

COMSAT HISTORY PROJECT

Interview with Jerome Breslow

Interview conducted by Thomas Maxwell Safely  
and Nina Gilden Seavey

Interview with Jerome Breslow  
COMSAT Headquarters  
30 July 1984  
8:30am

JB: I came to COMSAT in 1966. I was working on Capitol Hill at the time. I was a Counsel to the House Judiciary Committee, Special Subcommittee on State Taxation of Interstate Commerce. The Committee had been charged to do a particular job and the job had come to an end. We had held the hearings, performed a study and prepared a report and the accompanying legislation. It [the bill] had gotten through the Committee and it got through the House and our job was over. We always knew we were going to have a finite period of time.<sup>1/</sup> In the course of my being in Washington for that, I happened to meet the person who was then the Assistant Secretary of COMSAT, J. David Marks. I told David I was job hunting and he said, "Well, we might have an opening, why don't you come down, talk to me and to the then-Secretary," (a fellow by the name of David J. Melamed -- lots of Davids and J's). Turns out, I found out later, that Melamed had decided to leave the corporation, and Marks was going to be elevated to the Secretary's job. The person who was then the Assistant to the Secretary was to become the Assistant Secretary, and I was going to be low man on the totem

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<sup>1/</sup> change to: We always knew that the job would last only for a finite period of time.

pole, and take the Assistant to the Secretary's job. That resulted in my being hired. I guess, I started like November 14, something like that, of 1966. I've been in the Secretary's Office ever since. We've<sup>2/</sup> gone in and out of the General Counsel's office. I think we went in 1969 and came out in 1975.<sup>3/</sup> I became Assistant Secretary, I think it was in 1969 and became Secretary just five years ago, in July of 1979. With respect to the Corporation's Board of Directors, which I take it is what you are specifically interested in....

TMS: For my own purposes as much as anything else, I would be interested in knowing what specifically the Secretary does?

JB: The Secretary is charged with several major areas of responsibility: one, which, I guess we will talk a lot about today, relates to the Board of Directors. The COMSAT Board meets once a month and we have, it's a rather formal kind of meeting and we have a formal structure for preparing Board materials and agendas. I'm responsible for that. I meet with

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2/ change to: The Office has

3/ change to: I think they were merged in 1969 and then separated in 1975.

the Chairman and we go over and formulate what the agenda will be for the meeting. I either prepare or help prepare the materials that go to the Board, edit them, pull them together; it's both the creative side and the mechanical side. My staff shuffles the papers, reproduces them, puts them into agenda binders, and the notices are sent out by my office. The minutes are kept here -- all the records of the Board meetings and the Board Committee meetings. So that's one major cut<sup>4/</sup> -- dealing with the Board members, whether it's taking their phone calls, or providing them with information, or giving them notices of the meeting or whatever. The second major aspect has to do with the stock of the corporation. We have COMSAT stock traded on the New York Exchange and the Mid-West Stock Exchange and the Pacific Stock Exchange. I am responsible for overseeing that trading and our relationships with the stock exchanges. This also includes being the contact when there is a major element of disclosure required. The New York Stock Exchange has very stringent rules about when information has to get out. I am the contact between the corporation and stock exchange in that regard. Then, there is the matter of stock transfer. We have over sixty-five thousand shareholders of

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<sup>4/</sup> change to: area

record, and my office deals with the shareholders and the stock-transfer agent. So, if a shareholder writes a letter someone will respond to the letter here. The stock certificates are issued and cancelled by the stock-transfer agent and that's the entity I am responsible for dealing with. [In addition], there are a number of things that the Chairman calls on me for: he's got a staff meeting once a week and I help him with that, e.g., in terms of someone wanting to put something on the agenda for the meeting -- come to me.

TMS: These are meeting of Senior Management?

JB: Yes, that's right. They are the vice presidents and the heads of the lines of business. I guess it comes under the general heading of "secretariat," and the Secretary's office does

that. I am also responsible for the conflicts of interest program. I'm Chairman of the Management Committee on Conflicts of Interest. It's the management committee that when a conflicts problem arises, in the first instance, we'll do the information gathering, formulate a recommendation and pass it

on to the Chairman -- who has the ultimate decision on any particular conflicts matter.<sup>5/</sup> Once a year we go out to the exempt employees and have them fill in the conflicts of interest questionnaires. We provide them with [a copy of] the policy and a questionnaire, [that asks] if you've read the policy, within the terms of the policy do you have any investments or activities or what-have-you to disclose and we process the questionnaire that way.

My office [also] administers the stock option program. There is a lot of paper shuffling involved with bank accounts. We have to fix the corporate seal and give certificates of incumbency and certify the resolutions. We provide a lot of assistance to the Financial Department when it comes to the formalities of bank accounts.

Dropping back to the stock question, is a question of escheat, many states say that if you haven't heard from a shareholder for many years the dividends due to that lost

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<sup>5/</sup> change to: When a conflicts problem arises, in the first instance, we'll do the information gathering, formulate a recommendation and pass it on to the Chairman, who has the ultimate decision on any particular conflicts matter.

shareholder and stock itself often is escheat to the state.<sup>6/</sup>  
So, my office has to keep on top of that and file the  
reports.<sup>7/</sup>

In connection with the annual meeting,<sup>8/</sup> I'm responsible for  
putting on the annual meeting. All things, anywhere from  
finding a hall, to arranging for the physical support: the  
stage, the sound, the people.<sup>9/</sup> Plus, we have to go to the  
shareholders and solicit their proxies, because the modern  
corporation once a year has to go to the owners of the  
corporation and get their vote to elect the Board. There is a  
lot to do with the Securities and Exchange Commission:  
preparing the proxy statement and the other materials relating  
to that, dealing with shareholders who might want to submit  
proposals. I think those are the major areas. There might be  
some

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<sup>6/</sup> change to: Dropping back to the stock question, there is  
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itself, must be escheated to the state.

<sup>7/</sup> change to: required reports.

<sup>8/</sup> change to: meeting of shareholders

<sup>9/</sup> add: who work at the meeting

others. Oh, subsidiaries, the company has a lot of subsidiaries. The formalities of the subsidiaries, the Board meetings, the actions in lieu of a meeting, the certificates, all the things that we do for the parent company, we do for the subsidiaries as well. Those are the major areas.

