Special Counsel’s First 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.

April 15, 2010
SPECIAL COUNSEL’S FIRST QUARTERLY REPORT

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.

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 obliged Stevens to hire 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 first such quarterly report. Pursuant to the terms of the Consent Judgment, Stevens is required to publish this report on its web page.
FIRST QUARTERLY REPORT

This report sets forth below the operative paragraphs of Section C of the Consent Judgment, which contains the affirmative obligations imposed upon Stevens. As to each such operative paragraph, Special Counsel then reports upon the state of compliance. All numbered paragraph and subparagraph references, therefore, are to section C of the Consent Judgment:

“1. **Board Governance.** The Board of Trustees shall take and implement the following actions with respect to Board membership and governance:

   a. Within thirty days of the Effective Date, the Board shall commence the process of amending Stevens’ charter and/or by-laws to provide that a trustee having served 12 years on the Board and having reached age 72 shall, at the conclusion of the Board’s spring regular meeting, no longer continue as a voting member of the Board but may be elected “Trustee Emeritus,” a non-voting member of the Board. Emeritus Trustees retain the right to participate in all Board and committee meetings in a non-voting capacity and subject to such further limitations as stated in this Consent Judgment.”

**Status of Compliance:**

On February 11, 2010, The Board of Trustees of Stevens (the “Board”) adopted Amended and Restated Bylaws, which have since been replaced by a slightly modified version adopted April 6, 2010 (the “Amended Bylaws”). The Amended Bylaws are attached to this Report as Exhibit A. Article 2, Sections 2.3.3, 2.4.5, and 2.7.3 of the Amended Bylaws largely achieve compliance with this provision of the Judgment. As of the date of this report, Stevens, Special Counsel and representatives of the Attorney General are in discussions concerning whether one minor amendment to these provisions is necessary to achieve full compliance, and Special Counsel will further report concerning same in his next quarterly report.

“b. **The Board shall amend Stevens’ charter and/or by-laws to provide that there shall be a maximum 15-year term for the Chairman of the Board and Vice-Chairmen of the Board. Any trustee is eligible thereafter to be elected to serve as Chairman or a Vice-Chairman who has not served in those positions during the two-year period preceding the election.**”
Status of Compliance:

Article 4, Sections 4.2 and 4.3 of the Amended Bylaws achieve full compliance with this provision of the Judgment.

"c. The Board shall amend Stevens’ charter and/or by-laws to provide that the entire Board will be vested with exclusive power and/or obligated to:
   1. Approve the contract and annual compensation of the President;
   2. Approve the salary of the five other employees with the highest annual total compensation;
   3. Review all financial results at every Board meeting;
   4. Approve the annual budget, any changes to the spending rate of the general endowment, and any amendments to the Investment Policy of the endowment;
   5. Review the annual IRS Form 990 submission;
   6. Meet with the external auditor annually;
   7. Review the internal control letters of the external auditor and any material weaknesses and significant control deficiencies identified by the external auditor;
   8. Review the performance and asset allocation of the endowment annually;
   9. Establish an orientation and education program for new trustees;
   10. Prepare annual assessments of committees and Board performance;
   11. Elect Chairperson, Vice-Chairpersons, committee members, committee chairs, new trustees, and Emeritus Trustees based on the recommendation of the Nominating and Governance Committee; and
   12. Meet in executive session at each Board meeting in the absence of any Stevens employees or officers."

Status of Compliance:

Article 2, Section 2.1, et seq. of the Amended Bylaws has begun the process of compliance with this provision of the Consent Judgment. Special Counsel is in discussions with the Board concerning whether a minor amendment to these provisions is necessary to achieve full compliance, and Special Counsel will further report concerning same in his next quarterly report.
“d. The Board shall engage the following consultants: a nationally recognized board governance consultant to recommend other changes that are appropriate to achieve best practices for Stevens; an Audit Committee consultant, who also may serve as the chair of the Audit Committee, to review and oversee the Committee’s and Office of Finance’s processes and procedures; and a independent compensation consultant.”

Status of Compliance:

Stevens has engaged Ronald E. Salluzzo to serve as Chair of the Audit Committee. Mr. Salluzzo is a Certified Public Accountant, and his experience includes, among other things, having been the chief financial officer of a publicly traded company and having been a partner at KPMG, with extensive experience related to higher education. Stevens has also engaged a consultant with respect to governance issues. The scope of work to be done by that consultant is under review, and special counsel will report further on this item in the next quarterly report.

“e. Within thirty days of the Effective Date, the Board shall commence the process of amending Stevens’ by-laws to provide that the President shall not be a voting member of the Board, but may participate in Board and committee meetings in a non-voting capacity.”

Status of Compliance:

Article 2, Section 2.2 of the Amended Bylaws achieves full compliance with this provision of the Judgment.

“f. Within thirty days of the Effective Date, the Board shall commence the process of amending Stevens’ by-laws to provide that neither the Chairman, Vice-Chairmen, nor any member of the Executive Committee shall serve as the chair of any committee or sub-committee (other than the reconstituted Executive Committee).”

Status of Compliance:

Article 5, Section 5.1.2 of the Amended Bylaws achieves full compliance with this provision of the Judgment.
“2. **Committee Governance.** Within thirty days of the Effective Date, the Board of Trustees shall commence the process of amending Stevens’ by-laws to implement the following actions with respect to the membership and governance of the committees listed in paragraph 4 hereof:

a. All committees shall include at least four trustees and two faculty members.”

