

January 22, 2013

Dear Grantees,

RE: ANNUAL FUNDING GUIDELINES

Each January, the Foundation reviews its current and projected financial position in order to assess its capacity to support renewed operating grants and approve new project grants. The purpose of this letter is to provide grantees an appreciation of the context in which the Foundation Directors expect to be making decisions over the coming year and also to highlight any priorities that the Board has established and new initiatives undertaken by the Foundation.

In April 2013, ALF will be celebrating 40 years of operations. Much has changed from 1973-74, when the prime rate was close to 12%, interest earned on lawyers' pooled trust accounts amounted to \$740,372, and the Foundation approved grants of \$618,700. By comparison, in fiscal 2011-12 interest revenue from lawyers' pooled trust accounts totalled over \$12 million while the prime rate was 3%, evidencing the huge growth in average trust account balances, resulting from the growth in Alberta's population and economy over those 40 years. What has also grown is the Foundation's level of grants approved, reaching \$15 million in fiscal 2012, and the total contribution to Legal Aid Alberta at \$5.5 million this past year.

For the coming year, fiscal 2012-13, the Foundation expects revenue to be slightly higher than that of 2011-12, due to somewhat higher average balances in pooled trust accounts. Recent Bank of Canada pronouncements continue to suggest that any increase in the general level of interest rates could be delayed at least until late 2013 or early 2014, but this could change, depending, in part, on the strength of the US economy. Assuming a Bank Prime Rate continuing at 3% for the foreseeable future, we anticipate interest on lawyers' pooled trust accounts for the current year ending March 31, 2013 of about \$13.8 million and a similar level for the following year. With 25% of that interest revenue legislated to be paid to Legal Aid Alberta, and the additional contribution to Legal Aid in 2013, we expect, once again, to be drawing down reserve funds in order to maintain typical operating grant renewal levels.

Nevertheless, the Foundation remains committed to program and project funding that addresses the legal service needs of the most vulnerable populations in Alberta, including those involved with family law matters. For almost 40 years we have been diligent stewards of the funds we receive, being mindful of the need to meet our legislated objectives, to address priority legal service needs in the community and to ensure good value for all grant dollars.

Grantees have been made aware of changes to the grant application process. The goal is to significantly reduce the paper requirements for applications, as we move to shorter, smarter and more 'green' applications. Some grantees are already into that first cycle of the new process and we look forward to further improvements as we gain valuable experience and learn of the successes and challenges accordingly. The Directors will be focussing on how effectively and

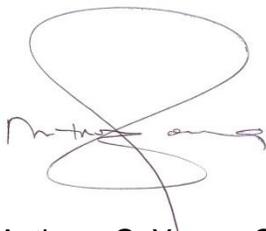
efficiently funded programs are meeting identified legal service needs in Alberta. This will require grantees to clearly articulate intended program and project outcomes and demonstrate a commitment to assessing the extent to which those outcomes are being met. The Foundation encourages grantees to focus more on evaluation of their programs and how they make a difference to their constituents. This may be a worthwhile area for senior staff professional development in the coming years.

In the meantime grantees can assist greatly by their diligence and a fresh start in addressing the key points in the new application process, starting with a solid understanding of what your various clients, constituents or communities really need, and how those needs can be met in the most effective manner. The ALF website sets out the key criteria that the ALF Directors assess in reviewing applications and also will be updated more regularly to inform you of new developments and initiatives.

We would like to draw your attention specifically to a newly constituted Society in Alberta, the Alberta Legal Information Society (ALIS). ALIS is developing a website that will serve as a beginning point of access for Albertans to legal information and services in Alberta. Service providers have expressed a need for Albertans and for the providers themselves to have easier access to information. As well, providers need an awareness of other organizations, resources and services around the province in order to provide better referrals, collaborate on needed projects and avoid costly duplication. Over the next several months ALIS will be producing its Website Development Plan to identify these needs and will then move forward to implement the plan.

As we look forward to marking our 40th anniversary and beyond, the Foundation will continue to evolve and to grow along with our many long-time and newly funded grantees, as they respond to community needs in Alberta. We thank you for your dedication, energy and tenacity in striving to provide the best research, resource materials and services for Albertans with legal issues. "Access to Justice", in the context of limited resources, is a matter of delivering the right service to the right citizens or community in a timely, cost effective and proportionate manner.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Anthony G. Young', with a large, stylized flourish above it.

Anthony G. Young, Q.C.
Chair