FISCAL YEAR 2008 AT A GLANCE

♦ Increased donation income by $46,800 over the previous fiscal year
♦ Awarded 11 scholarships totaling $9,350, an increase of 5 recipients and $1,350 distributed over the previous fiscal year
♦ Increased net assets by over $105,000 over the previous fiscal year
♦ Established two new funds— the AEG Texas Section Scholarship Fund and the Research Fund
♦ Received three major donations totaling over $100,000 combined

<table>
<thead>
<tr>
<th>Date</th>
<th>Net Assets ($)</th>
<th>Prior Year's Donation Income ($)</th>
<th>Prior Year's Scholarship Recipients (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2005</td>
<td>$37,526</td>
<td>$37,526</td>
<td>3</td>
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<tr>
<td>6/30/2006</td>
<td>$229,621</td>
<td>$229,621</td>
<td>5</td>
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<tr>
<td>6/30/2007</td>
<td>$344,200</td>
<td>$344,200</td>
<td>6</td>
</tr>
<tr>
<td>6/30/2008</td>
<td>$448,507</td>
<td>$448,507</td>
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</tr>
</tbody>
</table>

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
The AEG Foundation has had another successful year. Caecilius Folius (1615-1650) wrote "... all of us, like children sitting on the shoulders of giants, can see far more than our predecessors could." The Foundation benefited from the contributions of its donors and from the diligence and interest of its Charter and successive Board members.

The AEG Foundation strives to be completely open to our donors and the interested public. The Board has chosen new legal and accounting representation. We endeavor to gain greater business input and conduct our duties in a professional and timely manner.

The Foundation received terrific donor support and four very generous gifts over the 2008 fiscal year. Those gifts were from John & Nancy Peck, Frank & Barbara Kresse, the estate of Steve Drussell, and an anonymous donor. These large gifts were exceptional. John & Nancy Peck created the Foundation’s Research Fund. Frank & Barbara Kresse made a very generous donation to the Greatest Needs Fund. Steve Drussell (of whose passing we were sorry to learn) included the Foundation as a beneficiary of his life insurance. The Foundation has met Steve’s intent with a portion of those funds being used to reimburse the cost of US-citizen, scholarship awards for the 2008 and future Scholarships awards. These mentioned contributions do not include the regular donations of AEG members and the continued substantial, annual contributions of many.

The Foundation has been able to increase its awards in number and monetary sums again in the 2008 fiscal year. The Foundation recognizes both the worthy scholarship applicants and the great work of the Scholarship Committees. Bill Haneberg made fine use of the newly created Research Fund by his work on a landslide in Nepal. Bill provided his services and the Foundation paid his transportation expenses. John Clague was very active as the Jahns’ Lecturer.

Thanks to your monetary support and the hard work of the Foundation’s Board and Committee members and our Executive Director, the Foundation’s assets approached the one-half million dollars milestone. Our Finance Committee, lead by John Peck, has been excellent at earning good returns. Only the stock market’s decline in value has kept our assets from ending the fiscal year at higher levels. Our real worth will be above this milestone with recovery of the market.

Besides the great effort of the Foundation’s Finance Committee, the Foundation is spreading its workload to other active committees. The Program Committee and the newly-created Development and Marketing Committees focus attention on specific topics. Committees reporting back to the Board allow the Foundation Board to consider in depth more topics and causes than it could handle within its ranks alone.

Looking forward into the current year the Board is pursuing other opportunities. The Board has authorized increasing the number of Board Members from the prior seven to nine Directors. The Board’s increase occurred on January 1, 2009. More actions are being placed on our website, www.aegfoundation.org. The Foundation is supporting two Shlemon Specialty Conferences that have been approved by the Association. The Board is exploring the Geoscience Internet Library for its development.

The Foundation sincerely hopes that we have been: true to donor intent, good stewards of your funds, ready to pursue and develop worthy programs, anxious to increase awards as their sources allow, and transparent in operation. Please inform any Director of your ideas for new opportunities or means to better serve the profession, our donors and awardees.

We are certain that the Foundation will continue to grow and be vibrant with your assistance.

Sincerely, Greg Hempen, 2008 Board of Directors’ President
About the AEG Foundation

The AEG Foundation has been a part of the environmental and engineering geology community since 1992 when it was founded by three past-presidents of the Association of Engineering Geologists. Incorporated in California as the Engineering Geology Foundation, the name was changed to AEG Foundation effective October 19, 2004. The Foundation is an independent tax-exempt public charity governed by a nine-person Board of Directors. Our mission is to advance research, education, public awareness, and technology transfer in Engineering Geology and the related fields of Hydrogeology and Environmental Geology. Our vision is a world with reduced risk from geologic hazards.

The AEG Foundation is an Internal Revenue Code Section 501(c) 3 tax-exempt charitable organization. The Foundation’s federal tax ID Number is 94-3168991, its California Corporation Number is C1524975, and its California Registry of Charitable Trusts Number is CT87308.

The Foundation operates five scholarship programs with like-named funds: the Lemke, the Marliave, the Texas Section, the Tilford, and the Stout. The Foundation supports a distinguished lectureship in engineering geology, the Richard H. Jahns Distinguished lecturer, and may support other speaker programs, through its Jahns Fund. The Foundation’s newest fund, the Research Fund, supports small research projects. The Foundation’s Shlemon Fund supports advanced practice meetings called the Shlemon Specialty Conferences. The Foundation’s Legget Fund supports scientific publications. Operations are supported through the Floyd T. Johnston Operations Fund and by small operational support charges. Contributions are accepted to any of these funds, or to the Greatest Need/Memorial Fund. Fund history and operating criteria are described in a Fund Charter for each fund.