**Status of Compliance:**

Article 5, Section 5.1.1 of the Amended Bylaws achieves compliance with this provision of the Judgment in most respects. The Amended Bylaws exclude the Human Resources Committee and the “Audit Committee” from the two faculty member requirement. This exclusion is not found in the Consent Judgment. Stevens is of the view that such an exclusion is necessary to achieve best practices and to meet certain legal requirements. As of the date of this report, this issue is under discussion among Stevens, Special Counsel and representatives of the Attorney General.

“b. **Committee members’ terms shall be limited to four years.** A rotation shall be accomplished by one trustee leaving the committee each year and one faculty member leaving the committee every two years. **Initial terms may be adjusted in order to establish the annual rotation.**”

**Status of Compliance:**

Article 5, Section 5.1.3 of the Amended Bylaws achieves full compliance with this provision of the Judgment. Special Counsel notes that the referenced section of the Amended Bylaws carve out an exception not found in the Consent Judgment, i.e. “except the trustee professional [ ] on the Audit Committee.” Insofar as Section C. 4. a. of the Consent Judgment

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1 Note that Sections C.2.a. through C.2.h. of the Consent Judgment refer to requirements that must be incorporated into the Stevens Bylaws. Thus, to the extent this first quarterly report comments on the “status of compliance” with respect to these items, this report is referring to compliance with the requirements to so amend the Bylaws, not to compliance with the Bylaws, as thus amended.
specifically deals with the hiring of a professional trustee for the Audit Committee and makes no reference to a term limit for that professional, Special Counsel is of the opinion that the carve-out is consistent with the overall language of the Consent Judgment, taken as a whole.

“c. Committee chairs’ terms shall be limited to terms of four years, except when the chair is a non-trustee professional. Committee chairs may be re-elected two years after the end of a term.”

Status of Compliance:

Article 5, Section 5.1.4 of the Amended Bylaws achieves full compliance with this provision of the Judgment. See comment above concerning the carve out for the trustee professional.

“d. Committee members may rejoin a committee after two years.”

Status of Compliance:

Article 5, Section 5.1.5 of the Amended Bylaws achieves full compliance with this provision of the Judgment.

“e. Subject to Board approval, committees shall prepare and adopt charters detailing responsibilities, meeting requirements, duties, membership, and other issues consistent with this Consent Judgment.”

Status of Compliance:

Article 5, Section 5.1.7 of the Amended Bylaws achieves full compliance with this provision of the Judgment.

“f. Committees shall complete self-evaluation reviews at least every two years.”
Status of Compliance:

Article 5, Section 5.1.8 of the Amended Bylaws achieves full compliance with this provision of the Judgment.

“g. Committees shall prepare or cause to be prepared complete, detailed and accurate minutes for each committee meeting and all sub-committees. The minutes, which will reflect discussions and decisions, must be submitted to the entire Board at its next meeting or within the time required under N.J.S.A. 15A:6-9.”

Status of Compliance:

Article 5, Section 5.1.9 of the Amended Bylaws achieves full compliance with this provision of the Judgment.

“h. In the event of any unresolved dispute between a majority of trustees on a committee and a trustee who was engaged or compensated to serve on that committee due to his or her expertise, the dispute shall be submitted to the entire Board for a vote.”

Status of Compliance:

Article 5, Section 5.2 of the Amended Bylaws achieves full compliance with this provision of the Judgment.

“3. Executive Committee. Within thirty days of the Effective Date, the Board shall commence the process of amending Stevens’ charter and/or by-laws to reconstitute and reorganize the Executive Committee to serve as an advisory group to the Board with no power or authority to act or approve any matter on behalf of or in the name of the Board or Stevens or to otherwise exercise any Board powers.”

Status of Compliance:

Stevens has begun the process of various amendments to the Bylaws, but full Compliance with this item has not yet been achieved. Special Counsel will update the status of this item in the next quarterly report.
“a. The reconstituted Executive Committee will propose a charter for the entire Board’s approval that includes the following duties and responsibilities:

1. advising the Board and other committees on various matters;
2. lending support, expertise, experience and/or assistance to various Board or committee efforts and activities (e.g., fundraising activities); and
3. engaging an in-house secretary to record minutes and decisions.”

Status of Compliance:

Compliance with this item is not yet due and not achieved. Special Counsel will report further in the next quarterly report.

“b. No member of the Executive Committee may serve as a chair or co-chair of any other committee or sub-committee.”

Status of Compliance:

Article 5, Section 5.1.2 of the Amended Bylaws incorporates this restriction, and a review of current committee memberships discloses that Stevens is in compliance.

