount Owned</u>	<u>Percentage of Class</u>
Ordinary Shares	Invesco PowerShares Capital Management LLC (1)	1,568,071	10.8%
Ordinary Shares	Pictet Asset Management SA (2)	1,364,566	9.38%
Ordinary Shares	Wilmer F. Pergande, Director, Chairman of the Board of Directors (3)	15,619	*
Ordinary Shares	Frederick W. McTaggart, Director, President and Chief Executive Officer	99,257	*
Ordinary Shares	David W. Sasnett, Director, Executive VP and Chief Financial Officer (4)	26,146	*
Ordinary Shares	Gregory S. McTaggart, VP Cayman Operations (5)	123,307	*
Ordinary Shares	Gerard J. Pereira, VP Sales and Marketing (6)	21,063	*
Ordinary Shares	Ramjeet Jerrybandan, VP Overseas Operations (7)	19,078	*

<b>Title of Class</b>	<b>Identity of Person or Group</b>	<b>Amount Owned</b>	<b>Percentage of Class</b>
Ordinary Shares	William T. Andrews, Director	2,681	*
Ordinary Shares	Brian E. Butler, Director	9,879	*
Ordinary Shares	Steven A. Carr, Director (8)	10,661	*
Ordinary Shares	Carson K. Ebanks, Director	749	*
Ordinary Shares	Richard L. Finlay, Director	13,212	*
Ordinary Shares	Clarence B. Flowers, Jr., Director	14,860	*
Ordinary Shares	Leonard J. Sokolow, Director (9)	2,362	*
Ordinary Shares	Raymond Whittaker, Director	13,104	*
Ordinary Shares	Directors and Executive Officers as a Group (10)	351,290	2.41%
Redeemable Preference Shares	Marinus Barendsen	1,300	7.56%
Redeemable Preference Shares	Gerard J. Pereira, VP Sales and Marketing	1,187	6.90%
Redeemable Preference Shares	Kenneth Crowley, Special Projects Engineer	869	5.05%
Redeemable Preference Shares	Gregory S. McTaggart, Vice President of Cayman Operations	455	2.65%

Redeemable Preference Shares	Ramjeet Jerrybandan, VP Overseas Operations	370	2.15%
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\* Indicates less than 1%

\*\* Unless otherwise indicated, to our knowledge, the persons named in the table above have sole voting and investment power with respect to the shares listed. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares issuable under stock options exercisable within 60 days after April 1, 2010 are deemed outstanding for that person but are not deemed outstanding for computing the percentage of ownership of any other person.

- (1) On February 9, 2010, Invesco Ltd., on its own behalf and on behalf of its subsidiary, Invesco PowerShares Capital Management LLC, filed an amended Schedule 13G (“Schedule 13G”) with the Securities and Exchange Commission. The Schedule 13G states that on its own behalf and on behalf of its subsidiary, Invesco PowerShares Capital Management LLC has sole voting power over 1,568,071 Ordinary Shares and sole dispositive power over 1,568,071 shares. The address of Invesco PowerShares Capital Management LLC is 301 West Roosevelt Road, Wheaton, IL 60187.
- (2) On January 13, 2010, Pictet Asset Management SA filed a Schedule 13G (“Schedule 13G”) with Securities and Exchange Commission. The Schedule 13G states that Pictet Asset Management SA disclaims beneficial ownership of the shares reported, which are owned of record and beneficially by three non-U.S. investment funds, both managed by Pictet Asset Management SA. The Schedule 13G states that Pictet Asset Management SA has shared voting power over 1,364,566 Ordinary Shares and shared dispositive power over 1,364,566 shares. The address of Pictet Asset Management SA is 60 Route des Acacias, Geneva 73, Switzerland, CH-1211.
- (3) Of the 15,619 Ordinary Shares beneficially owned by Mr. Pergande, all have shared investment power.
- (4) Of the 26,146 Ordinary Shares beneficially owned by Mr. Sasnett, 22,183 are issuable upon exercise of stock options within 60 days of April 1, 2010.
- (5) Of the 123,307 Ordinary Shares beneficially owned by Mr. Gregory S. McTaggart, 16,235 are issuable upon exercise of stock options within 60 days of April 1, 2010.
- (6) Of the 21,063 Ordinary Shares beneficially owned by Mr. Pereira, 6,778 have shared investment power and 13,285 are issuable upon exercise of stock options within 60 days of April 1, 2010.
- (7) Of the 19,078 Ordinary Shares beneficially owned by Mr. Jerrybandan, 16,235 are issuable upon exercise of stock options within 60 days of April 1, 2010.
- (8) Of the 10,661 Ordinary Shares beneficially owned by Mr. Carr, 10,000 are in a trust, for which

Mr. Carr indirectly owns the shares as co-trustee. Of the shares owned by the trust, all have been pledged.

- (9) Of the 2,362 Ordinary Shares beneficially owned by Mr. Sokolow, all have shared investment power.
- (10) Of the 351,290 Ordinary Shares owned by the Directors and executive officers as a group, 24,759 have shared investment power, 10,000 are indirectly owned, 47,250 are issuable upon exercise of stock options within 60 days of April 1, 2010, and 10,000 are pledged.

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## Equity Compensation Plan Information

The following table sets forth certain information as of December 31, 2009, with respect to compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance under:

- all compensation plans previously approved by our security holders; and
- all compensation plans not previously approved by our security holders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders .....	215,052	\$ 18.76	1,284,948
Equity compensation plans not approved by security holders .....	—	—	*
Total.....	215,052	\$ 18.76	*

\* This equity compensation plan does not have a limit on the amount of shares reserved for issuance.

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## EXECUTIVE OFFICERS

This section provides information concerning the Company's executive officers:

<u>Name</u>	<u>Position with Consolidated Water</u>
Frederick W. McTaggart (1)	Director, President & Chief Executive Officer
David W. Sasnett (2)	Director, Executive Vice President & Chief Financial Officer
Gregory S. McTaggart	Vice President of Cayman Operations
Gerard J. Pereira	Vice President of Sales and Marketing
Ramjeet Jerrybandan	Vice President of Overseas Operations

- (1) For biographical information regarding such persons, see "Information Regarding Group II Directors."
- (2) For biographical information regarding Mr. Sasnett, see "Information Regarding Group III Directors."

**Gregory S. McTaggart**, age 46, is our Vice President of Cayman Operations. Mr. McTaggart joined our Company in January 1991 as our resident engineer and has served in his current capacity since 1994. For three years before joining us, Mr. McTaggart worked for the Caribbean Utilities Company, the electrical utility on Grand Cayman, as a mechanical engineer. Mr. McTaggart obtained his Bachelor of Mechanical Engineering from the Georgia Institute of Technology in 1986. Mr. McTaggart is the brother of Frederick W. McTaggart, who is the President, Chief Executive Officer and a director of our Company.

**Gerard J. Pereira**, age 39, was appointed Vice President of Sales and Marketing in January 2008. Mr. Pereira obtained his Bachelor of Science and Master of Science in Chemical Engineering from the University of Waterloo, Ontario, Canada and joined Ocean Conversion (Cayman) Limited as Operations Engineer in 1995. He was promoted to Operations Manager of Ocean Conversion (Cayman) Limited in 1998, which post he held until our acquisition of that company. In March 2003, Mr. Pereira was promoted to Vice President of Engineering, retaining this post until his acceptance in 2008 of his current position.

**Ramjeet Jerrybandan**, age 42, joined our Company in 1998 as the Operations Engineer in Grand Cayman. He was promoted to Operations Manager (Cayman) in 2005 and became our Vice President of Overseas Operations in May 2006. He obtained his Bachelor of Science degree in Industrial Engineering and his Master of Science degree in Engineering Management at the University of the West Indies. Mr. Jerrybandan holds an Advanced Diploma in Business Administration from the Association of Business Executives of London. He also has extensive training in the Information Technology field including industrial automation systems.

## COMPENSATION DISCUSSION & ANALYSIS

In this section, we provide an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies, and the material factors that we considered in making compensation decisions for our Named Executive Officers, as defined under the heading "Additional Information Regarding Executive Compensation." Specific

information regarding the compensation earned by or paid to our Named Executive Officers in 2009 is set forth in a series of tables under the heading “Additional Information Regarding Executive Compensation.” The discussion below is intended to help shareholders understand the detailed information provided in those tables and put that information into context within our overall compensation program.

## **Overview of Compensation Program**

The Compensation Committee (the “Committee”) of our Board of Directors has responsibility for establishing, implementing and continually monitoring adherence with our compensation philosophy, maintaining competitive compensation and structuring compensation to achieve our compensation objectives. Generally, the types of compensation and benefits we provide to our Named Executive Officers are similar to those provided to our other executive officers.

## **Compensation Philosophy and Objectives**

The Committee believes that compensation paid to our Named Executive Officers should be directly aligned with our performance, and that compensation should be structured to ensure that a significant portion of our named executives officers’ compensation opportunities are directly related to achievement of our financial and operational goals, such as meeting profitability targets, operating within the capital expenditures budget, securing new projects, obtaining contract extensions with current customers and keeping current on the industry’s engineering advances in seawater conversion technology, all of which impact shareholder value. The Committee evaluates both performance and compensation to ensure that we maintain our ability to attract and retain highly skilled and motivated employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives of the following companies (our “Peer Companies”):

Exponent Inc.	PW Eagle Inc.
Flow International Corp.	Badger Meter Inc.
Synagro Technologies Inc.	Casella Waste Systems Inc.
Ituran Location & Control Ltd.	Lindsay Corporation
Echelon Corporation	Fuel Cell Energy Inc.
Northwest Pipe Co.	Plug Power Inc.
North American Energy Partners Inc.	Central Vermont Public Service Corp.
Powell Industries Inc.	Energysouth Inc.
Southwest Water Co.	Cascade Natural Gas Corp.
Integrated Electrical Services Inc.	

Executives at our Peer Companies typically receive base salary, an annual bonus, and equity-based compensation, with top executives (i.e., Chief Executive Officers and Chief Financial Officers) also receiving severance payments and, at times, payments upon a change of control. Accordingly, the Committee has determined that the compensation packages that we provide to our executives, including our Named Executive Officers, should include a mix of base salary and equity-based and incentive-based compensation, with our Chief Executive Officer and Chief Financial Officer also receiving severance payments, and our Chief Financial Officer also receiving severance payments upon a change of control.

The Committee set base salary and total cash compensation (i.e., base salary plus cash bonus) 20-25% above the average base salary and average total cash compensation of executives at our Peer Companies to account for the cost of living in the Cayman Islands as compared to that of the United States. Actual payments fall within these parameters. The Committee did not target a certain percentage for equity-based compensation. The severance payments to be made to our Chief Executive Officer and Chief Financial Officer and the change of control payments to be made to our Chief Financial Officer were terms requested by such officers. The Committee agreed to the terms of the severance packages and the change of control arrangement as such terms are similar to the severance packages and change of control arrangements of Chief Executive Officers and Chief Financial Officers of companies of our Peer Companies.

