

Special Counsel's Sixth Quarterly Report to the Board of Trustees of
Stevens Institute of Technology, Pursuant to the Final Consent Judgment in
*The Trustees of the Stevens Institute of Technology v. Anne Milgram and Anne
Milgram v. The Trustees of the Stevens Institute of Technology, Harold J. Raveche
and Lawrence T. Babbio.*

August 3, 2011

BACKGROUND

On or about September 16, 2009, The Trustees of the Stevens Institute of Technology (“Stevens”) commenced an action in the Superior Court of New Jersey, Chancery Division, Hudson County, naming as Defendant Anne Milgram in her official capacity as Attorney General of the State of New Jersey. On or about September 17, 2009, Attorney General Milgram commenced an action against Stevens in the same court (collectively “the Actions”), also naming as defendants Harold J. Raveche and Lawrence T. Babbio. Following negotiations among the parties, the Honorable Thomas Olivieri entered a Final Consent Judgment on January 15, 2010 (the “Consent Judgment”), embodying the agreement of the parties resolving almost all of the issues raised in the Actions. As reported previously, the Consent Judgment was later amended by Judge Olivieri’s Order dated December 10, 2010.

Among other things, the Consent Order sets forth a number of actions that Stevens is obligated to take over time. In addition, the Consent Order named the undersigned as “Special Counsel.” Under the terms of the Consent Order, Special Counsel is to “review Stevens’ actions to ensure that Stevens is complying with its obligations under this Judgment.” As part of that review process, the Consent Judgment provides that Special Counsel “will provide quarterly reports to the Stevens Board regarding Stevens’ compliance with this Consent Judgment and with any further recommendations.” This is the sixth and final such quarterly report. Pursuant to the terms of the Consent Judgment, Stevens is required to publish this report on its web page. Pursuant to the Consent Judgment, Stevens was to achieve full compliance with the Consent Judgment by June 30, 2011. Thereafter, in addition to this final quarterly report, Special Counsel is to issue one additional report on or before September 30, 2011, and a Final Report on or before

February 1, 2012, although absent unforeseen developments, it may be that the September 2011 and February 2012 reports will be redundant of each other.

SIXTH QUARTERLY REPORT

The format of this report is consistent with the Third, Fourth and Fifth Quarterly Reports. This report is not cumulative. Rather, portions of the earlier reports dealing with items that were completed as of the date of the Fifth Quarterly Report will not be repeated here. Therefore, Special Counsel's prior five reports are incorporated by reference here, and familiarity with those reports is presumed. Accordingly, this report sets forth below only the operative paragraphs of Section C of the Consent Judgment, as now amended, as to which full compliance had not been achieved as of the date of the Fifth Quarterly report. As to each such operative paragraph, Special Counsel then reports upon the current state of compliance. All numbered paragraph and subparagraph references, therefore, are to section C of the Consent Judgment, as originally entered.

"5. General Provisions. The Board of Trustees shall take and implement the following other actions:

a. The Board's resolutions, including those of October 2, 2009 and subsequent, relating to governance and other reforms shall be integrated into Stevens' Governance Documents, including its charter and/or By-laws, as appropriate."

Status of Compliance:

As previously reported, Stevens is in full compliance with this provision, as its governance documents have been amended to incorporate the required governance changes. The Board, however, continues to consider ways in which the governance of Stevens can be optimized, including ideas reflected in the report of its consultant, Dr. Taylor. Any further adjustments and improvements will not necessarily require any change to the governance documents. Therefore, Special Counsel reported in the Fourth Quarterly Report that he

considers this item concluded. No further changes to Stevens's governance documents have been made since the Fourth Quarterly Report, though some possibilities are under consideration. If any additional change is made during Special Counsel's tenure, an appropriate report will be made.

“d. The Board shall conduct a limited accounting for the following restricted assets: (1) Taylor Trust; (2) funds supporting endowed chairs and endowed professorships; and (3) endowment funds with a current fair market value greater than \$2,000,000.00. The limited accounting must include: (1) a review of the historic application of accounting and control measures to these restricted assets since 2004 and recommendations regarding changes necessary to enhance accountability and performance for these assets; and (2) a report to the Audit Committee for each fund supporting an endowed chair and or professorship with the information required under Section 6(e) of Stevens' current “Policy on Endowed Chairs & Professorships”; and (3) a report to the Audit Committee regarding the processes employed when the investment portfolios of the Taylor Trust were pooled with the general endowment , the effect of such pooling and recommendations, if any, on remedial actions.”

Status of Compliance:

The limited accounting required by this provision of the Consent Judgment has been completed and a detailed, forty-seven page report of its results was delivered to the Board and approved on May 25, 2011. Special Counsel has reviewed the report and concludes that Stevens has achieved full compliance with this section of the Consent Judgment.

“j. Stevens will post its consolidated financial statements, credit rating agencies' reports, Form 990s, annual budgets, endowment investment portfolio's performance, and key Governance Documents on its website.”

Status of Compliance:

The required financial documents can be found by following the links at <http://www.stevens.edu/fd/>. Since the date of the Fifth Quarterly Report, the most recent

endowment performance report and Form 990 have been posted, and Stevens is in full compliance with this section of the Consent Judgment.

“k. Stevens, in consultations with its governance and other relevant consultants, will evaluate its policies and practices relating to: institutional conflicts of interest policy; its current institutional whistleblower policy; endowed chair policy; technology commercialization programs, including, but not limited to, practices and policies relating to for-profit subsidiaries and the licensing of Stevens-generated technology.”

Status of Compliance:

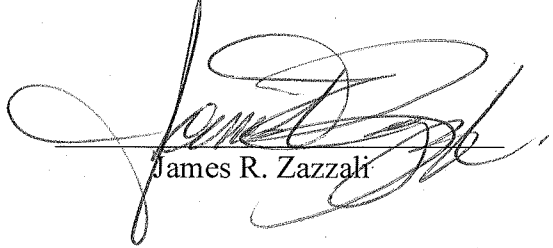
As previously reported, Stevens has undertaken the evaluation of the policies required by this section of the Consent Judgment, and is, therefore, in full compliance. In addition to policies previously reported by Special Counsel, Stevens has since the date of Special Counsel’s last quarterly report, approved new policies on Endowed Chairs and Professorships (http://www.stevens.edu/provost/fileadmin/provost/pdf/Endowed_Chair_Policy_25may2011.pdf), and University Subsidiaries, Technology Transfer Activities and Joint Ventures (http://www.stevens.edu/provost/fileadmin/provost/pdf/TechSubJVpolicy_25may_2011.pdf). If any additional or amended policies are approved during Special Counsel’s tenure, Special Counsel will report further.

Overall Conclusion

As can be seen from a review of the six quarterly reports Special Counsel has now issued, Special Counsel now finds Stevens to be in full compliance with the terms of the Consent Judgment. This, therefore, is Special Counsel’s last quarterly report. Special Counsel’s next report, as called for by the Consent Judgment, will be a cumulative review of Stevens’s compliance with each of the provisions of the Consent Judgment. In addition, Special Counsel will continue to report on any changes or developments related to the items in the Consent

Judgment until Special Counsel is discharged. Finally, Special Counsel will continue to perform the review function required by Paragraph 2 of the December 10, 2010 Consent Order Amending Final Consent Judgment, until February 1, 2012.

August 3, 2011



James R. Zazzali