

AEG FOUNDATION



CHARTER

MARTIN L. STOUT SCHOLARSHIP FUND

SUPPORTING UNIVERSITY STUDENTS IN ENVIRONMENTAL AND
ENGINEERING GEOLOGY THROUGH SCHOLARSHIP GRANTS

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THE PURPOSE OF AEG FOUNDATION FUND CHARTERS

An AEG Foundation Fund Charter is a document adopted by the Board of Directors. It describes (as applicable)

- the history of a fund,
- donor intent,
- the purposes for which the fund may and may not be used,
- the Board's goals for the fund,
- administrative operating criteria, and
- financial operating criteria.

A Fund Charter demonstrates the Board's commitment to prudent management of the Foundation's resources and compliance with applicable law and regulation. Within the framework of AEG Foundation governance, a Fund Charter is a policy document that may be amended or interpreted by the Board through a simple majority vote. A Fund Charter may refer to other documents that further describe the operations and nature of a fund. Formal Resolutions of the Board that apply to a particular fund will be attached to the Fund Charter as appendices.

This revision of the Charter for the Martin L. Stout Scholarship Fund was duly adopted by the Board of Directors of the AEG Foundation on April 9, 2011.

By:

William K. Smith, Secretary

FUND CHARTER

MARTIN L. STOUT SCHOLARSHIP FUND

INTRODUCTION

The Martin L. Stout Scholarship Fund was established by the Southern California Section of the Association of Engineering Geologists in 1994, with the help and guidance of Drs. Marty and Dottie Stout. In 2004, the Southern California Section transferred its funds and the administrative responsibilities for the scholarship program to the AEG Foundation. The fund name honors the memory, the teachings, and the writings of Martin L. Stout, a Professor of Geology at California State University, Los Angeles, from 1960 to 1990, and active in retirement to 1994. Historical background of the Stout Fund is provided in Appendix One to this Charter.

PURPOSE AND SCOPE

In adopting this Fund Charter by motion at the AEG Foundation Board of Directors meeting on April 9-10, 2006, the Board formalized and stated the purpose and scope of the Stout Fund as:

The Martin L. Stout Scholarship Fund supports environmental and engineering geologic studies by students at the undergraduate and graduate levels. Recipients of grants will be designated as “Martin L. Stout Scholars.” Awards will be made by the AEG Foundation to outstanding and deserving students based on demonstrated ability, scholarship, potential for contributions to the profession, character, and activities in student/professional societies.

FUND ADMINISTRATION AND OPERATION

General Conditions

Grants from the Stout Fund are intended to recognize and support deserving undergraduate or graduate students who are Student Members of the Association of Environmental & Engineering Geologists. The Stout Fund does not support general and administrative (overhead) costs, technical or scientific consulting fees, or equipment purchase or maintenance costs of an educational institution employing or teaching individuals who receive grants from it.

Stout Scholarship grants are not payment for services and are intended by the Foundation to be “qualified scholarships” as defined by the Internal Revenue Service. The AEG Foundation shall issue IRS Forms 1099 to scholarship recipients in accordance with IRS

regulations. Recipients will be asked to provide the necessary information to complete the Form 1099 upon receipt of their grant. Recipients should consult their tax advisors regarding taxability of the grant.

In keeping with the Internal Revenue Code classification of the AEG Foundation as a 501(c)(3) charitable organization, the Foundation will not make grants supporting activities or publications that are designed to be used to influence political decisions or processes. The AEG Foundation Board of Directors will make all decisions regarding disbursement of grants from the Stout Fund in its sole discretion.

In applying for a grant from the AEG Foundation, the grant applicant agrees to

- use the funds received from the AEG Foundation for the proposed use
- use the funds in accordance with applicable law and regulation
- avoid activities in the use of the funds that would jeopardize the AEG Foundation's tax-exempt status,
- provide the Foundation with a brief written report on the research sponsored by the grant (suitable for publication in the AEG News), and
- maintain student membership in the Association of Environmental & Engineering Geologists during the life of the grant.

