

COLUMBIA BASIN TRUST

2010/11 - 2012/13
SERVICE PLAN



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January 21, 2010

The Honourable Bill Bennett
Minister of Community and Rural Development
Province of British Columbia

Minister:

On behalf of the Board of Directors and staff of Columbia Basin Trust (CBT), I am pleased to submit the Columbia Basin Trust 2010/11 – 2012/13 Service Plan. This document was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. All significant assumptions, policy decisions, events and identified risks, as of January 21, 2010 have been considered in preparing the plan. The performance measures presented are consistent with CBT's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of CBT's operating environment, forecast conditions, risk assessment and past performance.

CBT benefits the region of British Columbia most affected by the Columbia River Treaty, an agreement between Canada and the United States. Through endowments provided by the Province of BC, CBT makes investments, and uses the returns from its investments to deliver social, economic and environmental benefits to the people of the region. CBT is therefore accountable for its actions to both the Province of BC, our shareholder, and to the residents of the Columbia Basin, our stakeholders.

We expect CBT's financial situation to remain relatively stable over the next three years. Our investments in private placements are continuing to meet our performance expectations. The recent short-term turbulence in global equity markets appears to have dissipated, improving the outlook for the performance of the small portion of our portfolio in market securities. Our three operational power facilities are each generating income through power sales.

This past fall, after much hard work to complete appropriate due diligence and assess the viability of the Waneta Expansion project, CBT and its joint venture partner, Columbia Power Corporation, decided not to move forward with the project in its current form. We are exploring ways to restructure the project, hoping to enhance its overall viability and to

LETTER FROM THE CHAIR

make this significant regional investment possible. Regardless of the outcome of our attempts to restructure this project, I am confident that CBT will be able to continue to serve the region, make investments, and deliver benefits to Basin residents.

In the next three years, we expect that our available budget for returning benefits to communities will increase, moving to an annual allocation of \$15 million. This situation will create more opportunities for us to work in cooperation with communities, building on the efforts of residents of the Basin. We will continue to take tangible action to address priority issues identified by residents, in areas like climate change, youth engagement, and affordable housing, and by acting as a facilitator, a partner, an information resource, and a funder. We will also explore how we can contribute to creating a more diversified and more resilient economy in the communities of our region.

Another important process for the organization will be renewing our strategic priorities for the next three to five years, which we anticipate developing by fall of 2010. These priorities will be determined in consultation with Basin residents, and will form part of our key guiding document, the Columbia Basin Management Plan. Setting these priorities will help us allocate our future resources.

One of the ongoing operational challenges faced by CBT is determining how to effectively assess our own performance. Within this Service Plan, I am pleased to introduce new performance measures for two of our major business areas, our Delivery of Benefits activities and our Corporate Operations. Over the next three years, I anticipate that we will be able to provide meaningful information to our stakeholders about the extent to which we are achieving results, making progress, and learning valuable lessons about how we fulfill our mandate.

In the next year, we will continue to focus on our internal operating environment, ensuring we have the systems, processes, policies and people in place to support our management of investments, and our work with communities. In particular, we will strengthen our own capacity in the areas of human resource management, risk management, and strategic communications.

On behalf of the Board of Directors and staff, I thank you for your commitment to CBT.

Yours sincerely,



Garry Merkel
Chair, Board of Directors

MISSION

Columbia Basin Trust supports efforts by the people of the Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

Vision

Columbia Basin Trust will work towards a long-term vision for the future of the Columbia Basin, where:

1. The Columbia Basin is a place where social, environmental and economic well-being is fostered.
2. Collaborative relationships and partnerships are established across the Basin. Communities work together in a spirit of mutual support and respect for each other's differences. Residents identify with a Basin culture and feel a sense of belonging to a Basin community. Residents are involved in community decision-making.
3. A healthy environment is the basis for social and economic activities. Residents are committed to long-term and enduring stewardship of the Basin's natural resources.
4. The economy of the Basin is diverse, resilient and energized. Communities are responsive to both the needs of the present and the future. Community enhancement initiatives are widely supported and residents share responsibility for their implementation. Practical and innovative investments in the Basin serve to increase the range of options for present and future generations.

Columbia Basin Trust will also be guided by a long-term vision of itself as a regional corporation, having:

5. A successful portfolio of investments in the Basin which help to stimulate the regional economy and which provide a reliable stream of income for use in Columbia Basin Trust's delivery of benefits activities.
6. A proven track record in delivering social, economic and environmental benefits to the Basin and its residents.

7. Well-established and productive working relationships with others in the Basin whose activities relate to Columbia Basin Trust's mandate.
8. Consistent and widespread public support for Columbia Basin Trust's activities based on meaningful public input and Columbia Basin Trust's responsiveness to the needs of the Basin and its people.

Values

The following values guide how Columbia Basin Trust works in the Basin, and how Board and staff at CBT work with one another:

1. Respect

CBT treats people with respect, welcoming varied perspectives and viewpoints, and honouring the history of the Basin and the origins of the organization.

2. Accountability

CBT is responsible for all of its actions and the results of those actions.

3. Transparency

CBT maintains a high level of openness, sharing meaningful and accurate information about its actions.

4. Engagement

CBT recognizes that active involvement in communities is critical to its overall success.

5. Empowerment

CBT helps others make their own choices on issues that affect their future, and see those choices result in positive outcomes.