The AEG Foundation Board has adopted governance policies to guide operations. Asset management is guided by an Investment Policy. Directors are bound by a Conflict of Interest Policy. The Foundation has a Compliance Policy that guides the preparation and filing of state and federal tax and information returns, and other regulatory filings.

The Board of Directors reviews Fund Charters and all policies on a regular basis. Additional information about the AEG Foundation is available from the Foundation office or at www.aegfoundation.org.
PURPOSE OF THIS REPORT

This report is prepared as a management and governance document for the use of the AEG Foundation (pka Engineering Geology Foundation) Board of Directors. In general, this report is intended to provide information required by applicable California law (Corporation Code, Section 6321 et seq., and to provide any additional information required by the Board of Directors. This report is a public document. This report was prepared by Foundation staff, as directed by the Board of Directors. It is based on staff review of the available records of the Foundation. The report of the independent accountant is reproduced on pages 16-20.

This report covers the fiscal year July 1, 2007 through June 30, 2008.

HISTORICAL BACKGROUND

Similar to many very small foundations, the AEG Foundation (known as the Engineering Geology Foundation until October 19, 2004) was administered by direct board participation in its early years. Books were kept by a volunteer Treasurer on a cash basis.

As the assets and programs of the Foundation grew, the Board recognized two factors: first, good governance required more business management expertise applied on a continuous basis, and second, the Foundation would eventually exceed reporting thresholds for federal information return (Form 990) preparation and filing.

Therefore, in 2004 the Board contracted with a management firm to provide business management services, including bookkeeping. A bookkeeping system was adopted that was compatible with typical accounting software used by CPA firms.

In 2005, the Board of Directors contracted for an accountant’s review of the books and financial operations of the Foundation. That review recommended that the Foundation 1) adopt the accrual system of accounting, 2) adopt bookkeeping and reporting procedures consistent with Statement of Financial Accounting Standards No. 117 (SFAS 117), and 3) change its fiscal year for operational reasons from a calendar fiscal year to a fiscal year ending on June 30. The Board implemented these recommendations immediately. The Foundation shifted its fiscal year by establishing a short 2005 fiscal year from January 1 through June 30, 2005. The financial records were reviewed by a CPA firm, which prepared accountant’s reviews and financial statements based on the accrual method for accounting periods starting on and after January 1, 2003. The change of accounting method and change of fiscal year caused a change in income patterns and the recognition of a pledge, which in turn required the Foundation to file state and federal tax/information returns for the reporting periods of FY 2003 and short FY 2005.
Introduction continued

Growth of the AEG Foundation’s net assets through the end of Fiscal Year 2008 is shown in the chart below.

The AEG Foundation’s success comes from the passion and commitment of its current and previous Directors. Each of the following people has had a tremendous impact on the Foundation and its programs.

2008 AEG Foundation Board of Directors

<table>
<thead>
<tr>
<th>Gregory L. Hempen, President</th>
<th>Scott F. Burns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patricia M. Bryan, Treasurer</td>
<td>H. Tom Kuper</td>
</tr>
<tr>
<td>David F. Fester, Secretary</td>
<td>John H. Peck</td>
</tr>
<tr>
<td></td>
<td>Robert E. Tepel</td>
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</tbody>
</table>

Previous Directors

<table>
<thead>
<tr>
<th>Thomas G. Bumala</th>
<th>Roy J. Shlemon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gerald S. Grainger</td>
<td>George F. Sowers</td>
</tr>
<tr>
<td>Aubrey D. Henley</td>
<td>Deborah J. Green</td>
</tr>
<tr>
<td>Finn B. Michelsen</td>
<td>Robert M. Valentine</td>
</tr>
<tr>
<td>Gary L. Peterson</td>
<td>Charles W. Welby</td>
</tr>
<tr>
<td></td>
<td>Susan Steele Wier</td>
</tr>
</tbody>
</table>

Founding Directors

| Richard W. Galster | John B. Ivey | John W. Williams |

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
Thanks to the generosity of our donors, more than $171,000 was raised for the AEG Foundation programs in Fiscal Year (FY) 2008. This represents a 40% increase over FY2007. This critical support allowed additional funds to be established, scholarship funding and program development.

The AEG Foundation is grateful to all its donors and is committed to continuing to serve the profession of environmental and engineering geology through scholarships, education and information dissemination.

**PROGRESS IN GOVERNANCE**

The AEG Foundation through its Board of Directors, staff and volunteers strives to maintain the highest standards among non-profit charitable organizations. As part of this effort, AEG Foundation uses accepted industry measures to evaluate its programs and administrative functions. The Better Business Bureau has developed a set of standards for charitable organizations and, while the Foundation does not meet the gross revenue minimum (yet), the Foundation’s Board of Directors use the standards as a measure of performance for the organization. At this time, AEG Foundation meets 19 of the 20 standards. The Foundation anticipates meeting the remaining standard (spending 65% of its expenses on program activities) by 2010.

The BBB Wise Giving Alliance Standards for Charity Accountability were developed to assist donors in making sound giving decisions and to foster public confidence in charitable organizations. The standards seek to encourage fair and honest solicitation practices, to promote ethical conduct by charitable organizations and to advance support of philanthropy. For more information on the standards, go to us.bbb.org.
Building on Past Success

The AEG Foundation has experienced excellent growth in the number of donors and size of donations in recent years. Much of the effort is due to the tireless efforts of volunteers. In addition to seeking donations through AEG membership renewals, the AEG Foundation Directors host Board Challenges throughout the year and generously match funds donated at particular events, such as AEG Board Meetings, Section Meetings and Section Student Nights.