TMS: I guess I would like the discussion to follow two levels, if we could. One, we have already spoken briefly about the Board [members] and their role in COMSAT -- their activities, how they have changed over your tenure, your association with them. The other, you just suggested to me, would have to do with the shareholders themselves and how you see them as a group. Why don't we start with the Board?

JB: Okay, the Board started out as a group of incorporators. You are familiar with the fact that the [1962] Satellite Act authorized the creation of this corporation which would have the monopoly. The Satellite Act said the corporation had to be a District of Columbia Corporation, and it authorized the President (then President Kennedy) to establish<sup>10/</sup> incorporators to create this corporation. President Kennedy

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<sup>10/</sup> change to: select



called on Phil Graham. At the time he was, I guess, the owner of the Washington Post and married to Katherine Graham. He, in turn,<sup>11/</sup> began the process of pulling the group together. Now, he started that in 1962 and I am told that one of the first things he did was to hire the first Secretary, David Melamed, who he had had contact with at a law firm in New York. He started out as part of the staff to help pull things together. They got together a group, which I think was rather political. For instance, Bruce Sundlun, who is one of the two remaining incorporators still on the Board, was the designee of a Senator from Rhode Island, Senator Pastore, who was very active in putting together the Satellite Act. I don't know if they call him [Pastore] one of the fathers of the Satellite Act or not, but he was pro-COMSAT and<sup>12/</sup> putting it together. I guess Sundlun was active, or his father, well both of them were active in democratic politics in Rhode Island. They were concerned about financing the corporation.<sup>13/</sup> So one of the early incorporators, now I have to stop and think of his name,

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11/ change "He, in turn," to "Graham"

12/ add: was instrumental in

13/ change to: One of the major concerns at that time was financing the corporation.

let me refresh my recollection, Sidney Weinberg was one of the incorporators.<sup>14/</sup>

TMS: He was with Goldman Sachs at that time, wasn't he?

JB: Yes. He was kind of "Mr. Goldman Sachs" and so he was on the list of Incorporators. Do you want me to go through each of them or....?

TMS: No, that's okay. Let's get it up to the point where you enter the picture as Assistant to the Board.

JB: Okay, in other words, you don't want that history, what was going on?

TMS: Well, let's sketch it in a little bit, but I'm interested in moving to the part that you're most directly associated with.

JB: Okay, well, I was just going to say that instrumental in

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<sup>14/</sup> change to: So one of the Incorporators was Sidney Weinberg.

getting the corporation off the ground (and maybe you've read this elsewhere) was the whole question of credibility of this whole enterprise. Before the [international common] carrier directors got on the Board, which occurred in 1964....once the corporation had been incorporated, it didn't make any sense to have anything going unless you were going to get the cooperation of the other countries.<sup>15/</sup> Remember the context, at that time, you just had some undersea cable and maybe shortwave [circuits], but there wasn't much in way of communications across the seas aside from a few circuits in undersea cables. Nonetheless, the governments (which on the other side of the Atlantic and elsewhere handle communications, rather than private companies) didn't know whether they wanted to deal with this new entity. From what I've been told by Dr. Charyk, one of the key things was to get AT&T to go to Europe and talk to the telecommunications entities there and say: "Look, this is serious. AT&T backs it, AT&T is going to use these satellite circuits, you guys have got to get serious about it, too." So, the carriers played an instrumental role in getting credibility for the corporation. Which then got

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<sup>15/</sup> change to: COMSAT would not succeed unless it got the cooperation of the other countries.

those countries....it was essentially the Western European countries which put INTELSAT together. Then, when the stock was sold the carriers bought half of it and they had their six directors on the Board. Three of them were from AT&T and, I guess, two from ITT and one from--oh golly, I forget.

TMS: Was it a a fellow named, was his name Goul, from Hawaiian Telephone Company?

JB: Yes, Guild, Douglas Guild from Hawaiian Telephone Company. I guess he was on first, then GTE may have bought them.<sup>16/</sup> There was a fellow from Rochester Telephone by the name of Benetti, who was on the Board for a little bit. In any event, you had the primary competitors, the primary customers and the primary owners on the Board represented by the carrier directors -- especially the three from AT&T. There was a body of thought within the corporation that COMSAT's future lay with dealing with our primary customers and doing things which would insure the happiness of our primary customer. In other words, you don't always fight with the guy who is really giving you

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<sup>16/</sup> change to: I guess he was on the Board representing the small carrier shareholders. Later, GTE bought Hawtel.

most of the business. Other people, I think, in the early days might have thought that we ought to strike out and do other things and not be dependent on one.<sup>17/</sup> But I think, in the early days and continuing on and maybe even now, there is a large feeling that you can't ignore them and that perhaps our best interests lie in working with them, cooperating with them that kind of thing.

TMS: Was this the sense of the Board when you became Assistant to the Secretary as well? Is it your perception that the Board generally felt this way?

JB: Well, at the very beginning, I had nothing to do with Board. So, this is kind of hearsay. I picked up just from what others told me. Once I became Assistant Secretary, then I began to deal with the Board more and over the years as my boss begin to do other things. In 1975, in addition to being Secretary, he became Director of Public Information. Public Information, at that time, required so much attention that he said, in essence, I'm going to be handling that mostly and

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<sup>17/</sup> change to: Other people, I think, in the early days thought that we ought to strike out and do other things and not be so dependent.

you're going to be handling the Corporate Secretarial half of the job. So really from 1975, I've been more into the Board side of it, although I had been attending meetings and doing<sup>18/</sup> things to a lesser extent before that. Anyway, you have the Board in essence working toward maintaining the basic monopoly position for the Corporation. Yet from time to time, when opportunities came along, we were trying to get more things to do. Because, even then, as the satellite system begin to mature, as we went from interim arrangements to permanent arrangements for INTELSAT, you could just see in the future INTELSAT was going to take over more and more of the responsibilities of the global system. Things, which in essence, we had done from the very beginning. As our role there was going to be truncated and as more people came in and our investment would go down and, thus our voice would go down, we had to redirect our energies. Because where we had spent our time in the first five to ten years was no longer going to be available to us. Of course, you would have your independent bureaucracy over there.<sup>19/</sup> You've got the Director General

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18/ add: related

19/ change to: We anticipated that INTELSAT would have an independent bureaucracy over there.

and all the things we were doing were slowly shifted over to the other location.<sup>20/</sup>

One major area this brings to mind is the question of domestic systems and there we wanted to do a couple of things, in fact, we had proposed putting up a multi-purpose system. A lot of people [were proposing domestic systems] as early as, I think 1966. ABC had proposed putting up a domestic satellite system and the FCC had just held the hearings and it dragged on and on.