6. Stewardship

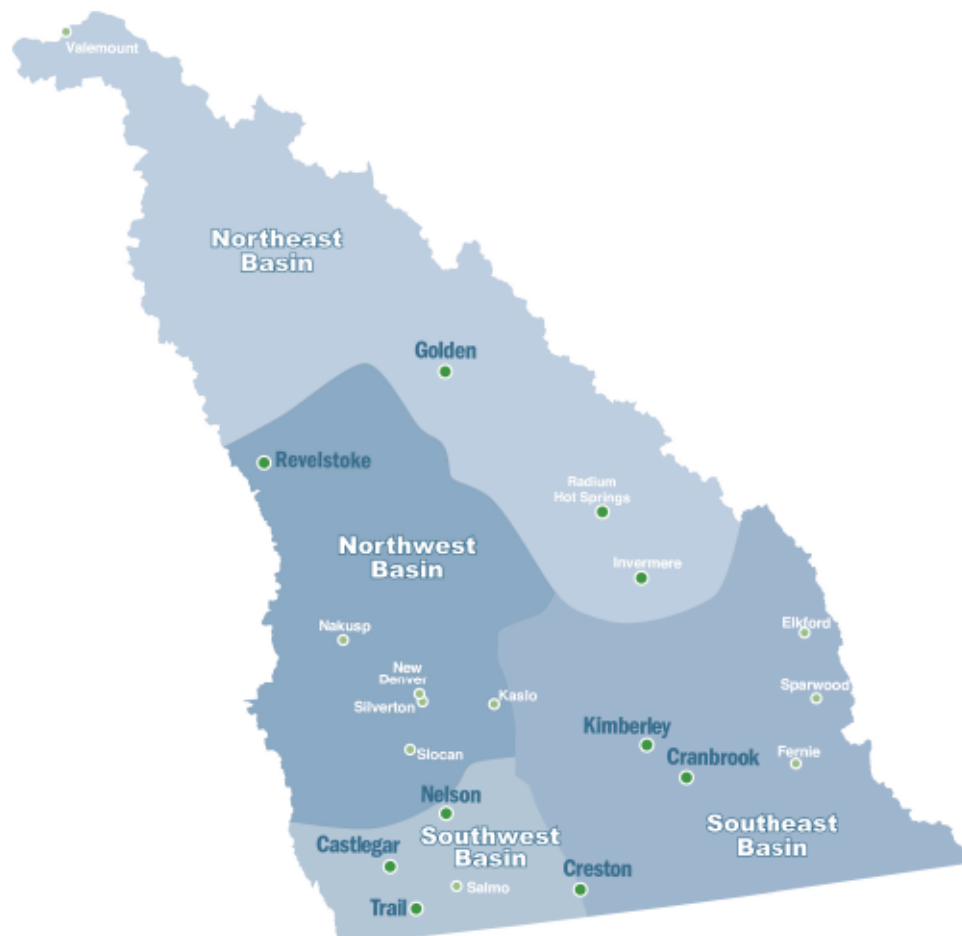
CBT manages all of its assets responsibly to ensure that both present and future generations of Basin residents benefit from those assets.

CORE FUNCTIONS

Established by the *Columbia Basin Trust Act* in 1995, CBT has two core functions: (1) invest capital and manage the assets of CBT and (2) spend the income earned from CBT's investments to deliver benefits to the Columbia Basin.

Endowments provided by the Province of BC to CBT represent a return of the financial benefits stemming from the Columbia River Treaty to the most affected region—the Columbia Basin. CBT manages the endowments through its Investment Program to fund its Delivery of Benefits activities. Through the Delivery of Benefits, community programs and initiatives are supported, fostering quality of life and addressing critical issues in the Basin.

CBT operates out of four offices in the Columbia Basin region: Castlegar, Nakusp, Cranbrook and Golden.