Application Review

Applications are reviewed by a Selection Committee. The chair of the Selection Committee shall be approved by the Foundation Board of Directors. Awards will be made based on demonstrated ability, scholarship, potential for contributions to the profession, character, and activities in student/professional societies. The Application Form, available on the AEG Foundation web site, provides full instructions. Currently two awards of \$1,000.00 each are made annually, one to an undergraduate student and one to a graduate student. All decisions of the Selection Committee are final. The Committee may recommend no award if it chooses.

Management Protocols for the Stout Fund

Prior to the adoption of this Fund Charter, the Foundation Board agreed for start-up purposes that only the earnings from the original corpus of the Stout Fund would be used to fund awards. The original corpus of the fund is therefore classified as a Board-designated set-aside,

Recognizing the value of structured management of the funds, the Board adopted this Fund Charter and protocols for the management of Stout Fund assets by a motion approved at its April 9-10, 2006, meeting. Concurrent with the adoption of Board Resolution No. 2006-1 on May 26, 2006, this Fund Charter was revised to conform to Statement of Financial Accounting Standards No. 117, published by the Financial Accounting Standards Board (1993).

The fund management protocols represent a desire by the Board to achieve long-term stability in the administration of the Foundation's assets and uniformity in the administration of its scholarship funds and programs. The objective of protecting certain funds from invasion is supported by implementing Board-Designated Set-Asides as the fund balance grows.

Stout Fund Management Protocols

1. The Board will at least annually review the Stout Fund balance and its allocation, giving consideration to establishing or changing Board-designated set-asides.
2. The original corpus of the fund, \$17,446.34, is classified as a Board-designated set-aside.
3. With respect to classifying donations to the Stout Fund made through May 26, 2006, the Board determined that all donations are Temporarily Restricted Net Assets.
4. With respect to classifying the earnings of invested assets of the Stout Fund, the Board determined that all earnings are Unrestricted Support.
5. Donations to the Stout Fund made after May 26, 2006, are Unrestricted Net Assets unless the donor stipulates another specific purpose or classification.
6. The Board may accept donor-designated gifts to the Stout Fund that have time or purpose limits. These donations are Temporarily Restricted Net Assets, and earnings from them are Unrestricted Support. The Board's Gift Acceptance Policy will apply.
7. Identifiable costs directly related to the operation of the Stout Fund may be expensed to the Stout Fund.
8. The Board may assess an administrative support fee to assist in funding the Foundation's general administrative and fundraising functions.

GOALS ADOPTED BY THE BOARD OF DIRECTORS

Long-Term Use of the Stout Fund

The Board believes that the Stout Fund Purpose and Scope made a part of this Fund Charter are consistent with the Foundation's mission and authority. The Board believes that the Stout Scholarship should grow to make more awards, possibly distributed among the undergraduate and graduate degree levels. The Board recognizes the unique emphasis of the Stout Scholarship program as it honors the interests and teachings of Martin L. Stout. Upon recommendation of the Selection Committee, the board may consider increasing the value of the award or making Stout Scholarship awards at different academic levels if sufficient funding develops. These opportunities exceed the support level available from the present fund balance.

Fund Balance Goals

The Board sets the long-term funding goal for the Stout Fund at \$100,000. For fund development purposes, this goal is divided into \$25,000 increments.

SCHEDULE FOR REVIEW OF CHARTER, FUND OPERATIONS, AND GOALS

The board may maintain this charter unchanged or make revisions at any time. This fund charter shall be reviewed by the Board of Directors at least every five years, on a schedule to be determined by the Board. The Programs Committee shall prepare a review report with recommendations for consideration by the board at that time. The Board may reclassify net assets described in this Charter under the concepts of SFAS 117 if additional information is brought forward justifying such reclassification.

APPENDIX ONE FUND HISTORY

Donations and Donor Intent

The founding transfer of funds to the Foundation by the Southern California Section of AEG was \$17,446.34. Contributions to the Foundation's Stout Fund have been generous, and are growing with special efforts starting in 2004. The Board accepted the Stout funds from the Southern California Section with the understanding that the received funds were to be a source of income, and that only the income was to be used to fund awards. This obligation can be met by classifying the founding transfer as a Temporarily Restricted Net Asset and treating it as a Board-Designated Set-Aside. Later donors expressed no specific intent other than what we may infer as a desire that their donations be used at the discretion of the board for the fund purposes.