The following AEG Sections accepted the challenge of the AEG Foundation Directors and together raised over $7,700 for the Foundation in Fiscal Year 2008:

- Baltimore-Washington Harrisburg
- Great Basin
- Kansas City—Omaha
- North Central
- Oregon
- Rocky Mountain
- San Francisco
- Southern California
- Southwestern
- St. Louis
- Washington

The average individual donation increased over the previous twelve months to $320.
The Greatest Need Fund is one of the first six funds created by the Foundation. It was established in 1993 and called the “General [non-designated] Fund.” The general purpose was to support foundation administrative needs and provide the Board with a non-designated asset it could use to support current expenditures and grants, or supplement the corpus of other funds. Unrestricted contributions in memory of a person were placed in the Greatest Need Fund, and for ease of administration, the Foundation often listed a “Memorial Fund” in its giving literature. Tribute donations, made to honor a person on a special occasion, are placed in the Greatest Need Fund. Our Honor Roll recognizes those in whose name contributions totaling $1,000 or more have been received.

PURPOSE AND SCOPE

The Greatest Need and Memorial Funds provide a way for donors to make unrestricted donations that will generally be used to support the grants awarded by the Foundation or to build balances in program funds, but can be used for any purpose determined by the Board. By virtue of the published description of these funds, donor intent is deemed to make an unrestricted donation.

In the terminology of Statement of Financial Accounting Standards No. 117, the Greatest Need and Memorial Funds are Unrestricted Net Assets and the earnings of these funds are Unrestricted Support.

FY 2008 ACTIVITY

In FY 2008, the Foundation received a very special donation of over $25,000 from the life insurance proceeds of an AEG member. These proceeds were donated for student scholarships for U.S. citizens. The AEG Foundation Board of Directors voted unanimously to immediately use this donation to fund scholarships for the qualified Lemke, Marliave, Stout and Tilford Scholars until the full amount of the donation is used.

MEMORIAL FUND HONOR ROLL

| George H. Davis | Taylor Dwight Hunt |
| Edwin B. Eckel  | John B. Ivey      |
| William I. Gardner | Robert A. Matthews |
| Stephen L. Garrison | Noel M. Ravneberg |
| Richard C. Harding | C. Michael Scullin |
| Onys Burke Henley | Sigmund Schwarz    |
|                 | Richard C. Thompson |

GREATEST NEED/MEMORIAL FUND BALANCE AS OF JUNE 30, 2008 $30,225
The Richard H. Jahns Fund of the AEG Foundation (the “Jahns Fund”) was established by the Foundation (then the Engineering Geology Foundation) in 1993 to support speakers in engineering geology. The fund name honors the work and contributions of Dr. Richard H. Jahns (1915-1983), a professor who taught many engineering geologists and who played an important role in the establishment of solid and thorough practice in the public interest through the development of guidelines for regulatory reviewers of geologic reports.

PURPOSE AND SCOPE

The Richard H. Jahns Fund of the AEG Foundation supports the travel expenses or honoraria, or both, of selected speakers who present information about engineering geology and environmental geology to a diverse practitioner, student, faculty, and public audience. The first priority of the Jahns Fund is support of the Richard H. Jahns Distinguished Lecturer, who is selected annually and supported by the Association of Environmental & Engineering Geologists and the Engineering Geology Division of the Geological Society of America. The AEG Foundation will also consider other requests to support speakers on the topics of engineering geology and environmental geology as available resources permit.

PAST RICHARD H. JAHNS LECTURERS

1989—James E. Slosson
1990—Robert L. Schuster
1991—Ellis L. Krinitzsky
1992—Barry Voight
1993—Roy J. Shlemon
1994—James F. Quinlan
1995—Robert S. Yeats
1996—J. David Rogers
1997—Don U. Deere
1998—Thomas L. Holzer
1999—Mavis Kent
2000—Allen W. Hatheway
2001—Robert J. Watters
2002—Perry H. Rahn
2003—Chester “Skip” Watts
2004—Jeffrey R. Keaton
2005—Richard Iverson
2006—Jerry Higgins
2007—John Moylan
2008—John Clague

RICHARD H. JAHNS FUND BALANCE AS OF JUNE 30, 2008 $46,048
A Floyd T. Johnston Fund was established by the Foundation (then the Engineering Geology Foundation) in 1993 to support foundation administrative needs. The fund name and function honor the work and contributions of Floyd T. Johnston, who demonstrated exemplary service to the profession in serving as the first Executive Director of the Association of Engineering Geologists from 1974 to 1982.

PURPOSE AND SCOPE

The Floyd T. Johnston Operations Fund is an unrestricted fund that is used principally to support the Foundation’s general administrative and fundraising expenses. Gifts to the Floyd T. Johnston Operations Fund reduce the administrative support burden that must be borne by program funds.

An unrestricted fund for this purpose is essential because the Foundation cannot function without paying general administrative and fundraising costs. The Foundation has no fund balance the earnings of which are dedicated to paying general administrative and fundraising costs. Therefore, these costs may be serviced by an operational support fee charged to donations or earnings, by reclassification of excess earnings in program funds, or by donations made specifically to an operations support fund.

ADMINISTRATIVE EXPENSES COVERED BY JOHNSTON FUND

♦ Accounting Services and CPA Reviews
♦ Administrative Contract Fees
♦ Legal Fees
♦ Liability Insurance
♦ Office Supplies
♦ Promotional Materials
♦ Compliance and Filing Fees
♦ Website and Communication Expenses

Note: AEG Foundation Directors are not paid, and they are not reimbursed for travel expenses for Board of Directors Meetings.