CORE FUNCTIONS

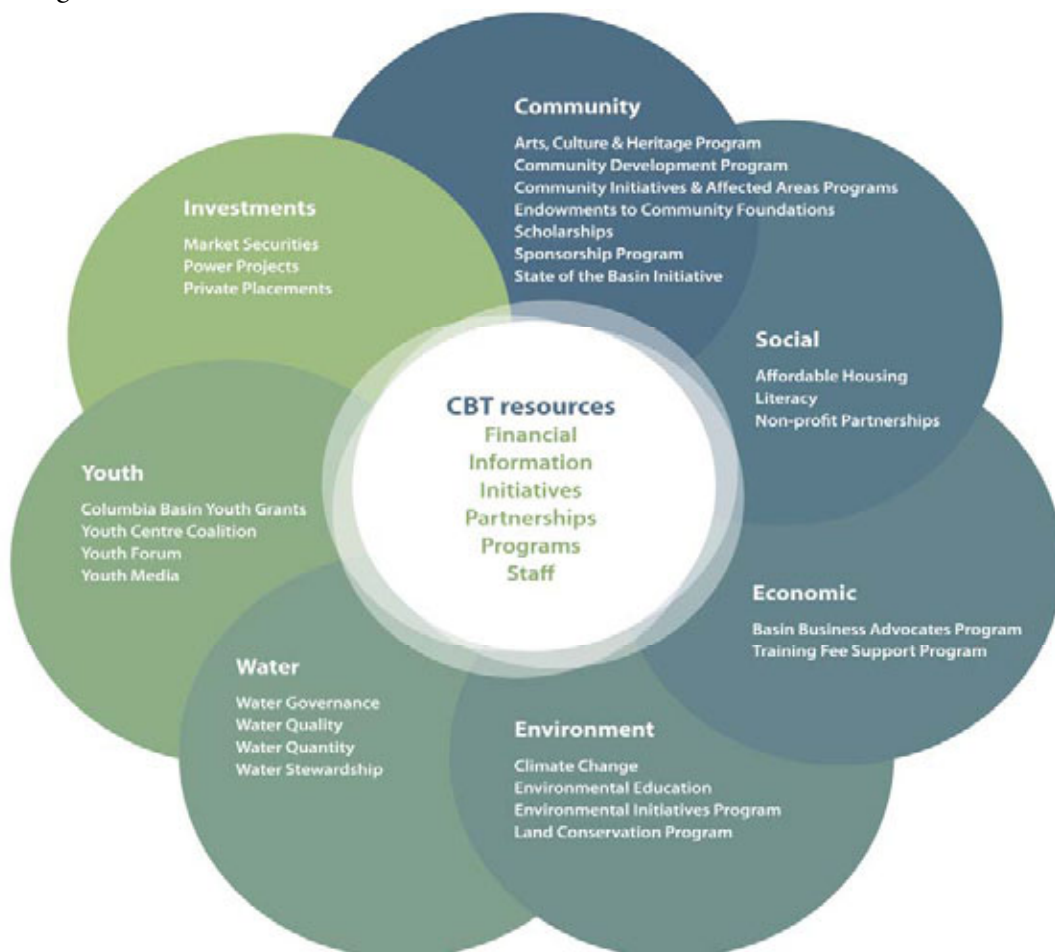
Delivery of Benefits

CBT develops, implements and manages a range of programs and initiatives that respond to the needs of communities and fulfill CBT's mandate. By focusing on local priorities and issues, CBT is delivering social, economic and environmental benefits to the residents of the Basin and creating a legacy for present and future generations.

Some of the critical issues currently addressed by CBT's programs and initiatives include:

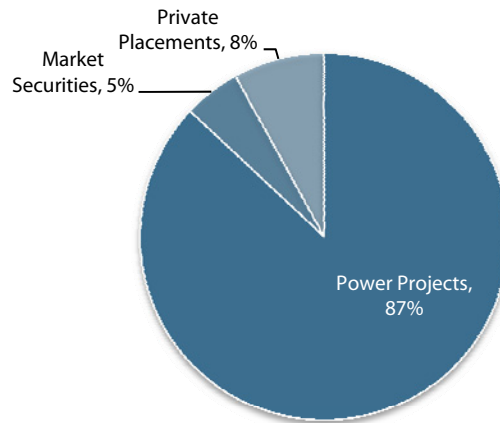
- improving environmental conditions in the Basin;
- identifying social and economic priority issues and implementing mechanisms to address them;
- improving Basin residents understanding and involvement in water issues; and
- ensuring youth in the Basin are actively engaged in addressing social, economic and environmental issues.

In developing and delivering programs and initiatives, CBT works closely with Basin residents and communities, and partners with existing groups in the Basin with similar goals and complementary strengths. By partnering with and supporting local organizations, everyone achieves greater results.



Investments

The purpose of CBT's Investment Program is to prudently invest the endowment received from the Province of BC, enabling continued delivery of long-term benefits to residents of the Columbia Basin. Income generated from investments is used to fund CBT's current and future Delivery of Benefits activities, as well as cover corporate operating expenses.



The 1995 Financing Agreement with the Province of BC commits CBT to investigating, (and if found to be commercially viable) developing and operating three hydroelectric projects in the Basin region. Each of the projects is to be undertaken in partnership with Columbia Power Corporation (CPC) and the risks and returns are to be shared on a fifty/fifty basis. CBT and CPC are also partners in another hydroelectric project, the Brilliant Dam, which they purchased together.

Brilliant Dam

In 1996, the joint venture partners purchased the Brilliant Dam, located approximately eight kilometres from Castlegar, BC, on the Kootenay River.

Arrow Lakes Generating Station

In 2002, construction was completed on the Arrow Lakes Generating Station, a two-turbine facility 400 metres downstream from the existing Hugh Keenleyside Dam on the Arrow Lakes reservoir, near Castlegar, BC.

Brilliant Expansion

In September 2007, construction was completed on the Brilliant Expansion project, located on the east bank of the Kootenay River, downstream from the Brilliant Dam.

Waneta Expansion

The joint venture partners have the rights to construct a new facility (expansion) downstream of Teck's Waneta Dam, outside Trail, BC.

Private Placements

Private Placements include all investments CBT makes in businesses located in the Columbia Basin region. The investments are broken into the following categories:

Real Estate

CBT has an ownership interest in a number of seniors' care facilities located in the Basin. Collectively, these properties contain more than 800 living suites and offer a range of services depending on the needs of the resident.

Business Loans

On a select basis, CBT invests directly in Basin-based businesses. The investments may be made independently, with all risks and returns accruing fully to CBT.

Alternatively, the investments may be made in partnership with regional financial institutions, in which case the risks and returns are shared by both parties.

Managing investment risks is as important to CBT as generating returns. CBT therefore observes the principles of commercial market due diligence when investigating investment opportunities. Each of the categories of Private Placements is required to generate a financial return to CBT that is commensurate with the level of risk assumed.

Market Securities

CBT's priority is investment opportunities in the Columbia Basin; however, given the limitations of investing in a small region, there is a balance of funds that is available for investment in a portfolio of Market Securities.

Market Securities include a range of investments such as short-term deposits, bonds, and equities. Target allocations for each of the investment categories are outlined in the *Statement of Investment Policies and Procedures*.

KEY STRATEGIC ISSUES

Investments

CBT's Investment Program is governed by the *Statement of Investment Policies and Procedures* (SIPP) adopted by the Board of Directors in July 2007, and reviewed on a biannual basis. The SIPP governs the entire investment process and provides the policy framework required for prudent investment management.

The investment priority for CBT is opportunities located in the Columbia Basin. Given this is a relatively small market with significant economic reliance on traditional resource sectors, there are challenges in constructing a diversified investment portfolio. CBT therefore attempts to pursue investment opportunities in a range of industries and locations to partially mitigate this exposure.