TMS: Yes, for a number of years, I think it was.

JB: That's right and finally in the early seventies, I guess when Nixon came in 1968 and there was change in Administration and a change of approach.<sup>21/</sup> People's responsibilities were sometimes located in the White House and sometimes outside of

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<sup>20/</sup> change to: Once the Director General was appointed, all the things we were doing were slowly shifted over to the other entity.

<sup>21/</sup> change to: That's right. I guess when Nixon came in 1968, there was a change in Administration and a change of approach.

it.<sup>22/</sup> And the upshot of it was that there were a lot of filings. In late 1972, the FCC said that we could start doing things other than INTELSAT<sup>23/</sup> in the domestic arena. Now, we had filed to put up a COMSTAR system for AT&T, we had also filed to put a system for others.<sup>24/</sup> The Commission, I guess, was concerned about us dominating everything and so it said, "You have a choice." My recollection is that the choice was either you can go ahead and just do a system for everyone and not do the AT&T system or else, if you want to do the AT&T system, then you cannot be the major voice in any other domestic system.<sup>25/</sup> So, that's when we got together with Lockheed and MCI and formed CML -- COMSAT, MCI, Lockheed.

TMS: The forerunner to SBS.

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22/ change to: Responsibility for the government's telecommunication policy was sometimes located in the White House and sometimes outside of it.

23/ delete: other than INTELSAT

24/ change to: Now, we had filed for permission to put up a COMSTAR system for AT&T, and we had also filed to put up a multi-purpose system for others.

25/ change to: My recollection is that the choice was either COMSAT could go ahead and establish a system for everyone and not do the AT&T system, or else, if we wanted to do the AT&T system, then we could not be the major voice in any other domestic system.



JB: That's right, so, that's when COMSAT GENERAL was created. In fact, I shuffled the papers to incorporate COMSAT GENERAL in. I guess, it was in January of 1973.<sup>26/</sup> I was still Assistant Secretary of COMSAT and I became Secretary of COMSAT General. At COMSAT GENERAL they thought that George Sampson was going to become President of COMSAT GENERAL, but the last minute there was a big turn around and they made John Johnson President of COMSAT GENERAL.<sup>27/</sup>

We had COMSAT GENERAL initially -- and here I would have to go back to the records to refresh my recollection -- I think the deal with AT&T came first, but also around this time was the MARISAT Program.<sup>28/</sup> So those were the two programs that COMSAT GENERAL was charged with because they [the FCC] didn't want the parent corporation, whose major function was to deal

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26/ change to: In fact, I shuffled the papers to incorporate COMSAT in January of 1973.

27/ change to: Everyone thought that George Sampson (COMSAT's Operations Vice President) was going to become President of COMSAT GENERAL, but at the last minute there was a big turn around and they made John Johnson President of COMSAT GENERAL.

28/ change to: COMSAT GENERAL initially had two major responsibilities. I think the deal with AT&T came first, but also around this time we were developing the MARISAT Program.

with INTELSAT, to have its energies diverted to these other projects. They (the people of the FCC) were very concerned about cross subsidization; so you had to have this big separation between COMSAT and COMSAT GENERAL. Only at the Board level could there be this interplay. So Dr. Charyk, who at the time was President [of COMSAT] was, I guess, Chairman of the Board of COMSAT GENERAL. I am trying to recall....that's funny I don't remember who else was on the Board at the time. Johnson was, of course, on the COMSAT GENERAL Board. He only went on the COMSAT Board later. In fact, Johnny wanted to retain his officership in the parent (I think he a the senior Vice President at the time). I wanted to retain my Assistant Secretary's job. We petitioned the FCC and they said, "No." At the officer level, an officer of the parent could not be an officer of the subsidiary and vice versa. So, the two of us had to decide which officer's job to give up. Johnny gave up the COMSAT officership and I gave up the Secretaryship of COMSAT GENERAL; someone else went into that. In any event, COMSAT GENERAL went forward and it had the two programs. The Board meetings there...they met, oh, I guess, it was once a month and they would receive reports on how the development on the COMSTAR satellites were going and how the satellites for

MARISAT were being developed. In the meantime, you<sup>29/</sup> had this CML entity and that was an investment.

As I recall....isn't that funny? I have to stop and think now....I think that was at the parent level, we had the structure where the COMSAT Board did not take actions concerning what the subsidiary would do. Rather, it would review proposed actions of the sub. To give you an example, let's suppose a commitment was to be made to spend five million dollars to build earth stations for the MARISAT system; one on each coast. The Board paper requesting authority to commit the money would go to the COMSAT GENERAL Board and they would look at it. Then they would say, "Well, it looks like a good idea to us." But before they took the action it would be sent up to the Parent Board where it would be reviewed and the device, (that's what we called it after it was reviewed) if the Parent Board reviewed it without objection, then the sub Board would then take the formal act of adopting a resolution authorizing the spending. We continue to follow that structure to this day.

TMS: What would happen if the Parent Board objected -- would

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<sup>29/</sup> change "you" to "COMSAT"

that just carry moral weight?

JB: Well, I suppose a sub Board could go take the act, but they could also get fired.

TMS: I see.

JB: In its baldest terms, the idea was that... well if you look at it conceptually, what is the parent but the stockholder of the sub? In any stockholder corporation situation, a stockholder can retain unto itself (as part of the contract between the corporation and the stockholder) certain powers. In fact, if you look at corporation laws, they say there are certain fundamental things that only the stockholders can do. If a corporation is going to sell all or most of its assets, that's not a decision for the corporation's board, it's a decision for the stockholders. But, it also goes on to say that, especially in a close corporation, the articles or the certificate of incorporation (which is the contract between the stockholder and the corporation itself) can give those powers anywhere it wants to. So if the stockholder wants to retain more powers, it can do so. So, in essence, we have....and, the

stockholders said, "When it come to expenditures in any excess of X, I want to have the right to review that." I suppose, theoretically they could have said, "I want the power to decide." We never went down that road. I'm not sure whether anyone really sat down and conceptualized this. After the fact of looking at it, they came out, viscerally perhaps, with what a typical corporate statute permits; with having retention in the stockholder of the power to make certain fundamental decisions -- and our structure was the review without objection device.