### **Setting Executive Compensation**

Based on the foregoing philosophy and objectives, the Committee has structured our Named Executive Officers' base salary and equity-based and incentive-based compensation to motivate executives to achieve our business goals and reward the executives for achieving such goals. In determining the compensation of our Named Executive Officers as set forth in their most recent employment agreements, the Committee reviewed executive compensation data for 2005 and 2006 for our Peer Companies and the compensation paid to executive officers at Caribbean Utilities Company, a publicly owned electrical utility in Grand Cayman, Cayman Islands.

We compete with many companies for top executive-level management and technical talent and have been unsuccessful in the past when we attempted to recruit executives to relocate to the Cayman Islands. As such, the Committee generally sets total compensation targets for our Named Executive Officers who live in the Cayman Islands at 20-25% above the compensation paid to similarly situated U.S. executives of our Peer Companies in order to attract and to retain our Cayman Islands based Named Executive Officers. However, the Committee may set compensation for our Named Executive Officers above or below this standard as dictated by the experience level of the individual and market factors.

In setting the base salaries in the employment agreements of our Chief Executive Office and Chief Financial Officer, the Committee determined the approximate total average annual cash compensation paid to executives performing similar functions at our Peer Companies. Such amount was then divided by the respective companies' annual revenue and income and expressed as a percentage. Generally, the chief executive officer's total annual cash compensation at our Peer Companies was approximately 1% of the Peer Companies' average annual revenue and 5% of the Peer Companies' average annual income and the chief financial officer's total average annual cash compensation at our Peer Companies was approximately 0.5% of the Peer Company's average annual revenue and 2.5% of the Peer Companies' average annual income. The Committee applied these percentages to our annual revenue and income and then increased the resulting amounts by between 20-25%.

In setting the base salaries in the employment agreements of our Vice Presidents, our Chief Executive Officer estimated the average annual salaries paid to executives with similar levels of responsibility in the Cayman Islands, taking into account the very limited availability of persons possessing the requisite skills and experience in the local labor market, and gave his recommendation to the Committee. The Committee compared the suggested annual base salary for each of our Vice Presidents to the annual base salaries paid to executives performing similar functions at Caribbean

Utilities Company, a publicly owned electrical utility in Grand Cayman, Cayman Islands. Because the suggested annual base salary for our Vice Presidents was similar to that paid to executives performing similar functions at Caribbean Utilities Company, the Committee approved the salaries recommended by our Chief Executive Officer.

A significant amount of the total compensation paid to our Named Executive Officers is allocated to incentive-based compensation, as a result of the philosophy and objectives mentioned above.

### **Role of Chief Executive Officer in Compensation Decisions**

Our Chief Executive Officer recommends to the Compensation Committee a base salary within a designated range for each of our Vice-Presidents and our Chief Financial Officer. The Compensation Committee makes the final decision regarding base salary, based upon the range suggested by our Chief Executive Officer, and sets their other compensation components. Our Chief Executive Officer is not involved with the setting of compensation for himself.

### **2009 Executive Compensation Components**

For the fiscal year ended December 31, 2007, 2008 and 2009, the principal components of compensation for our Named Executive Officers were:

- base salary;
- equity-based compensation;
- incentive-based compensation;
- retirement and other benefits; and
- perquisites and other personal benefits.

### ***Base Salary***

Base salaries for our executives are established based on the scope of their responsibilities and their prior relevant background, training, and experience, taking into account competitive market compensation paid by the companies represented in the compensation data the Committee reviewed for similar positions and the overall market demand for such executives at the time of hire or entry into employment agreements. As with total compensation, we believe that executive base salaries should be competitive with the salaries paid to executives at our Peer Companies. An executive's base salary is also evaluated together with other components of the executive's other compensation to ensure that the executive's total compensation is in line with our overall compensation philosophy and objectives.

Base salaries are reviewed annually and increased based upon (i) a need to realign base salaries with market levels for the same positions our Peer Companies; (ii) an internal review of the executive's compensation, both individually and relative to other executive officers; (iii) the individual performance of the executive and (iv) an assessment of whether significant corporate goals were achieved. Additionally, we may adjust base salaries as warranted throughout the year for promotions or other changes in the scope or breadth of an executive's role or responsibilities.

### ***Equity-Based Compensation***

Under the terms of the employment agreement for our Chief Financial Officer that was effective through December 31, 2007, he was entitled to receive the equivalent in value of \$40,000 of our Ordinary Shares annually. Such shares vest quarterly in increments of 12.5% over a two-year period beginning at the start of each year. For purposes of determining the number of Ordinary Shares equivalent in value to \$40,000, we used the average of the closing bid and ask prices of the Ordinary Shares on the principal market on which our Ordinary Shares are traded for the five business days prior to the date that the amount of Ordinary Shares to be issued to our Chief Financial Officer is calculated.

We believe that equity ownership resulting from equity-based compensation earned by our Chief Financial Officer is an effective means of creating a long-term link between the compensation provided to our Chief Financial Officer with gains realized by our shareholders.

We entered into a new employment agreement with our Chief Financial Officer in January 2008 that supersedes his previous employment agreement effective January 1, 2008. The \$40,000 of equity-based compensation discussed above is not a component of compensation under this new agreement. However, any shares granted under the previous agreement through December 31, 2007 continued to vest since this executive continued his employment with us.

### ***Incentive-Based Compensation***

*Annual Bonus.* A significant amount of total compensation for which our Named Executive Officers are entitled is comprised of an annual bonus. The current employment agreements with our Named Executive Officers, other than our Chief Executive Officer, do not provide quantitative limits on the annual bonus amounts payable. The current employment agreement with our Chief Executive Officer provides that the annual bonus amount paid cannot exceed 100% of the base salary payable under such employment agreement.

For 2007, our Chief Executive Officer was entitled to an annual performance bonus equal to 2% of net profit, subject to a cap measured as 50% of his base salary and was also entitled to an annual incremental bonus equal to 5% of the increase (if any) of net profit for a financial year over all prior years highest net profit. The annual bonus paid to our Chief Executive Officer for 2007 was paid 75% in cash and 25% in Ordinary Shares.

Our Chief Executive Officer's bonus for 2008 was determined (and his bonus for 2009 will be determined) at the sole discretion of the Company's Board of Directors. The amount of the 2008 annual bonus was calculated (and the 2009 annual bonus will be calculated) by the Board of Directors based upon their assessment of the performance of Mr. McTaggart in the following areas, with the correlating value assigned to each factor for each year noted:

#### **Mr. Frederick McTaggart's 2008 Goals**

1. The Company achieving its budgeted net income and earnings per share targets. The net income and earnings per share targets used in determining Mr. McTaggart's 2008 incentive-based compensation were based upon the 2008 budget approved by the Board of Directors. The net income and earnings per share targets were \$14,107,173 and \$0.97, respectively. The amounts budgeted were considered to be the minimum thresholds, but there was no maximum threshold established for these targets. The Board of Directors determined that if the net income and earnings per share targets were achieved, Mr. McTaggart would be entitled to a bonus in an

amount equal to 30% of his base salary. The actual net income and earnings per share for 2008 were \$7,209,716 and \$0.50, respectively. Although the Company did not meet the target income and earnings targets, the Board of Directors determined that Mr. McTaggart had met 35% of the objectives associated with this goal.

2. Mr. McTaggart facilitating the Company's revenue growth through project extensions and new projects. The Board of Directors determined that if Mr. McTaggart achieved this goal he would be entitled to a bonus in an amount equal to 25% of his base salary. The Board of Directors determined that Mr. McTaggart had met 50% of the objectives associated with this goal.
3. The Company staying within the approved capital expenditure budgets for operations. The capital expenditure budget for operations used in determining Mr. McTaggart's 2008 incentive-based compensation was based upon the 2008 budget approved by the Board of Directors. The 2008 capital expenditure budget for operations was \$3,858,000. The amount budgeted was considered to be the maximum threshold, but there was no minimum threshold established for this target. The Board of Directors determined that if the Company stayed within the approved capital expenditure budget for operations Mr. McTaggart would be entitled to a bonus in an amount equal to 25% of his base salary. The actual capital expenditures for operations for 2008 were \$1,102,753. The Board of Directors determined that Mr. McTaggart had met 30% of the objectives associated with this goal.
4. Mr. McTaggart fostering excellent communications with the Board of Directors and being receptive to input from the Board of Directors. The Board of Directors determined that if Mr. McTaggart achieved this goal he would be entitled to a bonus in an amount equal to 10% of his base salary. Fostering excellent communications with the Board of Directors and being receptive to input from the Board of Directors was ultimately not used as a performance goal for Mr. McTaggart.
5. Mr. McTaggart executing any special projects as assigned by the Board of Directors. The Board of Directors determined that if Mr. McTaggart achieved this goal he would be entitled to a bonus in an amount equal to 5% of his base salary. Executing any special projects as assigned by the Board of Directors was ultimately not used as a performance goal for Mr. McTaggart.
6. The development and maintenance of excellent customer relations. The Board of Directors determined that if Mr. McTaggart achieved this goal he would be entitled to a bonus in an amount equal to 5% of his base salary. Development and maintenance of excellent customer relations was ultimately not used as a performance goal for Mr. McTaggart.

#### Mr. Frederick McTaggart's 2009 Goals

1. The Company exceeding budgeted Net Income, excluding the earnings (loss) from OC-BVI. The amount budgeted was considered to be the minimum threshold, but there was no maximum threshold established for this target. The Board of Directors determined that if the net income and earnings per share targets were achieved, Mr. McTaggart would be entitled to a bonus in an amount equal to 25% of his base salary. The Company exceeding "Adjusted Revenue" defined as budgeted Income adjusted to exclude Energy Pass Through Costs and Additions. The amount budgeted was considered to be the minimum threshold, but there was no maximum threshold established for this target. The Board of Directors determined that if the

“Adjusted Revenue” target was achieved, Mr. McTaggart would be entitled to a bonus in an amount equal to 25% of his base salary.

2. The Company improving Income from Operations Margin defined as Income from Operations divided by budgeted Income. “Income from Operations” is defined as budgeted Gross Profit less budgeted General and Administrative Expenses. The amount budgeted was considered to be the minimum threshold, but there was no maximum threshold established for this target. The Board of Directors determined that if the Income from Operations Margin target was achieved, Mr. McTaggart would be entitled to a bonus in an amount equal to 25% of his base salary
3. The Company completing capital projects under budget and on schedule, as approved and/or adjusted by the Board from time to time. The amount budgeted and time schedule were considered to be the minimum thresholds, but there was no maximum thresholds established for this target. The Board of Directors determined that if the “Adjusted Revenue” target was achieved, Mr. McTaggart would be entitled to a bonus in an amount equal to 25% of his base salary.