Floyd T. Johnston
1906-1991

Johnston Operations Fund

JOHNSTON OPERATIONS FUND BALANCE AS OF JUNE 30, 2008 $14,439

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
The Robert F. Legget Fund was established by the Foundation (then the Engineering Geology Foundation) in 1993 to support publications in engineering geology. The fund name honors the work and contributions of Dr. Robert F. Legget (1904-1994), who promoted the application of geology to the design and construction of the built environment through his teaching and books.

PURPOSE AND SCOPE

The Robert F. Legget Fund of the AEG Foundation supports publications and public outreach in engineering geology and environmental geology that serve as information resources for the professional practitioner, students, faculty, and (or) the public. The fund also supports public education about the interactions between the works of mankind and the geologic environment.

The subject matter scope of publications supported by the Legget Fund may include original works, reviews, compilations, symposium proceedings, benchmark papers, bibliographies, databases, memorials, biographies and oral history interviews of those who made valuable contributions to the progress of the science and profession of engineering geology, and studies of the demographics of the profession, inter-professional relations, and the role of the profession in society. The publication venue of supported publications may include print media, electronic media, and audio-visual media. The Legget Fund may support reprints of publications within its scope and the conversion of publications in one medium to another. In making grants for these purposes, the Foundation will require an appropriate level of peer review and editorial quality.

Funds from the Legget Fund supported the conversion of Environmental & Engineering Geoscience to an online version available for viewing through GeoScience World.

Public education activities that the fund can support include K-12 teacher resources, publications to inform the public about the interactions between the works of mankind and the geologic environment, and signage or explanatory materials at public locations of interest for their engineering geology or environmental geology significance.

ROBERT F. LEGGET FUND BALANCE AS OF JUNE 30, 2008

$11,955
The Lemke Fund was created by a bequest received in 2007 from the estate of Richard W. and June T. Lemke. The fund name honors the memory of Richard W. Lemke (1913-2003) and June T. Lemke (1919-2005). This career summary is drawn from the citation for his election to Honorary Member of AEG and the GSA Memorial article by Hansen and Colton (2004).

After successfully completing the 1st North American Landslide Conference in Vail, Colorado in June 2007, the Association of Environmental & Engineering Geologists donated the majority of the net proceeds to the Lemke Fund to further its purpose.

PURPOSE AND SCOPE

The Lemke Fund supports the scholarly and professional development of student members of the Association of Environmental and Engineering Geologists by awarding grants intended to offset part of the cost of attending and participating in scientific and technical conferences and association meetings. These grants are named “Lemke Scholarships” and may be awarded to students at the undergraduate or graduate levels. Awards will be made by the AEG Foundation to deserving student members who are sole author or first author of a paper or poster that they personally present at the meeting or conference. The number of awards and value of the awards will be determined annually by the Foundation Board.

LEMKER SCHOLARSHIPS

2007—  Rebecca Brock
         Marina Drazba
         Deniz Karadeniz
         Rachel Pirot
         Adam Prochaska
         Joshua Theule

Richard W. Lemke
1913-2003

LEMKE FUND BALANCE AS OF JUNE 30, 2008  
$38,612
The Marliave Fund of the AEG Foundation was established by the Foundation (then the Engineering Geology Foundation) in 1993 to accept administration of the Marliave Award given up to that time by the Association of Engineering Geologists, which established its Marliave Fund in 1968. The Foundation also accepted AEG’s Marliave Fund assets and the management responsibilities for that fund. AEG created its Marliave Fund to honor the memory, work, and contributions of Elmer C. Marliave (1910-1967) a founding member of the (California) Association of Engineering Geologists and a pioneering engineering geology consultant in water resources infrastructure design and construction. In early 2007, at the welcomed request of members of the Marliave family, the heritage scope of the Marliave Fund of the AEG Foundation was expanded to include honoring the memory, work, and professional contributions of Chester E. Marliave and Burton H. Marliave in addition to those of Elmer C. Marliave.

PURPOSE AND SCOPE

Marliave Scholarships are intended to support academic activity and reward outstanding scholarship in Engineering Geology and Geological Engineering. Recipients of grants are designated as “Marliave Scholars.” Awards will be made by the AEG Foundation to outstanding students based on demonstrated ability, scholarship, potential for contributions to the profession, character, and activities in student/professional societies.

<table>
<thead>
<tr>
<th>Year</th>
<th>Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>Michael McKim, Brian Bergeron, and Benjamin Smith</td>
</tr>
<tr>
<td>1986</td>
<td>Kerry Cato</td>
</tr>
<tr>
<td>1987</td>
<td>Brian G. Hansen</td>
</tr>
<tr>
<td>1988</td>
<td>Greg Naugle</td>
</tr>
<tr>
<td>1989</td>
<td>Anne E. Clift</td>
</tr>
<tr>
<td>1990</td>
<td>Katherine T. Clements</td>
</tr>
<tr>
<td>1991</td>
<td>Andrea Volkman</td>
</tr>
<tr>
<td>1992</td>
<td>Ed Medley</td>
</tr>
<tr>
<td>1993</td>
<td>Francis X. Ashland</td>
</tr>
<tr>
<td>1994</td>
<td>Tariq Cheema</td>
</tr>
<tr>
<td>1995</td>
<td>Paul M. Santi</td>
</tr>
<tr>
<td>1997</td>
<td>Brendan R. Fisher</td>
</tr>
<tr>
<td>2000</td>
<td>Martin Woodard</td>
</tr>
<tr>
<td>2001</td>
<td>Wei Zhou</td>
</tr>
<tr>
<td>2002</td>
<td>Ala Hajdarwich</td>
</tr>
<tr>
<td>2003</td>
<td>Jessica Pence Humble</td>
</tr>
<tr>
<td>2004</td>
<td>Dawn Schippe</td>
</tr>
<tr>
<td>2005</td>
<td>Hiram Henry</td>
</tr>
<tr>
<td>2007</td>
<td>Adam Prochaska</td>
</tr>
<tr>
<td>2008</td>
<td>Diana Cook</td>
</tr>
</tbody>
</table>