In order to make quality investments, most often in a competitive environment, efforts are made to form relationships with key financial partners who understand CBT's investment goals and objectives. Establishing these relationships may take several years and can be a challenge for investment staff given limited resources.

Once an investment has been made, an administrative system is developed to ensure investment performance tracks expectations. This represents a continuing challenge as a result of the same resource limitations identified above. In order to mitigate this risk, efforts are made to partner with like-minded investors who have the size and resources to cost-effectively administer the investment.

This partnership model has been applied to CBT's power project investment structure where Columbia Power Corporation (CPC) acts as both investment partner, and power project manager. Although this structure reduces the administrative responsibilities of CBT, it results in significant dependency on CPC. CBT participates on the CPC Board and various joint venture committees, and also actively engages with CPC management.

CBT has also successfully applied this partnership model to the investment structure for its congregate care facilities, where CBT's partner acts as both a part owner and a manager, which results in shared oversight responsibility.

The following guidelines are used by CBT in managing the Investment Program:

1. CBT believes future generations should benefit from the same level of support as current residents. To preserve this legacy, investment policies and grant/spending policies should be aligned to result in the retention of sufficient funds to offset the effects of inflation in the long term.
2. CBT's priority is investment opportunities in the Columbia Basin, as defined by the *Columbia Basin Trust Act*. However, given the limitations of investing in a relatively small region, it is expected a portion of CBT's assets will be maintained in market securities.
3. CBT believes the best performing and most profitable investments are those that maintain high ethical and environmental standards, and commit to the principles of strong corporate governance.
4. CBT believes in the principles of a prudent investor and requires a rate of investment return commensurate with the level of risk assumed.
5. CBT recognizes that managing investment risk is just as important as generating returns.
6. CBT recognizes the benefits of asset diversification and adopts the objective in principle, however further recognizes the benefits may be constrained by the large investment in power projects.
7. CBT values financial partnerships and when possible, will undertake investments in cooperation with other organizations.

Delivery of Benefits

CBT has a broad mandate to return social, economic and environmental benefits to the Columbia Basin (Basin). Each year, CBT returns several million dollars in benefits to Basin communities. Due to the numerous social, economic and environmental issues in the Basin, the challenge for CBT is determining how to best return benefits to the region and accomplish its mission in the most meaningful and effective manner. Conversely, one of the key risks faced by CBT is ensuring that the supports it provides to communities are relevant and appropriate.

Economic issues are continuing to impact many Basin communities, with communities experiencing major transitions. These transitions are attributable to a range of factors, from the transformation of traditional resource sector industries to changing populations to impacts from the global economic downturn. Based on consultation with Basin residents, CBT has set goals and objectives to guide its work to help build a resilient economy, and has increased its capacity to deliver on economic goals and objectives.

The economy also impacts CBT in terms of community requests from various non-profits for funding support. Traditional funders from a range of sectors are experiencing fiscal

constraints. In previous years, a local non-profit may have applied to CBT for a grant for project funding, and have already received funding for a portion of the project budget from another organization. With these other organizations curtailing grant funding, CBT will continue to consider whether to increase grants made to individual projects, or potentially assist local non-profits in identifying other funding pools.

In addition to having specific economic goals and objectives, CBT has previously set objectives that guide its work to support social and environmental well-being, engage with youth, and manage water initiatives. Simultaneously delivering on these objectives and remaining responsive to emerging community needs is a matter of balancing focus and resources for the organization. In part to maintain this balance, CBT has increased its staff capacity in the last year, bringing roles inside the organization that were previously outsourced, and adding staff to focus on attaining key objectives. CBT anticipates only incremental staff increases in the next three years.

As part of ongoing discussions with communities, and reflection on work undertaken by the organization to date, CBT is considering how it can take an integrated approach to fulfilling its mission in the region, and to strengthening social, economic and environmental well-being. Such an approach would mean understanding how, at a grassroots level, to best build strong communities, and in doing so, how to create holistic solutions to social, economic and environmental issues. CBT will be renewing its overall strategic priorities in the next year, and part of this process will be determining how to be a fundamental part of helping residents build stronger communities.

CBT is accountable to the people of the Basin, is a large geographic region made up of many rural communities. Within this context, effective communication with residents is of vital importance to CBT. Understanding how to best communicate will be a part of CBT's focus in the immediate to medium term. With increased internal capacity dedicated to communications, CBT will be able to take a more strategic approach to communications, and ensure that matters relating to communications are a part of CBT's overall planning. CBT will also seek feedback from residents on a periodic basis on the effectiveness of its communications.

Another change within CBT's internal operating environment in the coming three years will be to create the necessary infrastructure for its new Delivery of Benefits and Corporate Operations performance measures. The organization will have to dedicate resources to ensure that performance measurement is a part of CBT's overall culture and business practice.

GOALS, STRATEGIES, MEASURES AND TARGETS

CBT primarily uses internal data in the measurement of its performance. Some of the financial data originates with third parties. In some cases, actual results for 2008/09 are different from the targets for subsequent years. For more information on CBT's performance in 2008/09, visit www.cbt.org to view the 2008/09 Annual Report.

Investments

Goal

Generate a predictable, sustainable, and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

Strategies

1. Communicate directly with financial partners throughout the Basin in order to originate high quality investment opportunities.
2. Develop strong working relationships with the management of companies in which CBT has invested in order to fully appreciate risk, as well as uncover future opportunity.
3. Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
4. Remain fully engaged with management of CPC during the pre-development and operating phases of our jointly held power projects.