TMS: Talking about the domestic satellite system brings to mind a number of what might be called "turning points" in the company's development -- that [domsats] being a major one, certainly. In your recollection, what were the ones that were, for one reason or another, most problematic for the Board: either divisive as issues or ones that the Board, even if they were united, were very much aware of risks being taken or were not sure that they were going the best direction for COMSAT; but may have agreed to go, to permit, or to authorize a certain action for other reasons, let's say. Can you think of some issues or events that were particularly striking from the

Board's perspective?

JB: Well, certainly the question of entering into the arrangement with IBM was a significant action. Once again, the context was, in order to get into the domestic arena (in addition to the COMSTAR program) we had to have partners. The partners that we had available to us at the time were Lockheed and MCI, each of which had no money to invest; but I think we saw it as an incremental process. We knew at some point, if they couldn't come with the money, they would have to be replaced with others so they we would not have the majority, to still, in other words, comply with the FCC requirements. But we went ahead. I don't know whether you would want to call it a minuet; I think collectively in the back of our minds, we had the feeling that they ultimately could not survive. MCI, at the time was much smaller, it had on its agenda building its own network; it had no money for what we wanted to do.

TMS: At that time, Lockheed was in desperate financial straits.

JB: Exactly, it may be...I think there was speculation here,

we didn't know for sure that maybe they saw this as an opportunity to get some money. They knew COMSAT couldn't go it alone, they went and said, "Here, we'll be the other guys with the share;" in the hope that comes the time when money had to be committed (because we were going forward trying to come up with a system that made sense domestically) they could be bought out and there would be money in their pocket. There was always the possibility that after that year or two -- turns out to be three I guess -- until 1975 -- you know you could always teach the horse to talk, if you know the old story. In any event, we knew that ultimately we would have to find others<sup>30/</sup> and I think senior management was casting about trying to find the best other partner or partners. We, one way or another, came up with IBM, and I think the former Chairman of the Board, Joe McConnell, was instrumental in getting IBM. Later on, I guess, we needed Aetna because I don't think the FCC would permit just the two of us together.

TMS: Well, you each have a minority share in the business, as I recall.

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<sup>30/</sup> change to: other partners

JB: Right, so, there was, on the part of at least one director, (it turned out to be John Johnson) a feeling of strong opposition to IBM. He felt that IBM's agenda was different from ours and IBM was bigger than we were and ultimately that was going to create problems for us. When the Board finally came to vote on going forward with IBM, Johnson either abstained, (I would have to go back into records to see whether he abstained) or voted "No." That's one of the very few times that there was a recorded vote and when there was a negative vote cast or a refusal to support the program.

TMS: That's interesting. Are you suggesting that usually there is debate but doubts are resolved on the Board?

JB: Yes, generally our Board tends to act on consensus. I'll put in the record that, "The Board unanimously adopted this resolution," because they do; no one objects, no one abstains. I keep action minutes and I put down what happened. Generally, and it's only rarely (because most of the stuff that comes has been, it's like Kinzie likes to say, "vetted") the problems are discussed, worked out ahead of time. If anyone has questions they'll put off a vote and say, "Let's do some more work, let's



satisfy these concerns." I've seen it happen, but it's rare that something comes up where a Director is not satisfied or doesn't understand something. We put it off to work with that Director, give him the information he needs, find out what his real problem is. Often people may not be as articulate they may usually be in expressing what really concerns them. We can work out the problems that way. This is not like a congress where you've got a minority and a majority and coalitions form and it's always yeas and nays and it's a hundred nineteen to twelve or eighty to seventy -- that kind of deal. The Board does not work that way, it's done a consensus basis. That was one time where you had a specific opposition to a policy.

TMS: Can you think of another? It strikes me as important because that kind of action on the Board's part can be an implicit signal that here is something major occurring, even if from the point of view of say, employees or even the stockholders of the corporation, they might not see it as such. They might not realize that there really was major debate. The men who were in the position to review it really know.... they saw alternatives, they saw problems, they saw things that needed to be worked out. Were there any other times in your

recollection like the SBS -- the joint ventureship with IBM.  
There may not have been?

JB: Well, there was one that happened before my time, but it's procedural. It's important to me because it concerned who got the principal stock transfer job. It made no sense to have it any place other than New York, except on the Board was the head of Continental Illinois National Bank and Trust Company in Chicago. They were about to vote and give the principal stock transfer agencies to a New York Bank -- I think it was Manufacturer's Hanover. He said, "No, it's got to come to Chicago." I'm told this, you can read it, you can infer it from the record. Directors have told me he said, no it's got to come to Continental," and on a very close vote, I think, it was given to Continental -- which it was a disaster from the point of view of the corporation. But it was the only instance that I'm aware of where that kind of decision .... (and obviously it had nothing to do with whether the satellite system succeeds or not -- it's totally procedural and administrative) it was an instance where one of the directors kind of flexed his muscles. In fact, that must have occurred before the stock was sold, so it was still in the

incorporator's stage.

TMS: That's interesting. It suggests something that I heard someone else say about the COMSAT Board of Directors. They were characterized -- and this is someone else's characterization you need not agree with it -- as a Board of Superstars; meaning that here are men with major directorial or management backgrounds from the major corporations of the United States. It occurred to me at the time to wonder when I heard them described that way, that if this was so, how has this complicated or promoted Board relations and COMSAT's growth as a company?

JB: You raise a better point. I don't know whether you realize it or not.

TMS: Probably don't.

JB: What you have, and we're still feeling somewhat the impact of it, was a corporation where the Board was really the management. You start off with incorporators and no employees (or one or two employees) at a relatively low level. The first

thing they do, they hire a Chairman and CEO and a President -- each of whom is also an incorporator; they make them an incorporator. But, there is really no management structure. You have got guys meeting once or twice a month running the company -- making the fundamental decisions with respect to: should INTELSAT be a series of bilateral agreements or an international organization. So, the context have always gone from intense involvement -- acting like a management rather than a Board -- and a slow evolution toward a more typical kind of arrangement. The impact, the effect of that has been, I think (and my experience is not that great, this is the only company that I have worked for) but I see from talking to peers in other companies, our Board has had its finger in the pie, so to speak, much more intensively. It's much more a hands on kind of thing than most Boards do; because of the fact there was no one else to give it to at the very beginning. It's only a few years ago that the Board was willing to give to the management the power to commit for an expenditure in excess of a hundred thousand dollars. I think it was like 1978 or '79 -- I'd have to go back, right about the time I became Secretary.

