

**The Nightly Business Report
For Directors – More Liability?
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Nearly a year ago, Congress passed the Sarbanes-Oxley law and since then, things have changed inside the boardroom. Directors are more independent and more vigilant. Everyone expects better performance.

Now the Delaware Chancery Court is sending a signal that the courts, too, may look for a higher standard of performance.

Last month a Delaware judge ruled that a shareholders' suit against The Walt Disney Company and its directors could proceed. Disney is incorporated in Delaware. The plaintiffs contend that Disney directors knew little about the hiring of Michael Ovitz as president in 1995 or his departure just over a year later when he received \$38 million in cash plus options worth an estimated \$100 million. They allege that directors are potentially liable for a knowing or intentional lack of due care for both the hiring process and the compensation package. The suit seeks return of some of Ovitz' money and wants damages against the company and the directors.

If the Disney directors are found liable, the "business judgment rule," which has usually protected directors, could have new meaning. Directors could be held to a higher standard of judgment in doing their work, and therefore, be more exposed to shareholder lawsuits. For directors and for investors, this case is one to watch.

I'm Barbara Hackman Franklin.