“4. Other Committees. On or before July 1, 2010, the Board of Trustees shall amend Stevens’ Governance Documents to implement the following actions with respect to Board committees:

a. Audit Committee. The Audit Committee shall engage a professional with appropriate financial expertise to serve as a trustee and chair the Committee. The Committee’s charter shall state its responsibilities and powers, which shall include, but not be limited to, the following: (1) engaging and interfacing with the external auditor; (2) reviewing and approving all financial statements; (3) reviewing the internal and financial controls; (4) reviewing accounting changes; (5) reviewing Form 990s and other required governmental filings; (6) approving policies for approval of expenses, including pre-authorization, documentation requirements and approval schedules; and (7) conducting an annual audit of all expenses of the President and the other five most highly compensated Stevens employees.

b. Human Resources and Compensation Committee. The Human Resources and Compensation Committee shall engage an independent consultant to advise the Board on establishing a peer group and a compensation policy, including performance metrics for the President and other top five compensated employees. The Committee shall have a charter that will set out its functions, including but not limited to: (1) establishing a formal objective process to decide compensation; (2) establishing a revised process to review performance results; (3) establishing a presidential evaluation process; (4) establishing procedures to review annually all evaluations with the Board; (5) reviewing succession
planning; (6) reviewing and recommending to the Board a policy on loans to Stevens staff; (7) reviewing and recommending to the Board the contract and annual compensation of the President; (8) reviewing and recommending to the Board the annual compensation of the President and the other five most highly compensated employees; and (9) approving the salary of other top officers.

c. **Nominating and Governance Committee.** The charter of the Nominating and Governance Committee shall state its responsibilities and powers, which shall include, but not be limited to, the following: (1) proposing candidates for the positions of Chairman, Vice-Chairmen, committee members, committee chairs, new trustees, and Emeritus Trustees to the entire Board for its approval and election; (2) reviewing and submitting all committee charters to the Board for approval; (3) reviewing all committee self-evaluation results and recommending any changes to the Board; and (4) reviewing all trustee conflict of interest statements and recommending approval and/or actions to the Board.

d. **Investment Committee.** The Investment Committee shall engage a non-trustee professional investment advisor or advisors to assist in the determination of the proper asset allocation target and investment policy for Stevens’ endowment’s investment portfolio, and to evaluate outside portfolio managers’ performance versus a peer group and accepted benchmarks. The charter of the Committee shall state its responsibilities and powers, which shall include, but not be limited to, the following: (1) monitoring and evaluating the asset allocation and the investment performance of the endowment’s investment portfolio, and regularly reporting on these issues to the Board; (2) disclosing the endowment’s investment portfolio’s performance at the end of each fiscal year on Stevens’ website; (3) recommending changes to the spending rate of the general endowment for the entire Board’s approval; and (4) overseeing the distribution of funds from individual endowment funds.”

**Status of Compliance:**

Article 5, Section 5.1 of the Amended Bylaws authorizes the Board to appoint each of the above referenced committees. Shortly before the date of this Report, the Board adopted Charters for the committees referenced in this provision of the Judgment. Special Counsel will further report with respect to this item in the next quarterly report, as compliance with this item is not due under the Judgment until July 1, 2010.

“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:**

This process is ongoing, as reflected in the status of the various specific items referenced above.

"b. The Audit Committee shall exercise financial control over Stevens, including its Office of Finance, until it or the entire Board delegates such powers to an appropriate officer."

**Status of Compliance:**

By Resolution dated April 6, 2010, the Board has delegated financial control over Stevens to the Chief Financial Officer, Vice President for Finance & Treasurer, an office presently held by Mr. Randy Greene. The CFO reports directly to the Audit Committee.

"c. The Board and Dr. Raveché will agree upon terms for the full satisfaction of Dr. Raveché’s outstanding mortgage to Stevens. Those terms will include, among other terms agreed to by Stevens and Dr. Raveché, full satisfaction of the mortgage by July 1, 2014."

**Status of Compliance:**

The process of amending Dr. Raveché’s employment and consulting agreements is ongoing. Special Counsel will report further on the satisfaction of this item in the next quarterly report.

"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 required process is ongoing. Special Counsel will report further on this item in the next quarterly report.

“e. Stevens will hire an in-house counsel. The in-house counsel position will include all powers and duties associated with the in-house counsel position based on an analysis of several comparable institutions.”

Status of Compliance:

Stevens has formed a search committee and authorized a search for an appropriate candidate for this position. As of this date, no selection has yet been made.

“f. Stevens shall designate an in-house secretary with responsibility for preparation and maintenance of all minutes and records of the Board and each committee and sub-committee, which secretary shall be answerable to the Board.”

Status of Compliance:

Minutes are being prepared for Board and committee meetings, but Stevens has not yet made the designation required by this section of the Judgment. Stevens presently contemplates that this role will be filled or supervised by the in-house counsel hired pursuant to the preceding subsection of the Judgment. Special Counsel will report further on this item in the next quarterly report.

“g. Within thirty days of the Effective Date, the Board shall commence the process of amending Stevens’ by-laws to provide that Steven will not make any new loans to or act as a guarantor on behalf of any officers.”

Status of Compliance:

Article 4, Section 4.9 of the Bylaws achieves compliance with this provision of the Judgment.
“h. By no later than six months from the Effective Date, the Board shall approve a Donors’ Bill of Rights, which must be posted on Stevens’ website and include, at the least, the pledges included in the Donors’ Bill of Rights of the Council for Advancement and Support of Education.”

Status of Compliance:

On April 6, 2010, the Board adopted a Donor’s Bill of Rights that complies with this provision of the Judgment. Posting on the Stevens website is pending.