As of the date of this Proxy Statement, the Board of Directors had not determined whether Mr. McTaggart has met any of his goals for 2009 and therefore has not determined the amount of Mr. McTaggart’s bonus for 2009. For financial statement preparation purposes, we accrued 100% of Mr. McTaggart’s 2009 salary as his accrued bonus for the year ended December 31, 2009.

Our Chief Financial Officer was entitled to an annual bonus for 2007, 2008 and 2009 in an amount not less than 25% of his then current base salary based on meeting certain performance goals agreed to with our Chief Executive Officer. The bonus paid to our Chief Financial Officer is paid in cash. In 2008 and 2009, our Chief Executive Officer set the performance goals listed below for the Chief Financial Officer. These performance goals are considered in their entirety and we do not place values or weights on any specific goals.

#### Mr. Sasnett’s 2008 Goals

1. Ensure that monthly management accounts are provided to the Chief Executive Officer and other members of executive management within 21 days from the end of each calendar month for at least 11 calendar months out of the year. Mr. Sasnett did not achieve this goal.
2. The Company achieving its budgeted consolidated accounting and auditing costs. The budgeted consolidated accounting and auditing costs used in determining Mr. Sasnett’s 2008 incentive-based compensation were based upon the 2008 budget approved by the Board of Directors. The budgeted consolidated accounting and auditing costs for 2008 were \$381,000. The amount budgeted was considered to be the maximum threshold, but there was no minimum threshold established for this target. The consolidated accounting and auditing costs for 2008 were \$326,000. The Company achieved this goal.
3. Ensure that the Company and its subsidiaries are fully compliant with Sarbanes-Oxley. The Company achieved this goal.
4. Ensure that all statutory financial reporting filings are made accurately and on time. The Company achieved this goal.

### Mr. Sasnett's 2009 Goals

1. Successfully complete the Cayman Cost of Service Study within the agreed time frame.
2. Provide Monthly Management Accounts to the CEO and other members of executive management within 30 days of the end of each month, except for the months of January and February in which case by April 15
3. Ensure that all statutory financial reporting filings are made accurately and within the required deadlines.
4. Ensure that the Company's consolidated accounting, auditing, administrative and finance costs do not exceed the aggregate amount budgeted for such costs. The budgeted consolidated accounting and auditing costs used in determining Mr. Sasnett's 2009 incentive-based compensation were based upon the 2009 budget approved by the Board of Directors. The amount budgeted was considered to be the minimum threshold, but there was no maximum threshold established for this target.
5. Examine and make recommendations to the CEO to restructure the financing structure of the Bahamas subsidiary in order to reduce financing costs and risk to the parent company
6. Assist the CEO in maintain excellent investor relations and represent the Company at no less than two IR events during the year.

As of the date of this Proxy Statement the Board of Directors and our CEO have not determined whether Mr. Sasnett has met any of his goals for 2009 and therefore have not determined the amount of Mr. Sasnett's bonus for 2009. For financial statement preparation purposes, we accrued 25% of Mr. Sasnett's 2009 salary as his accrued bonus for the year ended December 31, 2009.

For 2007, all Vice Presidents, except our Chief Financial Officer, were entitled to an annual bonus equal to 2.5% of the increase (if any) of net profit for a financial year over all prior years' highest net profit, subject to a cap measured as 40% of their respective, then current base salaries. For 2008 and 2009, our VP Overseas Operations and VP Cayman Operations were entitled to an annual bonus in an amount not less than 25% of their then current base salary based on meeting the performance goals set forth below that were agreed to with our Chief Executive Officer. For 2008 and 2009 our VP of Sales and Marketing was entitled to an annual bonus in an amount not less than 20% of his then current base salary based on meeting the performance goals set forth below that were agreed to with our Chief Executive Officer. These performance goals are considered in their entirety and we do not place values or weights on any specific goals. The annual bonuses, if any, paid to our Vice-Presidents are paid in cash.

#### *Ramjeet Jerrybandan, VP Overseas Operations*

In order to maximize profitability, our reverse osmosis desalination systems are designed to operate at high equipment utilization factors and at relatively constant energy and chemical consumption rates. We believe that careful monitoring of these systems, a strong preventative maintenance plan, and the ability to rapidly and effectively respond to unforeseen conditions will ensure

maximum profitability of these systems. In setting Mr. Jerrybandan's financial targets for 2008 and 2009, specifically goals #1 and #2 of each respective year, the Board of Directors considered the environmental and logistical difficulties associated with operating and maintaining seawater reverse osmosis desalination plants in remote tropical island locations. They also considered the optimum design parameters and the expected profitability targets for each plant. The Board of Directors consequently set what it believed to be moderate to difficult financial targets for Mr. Jerrybandan.

#### Mr. Jerrybandan's 2008 Goals

1. Maintain or increase annual gross margin of Consolidated Water (Belize) Limited in 2008. The budgeted annual gross margin of Consolidated Water (Belize) Limited used in determining Mr. Jerrybandan's 2008 incentive-based compensation was based upon the 2008 budget approved by the Board of Directors. The amount budgeted was considered to be the minimum threshold, but there was no maximum threshold established for this target. Consolidated Water (Belize) Limited achieved this goal.
2. Maintain or increase annual gross margin of Ocean Conversion (BVI) Ltd. The budgeted annual gross margin of Ocean Conversion (BVI) Ltd. used in determining Mr. Jerrybandan's 2008 incentive-based compensation were based upon the 2008 budget approved by the Board of Directors. The amount budgeted was considered to be the minimum threshold, but there was no maximum threshold established for this target. As result of the adoption by Ocean Conversion (BVI) Ltd. of the cash method for revenue recognition during 2008, the gross margin target for Ocean Conversion (BVI) Ltd. was ultimately not used as a performance goal for Mr. Jerrybandan.
3. Restore equipment operating efficiencies at Blue Hill Plant to original design efficiencies. The target efficiencies for the Blue Hill Plant were taken from the contract with our customer in the Bahamas. The Company achieved this goal.
4. Increase the average monthly on-line factor at the Windsor plant to at least 90% for the original equipment. The Company did not achieve this goal.
5. Complete the implementation of the CMSS in all overseas operations and fully train all staff in its effective operation. Mr. Jerrybandan achieved this goal.
6. Develop and implement an effective operating plan for the Bermuda Plant and achieve budgeted profit targets. The budgeted profit target for the Bermuda Plant used in determining Mr. Jerrybandan's 2008 incentive-based compensation was based upon the 2008 budget approved by the Board of Directors. However the Bermuda Plant did not commence operations in 2008 as anticipated and consequently the budgeted profit target and the operating plan for the Bermuda Plant were ultimately not used as performance goals for Mr. Jerrybandan.

#### Mr. Jerrybandan's 2009 Goals

1. Contain costs (of supervised businesses) within approved budgeted amounts, subject to any adjustments for electricity and fuel cost changes. The budgeted costs used in determining Mr. Jerrybandan's 2009 incentive-based compensation were based upon the 2009 budget approved by the Board of Directors. The amounts budgeted were considered to be the maximum

threshold, but there were no minimum thresholds established for this target.

2. Meet or exceed budgeted gross margin targets of all supervised businesses. These amounts were considered to be the minimum thresholds, but there were no maximum thresholds established. OC-BVI was excluded from this goal because of the uncertainty related to this business
3. Successfully implement an effective and cost-saving preventative maintenance plan for Consolidated Water (Bahamas) including utilization of the CMMS software package; this goal was measured by a reduction in the number of breakdowns and repair costs for the Windsor and Blue Hill desalination plants. These amounts were considered to be the minimum thresholds, but there were no maximum thresholds established.
4. Meet or better specific energy efficiencies in the 2009 budget of each desalination plant under supervision. Plants in the BVI operation were excluded from this goal because of OC-BVI's ongoing dispute with the BVI government and the resulting interference with maintenance of the BVI plants. These amounts were considered to be the minimum thresholds, but there were no maximum thresholds established.
5. Fully implement the Computerized Maintenance Management System (CMMS) and use the implemented Operations Data Portal; provide concise weekly reports to CEO from Operations Data Portal in a format to be agreed.
6. By July 31, 2009, implement monthly performance evaluation tests at each supervised plant. Ensure that the results of these tests are taken into consideration when evaluating plant staff performance. The Board of Directors has not met to determine whether this goal has been achieved.

As of the date of this Proxy Statement, the Board of Directors and our CEO have not determined whether Mr. Jerrybandan has met any of his goals for 2009 and therefore has not determined the amount of Mr. Jerrybandan's bonus for 2009. For financial statement preparation purposes we accrued 25% of Mr. Jerrybandan's 2009 salary as his accrued bonus for the year ended December 31, 2009.

*Gregory S. McTaggart, VP Cayman Operations*

In order to maximize profitability, our reverse osmosis desalination systems are designed to operate at high equipment utilization factors and at relatively constant energy and chemical consumption rates. We believe that careful monitoring of these systems, a strong preventative maintenance plan, and the ability to rapidly and effectively respond to unforeseen conditions will ensure maximum profitability of these systems.

We also believe that minimizing non-revenue water (caused by leakage, theft and under-metering) within our retail water distribution system is essential to the profitable operation of our retail water utility on Grand Cayman. Over the past two years, the CEO has set consistently lower non-revenue water targets for the Company. In setting Mr. Gregory McTaggart's financial targets for 2008 and 2009, specifically goals #1, #2 and #3 of each respective year, the Board of Directors considered the environmental and logistical difficulties associated with operating and maintaining seawater reverse osmosis desalination plants and water distribution systems in a remote tropical island location. They

also considered the optimum design parameters and the expected profitability targets for each plant, and historical non-revenue water data for the Company over the past ten years. The Board of Directors consequently set what it believed to be moderate to difficult financial targets for Mr. Gregory McTaggart.