Measures	Actual	Forecast	Targets		
	2008/09	2009/10	2010/11	2011/12	2012/13
Return on Power Projects (calculated as a cash-based return on investment)	6.92%	8%	8%	8%	8%
Return on Private Placements (calculated as a cash-based return on investment)	8.34%	8%	8%	8%	8%
Return on Market Securities	(15%)	17%	6%	6%	6%

The SIPP has identified three categories of investment for CBT: (1) Power Projects, (2) Private Placements, and (3) Market Securities. Each of these categories of investment has unique characteristics and to appropriately measure performance three different benchmarks have been established.

Power Projects include all operating hydroelectric projects that were purchased or constructed in partnership with Columbia Power Corporation. Private Placements include all direct investments in Basin-based enterprise, including real estate, business loans, and any other form of direct Basin investment. Market Securities include publicly traded financial instruments that form part of a diversified securities portfolio.

CBT chose a Cash-Based Return on Investment methodology for calculating financial returns from the Power Projects and Private Placements to clearly link the returns from these investments to cash that would be available for Delivery of Benefits and corporate operating purposes. The return investment methodology applied to Market Securities is similar. However, this calculation includes cash returns, as well as increases or decreases in the value of the securities themselves.

CBT was challenged to obtain market comparables as a basis for determining realistic performance objectives for Power Projects and Private Placements. In the case of Power Projects, the structure of investments, as defined by various agreements between the Province of BC, Columbia Power Corporation, and CBT, is challenging to reconcile against those commonly observed in the private market. As such, it is difficult to compare the performance of the Power Projects against other hydroelectric facilities.

In the case of Private Placements, CBT is limited to investing in a relatively small geographic region. With the exception of a few larger credit unions, there are no reasonable market comparables from which CBT can base a performance objective.

Despite these challenges, CBT arrived at performance objectives for both Power Projects and Private Placements by evaluating historical performance and balancing those returns against those forecasts over the next five years.

With respect to Market Securities, there are a number of reasonable market comparables. In arriving at a 6% performance objective, CBT considered forecasted returns of similarly constructed securities portfolios, as well as historical returns observed in the general marketplace. Information in support of this objective was provided by BC Investment Management Corporation.

GOALS, STRATEGIES, MEASURES AND TARGETS

All values used in the calculation of investment returns are obtained from the audited financial statements. Returns are compiled by accounting staff, and reviewed by investment staff.

Delivery of Benefits

Goal

Deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

Strategies

1. Implement programs, initiatives and activities to address the priorities identified in the social, economic and environmental strategic plans.*
2. Improve Basin residents understanding and involvement in water issues.
3. Support youth and communities to ensure that youth are actively engaged and full participating members of their communities.**
4. Strive to work in a coordinated manner with the Province of BC with respect to engaging Columbia Basin residents on Columbia River Treaty issues.***
5. Proactively identify and pursue opportunities to fundamentally strengthen the social, economic and environmental well-being of the Columbia Basin.
6. Have vibrant advisory committees in place.

* This strategy has been adjusted from the previous Service Plan to reflect that CBT is completing its economic initiatives strategic plan.

** This strategy has been adjusted to reflect that CBT has refined its focus in Youth Initiatives, as a result of a review of its youth initiatives strategic plan.

***This strategy reflects the agreement between CBT and the Province, as stated in the Shareholder's Letter of Expectations.

Measures	Actual	Forecast	Targets		
	2008/09	2009/10	2010/11	2011/12	2012/13
Assessment by Columbia Basin residents of CBT's effectiveness	N/A	N/A	Baseline set in 2010/11	Baseline set in 2010/11	Baseline set in 2010/11

Measuring CBT's performance in the area of Delivery of Benefits is a challenge, given that the organization has a broad mission and mandate, plays a variety of roles (e.g. funder, facilitator,

information resource, etc.), and its activities often have qualitative as opposed to quantitative outcomes. The work that CBT does and the variety of roles it plays are based on its strategic priorities, which are set in consultation with Basin residents.

As CBT is accountable to Basin residents and as the organization ultimately supports efforts of residents and the well-being of the region, the organization will be measuring how Basin residents' perceptions of CBT change over time, and in particular, assessing whether residents feel that CBT is making a positive difference in their lives and communities. This approach will allow CBT to capture a sense of whether its key stakeholders feel that the organization is fulfilling its mandate. In addition, CBT will explore how residents feel that CBT is making a difference, in order to understand the impacts of CBT's range of roles and its overall effectiveness.

On a biannual basis, CBT will survey a sample of Basin residents. After the initial survey is performed, CBT will use the results to help it set a baseline and targets on a three-year basis. In developing the survey and the supporting research methodology, CBT will seek to ensure the approach, data collected, and subsequent analysis are all as credible as possible.

In recognition of the diversity of roles played by CBT, and the range of outcomes the organization strives to create, the organization will also develop performance measures for each of its strategic initiatives, including its work in social, economic, environment, youth, water, and culture. This will be an iterative and phased process, in which measures are developed for a select number of initiatives each year.

CBT will also continue to complete regular evaluations of its programs and initiatives where appropriate.

GOALS, STRATEGIES, MEASURES AND TARGETS

Corporate

Corporate operations include management, communications, accounting, administration, information technology and human resources. The effective and efficient operation of each of these functions ensures that CBT is able to manage its Investment Program and support its Delivery of Benefits activities. The Province is providing \$2 million per year for CBT's operating costs through 2010/11.

Goal

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

Strategies

1. Develop a formal risk management framework.
2. Review and implement improvements to CBT's various business processes that support its Delivery of Benefits activities, including processes related to contract management, records management, and information tracking and retrieval.*
3. Develop human resource strategies and supports, including an individualized employee performance framework and appropriate benefits.**
4. Develop a formal communications strategic plan.
5. Implement a corporate carbon neutral plan.***

*This strategy has been updated to reflect that CBT completed its initial review of its information management system, and is now broadening its focus to various business processes.

