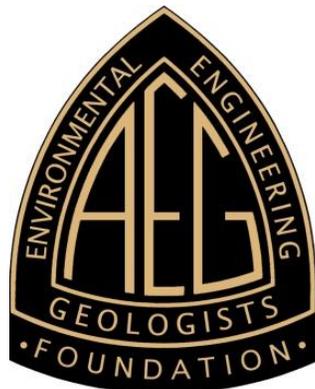


AEG FOUNDATION



CHARTER

FLOYD T. JOHNSTON OPERATIONS FUND

A FUND THAT REDUCES THE ADMINISTRATIVE BURDEN ON OTHER
PROGRAMS BY SUPPORTING THE FOUNDATION'S GENERAL
ADMINISTRATIVE AND FUNDRAISING COSTS

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THE PURPOSE OF AEG FOUNDATION FUND CHARTERS

An AEG Foundation Fund Charter is a document adopted by the Foundation's 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 accounting and legal standards. 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 history, nature, and operations of a fund. Formal Resolutions of the Board that apply to a particular fund are attached to the Fund Charter as appendices.

This Charter for the Floyd T. Johnston Operations Fund of the AEG Foundation was originally adopted by the Board of Directors of the AEG Foundation on June 28, 2006. This revision was duly adopted by the Board of Directors of the AEG Foundation on February 29, 2012.

By:

William K. Smith, Secretary

FUND CHARTER

FLOYD T. JOHNSTON OPERATIONS FUND

INTRODUCTION

The Floyd T. Johnston Operations Fund provides a way for donors to support the general administrative and fundraising expenses of the AEG Foundation.

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.

FUND HISTORY

The Johnston Fund is one of the first six funds created by the Foundation. The general organization of the early funds is described by Richard W. Galster in a 2005 email to Foundation president Robert E. Tepel. The pertinent text reads:

The original six funds were suggested (by me) in a working document dated January 1993 and were approved by the Board shortly thereafter.... The concept was to give ourselves and potential donors the kind of programs the Foundation planned to work on with funds donated. We weren't thinking of endowments at that time; just trying to give donors a choice as to what kind of programs they might prefer their donations to assist. An undesignated donation could be placed in any of these funds at the discretion of the Board or left in a general fund for future use.

A description of the purpose and scope of the Johnston fund is in a Foundation "working document" dated 11-5-93. It reads:

Johnston Fund: Fund to provide for Foundation administration and coordination of intersociety activities.

Appendix One to the minutes of the Foundation board meeting of March 28, 1996, reads:

Coordination Program. [JOHNSTON FUND]: Supports the administrative needs of the Foundation, and the ultimate goal of coordinating the scheduling of meetings, workshops and symposia among the various geological and geotechnical organizations in North America.

Review of Board minutes and related documents indicates that contributions to the Johnston Fund were minor for many years, and specific allocations of fund resources were rare. In 2000, the Board initiated a move to merge the assets of three very small funds (the Johnston, Gardner, and Eckel Funds) into an unrestricted fund (the Greatest

Need Fund), and to close those three funds. This decision was made final by the Board in April 2005. In 2006, upon regularization of the Foundation's accounting procedures to conform to then standard accounting practices, the Board reconsidered the matter and decided to re-institute the Johnston Fund in part of its original function (operational support) as the Floyd T. Johnston Operations Fund and to define the Greatest Need Fund as an unrestricted source of funding that would be used to meet current program needs and balance program fund resources.

PURPOSE AND SCOPE

In originally adopting this Fund Charter by motion at the AEG Foundation Board of Directors meeting on June 28, 2006, the AEG Foundation Board modernized and restated the purpose and scope of the Floyd T. Johnston Operations Fund as:

The Floyd T. Johnston Operations Fund is an unrestricted fund that is used principally to pay for the Foundation's general administrative and fundraising expenses.

An unrestricted fund for this purpose is essential because the Foundation cannot function without paying general administrative and fundraising costs. The Foundation had no fund for which earnings are dedicated to paying general administrative and fundraising costs. Therefore, these costs must be serviced by an administrative or 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. Gifts to the Floyd T. Johnston Operations Fund reduce the administrative support burden that must be borne by program funds.

MANAGEMENT PROTOCOLS FOR THE FLOYD T. JOHNSTON OPERATIONS FUND

Recognizing the value of structured management of the funds, the Board adopted this Fund Charter and protocols for the management of the Floyd T. Johnston Operations Fund assets by a motion approved at its June 28, 2006 meeting. By the stated character of the Floyd T. Johnston Operations Fund, donor intent was and is to make unrestricted gifts to the Foundation to support its general administrative and fundraising expenses.

Floyd T. Johnston Operations Fund Management Protocols

1. Unless otherwise specified by the donor, contributions to the Johnston Operations Fund are classified as Temporarily Restricted Net Assets in accordance with Accounting Standard Codification (ASC) until such contributions are expended for purposes consistent with this Charter. Earnings from contributions are classified as Unrestricted Net Assets, unless otherwise specified by the donor. The Fund may

accept contributions with time or purpose limits consistent with this Charter. The Foundation's gift acceptance policy will apply. The Board may from time to time reclassify assets of the Fund in accordance with ASC, consistent with donor intent.

2. Identifiable costs directly related to the operation of the Johnston Fund may be expensed to the Fund.

GOALS ADOPTED BY THE BOARD OF DIRECTORS

Long-Term Use of the Floyd T. Johnston Operations Fund

The Board believes that the Floyd T. Johnston Operations Fund Purpose and Scope made a part of this Fund Charter is consistent with the Foundation's mission and authority. The Board believes that the Johnston Fund can and should serve the Foundation's need for general administrative and fundraising support.

Fund Balance Goals

Gifts to the Floyd T. Johnston Operations Fund will likely be spent in the fiscal year given or in the following fiscal year. The Board sets the long-term fund balance goal for the Johnston Fund at \$25,000.00.

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.

APPENDIX ONE FUND HISTORY

ADDITIONAL BACKGROUND

President's Report for Agenda Item 10a, April 9-10, 2006, meeting of the AEG Foundation Board of Directors, "Preliminary Concepts for an Operational Support Plan and Matching Long-Term Grant-Making Goals."

President's Report for Agenda Item 10b, April 9-10, 2006, meeting of the AEG Foundation Board of Directors, "AEG Foundation Program Funds: Donor Intent and Fund Operating Restrictions."

APPENDIX TWO BOARD RESOLUTIONS AND MOTIONS

- 06/28/2006 Original Fund Charter approved by AEG Foundation Board of Directors.
- 04/15/2007 (Minor revision)
- 04/09/2011 Charter review schedule changed to at least every five years.
- 02/29/2012 Changes to Fund Management Protocols.