

CORPORATE DISCLOSURE AND SECURITIES TRADING POLICY

1.0 INTRODUCTION

An underlying principle of securities legislation is that the public should have the opportunity to decide whether to buy or sell securities on the basis of information equally available to all. Directors, officers, and employees of a company sometimes acquire knowledge of material information concerning the business and affairs of the company (or a related company) which has not yet been disclosed to the public. If that is the case, they have an unfair advantage in purchasing or selling securities because the person on the other side of the transaction may have made a different investment decision had they also been aware of the information. Similarly, if such a person informs another person of undisclosed material information, and such other person purchases or sells securities on the basis of that undisclosed information, the seller or purchaser on the other side of that transaction is, once again, at a disadvantage.

Certain securities laws in Canada have been enacted to deter such inequitable trading in securities. British Columbia Ferry Services Inc. ("BCFS" or the "Company") has formulated this Corporate Disclosure and Securities Trading Policy (the "policy") to assist Directors, Officers, and employees of BCFS in complying with these laws.

2.0 APPLICATION

This policy applies to all Directors, Officers, and other insiders of the Company as determined from time-to-time in accordance with Canadian securities laws (collectively "BCFS insiders"). In addition, section 3.0 of this policy applies to all employees of the Company. Notwithstanding the foregoing, to ensure compliance with the *Coastal Ferry Act* ("Act"), BCFS insiders who are Directors of B.C. Ferry Authority should not, in any way, directly or indirectly, own or have a beneficial interest in any BCFS securities, except to the extent permitted by section 8(5) of that *Act*.

BCFS insiders should also ensure that all people who provide them direct clerical support, and who may be in receipt of confidential information, are aware of and conform to this policy. This policy should be read together with provisions of the Company's Code of Business Conduct and Ethics.

All publicly traded securities and, in particular, the publicly traded bonds, (the "BCFS securities") of BCFS are covered by insider trading rules and are subject to this policy. In addition, a short sale or the acquisition or disposition of an option or other financial instrument pertaining to BCFS securities, is deemed to be a change in the beneficial ownership of the underlying security to which the short sale, put, call, or other financial instrument relates and, therefore, is also subject to the requirements of this policy. Securities of other companies with which BCFS has dealings may also be subject to trading and "tipping" prohibitions. If any BCFS insiders are aware of any significant, non-public information or transactions involving third parties, such BCFS insiders should consider that the trading and "tipping" prohibitions are in effect.

3.0 GENERAL

Access to undisclosed material information shall be provided to employees on a "need to know" basis. "Undisclosed material information" means any information relating to the business and affairs of BCFS that, when publicly released, would significantly affect or would reasonably be expected to have a significant effect on the market price or value of BCFS securities (or the securities of other reporting issuers with which BCFS may be conducting confidential negotiations).

No employee or BCFS insider having knowledge of undisclosed material information relating to, or involving, BCFS or another party involved in an activity or a negotiation with BCFS, shall:

- disclose such information to another individual ("tippee") other than in the necessary course of business;
- buy or sell, or acquire or dispose of an option or other financial instrument or right to buy or sell, any BCFS securities or the securities of a third party involved in such activity or negotiation; or

- participate in discussions regarding decisions by others about investments in BCFS or other companies involved in the matter before such material information has been fully disclosed to the public and a reasonable period of time for dissemination has passed. For the purposes of this policy, a “reasonable period of time” shall be considered to be at least two clear business days following the day of the disclosure to the public.

The Director, Officer, or Manager responsible for an activity or negotiation which, if known, might reasonably be expected to affect the market price or value of BCFS securities, or the securities of other parties involved in such activity or negotiation, shall be responsible for initiating adequate procedures and controls to restrict the knowledge of such matter in accordance with this policy and applicable laws, including, where appropriate and to the extent feasible:

- restricting participation or knowledge of such project to the minimum number of employees practicable;
- notifying all involved employees and BCFS insiders of their “insider status” and confidentiality obligations; and
- instituting necessary controls to provide adequate security.