**MARLIAVE SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2008**

$55,155

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
The AEG Foundation Research Fund was established by the AEG Foundation on September 25, 2007 to support small research projects performed by consultants, retired geologists, university professors, or graduate students. Initial funding was provided by a gift from John and Nancy Peck.

PURPOSE AND SCOPE

The purpose and scope of the AEG Foundation Research Fund, developed in cooperation with the original donors, is to provide financial support for small research projects that advance the science and application of environmental and engineering geology. The Fund will expend $5000 each year for proposed research if one or more projects are approved by a review committee and recommended to the Board for funding. The proposed research must be completed within one year unless special provisions are agreed to by the participant and the Board. A written report on the results of the research, or a progress report on continuing research, will be required to fulfill the terms of the research grant. The grants may be used in conjunction with grants from other professional organizations to support larger projects if warranted by the specific project requirements. The intent is to encourage individuals to propose on research that is not generally funded by other institutions or agencies.

RESEARCH GRANT RECIPIENTS

2008—William C. Haneberg—
Reconnaissance Engineering
Geology of the Laprak Landslide,
Gorkha District, Western Nepal

A damaged home in the Gorkha District.

RESEARCH FUND BALANCE AS OF JUNE 30, 2008

$38,931
Roy J. Shlemon Specialty Conference Fund

The Roy J. Shlemon Specialty Conference Fund was established by the Foundation (then the Engineering Geology Foundation) in 1998 to support specialty conferences in engineering geology that would be modeled on the Penrose Conferences of the Geological Society of America. The fund name recognizes the initiative and generosity of Roy J. Shlemon, who donated the initial principal of the fund.

PURPOSE AND SCOPE

The Roy J. Shlemon Specialty Conference Fund supports specialty and advanced practice conferences of interest to the members of the Association of Engineering & Environmental Geologists. The goal of a Shlemon Specialty Conference is to bring together specialists from academia and the consulting world for several days of intensive state-of-the-science sessions, workshops, and field trips devoted to discussion of current knowledge of emerging scientific, technical, regulatory, and practice issues and challenges. Emerging issues may involve novel investigative and analytical techniques, some of which may be controversial or unproven. Presentations and discussions of new approaches to site characterization and regulatory trends are appropriate. A primary characteristic of Shlemon Specialty Conferences is that they are held in locations where field observations can be combined with the subject matter of the conference. The spirit of the conferences is to develop agreement on applicable knowledge, and to advance the practice techniques applied to evolving challenges, with the goal of better and more reliable results. To make the conference expertise available to a wider practitioner and public audience, the conference proceedings are published on CD.

SHLEMON SPECIALTY CONFERENCES

2004—Earth Fissures, El Paso, Texas
2006—Mass Wasting in Disturbed Watersheds, Durango, Colorado
2008—Naturally Occurring Hazardous Substances, Folsom, California

SHLEMON SPECIALTY CONFERENCE FUND BALANCE AS OF JUNE 30, 2008 $59,946
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 Dr. Stout. In 2004, the Southern California Section transferred its funds and the administrative responsibilities for the scholarship program to the 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.

PURPOSE AND SCOPE

The Martin L. Stout Scholarship Fund supports geologic studies by students at the undergraduate or 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.

MARTIN L. STOUT SCHOLARS

1995—Vassilia Angelaki
1996—Jacob Holt
1999—Desiree Dier
2000—Jennifer Knapp
2006—Marina Drazba
2007—Sherry McGee, Undergraduate
       Adam Campbell, Graduate
2008—Chesney Gilleland, Undergraduate
       Rachel Pirot, Graduate 1st Place
       Ryan Davidson, Graduate 2nd Place

STOUT SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2008

$72,374

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
How Stout Scholarships Have Helped

I would like to thank the AEG Foundation and the Stout Fund in particular to have chosen me for its scholar in 2006. I have received job offers from the honors alone. Besides the honor of having received the award, the funds contributed to a successful summer of thesis and course work. I used the money to work on my thesis over the summer as well as take a fluvial geomorphology course. The fluvial geomorphology class was a special topic course that is not offered often. I was able to broaden my knowledge base with this class.

The money also gave me an opportunity to set up the groundwork for my thesis. I spent the summer working outdoors learning and mapping streams and rivers and relating them to landslides and erosion. I wouldn’t have been able to spend my summer working on my thesis if it hadn’t been for these funds. Thank you.