#### Mr. Gregory McTaggart's 2008 Goals

1. Maintain or increase 2007 gross margins in 2008 for Cayman Water Company Limited and Ocean Conversion (Cayman) Limited. The 2007 gross margins for Cayman Water Company Limited and Ocean Conversion (Cayman) Limited were considered to be the minimum thresholds, but there were no maximum thresholds established. The Company did not achieve this goal with respect to Cayman Water Company Limited, and achieved this goal with respect to Ocean Conversion (Cayman) Limited.
2. Lower overall water loss percentage for Cayman Water Company Limited retail from the 2007 figure and implement a preventative/detective water loss program using pressure and flow monitoring equipment. The 2007 overall water loss percentage for Cayman Water Company Limited retail was 6.63%. This percentage was considered to be the maximum threshold, but there was no minimum threshold established. The 2008 overall water loss percentage for Cayman Water Company Limited retail was 6.04%. The Company achieved the water loss target percentage, but Mr. McTaggart did not implement a preventative/detective water loss program before the end of 2008.
3. Contain Operations and Maintenance expenses, excluding Cost of Sales, Cost of Sales to 2008 budget or below for Cayman Water Company Limited and Ocean Conversion (Cayman) Limited. The 2008 budgets for Operations and Maintenance expenses, excluding Cost of Sales, for Cayman Water Company Limited and Ocean Conversion (Cayman) Limited were considered to be the maximum thresholds, but there were no minimum thresholds established for these targets. The Company achieved this goal.
4. Maintain or improve the 2007 overall specific energy efficiency of Cayman Water Company Limited and Ocean Conversion (Cayman) Limited water production plants; return the North Sound plant to design efficiency; and implement a program to improve the plant control system. The Company did not achieve this goal.
5. Reduce total overtime wages paid to Cayman Water Company Limited and Ocean Conversion (Cayman) Limited staff to below total 2007 figure. The total overtime wages paid to the Cayman Water Company Limited and Ocean Conversion (Cayman) Limited staffs in 2007 were \$26,500 and \$44,200, respectively. These amounts were considered to be minimum thresholds, but there was no maximum threshold established. The total overtime wages paid to the Cayman Water Company Limited and Ocean Conversion (Cayman) Limited staffs in 2008 were \$44,000 and \$45,200, respectively. The Company did not achieve this goal.

#### Mr. Gregory McTaggart's 2009 Goals

1. Meet Cayman Water and Ocean Conversion gross profit to sales ratio targets. The gross profit to sales ratio targets used in determining Mr. Gregory McTaggart's 2009 incentive-based

compensation were based upon the 2009 budget approved by the Board of Directors. The amounts budgeted were considered to be the minimum threshold, but there were no maximum thresholds established for this target.

2. Lower overall water loss percentage for Cayman Water to less than 2009 loss and implement real time detective water loss systems using pressure and flow monitoring equipment. The 2008 overall water loss percentage for Cayman Water Company Limited retail was 6.04%. This percentage was considered to be the maximum threshold, but there was no minimum threshold established. The 2008 overall water loss percentage for Cayman Water Company Limited retail was 5.72%.
3. Contain costs (for supervised businesses) within budgeted amounts, subject to any adjustments for electricity and fuel cost changes. The budgeted costs used in determining Mr. Gregory McTaggart's 2009 incentive-based compensation were based upon the 2009 budget approved by the Board of Directors. The amounts budgeted were considered to be the maximum threshold, but there were no minimum thresholds established for this target.
4. Maintain or improve specific energy efficiencies of each Cayman Water desalination plant relative to 2008 specific energy levels. Improve the North Sound plant to at or better than contractual efficiency. These amounts were considered to be the minimum thresholds, but there were no maximum thresholds established.
5. Fully implement the Operations Data Portal and Computerized Maintenance Management System (CMMS); provide concise weekly reports to the CEO from the operations Data Portal in a format to be agreed.
6. Provide all operational information to the cost of service study consultants in an accurate and timely manner. The Board of Directors has not met to determine whether this goal has been achieved.
7. Work with IT to implement all necessary meter reading and maintenance reports in Cogsdale by 1 June 2009. Re-establish the meter change-out and maintenance program. Install industry standard screens in front of all turbine type meters in the CW system.

As of the date of this Proxy Statement, the Board of Directors and our CEO have not determined whether Mr. Gregory McTaggart has met any of his goals for 2009 and therefore has not had not determined the amount of Mr. McTaggart's bonus for 2009. For financial statement preparation purposes we accrued 25% of Mr. McTaggart's 2009 salary as his accrued bonus for the year ended December 31, 2009.

*Gerard J. Pereira, VP of Sales and Marketing*

#### Mr. Pereira's 2008 Goals

Mr. Pereira's 2008 performance goals were not directly tied to the financial performance of the Company. They included such things as successfully preparing bids for new projects, establishing new partnerships in new markets, developing a formalized sales and marketing plan for the Company, and expanding the Company's presence within regional and international water organizations. The Board of

Directors determined that Mr. Pereira had achieved 80% of the objectives associated with his 2008 performance goals.

Mr. Pereira's 2009 performance goals were not directly tied to the financial performance of the Company. They included such things as successfully preparing bids for new projects, establishing new partnerships in new markets, updating the Company's sales and marketing plan, evaluating certain specific long-term project opportunities, and expanding the Company's presence within regional and international water organizations. The Board of Directors has not met to determine whether Mr. Pereira's 2009 performance goals have been achieved.

As of the date of this Proxy Statement the Board of Directors and our CEO have not determined whether Mr. Pereira has met any of his goals for 2009 and therefore have not determined the amount of Mr. Pereira's bonus for 2009. For financial statement preparation purposes we accrued 20% of Mr. Pereira's 2009 salary as his accrued bonus for the year ended December 31, 2009.

Unlike the targets established for Frederick McTaggart, the performance goals for David Sasnett, Ramjeet Jerrybandan, Gregory McTaggart and Gerard Pereira are considered in their entirety and we do not place values or weights on any specific goals.

In its discretion, the Committee may award bonus payments to our Vice-Presidents or our Chief Financial Officer above or below the amounts specified in their respective employment agreements. These bonus provisions are intended, in accord with our compensation philosophies and objectives, to align executive interests with shareholder interests.

Unless the provisions in our employment agreements relating to incentive compensation are amended, our Named Executive Officers will continue to receive incentive-based compensation as set forth above. As the employment agreements of our other Named Executive Officers come up for renewal, the Committee plans to review compensation paid to our Named Executive Officers to ensure that their compensation levels are competitive and have the right mix of incentive-based compensation.

*Equity Incentives.* We believe that equity ownership is one of the more effective means of aligning the interests of our Named Executive Officers with those of our shareholders.

Through December 31, 2007, our Vice-Presidents were eligible to participate in an employee share incentive plan for our long-term employees who are not directors. Under the employee share incentive plan, employees were issued Redeemable Preference Shares on an annual basis at no cost based on a formula which took into consideration the employee's salary and the total dividend paid to common shareholders as a percentage of the total shareholder's equity in each year. If an employee remained employed by us for at least four years, we were obligated to exchange the Redeemable Preference Shares (whether or not the Redeemable Preference Shares have been held for four years) for the same number of Ordinary Shares. We were also obligated to exchange the Redeemable Preference Shares for an equal number of Ordinary Shares if an employee's employment with us or any of our affiliates terminated by reason of the employee's death, permanent disability or the employee reached the age of 65 years. However, if an employee's employment with us or any of our affiliates terminated for any other reason, we could at any time up to and including the first anniversary of such termination, redeem the employee's Redeemable Preference Shares for cash equal to 75% of the average of the closing market price for our Ordinary Shares on each of the first seven trading days in the month of October of the year in which the Redeemable Preference Shares were issued to the employee.

Additionally, when an employee was issued Redeemable Preference Shares, the employee was also granted an option to purchase an equal number of Redeemable Preference Shares at approximately 75% of the average market price of the Ordinary Shares. The exercise price was determined using the average of the closing market price for our Ordinary Shares on each of the first seven trading days in the month of October of the year in which the Redeemable Preference Shares were issued to the employee. The grant date was determined as 90 days after the date of the auditor's certificate on the financial statements for the relevant year. This option expires, unless exercised by the employee, within thirty (30) days after the date of grant.

Under the new employment agreements consummated with our Chief Financial Officer and Vice-Presidents that became effective January 1, 2008, such Named Executive Officers no longer participate in the employee share incentive plan discussed above. Under their new agreements, these individuals receive options to purchase Ordinary Shares under the 2008 Equity Incentive Plan, which was approved by our shareholders in May 2008. Under the 2008 Equity Incentive Plan, we may grant directors, executives and key employees, including our Chief Financial Officer and Vice-Presidents, stock options, restricted stock, restricted stock units, stock equivalents and awards of Ordinary Shares. The Compensation Committee selects participants to receive awards and determines the terms and conditions of each award, including the number of Ordinary Shares subject to awards, the price, if any, a participant pays to receive or exercise an award, the time or times when awards vest or may be exercised, settled or forfeited, any performance goals, restrictions or other conditions to vest in, exercise, or settle awards, and the effect on awards of the disability, death, or termination of service of participants.

In determining the number of options to be granted to our Chief Financial Officer and Vice Presidents in 2008 and 2009, we took into account the individual's ability to affect profits and shareholder value, the individual's historic and recent performance and the value of stock options in relation to other elements of total compensation. We apportioned the greatest weight to an executive's ability to affect profits and shareholder value and the executive's recent performance, and less weight to the executive's historic performance. As our Vice Presidents of Operations have the greatest ability to affect profits and shareholder value, we set their equity incentive compensation at approximately 20% of their respective base salary. As our Chief Financial Officer and VP of Marketing and Sales have less of an ability to affect profits, we set their equity incentive compensation at approximately 15% of their respective base salary.

All stock options granted to our Named Executive Officers in 2008 and 2009 incorporate the following features:

- the options vest one-third per year over three years beginning on the first anniversary of the date of grant;
- the options expire with regard to vested shares three years from the applicable vesting date; and
- under certain circumstances, the options are forfeited with regard to unvested shares upon separation from the Company.

We decided to use stock options as a long-term incentive vehicle for our Chief Financial Officer and our Vice-Presidents because:

- stock options align the interests of executives with those of our shareholders, support a pay-for-performance culture, foster employee stock ownership, and focus our management team on increasing value for our shareholders;
- stock options are performance based (i.e., all of the value received by the recipient from a stock option is based on the growth of the stock price above the option price); and
- the vesting terms for stock options create incentive for increases in shareholder value over a longer term and encourages executive retention.

### ***Pension Plan***

As with every employer in the Cayman Islands, we are required by the National Pension Law to provide a pension plan for our employees in the Cayman Islands. We belong to the Cayman Islands Chamber Pension Plan, the Ocean Conversion Staff Pension Plan and the Fidelity Pension Plan in the Cayman Islands. The Chamber Pension Plan is a non-profit entity, which is administered by the Bank of Butterfield, the Ocean Conversion Staff Pension Plan has as its trustee Colonial Private Trustee Limited and is administered by the British Caymanian Insurance Company Ltd, and the Fidelity Pension Plan is administered by Fidelity Pension Services (Cayman) Limited who are also the trustees of the plan.

