

October 6, 1996

Directors Duty To Monitor

In another of his tightly reasoned and well written opinions, Chancellor William Allen of the Delaware Chancery Court has summed up the duty of a board of directors to monitor a corporation's business operations as follows, "a director's obligation includes a duty to attempt in good faith to assure that a corporate information and reporting system, which the board concludes is adequate, exists, and that failure to do so under some circumstances may, in theory at least, render a director liable for losses caused by non-compliance with applicable legal standards." As we have recommended in the past, every board should oversee an annual review of the company's systems to determine that they are complete and up-to-date.

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