The Foundation's fund-raising literature does not make (and has not made) a promise that a donation to the Stout Fund, absent specifically stated donor intent, will be treated as "restricted" in any way or that some specific percentage of the donation will be retained as an "endowment" in that named fund.

Correspondence with Robert Larson

Robert Larson, who was involved in the creation and administration of the Stout Fund when it was new, responded to a series of questions from Foundation President Tepel in 2005. He describes the fund's principal features (paraphrased) as follows (Larson's responses in red):

Topic: limiting to either graduate or undergraduate awards – Response: **It was either undergraduate or both. As I recall the first two awardees were undergrads.**

Topic: limiting the scholarship to local (Southern California) schools and students – Response: **no, it was national and was advertised at least once this way while I was involved.**

Topic: limiting the subject matter of the scholarship student’s work/thesis – Response: **no, the award was never given based on work, but apparent need - at least originally**

Topic: Use of principal of the funds of the scholarship – Response: **never, the award was limited in amount based on the interest gained from principal**

Topic: what was the source of the original corpus of funds – Response: **Marty put in \$2000 and Dottie put in \$1000. The rest came from donations. We had a major meeting in Marty’s honor with quite a few speakers and that generated most of the funds as I recall.**

Excerpts from Foundation Board Minutes

From Board minutes of October 1, 1997, item 2d, “*Larson requested information on (the) status of EGF assuming responsibility for the Stout Scholarship Fund currently managed by the Southern California Section. He was advised that were EGF to assume this fiduciary responsibility, the EGF Board would have control of the funds, but could and would appoint a committee, presumably from the SC Section, to recommend appropriate awards.*”

From Board minutes of September 27, 1998, “*Stout Scholarship: Wendy Schell, on behalf of the Southern California Section, presented “exploratory” views about transferring the Stout funds to the Foundation. Wendy noted that the scholarship is available to all AEG students, and that the selection criteria, at present, are rather ‘weak.’ Wendy will discuss the results of this meeting with the Southern California Section, which will ultimately decide whether or not to transfer the Stout funds to the Engineering Geology Foundation.*”

From Board Minutes 22 September 2000: “*Shlemon reported on the Stout Scholarship. Wendy Schell (SC Chairman) had sent him a letter outlining the status of the scholarship. There is 15K+ available. The Fund is to be administered by the Foundation (Letter of intent attached). A financial plan will be prepared, and the selection committee has been approached. A liaison will be approached and the liaison will be notified to send the Foundation a check.*”

Discussion

The above provides a description of donor intent as to its main features for both the purpose and management of the Stout Fund. This information, augmented by the scholarship application and evaluation forms now developed, can be the basis for creating a Fund Charter for the fund. In essence, the Foundation Board at the time it accepted the

funds from the Southern California Section of AEG agreed to treat the transferred funds as

It could be said that the Foundation board agreed to treat the amount transferred from the Southern California Section of AEG in 2004 as Permanently Restricted in SFAS 117 terms, although the Board did not adopt Statement of Financial Accounting Standards No. 117 as the basis of Foundation accounting until 2006. Through April 8, 2006, the Board was unaware of SFAS 117 and its nomenclature and standards. The intent of the Board of 2004 to protect net assets from invasion was stated in the only terms familiar to the Board, without knowledge of the options offered by applicable accounting standards. Later donors made donations with no stated restrictions, and none of record specifically stipulated that their donations were restricted in the SFAS 117 sense of Permanently Restricted. From the standpoint of future operational flexibility, a more convenient protocol would be to classify all donations as Temporarily Restricted (unless the donor clearly stipulates a different classification), and then to use the mechanism of Board-Designated Set-Asides from time to time to provide additional emphasis on using only the earnings from certain pools of invested funds.

APPENDIX TWO BIOGRAPHICAL INFORMATION

Scholarships:

AEG Foundation's Martin L. Stout Scholarship

The Martin L. Stout Scholarship Fund originally was established by the Southern California Section of the Association of Engineering Geologists (AEG) in 1994 with the help and guidance of Dr. Stout. The fund was transferred to the AEG Foundation (AEGF) in 2004. A selection committee has been organized and the applications for the Stout Scholarship will be available in the fall of 2005 for a spring of 2006 award. Applications are reviewed by the Selection Committee, whose members are practicing professionals and members of AEG. The committee members are: Chair **Robert Larson**, **Hugh Robertson**, **Dina Kourda**, **Kim Bishop**, and **Tom Kuper**, representing the AEG Foundation.