“i. By no later that six months from the Effective Date, the Board shall approve a “Gift Acceptance Policy,” meaning policies/guidelines governing acceptance of gifts received by Stevens.”

Status of Compliance:

Compliance with this item has not yet been achieved. Special Counsel will report further on this item in the next quarterly report.

“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:

Stevens has begun the process of making these items available on its website as financial statements are received and accepted by the Board, but has not yet achieved full compliance. Special Counsel will report further on this item in the next quarterly report.

“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:
This process is ongoing, and Special Counsel will further report on this item in the next quarterly report.

**Overall Conclusion**

Stevens has been fully cooperative with Special Counsel’s efforts to review and report on compliance with the Judgment. Special Counsel finds that Stevens has been pursuing compliance diligently and in good faith, and has achieved appropriate progress toward full compliance. At this time, Special Counsel perceives no reason for concern about Stevens’ willingness and ability to achieve full and timely compliance with the Judgment.

April 15, 2010

[Signature]

James R. Zazzali
AMENDED AND RESTATED BYLAWS
OF
THE TRUSTEES OF THE STEVENS INSTITUTE OF TECHNOLOGY

Adopted: April 6, 2010

BACKGROUND

WHEREAS, this corporation is a New Jersey nonprofit corporation having the name “The Trustees of the Stevens Institute of Technology” (the “Institute”); and

WHEREAS, the Institute was incorporated by an act of the New Jersey Legislature approved on February 15, 1870; and

WHEREAS, the Board (as defined herein) previously adopted Bylaws of the Institute, which were amended from time to time (as amended, the “Original Bylaws”); and

WHEREAS, the Board deemed it advisable and in the best interests of the Institute to adopt new bylaws for the governance and administration of the Institute, and accordingly these Amended and Restated Bylaws of the Institute (these “Bylaws”) were duly adopted by at least one-half of the voting trustees in office after consideration at meetings held February 8 and April 6, 2010, in accordance with the Institute’s certificate of incorporation and the Original Bylaws; and

WHEREAS, the text of the Original Bylaws is hereby amended and restated in its entirety to read as follows:

ARTICLE 1
Purpose of Institute; Purpose of Bylaws; No Members

Section 1.1 Purpose of the Institute. The Institute is formed exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”), or the corresponding section of any future federal tax code. Without limiting the generality of the foregoing, the Institute is formed for the purposes set forth in the Institute’s certificate of incorporation.

Section 1.2 Purpose of these Bylaws. These Bylaws are intended to govern the business of the Institute and to provide for its management, administration, utilization and maintenance.

Section 1.3 Members. The Institute shall not have any “members” within the meaning of the New Jersey Nonprofit Corporation Act, as amended (the “Act”).
ARTICLE 2
Board of Trustees

Section 2.1 General; Duties. As provided in the Act (February 15, 1870) incorporating The Stevens Institute of Technology, the entire management of the affairs and concerns of the Institute, and all the corporate powers shall be vested in the trustees to manage and control and the trustees shall have power to enact Bylaws for the regulation and management of the Institute, to fill up vacancies in the Board, and to prescribe the number and description, the duties and powers of the officers, the manner of their appointment, and the term of their office. The Trustees shall select and appoint a President of the Institute whose duties shall include the administration of the Institute and the direction of its faculty. In addition to and in conjunction with the authority provided by applicable law and the certificate of incorporation, and in addition to and subject to the other provisions of these Bylaws, the Institute’s board of trustees (the “Board” or “Board of Trustees”) shall:

2.1.1. set overall policies and procedures for the operation of the Institute;

2.1.2. disburse funds and appoint agents as it, in its discretion, deems necessary;

2.1.3. review and approve the employment agreement and annual compensation of the Institute’s President;

2.1.4. review and approve the annual compensation of the Institute’s five highest paid officers, other than the Institute’s President;

2.1.5. review and approve the Institute’s financial results of operations and/or the financial statements of the Institute at every regular meeting of the Board, including the reports by the Audit Committee;

2.1.6. review and approve the Institute’s annual budget;

2.1.7. review the Institute’s annual IRS 990 submission;

2.1.8. meet with the Institute’s external auditor on an annual basis and review the internal control letters from external auditors;

2.1.9. review reports by the Audit Committee and consider actions recommended by the Audit Committee with respect to any material weaknesses and significant control deficiencies identified by the Institute’s external auditor;

2.1.10. review reports by the Finance and Investment Committees on the annual performance, allocation and spending rate of the Institute’s endowment;

2.1.11. approve the spending rate of the Institute’s endowment;
2.1.12. establish and conduct an orientation and education program for new trustees; and

2.1.13. review and assess annually a report of the Nominating and Corporate Governance Committee (as defined in Section 5.1) on the performance of the Board and Board committees.

Section 2.2 Membership; Terms. The number of trustees that shall constitute the Board shall be no less than three (3) nor more than forty-two (42), which Board shall consist of the following classes of trustees: up to thirty-five (35) trustees designated as “Charte

Trustees,” up to five (5) trustees designated as “Alumni Trustees,” and up to two (2) trustees designated as “Faculty Trustees.” Within the foregoing limits, the number of trustees constituting the Board shall be set annually by the Board; provided however, that the Board shall not have the power to decrease the number of trustees to less than three (3) persons, nor shall it have the power to decrease the number of trustees so as to shorten the term of an incumbent trustee. The President of the Institute shall serve as an ex officio member of the Board. The President and such individuals as may be elected to the position of “Emeritus Trustee” under Section 2.5.4, and such individuals as may be elected to the position of “Honorary Trustee” under Section 2.6.4 shall be entitled to participate in meetings of the Board and Board committees in a non-voting capacity as described in this Article 2 but shall not be considered “trustees” as defined in the Act.