TMS: That puts a tremendous burden on the Board actually.

JB: Yes, we kept going to them for all kinds of silly little expenditures. If we wanted to buy equipment at the earth station and it cost a hundred five thousand dollars, we had to run to the Board for it. It's crazy, and they spend an inordinate amount of time. I don't do it now, but I used to spend a lot my time just going around the building talking with this group and that group, preparing the memorandum, and asking for the money. We had a form that the Finance [Department] came up with called a Board Appropriation Request Form. We used to spend hours going over this. Finally we moved away and got from a hundred thousand dollars, I think, up to a million. Then a couple of years ago, we finally got up to five million. I would say, within my tenure, so it's five years, we went up to the five million before you would have to go to the Board from one hundred thousand. You can see, it's fifty times. How is my math?

TMS: That's right. Why the change? I can understand why it was that way for a period of time. Why it remained that way for so long, is a little more questionable to me. Why the change over the last five years? Just new people on the Board who have said this is not way we do business?

JB: Well, there was, on one side, people on the Board (as we got a slow turnover) who said: "I can't understand it. In my corporation, we review a budget and the guy has got ten million dollars of authority. Unless it's in excess of that or if it's a new business -- something fundamental -- why are we wasting our time on this?" So, individual Board members had that choate, in some cases inchoate

feeling. Then, I think it might have to do with the personalities of who was here. It was in 1979 that McConnell retired as Chairman; who had been in for about ten years. Then Harper took over -- that might have had something to do with it. I think it did, because Harper came in expecting not to spend as much time as McConnell had. McConnell is the kind of guy who would love to spend more time on things. So I think it was an element of personality and an element of perhaps of new blood slowly coming on to the Board and saying, "There's a better way to do it." But you had to overcome that feeling from the early sixties that we (the Board) really ran the corporation. In the typical case, you've got a management structure and very often the managers have been there far longer than the Directors who come on and serve five or six

years and then go off again. The company right now is what, only about twenty-one years old.

Getting back to your question about other fundamental decisions... Now, deciding to make our first acquisition, ERT, there I don't know whether the Board so much had a problem. There, I think it was more McConnell had a problem with this particular entity. I'm not that close to it, but it seemed to me that Dick Bodman had proposed the purchase of ERT because he thought some synergy could be achieved. We had had several (I don't know whether several is the right word) at least one.... We got authority to buy a company call Ocean Routes. Ocean Routes is a company that would provide routing of freighters and other ocean-going ships. It would take the information about weather and sea temperature and a zillion others things. Then based on that, I guess, using some computer program, could develop what it thought was the best route, the most economical route in terms of avoiding bad weather and conserving fuel and location and everything. [It would] then provide that information to ship owners who could then send it on via satellite -- however it was getting there.

We could see a match using the satellite communications in MARISAT and this kind of service. Well, the Board kind of

grudgingly gave the authority to buy it. COMSAT GENERAL was working on it. As I recall Joe O'Connor was the fellow who was kind of honchoing it. I think this was before Dick Bodman got here. I think we got authority to finally to make a bid for the company but some Swedish company, some Scandanavian company, came in and bought it very quickly. It moved very quickly and we moved very slowly. We have a tendency to do that, we are bureaucratic here. We had never done it before and we just didn't have an acquisition team.

TMS: Right.

JB: And remember the Board was heavily involved in this, now. It was a fundamental decision to buy a company. We had never bought a company before to my recollection. That didn't work out. Then here comes ERT with which we thought we could do something. We had this, what we call the "ENVIRONET" concept, that ERT would be one aspect of it. We also had this idea of selling a service to the government where you put terminals -- I forget what they call them -- out in the wilderness, to take readings of water.



TMS: Right.

JB: Funny, I can't remember the name of the thing you put out there. I believe COMSAT GENERAL developed this little stand-alone terminal. We thought, if we could get it off the ground we might lose money on it, but if we could get our foot in the door, we could start to provide real-time information for the government and out in the West, snow melt and that kind of thing. It was very important. ERT, COMSAT GENERAL's activity of these terminals -- data collection terminals, is what we called them -- plus ERT's expertise in pollution control (and there they had great thoughts that you could monitor these factories and maybe perhaps via satellite pick up any emissions or whatever). They had a whole plan -- the ENVIRONET-CONCEPT. It would also include ocean routing and the whole thing where there would be the marriage of satellite communications and environmental things like water and pollution and everything else. ERT had a major effort going on internationally in Saudi Arabia and the Middle East. They had a whole lot of things going and their projections showed that their growth would come in that area.

Second Interview with Jerome Breslow

11:00 a.m. -- COMSAT Headquarters

July 1, 1985

NG: You ended the last interview talking about acquisitions. You didn't seem real interested in pursuing that. Can you think of anythings that may have come to your mind about the process--the way that the company made decisions to acquire new companies; that you might want to sort of follow along? How we got into the ERT business, why they started getting more involved in acquiring companies they maybe did developing their own technologies?

JB: My recollection as to why we started looking to other companies...the rationale--the public rationale, and I think it was the private rationale--the internal reason was we thought there was some constraints on what we could earn as a monopoly business and we thought that we had some strengths that might be bought to bear in the competitive area and where we could get a better return. So they wanted to bring in someone who could start exploring areas where we might go into other more

competitive businesses--acquire companies, come up with a program for doing that. When Dick Bodman came in, I think that was part of his charge. Not only should he handle the financial side of things, but look around and see whether there were some companies where it made sense for COMSAT to acquire it and develop a better business where we could achieve a better return.

NG: Do you think that process of acquisition has helped the company or do you think they've gotten into some areas where their decisions may have been more marginal?