**This strategy has been introduced in this Service Plan, acknowledging the importance of human resources to CBT, and the need to further develop CBT's approach in this area.

***This strategy has been updated to reflect that CBT has now completed its corporate carbon neutral plan, and that the organization's focus is now shifting to implementation.

Measures	Actual	Forecast	Targets		
	2008/09	2009/10	2010/11	2011/12	2012/13
Maturity of planning practices	N/A	N/A	Baseline to be set in 2010/11	Baseline to be set in 2010/11	Baseline to be set in 2010/11
Maturity of risk management practices					
Average budget variances and contributing factors					

In deciding how to measure the performance of its integral corporate functions, CBT needed to link its overall goal for this business area to a few key measures. Many aspects of CBT's corporate operations lend themselves to measurement, and CBT will be implementing a number of more operational measures not included in this document. Each of the three measures included in the Service Plan will provide CBT with valuable insight into whether the organization's operations are enabling its Delivery of Benefits activities and Investment Program:

- **Maturity of planning practices:** By annually assessing the maturity of its planning practices, CBT will ensure that planning (including prioritization, business and operational planning and the allocation of resources) is fully indoctrinated within the organization.
- **Maturity of risk management practices:** CBT will develop a formal and enterprise-wide risk management framework over the next two to three years. In recognition that the organization will be building its capacity to identify, assess and manage risks at all levels in the organization, an annual self-assessment of risk management practices will help the organization stay on track, and measure the organization's progress in achieving this strategy.
- **Average budget variances and contributing factors:** By measuring budget variances (for revenues and expenses, by major category), CBT will assess its ability to forecast appropriately, and manage its resources effectively over the course of a year. Some factors may be beyond CBT's control, which will impact whether targets are achieved, but this measure will provide CBT with a meaningful indication of how well its financial resources are managed throughout the organization.

In the coming months, CBT will set appropriate targets for each of these three measures. The data generated for each of these measures will primarily be internal.

SUMMARY FINANCIAL OUTLOOK

SUMMARY FINANCIAL OUTLOOK

The summary financial information is prepared on a consolidated basis. CBT has a number of subsidiaries, which are holding companies that retain power and non-power investments. The summary financial information is not provided on a subsidiary level, as revenues are reported by major category of investment (and the subsidiaries are simply holding companies for those categories of investment). Revenues are reported net of expenses.

Table 1. CBT Summary Financial Information

(in thousands)	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast
REVENUES					
Power Projects	\$18,891	\$20,507	\$21,426	\$23,019	\$24,207
Private Placements	1,479	1,784	1,534	1,532	1,741
Market Securities	208	125	125	125	125
Income Securities	1,540	1,280	1,280	1,280	1,280
Provincial Contribution	2,000	2,000	2,000	-	-
	24,118	25,696	26,365	25,956	27,353
EXPENSES					
Staff Remuneration and Development	3,129	3,537	3,908	4,098	4,298
General Operating Expenses	1,802	2,157	2,343	2,443	2,543
	4,931	5,694	6,251	6,541	6,841
RECOVERIES	804	822	697	600	600
INCOME BEFORE OTHER ITEMS	19,991	20,824	20,811	20,015	21,112
UNREALIZED GAIN (LOSS) ON MARKET SECURITIES	(2,758)	2,280	1,220	1,590	1,980
DELIVERY OF BENEFITS	8,976	12,000	15,000	15,000	15,000
EXCESS OF REVENUES OVER EXPENSES	\$8,257	\$11,104	\$7,031	\$6,605	\$8,092
Total Debt	\$147,828	\$146,311	\$135,804	\$124,715	\$113,136
Net Assets	\$375,987	\$387,091	\$394,122	\$400,727	\$408,819
Capital Expenditures	\$21,123	\$13,434	\$5,931	\$2,849	\$1,895

Revenues

The majority of CBT's revenues continue to be received from power project investments. Revenues for power projects are reported net of expenses. Over the next three years, CBT anticipates steady increases to its revenues from power project investments, as all existing power project investments are expected to be fully operational, and as scheduled increases to energy prices (through existing power sales agreements) occur.

From its other areas of investments, CBT projects stable revenue streams for the next three years, with some annual fluctuation.

Private Placements include all revenues received from investments that CBT makes in businesses in the Basin, including all revenues from real estate investments and business loans. Overall, these revenues will have moderate growth over the next three years. Seniors' care facilities within the Basin continue to account for all real estate revenues. With additional facilities recently completed, real estate revenues will increase to CBT. No further facilities are planned at this time. These revenues are reported net of expenses. From its business loans portfolio, CBT anticipates that a significant loan will be repaid in full by the end of 2009/10, and anticipates moderate increases from the portfolio in the next three years.

Market Securities includes revenues from an externally managed diversified securities portfolio. The stabilization of the financial markets over the past year has resulted in the forecast of a larger than anticipated unrealized gain. As per Canadian generally accepted accounting principles, any gain or loss on this portfolio must be recognized in net earnings in the period they arise. Forecasts for the next three years are based on the assumption that the markets will remain normalized.

Income Securities include revenue from a portfolio of short-term deposits held at financial institutions within the Basin.

The Provincial Contribution is an annual operating grant, which the Province agreed to provide to CBT until 2010/11. The final instalment will be made on April 1, 2010. In the absence of this grant, CBT anticipates that its revenues from investments will be sufficient to fulfill its Delivery of Benefits obligations, and finance its own operations.