Dr. Stout was Professor of Geology at California State University, Los Angeles from 1960 to 1990. He is remembered by all for his passionate and insightful instruction in engineering geology. Dr. Stout guided his students through and beyond the fundamentals of engineering geology, often using Kodachrome® slides for illustration. He emphasized hands-on experience and critical thought. He was well known for his expertise on mega landslides, his worldly travels, his good humor, and his gracious manner. This scholarship supports his legacy.

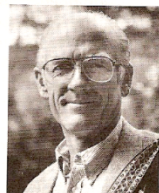
Starting in the spring of 2006, one \$1,000 scholarship will be awarded to the applicant, based on two appraisals from their Professors and who provides the best response to the essay question stated in the application form.

Presently, the fund is at a balance of about \$18,000 and generates sufficient income to award \$500 annually. If the fund grows about \$7,000 to a balance of \$25,000, the annual award could be \$1,000 under the current return of the Foundation's investments. While \$25,000 is a good short-term goal, the Foundation Board feels that a goal of \$50,000 is very reachable by the 2007 Annual Meeting in Southern California, with the support of the Southern California AEG community, and friends and colleagues of Dr. Stout. A balance of \$50,000 would provide sufficient interest income to give awards totaling \$2,000 annually, and to formally endow the fund honoring Dr. Stout.

It is the goal of the AEG Foundation to award at least \$1,000 each year to a selected student. The present Stout Fund balance will not support that amount, but a generous donor has pledged \$500 annually as pass-through donations to the fund until the Foundation reaches the short-term goal of \$25,000. The donor also challenges all the Southern California members, and colleagues and students of Dr. Stout around the world, to provide financial support to the fund.

Think of our goal for the Stout Scholarship fund as "\$50k by AEG's fiftieth birthday" says the Foundation's program manager, Tom Kuper. To make a donation to the Stout Scholarship Fund, go to www.aegfoundation.org.

Photo courtesy of the South Coast Geological Society



APPENDIX THREE
HISTORY OF INCOME, EXPENSES, AND DISBURSEMENTS

Martin L. Stout Scholars

Awarded through the Southern California Section

- 1995 Vassilia Angelaki, Kent State University, Undergraduate
- 1996 Jacob “Jake” Holt, California State University, Northridge
- 1999 Desiree Dier, San Diego State University, Graduate
- 2000 Jennifer Knapp, University of Missouri—Rolla, Undergraduate

Awarded through the AEG Foundation

- 2006 Marina Drazba, Portland State University
- 2007 Adam Campbell, Portland State University, Graduate
Sherry McGee, University of Alaska Fairbanks, Undergraduate
- 2008 Rachel Pirot, Portland State University, Graduate 1st Place
Ryan Davidson, Colorado School of Mines, Graduate 2nd Place
Chesney Gilleland, Appalachian State University, Undergraduate
- 2009 Katherine Ann Michelson, Portland State University, Graduate 1st Place
Serin Duplantis, Portland State University, Graduate 2nd Place
Kimmaree Horvath, University of Akron, Undergraduate
- 2010 Eric Stiffler, Texas A&M University, Graduate
Meagan Drinnan, Undergraduate 1st Place
Breana Marquette Hashman, Undergraduate 2nd Place
- 2011 Anna Mud, College of Wooster, Undergraduate 1st Place
Brian Haderlie, University of Washington, Undergraduate 2nd Place
Even Friedman, Colorado School of Mines, Graduate 1st Place
John Combs, University of Arizona, Graduate 2nd Place

APPENDIX FOUR
BOARD RESOLUTIONS AND MOTIONS

- 04/09/2006 Original Charter approved by AEG Foundation Board of Directors.
- 05/26/2006 Charter revised to conform to SFAS 117.
- 04/09/2011 Selection Committee chair to be approved by Foundation Board.
Charter review schedule changed to at least every five years.
Donations are Unrestricted Net Assets unless otherwise stated by donor.