— Marina Drazba, 2006 Stout Scholar

Last year during the spring semester I was getting ready for field camp. The University of Nevada Reno had made extra room for me and some other students at their field camp located throughout Utah, Nevada, and California. I decided that I couldn’t possibly wear my glasses all summer with all that sun so I went into the eye doctor to get some contacts. After my examination she expressed to me her concerns and told me that it was likely I had a brain tumor or something else very serious going on that was affecting my vision and frequent migraines. After many doctors visits to every kind of doctor on the planet it was determined that it was necessary for me to have an MRI immediately. Even though my school very generously provide me with funds to help out with field camp I was still $1000 short. That wasn’t such a big deal until I realized all of the medical bills I was racking up. To make a long story short, I emailed Dr. Schweickert at UNR and told him I would not be able to attend field camp. He told me to think about it and email him back in a week. At some point during this time I received an email from Robert Larson congratulating me on being the Stout Scholarship Recipient for 2007 with the amount of $1000. With all that was going on I had forgotten that I’d even applied. This seemed like a certain sign that I had to go to field camp. Luckily my MRI showed that, of course, I did not have a tumor and it was off to field camp for me. To make a long story short, I emailed Dr. Schweickert at UNR and told him I would not be able to attend field camp. He told me to think about it and email him back in a week. At some point during this time I received an email from Robert Larson congratulating me on being the Stout Scholarship Recipient for 2007 with the amount of $1000. With all that was going on I had forgotten that I’d even applied. This seemed like a certain sign that I had to go to field camp. Luckily my MRI showed that, of course, I did not have a tumor and it was off to field camp for me. If it wasn’t for the generosity of the AEG I would not have been able to attend field camp and this would have certainly set me back. I would have spent my summer sitting at home, working and brain tumor-less, instead of enjoying geology for half the summer. So if anyone was wondering what the AEG Scholarships do for students, this is it. They provide us with opportunities to continue our studies even when we’ve hit bumps along the way. Thank you to everyone who has participated in any activities involving the AEG student members, it is very much appreciated.

- Sherry McGee, 2007 Stout Scholar

AEG Foundation—Advancing the Science of Environmental and Engineering Geology
www.aegfoundation.org
The AEG Texas Section Scholarship Fund was established within the AEG Foundation in 2007 at the request of Texas Section of the Association of Environmental & Engineering Geologists (AEG). Initial funding was acquired in a special fundraising event hosted by the Texas Section on February 9, 2008. Major funding came from sponsorships developed by the Texas Section and event ticket sales. The fundraising program was supported by the AEG Foundation and managed by the Texas Section.

The fund was inspired by the many geologists who have dedicated their time, efforts and careers to teaching, research and promotion of the practice of hydrogeology, and environmental and engineering geology in Texas.

PURPOSE AND SCOPE

The AEG Texas Section Scholarship Fund supports geologic studies by students at the undergraduate and graduate levels. Recipients of grants must be students enrolled in an accredited Texas college or university, or graduate students enrolled in an accredited university outside Texas but conducting their field studies inside Texas. 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 participation in student/professional societies.

AEG TEXAS SECTION SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2008  $2,435
The Tilford Fund of the AEG Foundation was established by the Foundation (then the Engineering Geology Foundation) in 1998 to create a scholarship fund that emphasized and supported field studies. The fund name honors the work and contributions of Norman R. Tilford, (1934-1997), a consultant, professor, past president of the Association of Engineering Geologists, and the Executive Director of the Association at the time of his death.

**PURPOSE AND SCOPE**

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

**TILFORD SCHOLARS**

2001—Bonnie E. Phillips, Undergraduate
    Cal A. Ruleman, Graduate
2002—Paul J. Moore, Undergraduate
    Paula Jo Lemonds, Graduate
2003—Heidi Sieverding, Graduate
2004—Shelley Zaragoza, Undergraduate
    Kathy Goetz Troost, Graduate
2005—Stephanie Mrozek, Undergraduate
    Conor Watkins, Graduate
2006—Jennifer Wright, Undergraduate
    Nichole Wendlandt, Graduate—Masters
    Joseph Kula, Graduate—Ph.D.
2007—Shaina M. Forsyth, Undergraduate
    Scott Braunstein, Graduate—Masters
    Christopher Hein, Graduate—Ph.D.
2008—Tyler Benton, Undergraduate
    Theresa Poruznick, Graduate—Masters

**TILFORD SCHOLARSHIP FUND BALANCE AS OF JUNE 30, 2008**

$78,386

AEG Foundation—Advancing the Science of Environmental and Engineering Geology

www.aegfoundation.org
On Being a Tilford Scholar

April 3, 2005 was just another busy day of classes for me at the University of Nevada, Las Vegas, and I arrived home late that evening feeling tired and anticipating sleep. However, my exhaustion was quickly replaced with overwhelming excitement when I opened my mail and found out that I had been awarded the 2005 Norman R. Tilford Undergraduate Field Studies Scholarship. This scholarship would allow me to participate in the field camp of my choice. I had chosen the Center for the Study of Active Volcanoes (CSAV)’s summer field camp at the University of Hawaii, Hilo. I had been accepted into the CSAV course only two weeks earlier, but until the evening of April 3, I was not sure if I could afford to attend the class. The news of the Tilford Scholarship was going to make it all possible—now I couldn’t sleep, knowing that in July I would be studying active volcanoes in Hawaii!

Three months after receiving the Tilford Scholarship I landed on the big island of Hawaii. One of my instructors picked me up at the Hilo airport and drove me to the Kilauea Military Camp dormitory inside of Hawaii Volcanoes National Park, which would be my home for the next month. It was there that I met my 19 other classmates who had traveled from Australia, Canada, England, and the mainland USA to learn first-hand about Hawaii’s active volcanoes. Over the course of the next four weeks we learned about physical volcanology, gas geochemistry, volcano seismology, and ground deformation monitoring techniques from four different instructors who are experts in their fields. Each instructor concentrated on their topic of expertise for four days, emphasizing field methods supplemented by classroom lectures. The remainder of the course was devoted to “case studies” in which the class broke up into small groups, each to analyze a different catastrophic eruption from recent history. The goal of this project was to apply what we had learned in the course to propose better societal preparedness, eruption forecasting, and disaster relief, had we been there in the past and known what we know now. Upon completion of the course, I had sampled molten lava, collected and analyzed volcanic gases from fumaroles inside of Kilauea caldera, helped deploy an array of seismic sensors on the flanks of Mauna Loa and Kilauea, learned how to monitor ground deformation by three different methods, interacted with scientists at the Hawaiian Volcano Observatory, and made many new friends. My experience in the CSAV field camp was memorable, and it was made possible by support from the Norman R. Tilford Field Studies Scholarship.