Under the Cayman Islands National Pensions Law, all employees between the ages of 18 and 60 must contribute a specified minimum percentage of their earnings to a pension plan. Until recently, the exact percentage of contributions varied according to the age of each employee. Since June 1, 2002, however, all employees must contribute 5% of their earnings to a pension plan. An employee also has the option of contributing more than the prescribed minimum. We are required to match the contribution of the first 5% of each participating employee's salary to a maximum of \$72,000. Employees earning more than \$72,000 are not required to make contributions on amounts over \$72,000. All contributions by our employees are collected by us and paid into the various pension plans on a monthly basis.

All three plans are defined contribution plans, and as such the amount that an employee receives upon retirement is directly related to the amount contributed to the plan by the employee while working. Once an employee retires (employees become eligible for retirement at age 60 in the Cayman Islands), an employee has the following options for receiving benefits:

- Receive a cash payout if the employee's retirement savings is less than \$6,000;
- Transfer the retirement savings to a life annuity for investment by a life insurance company and payment of a regular income stream to the employee for the remainder of the employee's life (and the employee's spouse's life if the employee is married at the time of retirement); or
- Transfer the retirement savings to a Retirement Savings Arrangement account with an approved provider or bank and receive regular income payments until the account is depleted.

### ***Perquisites and Other Personal Benefits***

Pursuant to our Chief Executive Officer's employment agreement, we provided our Chief Executive Officer with a suitable vehicle, the monthly expense of which was \$250 in 2007, \$563 in

2008 and \$563 in 2009. Pursuant to our Chief Financial Officer's current and former employment agreements, we provided our Chief Financial Officer with an automobile expense allowance which amounted to \$750 per month in 2007, \$850 per month in 2008 and \$900 in 2009. Pursuant to the employment agreements with our Vice Presidents of Overseas Operations and Sales and Marketing, we provided each of them with an automobile expense allowance of \$850 per month in 2008 and \$900 per month in 2009. We provided our Vice President of Cayman Operations with an automobile allowance of \$208 per month in 2007, \$429 per month in 2008 and \$429 per month in 2009 pursuant to his employment agreement.

### ***Termination-Based Compensation***

#### *Termination*

Our Named Executive Officers' employment agreements may be terminated upon the occurrence of the following:

- i. the death of the Named Executive Officer;
- ii. the Named Executive Officer being adjudicated bankrupt;
- iii. the Named Executive Officer giving six month's notice of termination; and
- iv. the Named Executive Officer being unable to discharge his duties due to physical or mental illness for a period of more than 60 days.

Additionally, our Chief Financial Officer's employment agreement may be terminated due to his conviction of a felony or his commission of an act or omission that could result in material harm to us or conduct justifying dismissal under Cayman Island law. Our other Named Executive Officers' employment agreements may be terminated due to conduct by such Named Executive Officer justifying dismissal under Cayman Island law.

Upon termination due to the Named Executive Officer's inability to discharge his duties due to physical or mental illness for a period of more than 60 days, the Named Executive Officer will be relieved of his duties. In the case of all Named Executive Officers other than our Chief Financial Officer, we will pay such Named Executive Officer \$1,000 per year, provide medical insurance for him and his family, and contribute to a pension fund for the Named Executive Officer for a period of two years. In the case of our Chief Financial Officer, we will pay him \$1,000 per year and provide medical insurance for him and his family for a period of one year.

If our Chief Financial Officer's employment agreement is terminated by our Chief Financial Officer upon six month's notice or due to his commission of an act or omission that could result in material harm to us, he will forfeit all unvested shares issued pursuant to his employment agreement. If his employment agreement is otherwise terminated or upon a "Change in Control," as defined below, all unvested shares issued pursuant to his employment agreement will vest immediately.

#### *Severance*

Upon termination of employment, our Chief Executive Officer and Chief Financial Officer are entitled to receive severance payments under their employment agreements. In determining whether to approve and setting the terms of such severance arrangements, the Committee recognizes that executives, especially highly ranked executives, often face challenges securing new employment following termination. Our Chief Executive Officer's employment agreement provides for a lump sum severance payment equal to 24 months and our Chief Financial Officer's employment agreement provides for a lump sum severance payment of 12 months, of their then current respective base salary if their employment is terminated without cause or if their employment agreements are not renewed. The Committee negotiated our Chief Executive Officer's severance package to provide him an amount equal to his base salary for the length of his non-competition arrangement with us. Based upon the data reviewed by the Committee, we believe that our Chief Executive Officer's and Chief Financial Officer's severance packages are generally in line with severance packages offered to executive chief executive officers and chief financial officers of our Peer Companies.

### *Change in Control*

Upon a "Change in Control," as defined below, our Chief Financial Officer may elect to terminate his employment and receive a lump sum payment equal to three times his then current base salary. In determining whether to approve and setting the terms of such Change in Control arrangement, the Committee recognizes the importance to the Company and our shareholders of avoiding the distraction and loss of key management personnel that may occur in connection with rumored or actual fundamental corporate changes. A properly arranged Change in Control provision protects shareholder interests by enhancing employee focus during rumored or actual Change in Control activity through:

- Incentives to remain with us despite uncertainties while a transaction is under consideration or pending; and
- Assurance of compensation for terminated employees after a Change in Control.

Our Chief Financial Officer's employment agreement provides that, at his election, he may terminate his employment upon a Change in Control and receive a payment of 36 months of base his then current base salary. After reviewing the practices of companies represented in the compensation data we obtained, the Committee negotiated our Chief Financial Officer's Change in Control arrangement to provide him an amount equal to three times his base salary. We believe that our Chief Financial Officer's Change in Control arrangement is generally in line with such arrangements offered to chief financial officers of our Peer Companies.

For the purposes of this discussion, a "Change of Control" means where: (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, publicly announces that such person or group has become the beneficial owner of more than 30% of the combined voting power ("Controlling Voting Power") of our then outstanding securities that may be cast for the election of directors and (ii) the persons who were our directors before such event shall cease to constitute a majority of our Board of Directors, or any successor, as the direct or indirect result of any person or group acquiring Controlling Voting Power.

### **Compensation Committee Report**

The Committee, comprised of independent directors, reviewed and discussed the above Compensation Discussion & Analysis (“CD&A”) with the Company’s management. Based on the review and discussions, the Committee recommended to the Company’s Board of Directors that the CD&A be included in this Annual Report on Form 10-K.

Compensation Committee

Richard L. Finlay  
Steven A. Carr  
Clarence B. Flowers, Jr.

## ADDITIONAL INFORMATION REGARDING EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table summarizes the compensation of our (1) Chief Executive Officer, (2) Chief Financial Officer and (3) our three other most highly compensated executive officers based upon total compensation (collectively, our “Named Executive Officers”) for the fiscal year ended December 31, 2009.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$ (1))</u>	<u>Stock Awards (\$ (2))</u>	<u>Option Awards (\$ (3))</u>	<u>Non-Equity Incentive Plan Compensation (\$ (4))</u>	<u>All Other Compensation (\$ (5))</u>	<u>Total (\$)</u>
Frederick W. McTaggart <i>Chief Executive Officer</i>	<b>2009</b>	<b>388,200</b>	<b>291,150</b>	<b>97,050</b>	—	—	<b>10,360</b>	<b>786,760</b>
	2008	375,000	86,250	28,750	—	—	10,360	500,360
	2007	230,000	234,381	72,562	—	—	6,600	549,108
David W. Sasnett (6) <i>Executive VP &amp; Chief Financial Officer</i>	<b>2009</b>	<b>240,000</b>	<b>60,000</b>	<b>10,000</b>	<b>75,562</b>	—	<b>10,800</b>	<b>393,362</b>
	2008	221,000	50,000	30,000	93,941	—	10,200	405,141
	2007	202,500	50,625	40,000	—	—	9,000	302,125
Ramjeet Jerrybandan <i>VP Overseas Operations</i>	<b>2009</b>	<b>137,500</b>	<b>34,375</b>	—	<b>65,378</b>	—	<b>14,400</b>	<b>251,653</b>
	2008	132,750	45,000	—	74,899	—	13,800	266,449
	2007	122,570	49,028	—	—	—	3,600	175,198
Gregory S. McTaggart <i>VP Cayman Operations</i>	<b>2009</b>	<b>137,500</b>	<b>34,375</b>	—	<b>43,588</b>	—	<b>8,750</b>	<b>224,213</b>
	2008	132,750	30,000	—	74,899	—	8,750	246,399
	2007	128,750	51,500	—	—	—	6,100	186,350
Gerard J. Pereira <i>VP Sales and Marketing</i>	<b>2009</b>	<b>137,500</b>	<b>27,500</b>	—	<b>38,576</b>	—	<b>14,400</b>	<b>217,976</b>
	2008	132,750	26,550	—	56,174	—	13,800	229,274
	2007	122,750	49,028	—	—	—	3,600	175,378

(1) Bonus amounts have been determined pursuant to the bonus terms outlined in our Named Executive Officers’ respective employment agreements. Bonus amounts for 2009 represent estimated bonuses accrued in the 2009 financial statements as the Board of Directors and CEO had not formally determined the amount of the 2009 bonuses as of the date of this Proxy Statement.

(2) Under the terms of Mr. McTaggart’s employment agreement, his bonus was to be paid 75% in cash and 25% in Ordinary

Shares, valued at the market price at the close of trading on December 31, of the relevant fiscal year. As a result, Mr. McTaggart received the following number of ordinary share in the years noted: 2008 – 2,300 shares, and 2007 – 3,101 shares. Under the terms of Mr. Sasnett's employment agreement effective for 2007, he was entitled to receive the equivalent in value of \$40,000 of our Ordinary Shares annually. Such shares vest quarterly in increments of 12.5% over a two-year period beginning on the date of grant.

- (3) There were no option awards during 2007 to Named Executive Officers. Options amounts for 2008 and 2009 have been determined pursuant to the option terms outlined in our Named Executive Officers' respective employment agreements. Stock options expense recognized for financial reporting purposes for options granted to these executives was \$200,181 and \$161,513 for the years ended December 31, 2009 and 2008, respectively.
- (4) There was no non-equity incentive plan compensation paid during 2007 to Named Executive Officers.
- (5) Represents (i) pension plan contributions of \$3,600 for each of Frederick W. and Gregory S. McTaggart, Ramjeet Jerrybandan and Gerard Pereira, (ii) car allowance of \$10,800, \$10,200, and \$9,000 for Mr. Sasnett for 2009, 2008, and 2007, respectively; (iii) car allowance of \$10,800 and \$10,200 for Mr. Jerrybandan and Mr. Pereira for 2009 and 2008, respectively; (iv) the cost to us in the amount of \$5,150, \$5,150, and \$2,500 for the automobile used by Gregory S. McTaggart for 2009, 2008, and 2007, respectively; and (v) the cost to us in the amount of \$6,760, \$6,760, and \$3,000 for the automobile used by Frederick W. McTaggart for 2009, 2008, and 2007, respectively.

