

January 6, 2012

RE: ANNUAL FUNDING GUIDELINE LETTER

Each January, the Foundation undertakes a review of its current and projected financial position, in order to assess its ability to support renewed operating grants and approve new project grants. This letter is to provide grantees a better understanding of the environment in which the Foundation Directors expect to be making decisions over the coming year, and also to highlight any priorities or factors that the Board has recognized for special attention.

We had expected last summer that there would be some upward movement in interest rates by the end of 2011. Most recently, the Bank of Canada decided to maintain the overnight interest rate at 1%. This suggests that we can expect the Prime Rate to remain at 3% for the rest of the current fiscal year ending March 31, 2012, through fiscal 2012-13, and possibly into fiscal 2013-14. Should the Alberta economy soften somewhat, we might also see lower average deposit balances in solicitors' pooled trust accounts over the coming year. Based on a prime rate of 3%, our current forecast for interest on lawyers' pooled trust accounts for the current year ending March 31, 2012 is about \$11.5 million, up from the \$8.17 million earned in 2010-11.

From the solicitors' interest revenue, 25% is legislated to be paid to Legal Aid Alberta, leaving \$8.6 million available for grants and other discretionary contributions. Based on historical levels of annual grants of about \$13 million, it is clear that the Foundation will, again, be relying significantly on investment income and our reserves to fund some portion of current obligations in fiscal 2011-12.

Following discussions with Alberta Justice, the Law Society of Alberta and Legal Aid Alberta, the Foundation agreed to supplement its contribution to Legal Aid Alberta for 2011, 2012 and 2013. Total payments to Legal Aid each year over this period will be the greater of 25 % of solicitor's interest revenue or \$5.5 million. The agreement will result in a drawdown of up to \$8 million from the Strategic Reserve Fund. The Foundation's concurrence was achieved with the clear intention that the agreement not materially impair the Foundation's ability to fund grantees apart from Legal Aid Alberta.

For the last two years, the Directors of the Alberta Law Foundation have consciously made it their priority to direct funding to promising programs and projects that address the legal needs of the most vulnerable populations in Alberta. So far this fiscal year, in addition to ongoing operating grants, the Directors have approved over \$900,000 for 13 new projects. Three of these projects, with a total value over \$500,000 will provide direct legal services to individuals facing low income and other disadvantages. Two of them, in particular, involve the expansion of immigration law services for low income individuals in Calgary and Edmonton, addressing some of the most critical needs identified at the symposia hosted by the Foundation in late 2010.

Despite the forecast calling for no increase in interest rates, grantees are encouraged to submit proposals for worthwhile programs and projects. As with ongoing operating grant requests, any new requests will be assessed by the Directors with the following in mind:

- a. Does the request respond to an identified need?
- b. Does the request clearly advance ALF objectives?
- c. Does the request satisfy the objectives in a cost-effective manner?

These and other criteria used for evaluating all grant applications are set out in the Foundation's updated website, along with updated application forms and instructions. All grantees are encouraged to review the website, particularly the "How To Apply" section and the application form instructions, prior to submitting their grant proposal. Once a grant is approved, it is equally important that regular grant reports demonstrate the outcomes and impact of the program or project, and how they have advanced one or more of the Foundation's objectives.

We will continue to monitor interest rates and economic conditions, and provide grantees with further information as may be necessary over the course of the year. In the meantime, if you have questions or concerns regarding the guidelines in this letter or anything on the Foundation website, please contact David Aucoin at the Foundation office.

Yours truly,

A handwritten signature in black ink, appearing to read 'Anthony G. Young', written over a faint, circular stamp or watermark.

Anthony G. Young, Q.C.
Chair