Section 2.3 Charter Trustees. Charter Trustees shall be elected and shall serve as follows:

2.3.1. Each Charter Trustee shall be elected to the Board for a term of three (3) years, ending at the close of the annual meeting which is, or next follows, the third anniversary of his or her election.

2.3.2. No more than thirteen (13) Charter Trustees shall be elected in any one (1) year, except to fill vacancies in such three-year terms and to serve for the unexpired portions thereof.

2.3.3. No Charter Trustee who has served on the Board for twelve (12) consecutive years and has reached the age of seventy-two (72) shall be permitted to continue to serve on the Board as a voting trustee. Any Charter Trustee who has served twelve (12) consecutive years and has reached the age of seventy-two (72) shall, at the conclusion of the Board’s regular May meeting, no longer continue as a voting member of the Board but shall be eligible to be elected to the position of Trustee Emeritus, as described in Section 2.5.

2.3.4. At any meeting of the Board, the Nominating and Corporate Governance Committee shall present to the Board any nominee for Charter Trustee, for election by a vote of all trustees eligible to vote.

Section 2.4 Alumni Trustees. Alumni Trustees shall be elected and shall serve as follows:

2.4.1. Each Alumni Trustee must be an alumnus of the Institute.
2.4.2. The president of the Institute’s Alumni Association shall serve as an Alumni Trustee during his or her term of office as such president.

2.4.3. At least one Alumni Trustee (who is not the president of the Institute’s Alumni Association) shall be elected each year pursuant to procedures prescribed by the Nominating and Corporate Governance Committee, to serve for a term of two (2) years, beginning with the annual meeting of the Board.

2.4.4. At least one Alumni Trustee shall be elected each year from three (3) nominations from the graduating (senior) class. Nominations for Alumni Trustees shall be requested annually two (2) weeks prior to Commencement from amongst the members of the graduating senior class. The Nominating and Corporate Governance Committee shall prescribe procedures soliciting nominations and electing Alumni Trustees under this Section 2.4.4.

2.4.5. No Alumni Trustee who has served on the Board for twelve (12) consecutive years and has reached the age of seventy-two (72) shall be permitted to continue to serve on the Board as a voting trustee. Any Alumni Trustee who has served twelve (12) consecutive years and has reached the age of seventy-two (72) shall, at the conclusion of the Board’s regular May meeting, no longer continue as a voting member of the Board but shall be eligible to be elected to the position of Trustee Emeritus, as described in Section 2.5 below.

Section 2.5 Emeritus Trustees. Emeritus Trustees shall be elected and shall serve as follows:

2.5.1. Any person who has served as a trustee and who has participated to an unusually high degree in the governance and advancement of the Institute shall be eligible to be elected to serve as an Emeritus Trustee.

2.5.2. An Emeritus Trustee shall serve for life or until his or her earlier resignation or removal in accordance with Section 3.7.

2.5.3. An Emeritus Trustee may participate in the conduct of all meetings of the Board and committees thereof, but shall not have the right to vote on any matter that comes before the Board or any committee other than an advisory committee. An Emeritus Trustee shall have no official powers to bind the Institute to contracts or otherwise, and shall not be counted among voting trustees, whether to determine the number of trustees on the Board or if a quorum exists for the purpose of transacting business of the Board or any committee thereof, or for any other purpose.

2.5.4. At any meeting of the Board, the Nominating and Corporate Governance Committee shall present to the Board any nominee for Emeritus Trustee, for election by a vote of all trustees eligible to vote.

Section 2.6 Honorary Trustees. Honorary Trustees shall be elected and shall serve as follows:

2.6.1. An Honorary Trustee shall be a particularly distinguished individual who has no prior service on the Board but who has a strong commitment to or interest
in the governance and advancement of the Institute and who for reasons which are apparent or understandable to the Board cannot take on the responsibilities of a voting trustee.

2.6.2. An Honorary Trustee shall serve for life or until his or her earlier resignation or removal in accordance with Section 3.7.

2.6.3. An Honorary Trustee may participate in the conduct of all meetings of the Board and committees thereof, but shall not have the right to vote on any matter that comes before the Board or any committee other than an advisory committee. An Honorary Trustee shall have no official powers to bind the Institute to contracts or otherwise, and shall not be counted among voting trustees, whether to determine the number of trustees on the Board or if a quorum exists for the purpose of transacting business of the Board or any committee thereof, or for any other purpose.

2.6.4. At any meeting of the Board, the Nominating and Corporate Governance Committee shall present to the Board any nominee for Honorary Trustee, for election by a vote of all trustees eligible to vote.

Section 2.7 Faculty Trustees. Faculty Trustees shall be elected and shall serve as follows:

2.7.1. Each Faculty Trustee shall be a current member of the Institute’s faculty and shall be elected to the Board for a term of two (2) years, ending at the close of the Board’s regular May meeting which is, or next follows, the second anniversary of his or her election. Faculty Trustee terms may be shortened or lengthened in order to establish an election rotation schedule that results in the election of one (1) Faculty Trustee each year.