## **Employment Agreements**

### *Frederick W. McTaggart-President and Chief Executive Officer*

On January 1, 2004, we entered into a three-year employment agreement with Frederick W. McTaggart, our President and Chief Executive Officer, pursuant to which he is paid \$200,000 per annum. This agreement is subject to extension each year upon mutual agreement such that the term will be for three years from January 1st of the next following year. If we terminate Mr. Frederick McTaggart without cause, he is entitled to twice the annual remuneration set out in this agreement, adjusted for any annual increases received.

For each completed financial year, Mr. Frederick McTaggart was paid a bonus calculated as (a) 2% of the net profits for that financial year, before charging this bonus, dividends, or crediting any amounts arising from the re-valuation of our assets to a maximum of 50% of Mr. Frederick McTaggart's annual remuneration and (b) 5% of the amount by which our net profits for that financial year (calculated in the same manner as in (a) above) exceed the highest annual net profits earned by us in any prior financial year. This bonus was paid as to 75% in cash and 25% in our Ordinary Shares valued at the market price at the close of trading of the same on December 31st of the relevant financial year.

On September 14, 2007, we amended the employment agreement with Mr. McTaggart, commencing January 1, 2008, Mr. McTaggart's annual base salary increases from approximately \$230,000 to \$375,000. In addition, Mr. McTaggart's bonus for 2008 was calculated by the Board of Directors based upon their assessment of the performance of Mr. McTaggart in the following areas: (a) the Company achieving its budgeted net income and earnings per share targets, (b) Mr. McTaggart facilitating the Company's revenue growth through project extensions and new projects, (c) the Company staying within the approved capital expenditure budgets for operations, project extensions and new projects, (d) Mr. McTaggart fostering excellent communications with the Board of Directors and being receptive to input from the Board of Directors, (e) Mr. McTaggart executing any special projects as assigned by the Board of Directors, and (f) the development and maintenance of excellent customer relations.

On September 9, 2009, we amended the employment agreement with Mr. McTaggart. Under the terms of the amended agreement, Mr. McTaggart's bonus in an amount not to exceed 100% of his then-current annual compensation, will be calculated as follows: (a) 25% of base salary if we achieve our budgeted net income, excluding operations in the British Virgin Islands for 2009; (b) 25% of base salary if we exceed our budgeted "Adjusted Revenues," calculated as our budgeted revenue minus budgeted "Energy Pass Through Charges"; (c) 25% of base salary if we improve our "Income from Operations Margin," calculated as our budgeted income from operations divided by our budgeted revenue; and (d) 25% of base salary if we complete projects under our capital budget and on schedule.

The annual bonus, if any, will be paid 75% in cash and 25% in the Company's Ordinary Shares valued at the market price at the close of trading on December 31, of the relevant fiscal year (or if such day is not a trading day, at the close of trading on the preceding trading day). Finally, Mr. McTaggart will be entitled to a discretionary bonus in an amount and form as determined at the sole discretion of the Board of Directors. Pursuant to NASDAQ rules, the payment of a bonus in stock must be approved by the shareholders of the Company.

*David W. Sasnett-Executive Vice President & Chief Financial Officer*

On May 22, 2006, we entered into a 19-month employment agreement with David W. Sasnett, pursuant to which Mr. Sasnett began serving as our Executive Vice President and Chief Financial Officer effective June 3, 2006. Under the terms of the employment agreement, Mr. Sasnett was entitled to an annual base salary of \$155,000 and a performance bonus equal to 25% of Mr. Sasnett's then current salary if benchmarks to be agreed upon by our Chief Executive Officer and Mr. Sasnett were met. We agreed to issue Mr. Sasnett a number of our Ordinary Shares having an aggregate value of \$40,000. Such shares vest quarterly in increments of 12.5% over a two-year period beginning on May 22, 2006. If Mr. Sasnett terminates the Employment Agreement upon giving 90 day's notice after a "Change of Control," we agreed to pay Mr. Sasnett an amount equal to twice his then current salary.

Under this previous agreement we issued Mr. Sasnett an additional number our Ordinary Shares having an aggregate value of \$40,000 on each anniversary of the Employment Agreement, which shares vested quarterly in increments of 12.5% over a two-year period beginning on the date of each such grant. The number of Ordinary Shares equivalent in value to \$40,000 were determined using the average of the closing bid and asked prices of the Ordinary Shares on the principal market on which such Ordinary Shares were traded for the five business days prior to the date that the amount of such Ordinary Shares were issued to Mr. Sasnett was calculated. Additionally, we provided Mr. Sasnett with an initial monthly automobile allowance of \$700 that increased by \$50 per month on the first of each new fiscal year.

On January 15, 2008, we entered into a new two-year employment agreement with Mr. Sasnett. Under the terms the employment agreement, Mr. Sasnett is entitled to an annual base salary of \$221,000 and a performance bonus equal to 25% of Mr. Sasnett's then current base salary if performance goals to be agreed upon by the Company's Chief Executive Officer and Mr. Sasnett are met. The Board of Directors of the Company, may in its sole discretion, after taking into consideration the recommendations of the Company's Chief Executive Officer, pay Mr. Sasnett a bonus in excess of 25% of Mr. Sasnett's base salary. Mr. Sasnett is also entitled to a monthly automobile expense allowance of \$850 that increases by \$50 per month on the first of each new fiscal year. If the Chief Executive Officer of the Company or the Company decide not to extend the term of the Employment Agreement, the term of the Employment Agreement will expire on December 31 of the year in which such decision is made

and the Company will be obligated to pay Mr. Sasnett, in cash, a severance payment equal to his base salary on the expiration date.

The Company granted Mr. Sasnett options to purchase 22,200 Ordinary Shares at an exercise price of \$30.40 per share. These options vest in tranches of 7,400 shares each on January 1, 2009, 2010 and 2011 and expire three years from the applicable vesting date. The Company granted Mr. Sasnett additional options in March 2009 to purchase 22,149 Ordinary Shares at an exercise price of \$7.90. These options vested as to 7,383 shares on March 19, 2010 and will vest in tranches of 7,383 each on March 19, 2011 and 2012 and expire three years from the applicable vesting date.

*Gregory S. McTaggart-Vice President of Cayman Operations*

On January 18, 2005, we entered into a two-year employment agreement with Gregory S. McTaggart, our Vice President of Cayman Operations, pursuant to which he is paid \$105,000 per annum. This agreement is subject to extension each year if the Chief Executive Officer so determines and shall be extended for a further term not exceeding two years.

For each completed financial year, Mr. Gregory McTaggart will be paid a bonus calculated as 2.5% of the amount by which our net profits for that financial year (before charging this bonus, dividends, or crediting any amounts arising from the re-valuation of our assets) exceed the highest annual net profits earned by us in any prior financial year to a maximum of 40% of Mr. Gregory McTaggart's annual remuneration. This bonus shall be paid as to in cash or in our Ordinary Shares valued at the market price at the close of trading on December 31st of the relevant financial year (or if such day is not a trading day, at the close of trading on the preceding trading day), or as a combination of both at the Vice President election.

On January 11, 2008, we entered into a new employment agreement with Mr. McTaggart. Under the terms this employment agreement, Mr. McTaggart is entitled to an annual base salary of \$132,750 and a performance bonus of not less than 25% of Mr. McTaggart's base salary for the year pursuant to the completion of Performance Goals agreed between Mr. McTaggart and the Chief Executive Officer of the Company. The Board of Directors of the Company, may in its sole discretion, after taking into consideration the recommendations of the Company's Chief Executive Officer, pay Mr. McTaggart a bonus in excess of 25% of Mr. McTaggart's base salary. The performance bonus must be paid entirely in cash.

The Company granted Mr. McTaggart options to purchase 17,700 Ordinary Shares at an exercise price of \$30.40 per share. These options vest in tranches of 5,900 shares each on January 1, 2009, 2010 and 2011 and expire three years from the applicable vesting date. The Company granted Mr. McTaggart additional options in March 2009 to purchase 13,305 Ordinary Shares at an exercise price of \$7.90. These options vested as to 4,435 shares on March 19, 2010 and will vest in tranches of 4,435 each on March 19, 2011 and 2012 and expire three years from the applicable vesting date.

*Ramjeet Jerrybandan-Vice President of Overseas Operations*

On November 24, 2006, we entered into a 26-month employment agreement with Ramjeet Jerrybandan, our Vice President of Overseas Operations, pursuant to which he was paid \$119,000 per annum. This agreement was subject to extension each year if the Chief Executive Officer so determined and could have been extended for a further term not exceeding two years.

For each completed financial year, Mr. Jerrybandan was to be paid a bonus calculated as 2.5% of the amount by which our net profits for that financial year (before charging this bonus, dividends, or crediting any amounts arising from the re-valuation of our assets) exceed the highest annual net profits earned by us in any prior financial year to a maximum of 40% of Mr. Jerrybandan's annual remuneration. This bonus was to be paid in cash or in our Ordinary Shares valued at the market price at the close of trading on December 31st of the relevant financial year (or if such day was not a trading day, at the close of trading on the preceding trading day), or as a combination of both at the Vice President's election.

On January 14, 2008, we entered into a new employment agreement with Mr. Jerrybandan. Under the terms this employment agreement, Mr. Jerrybandan is entitled to an annual base salary of \$132,750 and a performance bonus of not less than 25% of his base salary for the year pursuant to the completion of performance goals agreed to between Mr. Jerrybandan and the Chief Executive Officer of the Company. The Board of Directors of the Company, may in its sole discretion, after taking into consideration the recommendations of the Company's Chief Executive Officer, pay Mr. Jerrybandan a bonus in excess of 25% of Mr. Jerrybandan's base salary. The performance bonus must be paid entirely in cash.

The Company granted Mr. Jerrybandan options to purchase 17,700 Ordinary Shares at an exercise price of \$30.40 per share. These options vest in tranches of 5,900 shares each on January 1, 2009, 2010 and 2011 and expire three years from the applicable vesting date. The Company granted Mr. Jerrybandan additional options in March 2009 to purchase 19,956 Ordinary Shares at an exercise price of \$7.90. These options vested as to 4,435 shares on March 19, 2010 and will vest in tranches of 4,435 each on March 19, 2011 and 2012 and expire three years from the applicable vesting date.

Pursuant to the terms of the employment agreement, the Company will provide Mr. Jerrybandan with a monthly automobile expense allowance of \$850. This will increase on January 1 of each subsequent year by \$50 per month during the term of this agreement.

*Gerard J. Pereira-Vice President of Sales and Marketing*

On January 14, 2005, we entered into a two-year employment agreement with Gerard J. Pereira, pursuant to which he served as our Vice President of Engineering and was paid \$100,000 per annum. This agreement was subject to extension each year if the Chief Executive Officer so determined and could have been extended for a further term not exceeding two years.