JB: I don't think we've done it as well as we could have done it. When we acquired ERT, that was to be part of a larger effort--I think the label was "Environet". Now ERT uses Environet for one of its little new businesses. But, at the time, we wanted to have ERT, along with some other businesses which could couple the communications strengths at COMSAT, with some of these other companies which could use that communications ability with its own strengths in unique ways--in new ways--and build one on the other, to come up with some useful technologies and useful businesses that could make a lot

of money.

NG: So why is it that you feel that possibly this process has not been as fruitful as it might have been?

JB: I think there are a lot of different reasons: one, for instance, the Environet concept was never fully carried out. We bought ERT, we bought it due to a...I don't know whether you can say a number of reasons, but for whatever reason, we had to dispose of a portion of the business. And I think that portion of the business was the high growth area--the international business. They were concerned about contacts with the Middle East. So the deal was to sell off the Middle East business to Norman Gaut's father and let him run it. It turns out Norman Gaut's father was a real businessman, so two things happened: You lost one of the growth areas of the business and you lost the businessman that was running it. Norman is great, he's lots of ideas, but he's not the businessman his father was, in terms of running a business. So, that was one problem. Actually, it was the two problems: the loss of the future business and the loss of the businessman. Then, the base business of ERT went sour, because of the recession. And they

were so busy fighting to maintain the viability of the company that they didn't really have the opportunity to pursue the Environet concept. Some of the other ideas such as using data terminals and providing that kind of communications to governments didn't pan out. The government didn't fund it, they couldn't get the regional governments to fund it, so some ideas for exploring the connection of satellite communications to the kind of environmental work that ERT was doing didn't pan out. the ocean routing portion of it I don't think evolved. There was a whole series of elements to the Environet concept which just didn't work out.

NG: There's been some criticism about the way in which COMSAT has made its decisions, in terms of not the kinds of businesses they get into, but that maybe they go into businesses where there is not quite the market for the services of those businesses that they initially think there will be. Do you think that, in the process of this acquisition, that may have been a concern?

JB: A concern? There is always a concern that the market you think is there is not going to turn up. SBS is a perfect

example. Maybe "concern" is the wrong word. I think when they were evaluating purchasing ERT as part of the overall Environet concept, they tried to look at what the market would be. Maybe they didn't do it as well as they could have, but that was certainly looked at. I know in terms of the information the Board got, it got certain projections and those projections were based on where they thought the market would be for these things.

NG: In other acquisitions do you think there may have been a similar mitigating factor of whether or not the projections prove to be correct or incorrect.

JB: I'm not sure I understand what you mean. Whenever you make a decision like that--to buy a company--you just don't say, "Oh, that's a nice company, let's buy it." You look at what you think is the market, and you've got people who were devoting lots of time to seeing whether or not it makes sense to buy a company and one of the basic elements is: is that company going to do business? Is there a market to sell to? And I think in each case when we've done that, we've had projections, we've tried to anticipate what the market is.

curious about why that happened and what it meant to your office in terms of your own activities, and what changed in the structure of the corporation that made that happen to your office.

JB: I don't know why it initially was established that way. I wasn't here. When I came on board which was in '66, there was

a transition going on. David Melamed was leaving, David Marks was moving up, and thereafter, I guess it was in 1968/'69 David Acheson became General Counsel. When David Marks left in 1969 it was decided to merge the offices, and make one the Assistant General Counsel in charge of Corporate Matters, Secretary.

There had been some tensions between the offices due to overlap and they...and I don't know whether David Acheson said, "I want that as part of the operation," or whether these guys came to him and said, "it should be part of the operation." For whatever reason, it might have been both of those, it was decided to merge the two operations in '69. Doing so certainly gave us, who were lawyers in the Secretary's office, the formal hat to wear, and that enlarged our opportunities and so we were doing both. And that continued on to 1975, when the fellow who was secretary at the time (who had been doing a lot of the work with respect to the Annual Report and the Quarterly Reports and areas in public affairs) thought that there was an opportunity for him to grow more by picking up that responsibility--keeping the Corporate Secretary's job--but adding on the Director of Public Information (if that's his title was, I forget whether that was the exact title) and since he wanted to keep the Secretary's office and do the other, and he was willing to give up (I forget whether he was Assistant General Counsel by then or still Counsel for Corporate Matters)...and the office followed along with him. And a decision was made obviously,



(since he was proposing to put them over there) that the office would go out of the General Counsel's office and I stayed along, and some people stayed in the General Counsel's office and we went on for four years, separated out. Personally, I took a risk in just ceasing formally to be a lawyer and going along thinking that my future might be better being out of the General Counsel's office and then sticking with the Corporate Secretarial side, as he was going on into the public information side as well. Now, that's gone on from '75 to '85 and now we're merging the offices again. So, I think perhaps, in this particular instance, the experiment didn't work out and I hope I'll have more opportunity being back in the General Counsel's office than being outside.

NG: And you find that enhances your own position mostly because you're a lawyer then?

JB: I think so.

NG: So that's really almost a personal preference.

JB: Yes, I guess that's one of those instances where personal

needs might mesh with corporate needs. Of course, there is more than one way to organize. Of course there are lots of companies where they are together, there are lots of companies where they are separate. There are other companies where, not only is it separate, but it's not in the legal area at all.

NG: Do you find that in terms of function, that it really substantially changes the kinds of work that you do or is it really....?

JB: No.

NG: It's really more bureaucratic issue than it is a....?

JB: Well you do have an opportunity to pick up more legal kinds of things...

NG: If you're a lawyer.

JB: If you're a lawyer, yeah. And I think that what's going to happen to the lawyers in the office is that the areas where we're working substantively as lawyers (if not formally) now we can do it formally as lawyers and there are related areas of

the law.... There is plenty of legal work to do here and we can pick up other things to do as well. So, I think there is greater opportunity on that basis. A lot of my friends are lawyers and have legal titles as well as being secretaries of their respective corporations.

NG: You're the head of the Conflicts of Interest Committee.

JB: Yes. I'm Chairman of the Management Committee on Conflicts of Interest. There is also a Board Committee.

NG: Of the Board Committee.

JB: The one that is concerned with that is called the "Committee on Corporate Responsibility."

NG: I was just interested in some of the kinds of issues that have been raised in that committee.