Receiving the Tilford Scholarship not only gave me the opportunity to live many a geologist’s dream of witnessing a volcanic eruption, it allowed me to gain practical experience in volcanology, the field that I plan to continue my education in. For every undergraduate geology student who plans to go to graduate school, field experience (especially in your area of interest) is invaluable, but can be costly. It is important to know that financial support, such as the Norman R. Tilford Field Studies Scholarship, may be awarded to one who applies. Currently, one undergraduate-division Tilford Scholarship is awarded each year—but don’t let this discourage you from applying—try your best and you may be as fortunate as I was. For potential donors to the Tilford Fund—know that your contributions support the advancement of the next generation of scientists by offsetting the cost of their education today and providing them with opportunities that might not have otherwise been possible. A student’s potential for success should not be limited by a financial burden.

In years to come, it would be nice to see more students receive awards and the chance to attend the field camp of their choice. As a donor, you can make this possible. In a few years I will be able to look back on the time I spent as a starving student from the perspective of a professional geologist. I will remember the impact that scholarships had on my educational and career development, and I will give back to those who have supported me along the way. I am very thankful to the donors who made my field camp experience possible. I would also like to take this opportunity to thank any future donors in advance for their generosity and their support of promising young scientists.

- Stephanie Mrozek, 2005 Tilford Scholar
Independent Accountants’ Review Report

Board of Directors
AEG Foundation

We have reviewed the accompanying statement of financial position of AEG Foundation (the “Foundation”) as of June 30, 2008, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of AEG Foundation.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with accounting principles generally accepted in the United States of America, the object of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accepted accounting principles in the United States of America.

The June 30, 2007 financial statements of AEG Foundation were reviewed by other accountants whose report dated March 10, 2008, stated that they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Anton Collins Mitchell LLP

June 12, 2009
## Statement of Financial Position

### AEG Foundation

Reviewed Statement of Financial Position

(With Comparative Totals for 2007)

<table>
<thead>
<tr>
<th>June 30.</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$35,575</td>
<td>$17,947</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>519</td>
<td>23,387</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>88</td>
<td>932</td>
</tr>
<tr>
<td>Investments</td>
<td>421,884</td>
<td>301,934</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$458,066</strong></td>
<td><strong>$344,200</strong></td>
</tr>
</tbody>
</table>

| **Liabilities and Net Assets** |          |          |
| Liabilities: |          |          |
| Accounts payable | $9,559 | $1,520 |
| **Total liabilities** | 9,559 | 1,520 |

| **Commitments** |          |          |
| Net assets: |          |          |
| Unrestricted | 135,800 | 110,725 |
| Temporarily restricted | 293,421 | 212,669 |
| Permanently restricted | 19,286 | 19,286 |
| **Total net assets** | **448,507** | **342,680** |
| **Total liabilities and net assets** | **$458,066** | **$344,200** |

*See accompanying independent accountants’ review report, summary of significant accounting policies and notes to financial statements.*
## Statement of Activities

AEG Foundation

Reviewed Statement of Activities

(With Comparative Totals for 2007)

<table>
<thead>
<tr>
<th>Years ended June 30,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 73,488</td>
<td>97,989</td>
</tr>
<tr>
<td>Gross special event revenue</td>
<td>53,950</td>
<td>-</td>
</tr>
<tr>
<td>Less: cost of direct benefits to donors</td>
<td>(51,684)</td>
<td>-</td>
</tr>
<tr>
<td>Net special event revenue</td>
<td>2,266</td>
<td>-</td>
</tr>
<tr>
<td>Net investment (loss) return</td>
<td>(29,496)</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>1,146</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>17,237</td>
<td>(17,237)</td>
</tr>
<tr>
<td>Total revenue</td>
<td>64,641</td>
<td>80,752</td>
</tr>
</tbody>
</table>

| **Expenses**        |      |      |        |       |       |
| Research, education and public awareness | 17,237 | - | - | 17,237 | 12,109 |
| General administrative | 19,436 | - | - | 19,436 | 10,509 |
| Fundraising          | 2,893 | - | - | 2,893 | 4,545 |
| Total expenses       | 39,566 | - | - | 39,566 | 27,163 |

Change in net assets | 25,075 | 80,752 | - | 105,827 | 112,909 |

**Net assets, beginning of year** | 110,725 | 212,669 | 19,286 | 342,680 | 229,771 |

**Net assets, end of year** | $ 135,800 | 293,421 | 19,286 | 448,507 | $ 342,680 |

See accompanying independent accountants’ review report, summary of significant accounting policies and notes to financial statements.
## Statement of Cash Flows

### AEG Foundation

**Reviewed Statement of Cash Flows**

(With Comparative Totals for 2007)