For each completed financial year, Mr. Pereira was to be paid a bonus calculated as 2.5% of the amount by which our net profits for that financial year (before charging this bonus, dividends, or crediting any amounts arising from the re-valuation of our assets) exceed the highest annual net profits earned by us in any prior financial year to a maximum of 40% of Mr. Pereira's annual remuneration. This bonus was to be paid in cash or in our Ordinary Shares valued at the market price at the close of trading on December 31st of the relevant financial year (or if such day is not a trading day, at the close of trading on the preceding trading day), or as a combination of both at the Vice President's election.

On January 16, 2008, we entered into a new employment agreement with Mr. Pereira. Under the terms this employment agreement, Mr. Pereira is entitled to an annual base salary of \$132,750 and a performance bonus of not less than 20% of Mr. Pereira's base salary for the year pursuant to the

completion of performance goals agreed between Mr. Pereira and the Chief Executive Officer of the Company. The Board of Directors of the Company, may in its sole discretion, after taking into consideration the recommendations of the Company's Chief Executive Officer, pay Mr. Pereira a bonus in excess of 20% of Mr. Pereira's base salary. The performance bonus must be paid entirely in cash.

The Company granted Mr. Pereira options to purchase 13,275 Ordinary Shares at an exercise price of \$30.40 per share. These options vest in tranches of 4,425 shares each on January 1, 2009, 2010 and 2011 and expire three years from the applicable vesting date. The Company granted Mr. Pereira additional options in March 2009 to purchase 19,956 Ordinary Shares at an exercise price of \$7.90. These options vested as to 4,435 shares on March 19, 2010 and will vest in tranches of 4,435 each on March 19, 2011 and 2012 and expire three years from the applicable vesting date.

Pursuant to the terms of the employment agreement, the Company will provide Mr. Pereira with a monthly automobile expense allowance of \$850. This will increase on January 1 of each subsequent year by \$50 per month during the term of this agreement.

### Grants of Plan-Based Awards

The following tables present information with respect to the stock options granted in the fiscal year ended December 31, 2009 to the Named Executive Officers. There can be no assurance that the Grant Date Fair Value of Option Award will ever be realized by the individual. The amount of these awards that were expensed is shown in the Summary Compensation Table.

Name	Grant Date	Expiration Date	Number of Securities Underlying Options		Exercise Price	Grant Date Fair Value of Option Award (\$)		Exercisable	Unexercisable
			Granted			(1)			
Frederick W. McTaggart	—	—	—	—	—	—	—	—	—
David W. Sasnett	3/19/2009	3/19/2015(2)	22,149	\$	7.90	72,562	-	22,149.00	
Ramjeet Jerrybandan	3/19/2009	3/19/2015(2)	19,956	\$	7.90	65,378	-	19,956.00	
Gregory S. McTaggart	3/19/2009	3/19/2015(2)	13,305	\$	7.90	43,588	-	13,305.00	
Gerard J. Pereira	3/19/2009	3/19/2015(2)	11,775	\$	7.90	38,576	-	11,775.00	

- (1) Represents Black-Scholes value on the date of grant.  
(2) These options vest in equal tranches on each of March 19, 2010, 2011 and 2012 and expire three years from the applicable vesting date.

*[The remainder of this page is intentionally left blank.]*

## Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the outstanding option awards as of December 31, 2009 for each Named Executive Officer.

Name	Number of Securities		Option Exercise Price (\$)	Option Grant Date	Option Expiration Date
	Underlying Unexercised Options at Fiscal Year End				
	Exercisable	Unexercisable			
Frederick W. McTaggart	—	—	—	—	—
David W. Sasnett	7,400	14,800	30.48(1)	5/14/2008	01/01/2014(2)
	—	22,149	7.90(1)	3/19/2009	03/19/2015(2)
Ramjeet Jerrybandan	5,900	11,800	30.48(1)	5/14/2008	01/01/2014(2)
	—	19,956	7.90(1)	3/19/2009	03/19/2015(2)
Gregory S. McTaggart	5,900	11,800	30.48(1)	5/14/2008	01/01/2014(2)
	—	13,305	7.90(1)	3/19/2009	03/19/2015(2)
Gerard J. Pereira	4,425	8,850	30.48(1)	5/14/2008	01/01/2014(2)
	—	11,775	7.90(1)	3/19/2009	03/19/2015(2)

- (1) These options vest annual in equal tranches beginning on the first anniversary of the date of grant.  
(2) These options expire three years from the applicable vesting date.

## Option Exercises and Stock Vested

The following table shows the number of our Ordinary Shares acquired during 2009 upon the exercise of options.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
	Frederick W. McTaggart	—	—	—
David W. Sasnett	—	—	506	5,983
Ramjeet Jerrybandan	—	—	—	—
Gregory S. McTaggart	—	—	—	—
Gerard J. Pereira	—	—	—	—

## Pension Benefits

We do not have any defined benefit plans and only offer defined contribution plans.

## Non-Qualified Deferred Compensation

We do not have any non-qualified deferred contribution plans or other deferred compensation plans.

## Potential Payments Upon Termination or Change of Control

The section below describes the payments that may be made to Named Executive Officers upon termination or Change in Control, as defined below, pursuant to individual agreements. For payments made to a participant upon a retirement other than in connection with termination or a Change in Control, see Pension Benefits above.

*Termination*

Our Named Executive Officers' employment agreements may be terminated upon the occurrence of the following:

- the death of the Named Executive Officer;
- the Named Executive Officer being adjudicated bankrupt;
- the Named Executive Officer giving six month's notice of termination; and
- the Named Executive Officer being unable to discharge his duties due to physical or mental illness for a period of more than 60 days.

Additionally, our Chief Financial Officer's employment agreement may be terminated due to his conviction of a felony or his commission of an act or omission that could result in material harm to us or conduct justifying dismissal under Cayman Island law. Our other Named Executive Officers' employment agreements may be terminated due to conduct by such Named Executive Officer justifying dismissal under Cayman Island law.

Upon termination due to the Named Executive Officer's inability to discharge his duties due to physical or mental illness for a period of more than 60 days, the Named Executive Officer will be terminated. In the case of all Named Executive Officers other than our Chief Financial Officer, we will pay such Named Executive Officer \$1,000 per year, provide medical insurance for him and his family, and contribute to a pension fund for the Named Executive Officer for a period of two years. In the case of our Chief Financial Officer, we will pay him \$1,000 per year and provide medical insurance for him and his family for a period of one year.

Assuming our Named Executive Officers' employment were terminated on December 31, 2009 due to the Named Executive Officer's inability to discharge his duties due to physical or mental illness for a period of more than 60 days, the compensation due to our Named Executive Officers would be as set forth in the following table.

<b>Name</b>	<b>Salary</b> <b>(\$)</b>	<b>Medical</b> <b>Insurance</b> <b>(\$)</b>	<b>Pension</b> <b>Fund</b> <b>Contribution</b> <b>(\$)</b>	<b>Total</b> <b>Compensation</b> <b>(\$)</b>
Frederick W. McTaggart	2,000	29,753	7,200	38,953
David W. Sasnett	1,000	25,776	—	26,776
Ramjeet Jerrybandan	2,000	10,817	7,200	20,017
Gregory S. McTaggart	2,000	10,069	7,200	19,269
Gerard J. Pereira	2,000	29,753	7,200	38,953

If our Chief Financial Officer terminates his employment agreement with six month's prior notice or if we terminate his employment agreement due to his commission of an act or omission that could result in material harm to us or conduct justifying dismissal under Cayman Island law, he will forfeit all unvested shares issued pursuant to his employment agreement. If his employment agreement is otherwise terminated or upon a "Change in Control," as defined below, all unvested shares issued pursuant to his employment agreement will vest immediately.

### *Severance*

Upon termination of employment, our Chief Executive Officer and Chief Financial Officer are entitled to receive severance payments under their employment agreements. Our Chief Executive Officer's and Chief Financial Officer's employment agreements provide for a lump sum severance payment equal to 24 months and 12 months, respectively, of their then current respective base salary if their employment is terminated without cause or if their employment agreements are not renewed. The Committee negotiated our Chief Executive Officer's severance packages to provide him an amount equal to their base salary for the length of his non-competition arrangement with us.

### *Change in Control*

Upon a "Change in Control," as defined below, our Chief Financial Officer may elect to terminate his employment and receive a lump sum payment equal to three times his then current base salary. In determining whether to approve and setting the terms of such Change in Control arrangement, the Committee recognizes the importance to us and our shareholders of avoiding the distraction and loss of key management personnel that may occur in connection with rumored or actual fundamental corporate changes. A properly arranged Change in Control provision protects shareholder interests by enhancing employee focus during rumored or actual Change in Control activity through:

- Incentives to remain with us despite uncertainties while a transaction is under consideration or pending; and
- Assurance of compensation for terminated employees after a Change in Control.

Our Chief Financial Officer's employment agreement provides that, at his election, he may terminate his employment upon a Change in Control and receive a payment of 36 months of his then current base salary. After reviewing the practices of companies represented in the compensation data we obtained, the Committee negotiated our Chief Financial Officer's Change in Control arrangement to provide him an amount equal to three times his base salary. We believe that our Chief Financial Officer's Change in Control arrangement is generally in line with such arrangements offered to chief financial officers of our Peer Companies.

For the purposes of this discussion, a "Change of Control" means where: (i) any person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, publicly announces that such person or group has become the beneficial owner of more than 50% of the combined voting power ("Controlling Voting Power") of our then outstanding securities that may be cast for the election of directors and (ii) the persons who were our directors before such event shall cease to constitute a majority of our Board of Directors, or any successor, as the direct or indirect result of any person or group acquiring Controlling Voting Power.

The following table sets forth the total amount of severance and change in control payments that would be made to Messrs. McTaggart and Sasnett if their employment agreements were terminated without cause or upon a “Change in Control” as of December 31, 2009:

<b>Name</b>	<b>Severance (\$)</b>	<b>Change in Control (\$)</b>
Frederick W. McTaggart	776,400	—
David W. Sasnett	240,000	720,000

*[The remainder of this page is intentionally left blank.]*

## Director Compensation

The following table sets forth a summary of the compensation earned by our non-employee directors and/or paid to certain of our non-employee directors in 2009.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(1)</b>	<b>Total (\$)</b>
Jeffrey M. Parker	65,105	2,590	67,696
Frederick W. McTaggart	—	—	—
David W. Sasnett	—	—	—
William T. Andrews	21,400	3,809	25,209
Brian E. Butler *	21,800	3,988	25,788
Steven A. Carr *	30,600	8,109	38,709
Carson K. Ebanks *	20,400	3,718	24,118
Richard L. Finlay *	30,150	6,657	36,807
Clarence B. Flowers, Jr. *	25,100	5,424	30,524
Wilmer F. Pergande *	33,789	9,327	43,116
Leonard J. Sokolow *	39,100	11,074	50,174
Raymond Whittaker *	25,200	4,736	29,936

\* The Board of Directors has determined that each of such persons is an “independent director” under the corporate governance rules of NASDAQ.