JB: Would history be helpful here? It started out as a Committee on Contracts with Affiliated Persons, because COMSAT was established where its major shareholders were its major customers and its major competitors. There was always this

concern that the contracts we entered into were fair to the corporation--or not unfair to the corporation--if that's how you want to express. So, from the very beginning, a committee was established so that if we were going to enter into an agreement with AT&T for example, this committee would especially look at those elements of the deal: is it not unfair to the corporation; is AT&T, because it's a big customer and sits on the Board and big shareholder, getting a better deal than it should; was it not at arm's length--because you had to be sure that they weren't taking something for themselves to the detriment of the shareholders of COMSAT. So, you start off with that, a special sensitivity. The directors had to disclose their interests and the employees had to disclose their interests, and then as the company evolved and other areas became important, we began to compete and started manufacturing and what have you, the committee became the "Committee on Conflicts of Interest." We had this entire program of looking to see what kind of investments employees might have; whether they had any interest<sup>31/</sup> in anything they were working on for COMSAT. Suppose there was an agreement where we were negotiating with some company in the Washington

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31/ change "interest" to "private interest"

area, for instance, to buy some equipment, to buy some services from them. We wanted to be sure that the people who were evaluating those services or evaluating that equipment didn't own that company. When there were instances like that, then a whole procedure was established where people would have to notify their supervisors and if necessary these contracts would have to be reviewed by the Committee on Conflicts of Interest. Then, as we kept going on, we decided that it was important to have a formal management mechanism which could assist--not only the committee--but assist the CEO in evaluating these problems, because the procedure left it to the CEO to make judgments about whether people could own stock, could participate, things of that nature. I'm not sure whether you want a whole detailed description of the program, but in essence you have the management committee which advises the CEO, the CEO makes certain judgments about things, and the Board Committee would oversee the entire operation. And the board committee would also be there, going back to its original function of the Committee on Contracts with Affiliated Persons. Still, that original obligation...if a contract was to come before the board, the committee, if there was a director involved, or there was some other special reason why the committee should

take a look at it (under the provisions of the by-laws or whatever) it would still have that function plus these additional oversight functions of our conflicts of interest program. Ok. So you're asking for some specific examples?

NG: Maybe one instance where the committee was able to deal with a situation in a very forthright manner and maybe something that became a little more controversial later on--anything that may come to your mind that you feel you would want to talk about.

JB: Well, there was one specific case that comes to mind where it percolated up to the Committee, but it went through the whole process. There was one employee who (first was out at the Laboratories, then he came down to headquarters) who had an outside company, and he and another person...it was a little company but it was doing work. As he got more and more involved in that company, and more involved with the kinds of work he was doing at the Labs and then more importantly down here, there got to be a concern about the amount of time he was devoting to that company, and the kinds of activities that company was doing; let me give you a buzzword--if that's what

it is, "technological leakage". He was at a level where he knew things were going on on the technical side of our company and that could benefit his company. We were concerned of that. No only the reality but the appearance of that. So because of his position, and because of the possibility for "technological leakage" we, the committee, got together, looked at all the facts, we had him come in and tell us about what his company does, and we did further research, and we formulated a conclusion that there had to be separation. He had to make a choice. It finally boiled down to...because we had asked him to withdraw from the company. He could still have ownership, but not to be so heavily involved in the management. That didn't happen. He said it couldn't happen. We gave him over a year to effect that. He said he couldn't sell, he couldn't find anyone else to manage it, and we just told him, "Well, you'll have to make a choice." You have to work for COMSAT or you have to work for that. And finally, it resulted in a decision being made that he had 30 days either to sell his company or leave COMSAT. And he left COMSAT. So, we take the whole question of conflicts of interest very seriously and we spent well over a year in trying to work this problem and maintain our credibility. We just can't have people ignoring

the limits of participating in other activities which are contrary to the interest of the corporation.

NG: Do a lot of things come up in front of the committee?

JB: Not a lot of things. We do have a once a year solicitation of all the exempt employees, and they have to disclose certain information. There are certain standards. There are three major areas of companies: competitors, vendors and companies who are in a technologically related area. And you have to disclose whether you're an officer, director of any one of those three kinds of companies or whether you have investments in them: and that also depends on whether it's a publicly traded company or a privately held company. If it's got, I think, more than a thousand shareholders, then the test is whether you own more than \$25,000 of stock in that company. If stock is not publicly traded, less than a thousand shareholders, then we consider it to be a privately held company and you have to disclose whether you have any investment in that kind of company. Then the CEO makes judgments about whether you can retain that investment, and he looks to the management committee for a recommendation on that.



What we do, when we examine all of the submissions by all the employees and they answer questions...let me go back a step. First, they are required to read our standard practice instruction--our whole conflicts of interest book saying these are the rules. There are lots of other things in there besides that--corporate opportunity and a whole slew of things. After they've read the policy they have to answer the questionnaire. And then for each question where there is a "yes" answer, we pursue it further; we get all the information. If they say, "yes, I have an investment in a privately held company which is a category three company in a technologically related area," then we pursue it. Of course "technologically related" is very broad, so that's kind of a flag. It may turn out that, although it is in a "technologically related" area, no element of the corporation is dealing with it. Of course, it might be dealing with something with such a low frequency or data rate or whatever, that we're not interested in it. Then, fine. We're not interested in poking into the backgrounds and the private activities of our employees per se. Only when it has a bearing on the business of the corporation are we interested, or should we be interested. We just want to limit it to where it has a business purpose. So, that information comes forward,

the committee examines, gets more facts, makes a judgment about [it]. In this particular instance, does he have an interest, or she for that matter, which requires some action to be taken. We formulate a recommendation, it goes up to the CEO. He may ask further questions, you<sup>32/</sup> may accept our recommendation--generally he does, but sometimes he doesn't--he wants more facts, wants to discuss it some more, and we process all our conflicts problems that way.

NG: Let's talk a little bit more about stock. One of the things that interests me is the way that the stock situation was set up in the beginning with the Series A and Series B Stock, which was a unique....

JB: Series 1 and Series 2.

NG: Series 1 and Series 2, a unique arrangement for a company. I was interested in, not so much the beginning of the company of how it affected the company, but what happened as that started to change? What was the impact, say of the large ITT sale of stock in 1967? What was the impact of the large scale

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<sup>32/</sup> change "you" to "he"

sale of AT&T stock when they got involved in COMGEN? How did you see things change? You're very much in the stock business, here in corporate secretary.