<table>
<thead>
<tr>
<th>Increase (Decrease) in Cash and Cash Equivalents</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Years Ended June 30,</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$105,827</td>
<td>$112,909</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment loss (return)</td>
<td>29,496</td>
<td>(18,903)</td>
</tr>
<tr>
<td>(Increase) decrease in operating assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>22,868</td>
<td>(15,576)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>844</td>
<td>(149)</td>
</tr>
<tr>
<td>Increase (decrease) in operating liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>8,039</td>
<td>(574)</td>
</tr>
<tr>
<td>Grants payable</td>
<td>-</td>
<td>(45,000)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>167,074</td>
<td>32,707</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net addition to investment portfolio</td>
<td>(149,446)</td>
<td>(86,071)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(149,446)</td>
<td>(86,071)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>17,628</td>
<td>(53,364)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, beginning of year</strong></td>
<td>17,947</td>
<td>71,311</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$35,575</td>
<td>$17,947</td>
</tr>
</tbody>
</table>

See accompanying independent accountants’ review report, summary of significant accounting policies and notes to financial statements.
What I Like Best About the AEG Foundation

“The AEG Foundation has afforded me the opportunity and privilege to give something back to the profession of geology, a profession that has been immensely rewarding, challenging, and fun. I could not have fulfilled my career goals without help, and I welcome the opportunity to further the profession of environmental and engineering geology by helping others achieve their goals. The important work of the AEG Foundation supports and research, thus providing the means to advance the profession of environmental and engineering geology. This is truly rewarding! “

- Patricia M. Bryan, Treasurer

“The AEG Foundation allows AEG to do special things that it normally cannot do. First, the Foundation funds students through scholarships and awards. Second, the Foundation sponsors conferences like the Shelmon Specialty Conferences. The AEG Foundation provides opportunities that enhance the careers of environmental and engineering geologists and advances the profession as a whole.”

Scott F. Burns, Director

“I enjoy being a member of the AEG Foundation Board of Directors because it provides an opportunity to give something of value back to my profession – opportunities for geology students. The Board has increased its ability to instill confidence in donors that their money is well-invested and well-spent. While I believe that all of our funds and programs are worth supporting, I particularly enjoyed personally participating in awarding several of the first Lemke Scholarships to help support student participation at our 50th Annual Meeting in Universal City, CA. I’m an enthusiastic supporter of our scholarship funds and of the Jahns fund which supports speakers making presentations to AEG Sections and to groups at college campuses.”

- David F. Fenster, Secretary
What I Like Best About the AEG Foundation

"Being actively involved with providing awards, inspiring new AEG members, offering training to professionals, and collaborating with industrious and far-sighted Directors is professionally and personally invigorating. My involvement is a small return for all the benefits our profession has afforded my career."

- Gregory L. Hempen, President

“In college and early on in my professional career, I felt very fortunate to have professors and practicing engineering geologists that advised and mentored me in the engineering geology profession. Participation on the AEG Foundation Board gives me more opportunity and access to continue that tradition, as well as raise, manage, and distribute funds for student scholarships.”

- H. Tom Kuper, Director

“The Foundation has significant assets under management. For me, part of giving back to the profession is helping to invest the assets prudently to maximize the benefits for our next generation of professionals and our present practitioners. The Foundation has also given me the opportunity to support research in engineering and environmental geology. The work on the Foundation Board energizes me.”

- John H. Peck, Director

“The AEG Foundation is making a difference in the future of the profession — contributing to it in a vital way with its scholarships, and support of lecturers, research, and publications. Serving on the AEG Foundation Board is my way of helping future professional geologists who will apply the science of geology to help people manage geologically-based risks.”

- Robert E. Tepel, Director
AEG Foundation—The Short Story

- Founded in 1992 by three past presidents of AEG. Incorporated in California, headquartered in Colorado.
- We are an IRS 501 (c) 3 public charity. Our Federal Tax Identification Number is 94-3168991.
- Our California Registry of Charitable Trusts number is CT87308.
- Our California Corporation number is C1524975.
- Net assets of about $448,500 at close of Fiscal 2008

<table>
<thead>
<tr>
<th>WHAT WE DO</th>
<th>OUTCOMES IN FISCAL YEAR 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manage five scholarship funds that support students at both the undergraduate and graduate levels.</td>
<td>Awarded 11 scholarships with a total value of $9,350.</td>
</tr>
<tr>
<td>Established two new funds, the Research Fund and the AEG Texas Section Scholarship Fund.</td>
<td>Awarded the first Research Fund Grant.</td>
</tr>
<tr>
<td>Seek donations from engineering geologists and the public to support our programs and operations.</td>
<td>Donation income of over $171,000, an increase of 40% over Fiscal Year 2007.</td>
</tr>
</tbody>
</table>

WE ARE SERIOUS ABOUT BEING IN BUSINESS

- Nine-member Board of Directors meets at the table twice a year and by telephone conference several times a year. Directors donate their time and expenses to attend board meetings.
- Board governance includes: formal agendas and minutes, annual budget process, annual accounting reviews by a CPA who also prepares tax/information returns, contract part-time Executive Director, Director’s Handbook, and Fund Charters that set fund operating criteria and goals for every fund. Books are kept on the accrual basis and in accordance with nonprofit accounting standards (Statement of Financial Accounting Standards No. 117).
- We maintain Directors and Officers insurance, and general liability insurance.
- We have and follow Board Policies on Investment, Conflict of Interest, Compliance, Expense Reimbursement, Anti-harassment, Whistleblower, Document Retention, Board Member Expectations, Foundation Gift Acceptance, and Donor Privacy.
- Member: Colorado Nonprofit Association, Member # 37495
- Member: California Association of Nonprofits, Member # 7329
- We file these tax and information returns:
  - Federal form 990
  - California form 199
  - California form RRF-1, Attorney General’s Registry of Charitable Trusts
  - California Secretary of State form 100
- Listed in GuideStar (May be listed under the original name: Engineering Geology Foundation.)