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Office of The Attorney General
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Stevens Institute to Adopt New Governance Structure

President to resign; Special Counsel to oversee governance reforms

Final Consent Judgement pdf

Trenton, NJ – The board of trustees of Stevens Institute of Technology have agreed to adopt sweeping corporate governance changes to settle a 16-count civil complaint filed by Attorney General Anne Milgram in September alleging that the Hoboken-based school, its president and its board chairman mismanaged Stevens' finances and endowment, and excessively compensated its president.

Stevens' president, Harold J. Raveche, will resign as president of the Institute and will leave his position on July 1, 2010. In accordance with the terms of his employment agreement, Stevens will pay him his base salary until July 1, 2011, and compensate him for non-compete and consultancy arrangements until July 1, 2014.

Under the consent judgment entered into by all parties, the Audit Committee will immediately be vested with control over Steven's finances and the president will cease to be a voting member of the board of trustees. Stevens and Raveche will be required to agree on terms for full satisfaction of the loans that were the subject matter of the state's lawsuit.

The board also agreed to retain former New Jersey Supreme Court Chief Justice James R. Zazzali as Special Counsel for a two-year period to ensure Stevens' implementation of the governance reforms. Zazzali will have access to all board minutes and other relevant documents and will be permitted to attend board or committee meetings. Zazzali will issue quarterly and annual reports regarding Stevens' compliance with the consent judgment. Zazzali had previously been hired by the board to look into allegations raised by the Attorney General's civil complaint. In addition to Zazzali, Stevens will retain three consultants to advise the board on issues relating to corporate governance, executive compensation, and finance controls.

"The corporate governance structure agreed to by Stevens' board of trustees will significantly reform past management practices and procedures and serve as an example to other not-for-profit organizations," Acting Attorney General Ricardo Solano Jr. said. "These changes are 'best-in-class' in our judgment. Our goal has been to put the school on a path to sound financial management to ensure that Stevens Institute of Technology provides a top-notch education to its students well into the future."

The settlement converts what was a powerful Executive Committee, which was comprised of Raveche, the board chairman and two vice chairmen, into an advisory committee, and vests key powers and duties to the full board of trustees, including the power and duty to approve contracts and compensation for the president and other top officials; elect new trustees, committee members, committee chairs and board leadership; approve the spending rate and investment policy of the general endowment; review financial results at every meeting; approve the annual budget; meet with the external auditor annually and review internal control problems; review the performance of the endowment; and prepare assessments of the committees and board performance.

Under the new structure, the Nominating and Governance Committee, instead of the chairman of the board, will propose trustee and board leadership candidates for election by the board.

The Audit Committee will be chaired by a compensated financial expert, and vested with the power and duty to review all financial statements, review internal and financial controls, and audit the expenses of the president and other top employees each year.

The Human Resources Committee will, among other things, retain an independent consultant to improve the processes used to establish employee compensation, establish a presidential evaluation process, and review and recommend to the board the annual compensation of the president and the other five most highly compensated employees.

The Investment Committee will be responsible for monitoring and evaluating the endowment's asset allocation and investment performance, and overseeing the distribution of funds from individual endowment funds.

Stevens will also set term limits for its trustees and board leaders. Under those term limits, the board will elect new chairs of the Audit, Human Resources, Investment and Nominating Committees. Also, a 15-year limit for the board chairman and vice chairman will be implemented. Lawrence Babbio, the incumbent chairman, may stay on as chairman for approximately three more years.

In addition, Stevens will hire an in-house counsel. Stevens will also adopt a Donors' Bill of Rights and Gift Acceptance Policy, and post all financial statements, credit rating agencies' reports, annual budgets, investment performance and key governance documents on its website. Stevens has also agreed to no longer extend loans to any officers or act as a guarantor for any loans to a school officer.

An investigation by the Attorney General's Office, acting under the authority of the New Jersey Nonprofit Corporation Act and other laws, found that beginning in 1999 annual financial reports to the public and the Stevens board misstated the school's financial results during certain years.

Outside auditors regularly warned school officials on deficiencies in management and financial policies. The Attorney General's complaint also alleged that Pricewaterhouse Coopers, the financial firm which served as Stevens' independent accountant from 2000 to 2005, "fired" the school as a client due to the high risk the school posed to the accounting company.

Former trustees told investigators that the board was kept in the dark about key financial information, including reports on endowments and reports from Stevens' auditors, and about information related to annual hikes in salary and bonuses earned by Raveche, whose salary and bonuses went from less than $365,000 in 1999 to $1,089,780 in 2008. His base salary is $550,000 under a July 2007 employment agreement.

The Stevens' investigation, litigation and negotiations leading to the consent agreement were led by Deputy Attorneys General Megan Lewis and Samuel Scott Cornish of the Affirmative Litigation Section, under the supervision of Division of Law Director Taysen Van Itallie. Division of Consumer Affairs Investigator Patrick Mullan worked on the investigation.

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