Expenses

Operating expenses have been divided into two major categories: staff remuneration and development and general operating expenses. Through its staff resources, CBT continues to provide valuable support to communities and Basin residents. CBT does not anticipate engaging a significant number of new staff in the next three year period, although it will be resourcing priority areas within the organization as appropriate, as it identifies its strategic priorities. The increase in the forecast for staff remuneration from 2009/10 to 2010/11 is attributable to a variety of factors (merit-based increases, increased staff and coverage for staff leave).

Recoveries

Recoveries are received from Columbia Power Corporation (CPC) for information technology services, reception services and rental income. Recoveries are also received from CBT's power project joint venture companies for management services. These recoveries are expected to decline over the next three years due to the elimination of a market monitoring contract and due to a decrease in information technology services.

Capital Expenditures

CBT classifies capital expenditures according to key projects and investments. With the exception of Real Estate Investments and CBT Corporate, the capital expenditures are provided by CBT's joint venture partner and manager of the power projects, CPC. The figures in Table 2 represent CBT's 50% share of the amount.

The capital expenditures related to Waneta Expansion include further estimated development costs for 2009/10 and 2010/11 that have not yet been approved. Due to commercial sensitivities, no construction costs have been included in these forecasts. At this time, it has not been determined if any write-down may be necessary for the deferred development costs capitalized to date.

CBT Corporate capital expenditures are composed of information technology equipment, office furniture and equipment, and leasehold improvements. A major replacement of CBT's data centre along with the completion of the final construction of CBT's backup data centre is planned for 2010/11, resulting in the forecast increase from 2009/10 in corporate capital expenditures.

Table 2. Consolidated Capital Spending Forecast

(in thousands)	2008/09 Actual	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast
Arrow Lakes Power Corporation	\$37	\$386	\$265	\$320	\$322
Brilliant Expansion Power Corp.	8,754	379	467	320	335
Power Project Planning					
Waneta Expansion	4,531	5,595	2,136	-	-
Other Projects	-	-	250	-	-
Brilliant Power Corp.	1,459	1,337	2,513	1,859	963
Real Estate Investments	5,682	5,517	-	-	-
CBT Corporate	660	220	300	350	275
Total	\$21,123	\$13,434	\$5,931	\$2,849	\$1,895

Key Assumptions and Issues

Forecast Risks and Sensitivities

Power Project Revenue

- In 2010/11, more than 80% of CBT revenues are forecast to come from power project investments. If the power projects experience operational challenges, and revenues are reduced, CBT’s ability to deliver benefits may be impacted.

Waneta Expansion Project:
Review of options to enhance viability

- Analysis is being undertaken to review alternate development models that would enhance the economic viability of the project. It is a large, complex project that will require significant financial resources and direct management time to develop.
- In the event the project does not proceed, CBT may be required to write down some portion of the costs incurred to date.
- Significant management time continues to be devoted to the analysis of the Waneta Expansion, which could reduce the amount of time available for other strategic issues.

Market Securities returns:
6% return per annum

- Financial markets are volatile and returns may vary significantly when measured over the short term.
- A 1% change in return would have a \$150,000 impact on revenue given the current level of investment.

SUMMARY FINANCIAL OUTLOOK

Key Assumptions and Issues (cont'd)

Forecast Risks and Sensitivities

Private Placements revenue:
8% return per annum

- Fluctuating interest rates have a direct effect on the income from business loans.
- Changes in the economic environment influence the performance of business loans.
- A negative material change in economic activity could result in business loan write-downs.

Income Securities Revenue:
4% per annum

- Fluctuating interest rates have a direct impact on returns from Income Securities. A 1% change in interest rates would have a \$320,000 impact on revenue given the current level of investment.

Corporate Operations

- CBT's ability to deliver programs and initiatives is heavily dependent on human resources – both within CBT and within our delivery partners. CBT will have to ensure that it is an “employer of choice” to retain and attract skilled employees, and that its delivery partners have adequate resources to deliver their programs.

Delivery of Benefits:
\$15 million distributed in
the Basin in 2010/11

- CBT's ability to deliver benefits is directly linked to its revenue. If actual revenues are less than forecast, delivered benefits may have to be reduced.
- CBT anticipates renewing its three to five year priorities in 2010/11, which will guide the disbursement of the annual allocation of \$15 million.

GOVERNANCE

Board of Directors

Columbia Basin Trust's 12-member Board consists of one appointee from each regional district and the Ktunaxa Nation Council. Regional governments nominate these directors to the Provincial Government and the appointments are made by the Lieutenant-Governor through an order-in-council. The other six directors are appointed directly by the Province. All 12 directors must be residents of the Columbia Basin.

For more information on CBT's Board of Directors, or governance processes and policies, visit www.cbt.org. All Board-approved processes and policies are disclosed in accordance with Board Resourcing and Development Office's disclosure requirements for Crown corporations. As new governance policies and processes are approved by the Board, these will also be appropriately disclosed.

Governance Principles

In governing CBT, the Board of Directors is committed to upholding the core values of CBT established in the *Columbia Basin Management Plan* and acting in accordance with the following principles:

Preparation

Directors will ensure they are fully prepared to address the business of CBT.

Transparency

To the greatest extent possible, the actions and decisions of CBT, including those of the Board of Directors, will be transparent and open to Columbia Basin residents.

Participation and Commitment

Directors will ensure they participate fully as Directors and are capable of meeting their commitments to CBT.

Service

The Board of Directors will act in the best interests of CBT, which serves the Columbia Basin region as a whole.