2.7.2. No more than one (1) Faculty Trustee shall be elected in any one (1) year, except to fill vacancies in such two-year terms and to serve for the unexpired portions thereof.

2.7.3. No Faculty Trustee who has served on the Board for twelve (12) consecutive years and has reached the age of seventy-two (72) shall be permitted to continue to serve on the Board as a voting trustee. Any Faculty Trustee who has served twelve (12) consecutive years and has reached the age of seventy-two (72) shall, at the conclusion of the Board’s regular May meeting, no longer continue as a voting member of the Board but shall be eligible to be elected to the position of Trustee Emeritus, as described in Section 2.5.

2.7.4. At any meeting of the Board, the Nominating and Corporate Governance Committee shall present to the Board any nominees for Faculty Trustee, for election by a vote of all trustees eligible to vote. The Nominating and Corporate Governance Committee shall solicit from the Institute’s Faculty Council three (3) nominees for each Faculty Trustee position up for election.
ARTICLE 3
Meetings of the Board

Section 3.1 Annual and Regular Meetings; Executive Session; Notice. Regular meetings of the Board shall be held three times in each year, one in the month of October, one in the month of February and one in the month of May. The October regular meeting shall be the annual meeting of the Board. The May regular meeting shall include Commencement, and its agenda shall include, among other things, the voting of degrees. At least one regular meeting of the Board each year shall be held in Hoboken, New Jersey. Subject to the foregoing limitations, each regular meeting shall be held on such day or days and at such times and places as the Chairman of the Board may determine to be appropriate to the needs of the Board and the convenience of the trustees. Notice of regular meetings of the Board shall be given to all trustees by email, hand-delivery, mail or facsimile at least ten (10) days in advance of the meeting. The Board shall meet in executive session at each regular Board meeting in the absence of any employee or officer of the Institute.

Section 3.2 Special Meetings; Notice. Special meetings of the Board may be called upon the request of the Chairman of the Board or upon written request by any three (3) trustees, provided that notice shall be given to all trustees by email, hand-delivery, mail or facsimile at least ten (10) days in advance of the meeting. No business shall be transacted at a special meeting except that specified in the notice. Any special meetings shall be held on such day and at such time and place as the Chairman of the Board may determine to be appropriate to the needs of the Board and the convenience of the trustees. In the event a matter is so urgent that a timely meeting of the Board or a committee thereof cannot be arranged, even by the remote means as described in Section 3.4, the Chairman of the Board or presiding Vice Chairman may direct that all members be polled individually by telephone and/or ballot by mail, email or facsimile, provided that the outcome of such polling (if other than a unanimous consent in writing, as permitted by Section 3.5) must be ratified at a subsequent meeting of the Board.

Section 3.3 Quorum and Voting.

3.3.1. One-half of the number of voting trustees in office shall constitute a quorum for the transaction of all business at meetings of the Board of Trustees.

3.3.2. With the necessary quorum present, decisions shall be made by a majority of the trustees present and entitled to vote, except as otherwise may be specifically provided herein or by applicable law.

Section 3.4 Participation. Any one or more trustees may participate in any meeting of the Board remotely by means of a telephone conference call or other electronic means or communications device which allows all persons participating in the meeting to hear each other and such participation in a meeting shall be deemed presence in person at such meeting for the purpose of the quorum count. Voting by proxy shall not be permitted at any meeting of the Board or a Board committee.

Section 3.5 Action of Trustees Without a Meeting. The Board may act without a meeting by unanimous written consent as provided by the Act. Any action required or
permitted to be taken pursuant to authorization voted at a meeting of the Board or any committee thereof may be taken without a meeting if, prior or subsequent to the action, all members of the Board or of the committee, as the case may be, consent thereto in writing and the written consents are filed with the minutes of the proceedings of the Board or the committee. The written consents shall have the same effect as a unanimous vote of the Board or the committee for all purposes.

Section 3.6  Waivers of Notice. Notice of any meeting need not be given to any trustee who signs a waiver of notice, whether before or after the meeting. The attendance of any trustee at a meeting without protesting prior to the conclusion of the meeting the lack of notice of the meeting shall constitute a waiver of notice by that trustee.

Section 3.7  Resignation, Removal and Vacancy. Any trustee may resign upon written notice to the Chairman of the Board and may be removed for cause, including nonattendance, by a majority vote of the Board of Trustees. Any Charter Trustee, Alumni Trustee or Faculty Trustee selected to fill a vacancy in any unexpired term shall serve for the remainder of the unexpired term.

ARTICLE 4
Officers

Section 4.1  Officers. The officers of the Institute shall be a Chairman of the Board, such number of Vice Chairmen of the Board as the trustees shall from time to time determine, a President, a Secretary and a Treasurer. The Institute shall have such other officers as the Board may determine from time to time, including one or more Assistant Secretaries and one or more Assistant Treasurers, with such title and duties as the Board may decide from time to time. The Board shall also determine whether any such positions may be held by a trustee or simultaneously by the same person; however no officer shall execute, acknowledge, or verify any instrument in more than one capacity if the instrument is required by law to be executed, acknowledged, or verified by two or more officers. The positions of Secretary and Treasurer, and the positions of Assistant Secretary and Assistant Treasurer (if such positions are approved by the Board), may be held simultaneously by the same person.

