

March 20, 2018

Dear Grantees,

RE: ANNUAL FUNDING GUIDELINE

The Foundation regularly reviews its current and projected financial position, and tries to provide some forward guidance to grantees and potential grant applicants. The assessment of our capacity to support renewed operating grants and approve new project grants is intended to provide grantees an appreciation of the context in which the Foundation Directors expect to be making decisions over the coming months or year.

As we had forecast at the time of our last funding guideline at the end of 2015, the Alberta economy has recently gone through some very tough times, with the fall in oil prices, high unemployment and general economic contraction. Canadian interest rates were reduced twice in 2015 and remained at historic lows through 2016 and much of 2017, in an effort to stimulate an economic recovery.

During that time, the Foundation's revenue from interest on lawyers' trust accounts (IOLTA) fell from \$19.2 million in 2014-15 to \$13.3 million in 2015-16 and further to \$11.6 million in 2016-17. This precipitous decline resulted from the combination of low interest rates and a lower level of economic activity which impacted the balances held in lawyers' pooled trust accounts. To avoid significant operating losses, the Foundation took steps to gradually reduce its level of grants to an amount closer to annual IOTLA revenue, drawing on reserves to cover the annual shortfalls.

We thank all of our grantees for their patience and their cooperation in exercising budget restraint through these tough economic times.

There are now signs of economic recovery in Canada and in Alberta. Interest rates have been rising since July 2017. Both of these factors have contributed to an improved financial position for the Foundation so far in fiscal 2017-18.

As we look ahead, there remain many uncertainties. A number of factors will influence the pace and extent of the economic recovery including:

- The outcome of NAFTA negotiations
- The extent and time frame for new pipeline construction
- The impact of new mortgage lending rules on the housing market
- The extent to which higher interest rates curb new investment spending.

In addition, the Foundation's IOLTA revenue stream faces certain other unique uncertainties, including the development of alternative closing arrangements for residential real estate and other transactions.

We therefore approach the coming year with cautious optimism. Over the next few months, the Foundation will be refining its financial forecasts to get a better idea of what funds may be made available for new or expanded programs and projects. At the same time, we will reassess current legal needs in Alberta and prioritize areas and issues for action in the short term. Grantees can expect to receive further guidance from the Foundation in the coming months on both the level of funds available and the Foundation's priorities in addressing access to justice for Albertans.

Yours truly,



Darlene Scott, Q.C., Acting Chair