Directors

- Garry Merkel, Chair
- Greg Deck, Vice Chair
- Paul Peterson
- Mike Berg
- Ron Miles
- Kim Deane
- Denise Birdstone
- Jim Miller
- Jeannette Townsend
- Evelyn Cutts
- Loni Parker
- Bill Trehwella

Board Committees

Columbia Basin Trust Board committees address issues on behalf of the Board of directors and report back to the Board on a regular basis. Committees assess their performance against their Terms of Reference annually.

The Chair of the Board is the Executive Committee Chair, and an ex-officio and voting member of all other board committees.

The **Executive Committee** oversees matters on behalf of the Board of Directors.

Members

- Garry Merkel, Chair
- Greg Deck, Vice Chair
- Paul Peterson
- Denise Birdstone
- Jim Miller

The **Audit Committee** is responsible for financial oversight and ensures that CBT's financial information is accurate.

Members

- Mike Berg, Chair
- Jeannette Townsend
- Ron Miles

The **Investment Committee** oversees the management of CBT investments and develops and reviews investment policies and procedures.

Members

- Jim Miller, Chair
- Denise Birdstone
- Greg Deck
- Ron Miles

The **Delivery of Benefits Committee** recommends an overall approach to returning benefits in the Basin to the Board, and is responsible for the administration of CBT's Community Development Program.

Members

- Denise Birdstone, Chair
- Evelyn Cutts
- Loni Parker
- Kim Deane
- Bill Trehwella

The **Water Initiatives Committee** is responsible for developing and overseeing a strategy to address water initiatives in the Columbia Basin.

Members

- Evelyn Cutts, Chair
- Mike Berg
- Jeannette Townsend
- Paul Peterson
- Bill Trehwella

The **Communications Task Force** assists in the development of a communications strategic plan for CBT.

Members

- Kim Deane, Chair
- Greg Deck
- Evelyn Cutts
- Jim Miller
- Loni Parker

Senior Management

- Neil Muth, President and CEO
- Wally Penner, VP, Community Partnerships
- Johnny Strilaeff, VP, Investments
- Sabrina Curtis, Director, Planning and Development
- Kindy Gosal, Director, Water and Environment
- Delphi Hoodicoff, Director, Communications
- Christine Lloyd, Director, Finance and Operations

Boards of CBT Subsidiaries

For commercial and legal reasons, CBT has a number of subsidiaries that hold its interests both in power projects and other investments. The boards of these subsidiaries do not address policy matters. Directors for the following subsidiary boards consist of CBT senior management: *Neil Muth* and *Johnny Strilaeff*.

- **CBT Commercial Finance Corp.** holds CBT interests in business loans.
- **CBT Real Estate Investment Corp.** holds CBT interests in real estate.

- **CBT Venture Capital Corp.** is a non-operating holding company, as CBT has no active venture capital investments at this time.
- **CBT Energy Inc. (CBTE)** is the main CBT subsidiary related to power projects.
- **CBT Arrow Lakes Power Development Corp.** is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with CPC.
- **CBT Brilliant Expansion Power Corp.** is a subsidiary of CBTE that holds interests in the Brilliant Expansion joint venture with CPC.
- **CBT Power Corp.** is a subsidiary of CBTE that holds interests in the Brilliant Dam joint venture with CPC. CBT Power Corp. also holds interests in the power project joint venture with CPC, which is responsible for assessing joint venture power projects before they are developed.

The Province of BC and Columbia Basin Trust

The *Columbia Basin Trust Act* established the Province of BC as the shareholder of CBT. Within the provincial government, the Minister of Community and Rural Development is responsible for CBT.

The respective roles and responsibilities of the provincial government and CBT are established in numerous agreements and legislation, including the 1995 Financial Agreement and the *Columbia Basin Trust Act*. The Shareholder's Letter of Expectations further defines the roles and responsibilities of the Minister of Community and Rural Development and CBT.

Visit www.cbt.org to view a copy of the Shareholder's Letter of Expectations.

Specific actions that will be taken as a result of the most recent Shareholder’s Letter of Expectations include:

Direction from Shareholder’s Letter	CBT Alignment
<ul style="list-style-type: none"> • Comply with requirements to make public sector carbon neutral by 2010. • Develop measures for evaluating overall Delivery of Benefits activities. • CBT Board members nominated by Regional Districts and the Ktunaxa Nation Council report to their respective nominating bodies. • Strive to work in coordinated manner with Province with respect to engaging Columbia Basin residents on Columbia River Treaty issues. 	<ul style="list-style-type: none"> • Corporate carbon neutral plan was developed in 2009/10 and implementation is now proceeding. • Key measure developed with baseline for targets to be established in 2010/11. Measures will also be developed for CBT’s major initiatives. • CBT regularly communicates with Regional Districts and the Ktunaxa Nation Council, and annually offers to review the year’s activities with these organizations. • Ongoing communication with the Province.

Appendix 1

Over the summer and fall of 2009, CBT embarked on an exercise to create performance measures for its Delivery of Benefits activities and Corporate Operations. This Service Plan reflects the approach to performance measurement for those two business areas as approved by the Board of Directors.

In developing performance measures, CBT adopted the following guiding principles:

- Take a focused approach by having fewer initial measures and then expand the effort as makes sense over time;
- Start with a consideration of appropriate measures for accountability purposes; and
- Build the understanding of, and comfort with, performance measurement within CBT.

This Service Plan presents CBT’s newly adopted measures for Delivery of Benefits and Corporate Operations. For reference, CBT’s previous measures are included in this appendix.

Delivery of Benefits:

Measures	Actual	Forecast
	2008/09	2009/10
Benefits delivered by projects/ programs	Two program evaluations completed	At least one program evaluated

Corporate Operations:

Measures	Actual	Forecast
	2008/09	2009/10
Corporate operations as a percentage of revenues	17%	19%



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