Section 4.2  Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board, and shall do and perform all such acts in the name of the Board as he or she may be hereafter authorized by the Board to do, and such other duties as are generally customary to the office of Chairman of the Board. The position of Chairman of the Board must be held by a trustee. Any Chairman who has served fifteen (15) consecutive years shall, at the conclusion of the Board’s regular May meeting, no longer continue as Chairman of the Board, and shall be ineligible to serve as Chairman for at least two (2) years after expiration of the term.

Section 4.3  Vice Chairmen of the Board. In the absence of the Chairman of the Board, one of the Vice Chairmen shall be required to perform all of the duties of the Chairman of the Board. In the absence of the Chairman and Vice Chairmen, the trustees may elect a Chairman pro tem. Each position of Vice Chairman must be held by a trustee. Any Vice Chairman who has served fifteen (15) consecutive years shall, at the conclusion of the Board’s
regular May meeting, no longer continue as a Vice Chairman of the Board, and shall be
ineligible to serve as Vice Chairman for at least two (2) years after expiration of the term.

Section 4.4 President. The President shall be the chief executive officer of the
Institute and, subject to the direction and under the supervision of the Board, shall have general
charge and supervision over and responsibility for the affairs of the Institute and the direction of
the Institute’s faculty. With the exception of the Chairman and any Vice Chairman, unless
otherwise directed by the Board, all other officers shall be subject to the authority and the
supervision of the President. From time to time the President may delegate to any other officer
any or all of these duties and authority. The position of President may not be held by a trustee.

Section 4.5 Secretary. The Secretary shall be responsible for keeping,
developing, distributing and maintaining a full and faithful record of all proceedings at any
meetings of the Board and its committees and any other official meetings. The Secretary is also
responsible for serving any notice required under these Bylaws. The Secretary shall attend to
and perform such other duties as are generally customary to the office of secretary. The
Secretary, while ultimately responsible, may utilize the assistance of any staff person who has
expertise in the area to fulfill the Bylaws function. The position of Secretary may be held by a
trustee.

Section 4.6 Treasurer. The Treasurer shall supervise the custody, receipt and
disbursement of all funds pertaining to the current operation of the Institute, except those funds
administered by the Finance Committee or the Investment Committee. Subject to these Bylaws,
the Treasurer shall be responsible for the financial affairs of the Institute, the development of the
annual budget, investment policy, financial reporting and record keeping. The Treasurer, while
ultimately responsible, may utilize the skills and support of any staff person who has expertise in
the area to fulfill the Bylaws function. The position of Treasurer may be held by a trustee.

Section 4.7 Election and Term. Each of the officers listed above other than the
President shall be elected at the annual meeting of the Board to hold office until the next annual
meeting, or until his or her successor is elected and qualified. All nominations for the annually
elected officers shall be presented by the Nominating and Corporate Governance Committee.

Section 4.8 Resignation, Removal and Vacancy. Any officer may resign upon
written notice to the Board. The Board may remove any officer with or without cause.
Whenever any office becomes vacant, the Board shall fill the vacancy by vote at any regular
meeting or at a special meeting called for the purpose of filling the vacancy. During any interim
period, before the vacancy is filled, the Chairman of the Board may appoint any other officer or
staff member to perform the duties of the vacant position.

Section 4.9 Officer Loans and Guaranties. The Board shall not authorize any
loan by the Institute to any officer or trustee, nor shall it authorize the Institute to act as a
guarantor on a loan for any officer or trustee. The Board, however, is authorized to approve a
loan by the Institute to a non-officer faculty member or a staff member. The Board also is
authorized to approve the Institute acting as a guarantor on a loan for a non-officer faculty
member or staff member.
ARTICLE 5
Board Committees

Section 5.1  Standing Committees. The Board shall appoint and designate the following six (6) standing committees of the Board: (i) the “Executive Committee”, (ii) the “Human Resources and Compensation Committee”, (iii) the “Audit Committee”, (iv) the “Nominating and Corporate Governance Committee”, (v) the “Finance Committee”, and (vi) the “Investment Committee” (collectively, the “Standing Committees”). The Standing Committees shall have the powers and authorities as are described below and in their respective charters, subject to the following requirements:

5.1.1. The members of each Standing Committee except Audit, Human Resources and Executive, shall include at least four (4) trustees and at least two (2) current faculty members or the institute. The Board reserves decision on the voting status of faculty committee members.

5.1.2. Upon recommendation by the Nominating and Corporate Governance Committee, each member of each Standing Committee shall be elected annually by the Board of Trustees, and the Board shall designate one (1) member of each Standing Committee to serve as chairman of such committee. None of the Chairman of the Board and any Vice Chairmen of the Board shall be eligible to serve as the chairperson of any Standing Committee. No member of the Executive Committee shall be eligible to serve as the Chairman or Vice Chairman of any Standing Committee of subcommittee, other than the Executive Committee.

5.1.3. The terms of the members of each Standing Committee, except the trustee professional (as defined in Section 5.2) on the Audit Committee, shall be limited to four (4) consecutive years, with a rotation schedule that replaces one (1) trustee every year and one (1) faculty member every two (2) years. The initial terms of certain members of the Standing Committees may be decreased, as determined by the Board, to establish the rotation schedules of each Standing Committee.