(1) Represents fair value on the date of grant.

### *Director Compensation Policy*

Our Chairman receives an annual retainer of \$20,000 in addition to the meeting and attendance fees paid to each non-executive director.

Each director who is not an executive officer is entitled to an annual retainer of \$8,000 and an attendance fee of \$3,800 for each quarterly Board of Directors’ meeting attended, and \$1,000 for any additional Board of Directors’ meetings attended.

Each director who is a member of the Audit Committee is entitled to an attendance fee of \$900 for each Audit Committee meeting attended, except for the chairman of the Audit Committee who is entitled to \$1,650 for each Audit Committee meeting attended.

Each director who is a member of the Compensation Committee is entitled to an attendance fee of \$900 for each Compensation Committee meeting attended, except for the chairman of the Compensation Committee who is entitled to \$1,650 for each Compensation Committee meeting attended.

Each director who is a member of the Executive Committee is entitled to an attendance fee of \$400 for each Executive Committee meeting attended.

Each director who is a member of the Nominations Committee is entitled to an attendance fee of \$400 for each Nominations Committee meeting attended, except for the chairman of the Nominations Committee who is entitled to \$900 for each Nominations Committee meeting attended.

In addition, under the non-executive directors share grant plan, a director receives Ordinary Shares worth the share equivalent of \$1,200 for each quarterly Board of Directors meeting and \$600 for each Committee meeting attended. The Ordinary Shares are calculated by dividing the accumulated share attendance fees by the prevailing market price on October 1st of the preceding year.

Directors who are executive officers on our Board of Directors are not entitled to an annual retainer or any attendance fees.

### **Compensation Committee Interlocks and Insider Participation in Compensation Decisions**

The Compensation Committee of the Board of Directors consists of Messrs. Finlay, Pergande and Flowers. No member of the Compensation Committee is, or at any time in the past has been, an officer or employee of the Company or any of its subsidiaries.

### **Transactions With Related Persons**

In 2003, DWEER Technology Ltd., the owner of the DWEER™ technology, licensed the worldwide rights to the DWEER™ technology to Calder AG, a Swiss company. On February 26, 2004, we entered into a distributorship agreement with Calder AG, pursuant to which we had the exclusive right to distribute and sell in the Caribbean the products manufactured by Calder AG using the DWEER™ technology. This agreement was terminated in March 2009. Until April 2009 when all of the shares were sold, William T. Andrews, PhD, a director of our Company who is not standing for re-election as a Group I director, and his spouse indirectly owned 35% of the issued and outstanding shares of Calder AG. Until April 2009 when he resigned as a director, Dr. Andrews also was the Vice-Chairman of the Board of Directors of Calder AG. In addition, Dr. Andrews and his spouse indirectly own 100% of the issued and outstanding shares of DWEER Technology Ltd. In April 2009, DWEER Technology Ltd. sold its DWEER™ technology and assigned the Calder AG license. During 2009, we paid \$195,820 (2008: \$1,033,108) to Calder AG for DWEER™ equipment purchases.

The Company has a written policy regarding the review, approval or ratification of related person transactions. A related person transaction for the purposes of the policy is a transaction between the company and one of the Company's directors or nominees for director, executive officers or 5% shareholders, or a member of one of these person's immediate family, in which such person has a direct or indirect material interest and involves more than \$120,000. Under this policy, related person transactions are prohibited unless the Audit Committee has determined in advance that the transaction is in the best interests of the Company.

The Board of Directors has determined that all of the current Directors, other than Messrs. McTaggart, Sasnett, and Andrews, are "independent" as such term is defined by the applicable listing standards of NASDAQ. The Board of Directors based this determination primarily on a review of the responses of the Directors to questions regarding their employment, affiliations and family and other relationships.

## Section 16(a) Beneficial Ownership Reporting Compliance

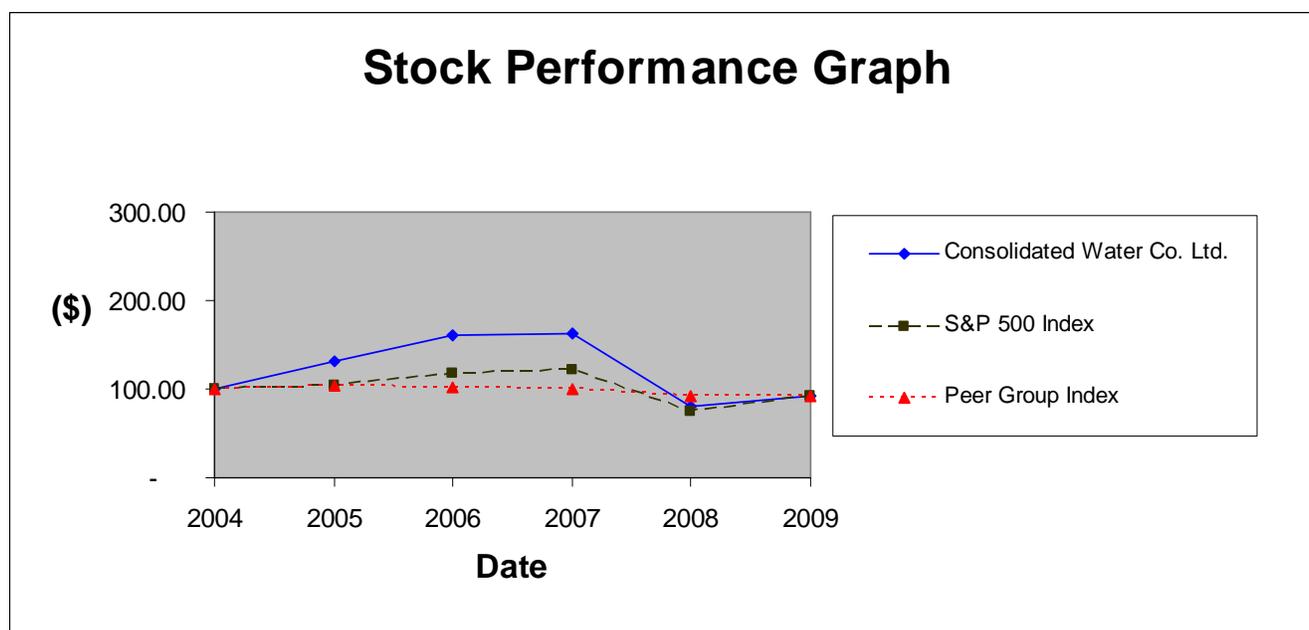
As a foreign private issuer, the Company is not subject to the requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended.

### Stock Performance Graph

The following graph compares the changes over the last five years in the value of \$100 invested in (i) the Company's Ordinary Shares, (ii) the Standard & Poor's 500 Stock Index ("S&P 500 Index") and (iii) the Peer Group Index. The peer group is comprised of Southwest Water Co., Middlesex Water Co., Connecticut Water Service Inc., American States Water Co., California Water Service Group and Artesian Resources Corp. The year-end values of each investment are based on share price appreciation and the reinvestment of all dividends.

Historical stock price performance shown on the performance graph is not necessarily indicative of future stock price performance.

#### FIVE-YEAR CUMULATIVE TOTAL RETURNS VALUE OF \$100 INVESTED ON DECEMBER 31, 2004



	<u>Consolidated Water Co. Ltd.</u>	<u>S&amp;P 500 Index</u>	<u>Peer Group Index</u>
2004	100.00	100.00	100.00
2005	130.99	103.00	103.19
2006	160.94	117.03	102.61
2007	162.62	121.16	99.09
2008	80.70	74.53	92.90
2009	92.25	92.01	92.54

### OTHER MATTERS

### ***Deadline for Shareholder Proposals***

Shareholder proposals intended to be presented under Rule 14a-8 of the Exchange Act for inclusion in the Company's proxy statement and accompanying proxy for the 2011 Annual Meeting of Shareholders, including nomination of an individual for election as a director at the 2011 Annual Meeting of Shareholders, must be received at the Company's principal executive offices in the Cayman Islands, on or before December 16, 2010 and must meet all the requirements of Rule 14a-8. If a shareholder intends to present a proposal at the 2011 Annual Meeting, but has not sought the inclusion of such proposal in the Company's proxy materials, the proposal must be received by the Company on or before March 1, 2011, or management proxies for the 2011 Annual Meeting will be entitled to use their discretionary voting authority if the proposal is then raised at the meeting, without any discussion of the matter in the Company's proxy materials. To recommend a prospective nominee for the Nominations Committee's consideration, see "Committee of the Board of Directors."

Proposals and other notices should be sent to:

Consolidated Water Co. Ltd.  
Regatta Office Park, Windward Three, 4th Floor, West Bay Road  
P.O. Box 1114  
Grand Cayman, KY1-1102  
Cayman Islands  
Attn: Secretary of the Company

### ***Householding of Annual Meeting Materials***

Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements, annual reports and Notices of Internet Availability of Proxy Materials. This means that only one copy of the Company's proxy statement, annual report and Notice of Internet Availability of Proxy Materials may have been sent to multiple shareholders in your household. The Company will promptly deliver a separate copy of any of the documents to you if you notify the Company's Secretary at the Company's executive offices of your desire to receive additional copies. If you wish to receive separate copies of the annual report, proxy statement and Notice of Internet Availability of Proxy Materials in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact the Company's Secretary at the Company's executive offices.

### ***Financial Statements and Exhibits to Form 10-K***

The Company financial statements are contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009 that was filed with the SEC on March 16, 2010, a copy of which is included with this proxy statement. Such report and the financial statements contained therein are not to be considered a part of this soliciting material.

The Company's 2009 Annual Report which is included with this proxy statement does not include copies of the exhibits to that filing. The Company will furnish any such exhibits by request sent to the Corporate Secretary.

### *Other Matters*

Management knows of no matters that are to be presented for action at the meeting other than the matters set forth above. If any other matters properly come before the meeting, the persons named in the enclosed form of proxy will vote the shares represented by proxies in accordance with their judgment on such matters.

The Company will make available a list of shareholders of the Company before the close of business on May 18, 2010 for inspection during normal business hours from 8:30 a.m. through 4:30 p.m., at the Company's corporate headquarters located at Regatta Office Park, Windward Three, 4th Floor, West Bay Road, Grand Cayman, Cayman Islands. The list will also be available for inspection during the meeting.