In addition to any precautions which may be imposed on employees and BCFS insiders by the person responsible for a matter, the following general precautions shall be adopted to the extent feasible:

- ensure all correspondence concerning the matter is labelled “CONFIDENTIAL”;
- refrain from open discussions concerning the matter where other persons who are not party to the information are in the vicinity;
- refrain from using cellular phones to discuss in an overt manner any undisclosed material information, and any conversation using a cellular phone should be undertaken on the assumption that others are listening;
- do not leave correspondence and other documents concerning the matter in plain view in a working area;
- if the matter has been assigned a code name, use the code name on all correspondence and refrain from use of specific corporate names whenever possible; and
- report any information leaks or suspected information leaks to the person responsible for the matter.

4.0 CLEARANCE OF TRADES

BCFS insiders should clear trades in BCFS securities (including short sales or the acquisition or disposition of an option or other financial instrument pertaining to BCFS securities) through the Corporate Secretary of the Company before placing an order or otherwise committing to complete a trade. To ensure compliance with the *Act*, BCFS insiders who are Directors of B.C. Ferry Authority should not, in any way, directly or indirectly, own or have a beneficial interest in any BCFS securities, except to the extent permitted by section 8(5) of that *Act*. In addition to the prescribed blackout periods referred to below, trading in certain BCFS securities may be prohibited from time-to-time as a result of there being undisclosed material information relating to such securities. BCFS insiders who request clearance for a trade in BCFS securities in respect of which there is undisclosed material information, will be advised by the Corporate Secretary that trading in such securities is prohibited at that time. No further explanation as to the reason for the trading prohibition will be provided.

5.0 PRESCRIBED BLACKOUT PERIODS

In addition to the blackout periods which may be prescribed from time-to-time, BCFS will also establish, on an annual basis, blackout periods for the trading in BCFS securities. Such blackout periods relate to periods before financial results are disseminated to the public. Those periods will commence on the first day of the last month of a fiscal quarter and end two business days after the general disclosure of quarterly results and, with respect to year-end results, such period will commence on March 1 and end two business days after the general disclosure of annual results.

6.0 INSIDER REPORTING REQUIREMENTS

Applicable securities laws require certain insiders, called "reporting insiders", of BCFS to disclose in an insider report any direct or indirect beneficial ownership of or control or direction over BCFS securities.

For insider reporting purposes, "reporting insider" includes all Directors of BCFS and certain of its subsidiaries (those that comprise 30% or more of BCFS' consolidated assets). "Reporting insider" also includes (i) the President & Chief Executive Officer, (ii) the Chief Financial Officer, (iii) the Chief Operating Officer, (iv) any employee that is responsible for a principal business unit, division, or function of BCFS, (v) any other individual who performs functions for BCFS or such subsidiaries similar to those normally performed by an individual occupying any of the positions described above, and (vi) any other insider that, in the ordinary course, receives or has access to undisclosed material information and, directly or indirectly, exercises, or has the ability to exercise, significant power or influence over the business, operations, capital, or development of BCFS. Employees who are reporting insiders will be notified of their status.

Filing of insider reports is the responsibility of each reporting insider, except transactions conducted through BCFS sponsored plans will be reported separately by BCFS. The Corporate Secretary will assist in the preparation and filing of insider reports, as requested.

The Corporate Secretary must be contacted to clear a trade in BCFS securities, prior to the proposed transaction, and to arrange to subsequently file an insider report (if applicable).

A reporting insider who files his or her own insider reports should contemporaneously provide a copy of all such reports to the Corporate Secretary.

The Corporate Secretary may consult internal or external legal counsel in the preparation and filing of insider reports.

7.0 CONSEQUENCES OF NON-COMPLIANCE WITH POLICY

Employees, BCFS insiders, or tippees may, under some circumstances, be subject to prosecution which may result in fines of up to \$5,000,000 (or three times the profit made in the illegal trade), or to imprisonment for a term of up to five years, or both. In addition to fines, violation may result in liability to security holders affected.

BCFS may be held liable for damages resulting from misleading or untrue statements, or the failure to disclose information on a timely basis, and the reputation and standing of BCFS and its employees in the community may be tarnished.

Securities exchanges could require the early public disclosure by BCFS of commercially sensitive information to stop or confirm rumours.

Strict compliance with this policy is required by the Company. An employee who fails to adhere to this policy may be subject to disciplinary action by BCFS, which could result in termination of employment.

8.0 FURTHER INFORMATION

Any questions concerning this policy should be directed to the Corporate Secretary of BCFS.