5.1.4. The chairperson of each Standing Committee, except a trustee professional (as defined in Section 5.2) that serves as chairperson of the Audit Committee, shall be limited to a four-year term.

5.1.5. No trustee may rejoin a particular Standing Committee for a period of two (2) years following the last day of his or her term on such Standing Committee.

5.1.6. At all meetings of each Standing Committee, a majority of members of such Standing Committee shall constitute a quorum for the transaction of business of such Standing Committee, except for the Audit Committee where a majority of Trustee members shall constitute a quorum.

5.1.7. Each Standing Committee shall prepare, adopt and submit to the Board for review and approval, a committee charter consistent with these Bylaws, which charter shall set forth such Standing Committee’s responsibilities and duties, requirements for
membership, requirements for meetings, and such other matters as are appropriate to the charter of each particular Standing Committee.

5.1.8. Each Standing Committee shall complete a self-evaluation review at least once every two (2) years, and shall submit the results of such review to the Nominating and Corporate Governance Committee.

5.1.9. Each Standing Committee shall prepare or cause to be prepared complete, detailed and accurate minutes for each committee meeting and subcommittee meeting, to be submitted to the entire Board at the Board’s next meeting or within the time required under Section 15A:6-9 of the Act.

Section 5.2 Trustee Professionals on Committees. In the event of any unresolved dispute between a majority of trustees on a committee and a trustee professional who was engaged or compensated to serve on that committee due to his or her expertise, the dispute shall be submitted to the entire Board and resolved by a vote of the entire Board. A “trustee professional” is someone with a particular expertise that the Board engages to serve as a trustee and committee member.

Section 5.3 Other Committees; Advisors. The Board may appoint from time to time other committees or subcommittees of one or more persons for such purposes and with such powers as the Board may determine, provided however, that no committee may be appointed for the purposes of, or with the powers granted hereunder to, any of the Standing Committees. The Board may also appoint such boards of advisors or task forces that the Board at its discretion may establish from time to time to consider matters and make recommendations to the Board.

Section 5.4 Limitation on Powers of Committees. No Standing Committee or any other committee established by the Board shall have the power to take any of the following actions:

5.4.1. Make, alter or repeal any bylaw of the Institute or the certificate of incorporation of the Institute;

5.4.2. Elect, appoint or remove any trustee or officer, including the President;

5.4.3. Amend or repeal any resolution previously adopted by the Board; or

5.4.4. Take any other action prohibited to be taken by a committee under Section 15A:6-9 of the Act.

ARTICLE 6
Fiscal Year

Section 6.1 Fiscal Year. The fiscal year of the Institute shall end on June 30th of each year.
ARTICLE 7
Tax Exemption

Section 7.1 Tax Exempt Status. Notwithstanding anything else herein, the Institute shall not engage in any activity which is inconsistent with its tax-exempt status pursuant to section 501(c)(3) of the Code.

Section 7.2 No Private Benefit. No part of the net earnings of the Institute shall inure to the benefit of, or be distributable to its trustees, officers, or other private persons, except that the Institute shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the Institute’s tax exempt purposes. No substantial part of the activities of the Institute shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Institute shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office. Notwithstanding any other provision of these Bylaws, the Institute shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under section 501(c)(3) of the Code, or (ii) by a corporation, contributions to which are deductible under section 170(c)(2) of the Code.

Section 7.3 Dissolution. Upon the dissolution of the Institute, assets shall be distributed to an organization selected by the Board in its discretion which is tax-exempt under section 501(c)(3) of the Code and which has a tax exempt purpose similar to that of the Institute. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the Institute is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

Section 7.4 Private Foundation. In the event the Institute is, or in the future may become, a “private foundation” within the meaning of section 509 of the Code:

7.4.1. The Institute shall distribute its income for each taxable year at such time and in such manner as not to be subject to the tax on undistributed income imposed by section 4942 of the Code.

7.4.2. The Institute shall not engage in any act of self-dealing as defined in section 4941(d) of the Code.

7.4.3. The Institute shall not retain any excess business holdings as defined in section 4943(c) of the Code.

7.4.4. The Institute shall not make any investments in such manner as to subject it to tax under section 4944 of the Code.

7.4.5. The Institute shall not make any taxable expenditures as defined in section 4945(d) of the Code.
7.4.6. Upon dissolution or termination of the Institute, it shall comply with the requirements of section 507(b)(1)(A) of the Code.

ARTICLE 8
Effect of and Amendments to Bylaws

Section 8.1 Subject to the Act and Certificate of Incorporation. These Bylaws are subject to the provisions of the Act and the Institute’s certificate of incorporation, as it may be amended from time to time. If any provision in these Bylaws is inconsistent with a provision in the Act or the certificate of incorporation, the provision of the Act or the certificate of incorporation shall govern.

Section 8.2 Amendments to Bylaws. The Board shall have the power to make new Bylaws or to alter or amend existing Bylaws by the affirmative vote of at least one-half of the trustees present at any meeting for which notice has been given at least thirty (30) days before such action is taken, which notice shall include the substance of any such proposed new or amended Bylaw.