JB: You start off with the fact the company has one class of stock: common stock. I don't know whether you're aware of it, there is an issue now before New York Stock Exchange about whether some companies can have different types of stock, with different voting rights listed. We did not have that problem. We have the one class of common stock and one share, one vote, that kind of thing. However, there were two series [of stock] and there you got into what rights accrued to those series. And the major difference was that Series 2 would go and could be held only by communications common carriers authorized by the Federal Communications Commission to hold the stock. And I think there might have been 150 to 200 communications common carriers that were authorized by the FCC. They had to file an application to become authorized and they were [so authorized] back in 1963/'64 to hold the shares. Okay. So what happened was, after the initial public offering, you had half the shares being held by communications authorized carriers, and half, by the public. Under the structure of the

[1962] Satellite Act said the Series 2 guys get [to elect] six directors and the public gets six directors, and the president gets [to appoint] three directors. This is all well and good and there is an equivalence between voting power and number of directors, but the Satellite Act mandated six directors for Series 2 shares, six directors for Series 1 shares. So, when you have a sell-off of the carrier shares, but no change in the number of directors, the carriers began to have a disproportionate voice in the running of the company; disproportionate to their ownership. I don't recall exactly when we started working on amending the Satellite Act, I could look it up, but as the carriers began to sell-off, we went to Capitol Hill and they<sup>33/</sup> decided to accommodate us by putting in a formula for relating the number of Series 2 directors to the number of shares held by Series 2. So that if the percentage of total shares outstanding dropped below (picking a number) 45%, (because I don't remember the number exactly) then, instead of being entitled to six directors, you're entitled to five. And then if it dropped down to 38%...so there were steps, at which point, the Series 2 shareholders would be entitled to fewer and fewer directors. They also put

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<sup>33/</sup> change "they" to "Congress"

something in--here I don't remember whether it was in the amendment or originally, and it might be originally--regardless of the number of shares you held, no authorized carrier could have more than three directors. So, when IT&T sold out, it, in essence, lost its...I think it initially had two directoral slots, I think the way it was established, AT&T had three, there were two from ITT, and....

CG: Hawaiian Telephone Company.

JB: And it just so happened, that the fellow from Hawaiian Tel, Doug Guild, filled the sixth slot. He sort of represented everyone else. At the time, Hawaiian was not owned by GTE. So, when ITT went out, maybe that's when we got the amendment to the Satellite Act and it dropped down to I guess four directors. Then you had a fellow from--what is it, Beinetti, from Rochester Telephone Company when Guild left the Board. Then, we got to 1973 and the FCC said that if AT&T wanted to get involved in domestic satellite communications in a manner other than just leasing the COMSTAR capacity from us, before it

could do it, it would have to sell all its COMSAT stock.<sup>34/</sup>  
And although AT&T had no immediate plans to develop additional domestic communications satellite capacity or any other activities, it decided it wanted to sell the shares and just get out of being involved in the ownership and operation of COMSAT. So, that decision by the FCC, I think, was in like December of '72 and they decided February I think, to get out.

NG: Of '73.

JB: '73, thank you. They came to us and decided to have a secondary offering; I believe it was in June of '73. Now you had an interesting wrinkle because of the way people were elected to the Board. COMSAT, as a publicly traded company, has to comply with the requirements of the Securities and Exchange Commission as well as with the DC Law--we're a DC Corporation. We have to elect directors each year, and in order to elect them, because of the quorum requirements, we had

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<sup>34/</sup> change to: Then, we got to 1973 and the FCC said that if AT&T wanted to get involved in domestic satellite communications in a manner other than just leasing the COMSTAR capacity from us and using it for its switched network, before it could do it, it would have to sell all its COMSAT stock.

to solicit proxies and send out our proxy material. So you had this situation...well, let me go back a step. As part of the whole proxy soliciting mechanism over the years, management had always had a slate--management would propose the director for the publicly held shares, or Series 1 shares. But, management would not offer-up a management slate of directors for the Series 2, for the carriers. They would always say, "The time has come for you guys to nominate who you want. We will put that information in a proxy statement, but we will not have a [Series II] management slate." So here we know, and it was still secret at this time, that AT&T is going to sell out; but still they're going to elect three directors in May and sell out in June. And everyone thought that was a bad thing to do, because you would be saddled, in essence for a year, with directors that the public would not be electing. So we decided, ok, we--they, [laughter] I had nothing to do with it. They decided that they would get from us the names of directors that the management would want to serve. And we would spell--and we did in fact--spell this all out, because we went public with the whole thing. Ultimately, they came back and said, "We will nominate these people, whom the management is proposing because we recognize the fact that for most of the

year they will be representing the people who are buying the stock, rather than the carriers." And that's what happened. We had several directors who were nominated as Series 2 directors, with the understanding that it was the management who proposed them to the carriers and so for the year '73/'74 I guess it was three of the directors were in fact, although they were Series 2, they were really Series 1. And they continued on after that.

NG: Let me ask you a question--you're a Board watcher. When AT&T sold out and obviously they lost their position on the board, one of the points that has been made throughout a number of these interviews is the benefits of having the AT&T representatives on the board brought to COMSAT. And that they really provided a certain expertise in communications that would not have existed had they not been there. When they sold out, do you feel that their expertise was lost, or do you feel that we were able to compensate for it in other ways?

JB: Well, we did compensate for it in one respect, because one of the directors became a consultant. He retired from AT&T, Jim Dingman, I think he was Vice Chairman of AT&T and then we



hired him as a consultant. Because he had been around for a long time, I think he may have been involved with the company from the very beginning. I think I mentioned, in the earlier interview, that he may have been one of the one's who went to Europe, because he had the relationships with the carriers at the other end.

NG: I don't think you mentioned that.

JB: I didn't mention in there that there was this effort to impress the foreign communications administrations with the seriousness about satellite communications?

JB: Ok. I think he was one of the people that went over there. I think Leo Welch, the first CEO went over there, but I think Jim Dingman was the other guy who was part of that group because he was the one that really had the relationships with the foreign administration--with the guys who were at the other end of international communications stream--that AT&T dealt with. It had to be AT&T to say, "Look, we're going into this, we're serious about it, you guys gotta get on the train before it pulls out of the station." That kind of thing. So anyway,

I think Jim Dingman was involved with that. He had this wealth of experience and we tried to retain that. But--as you've got to gotta<sup>35/</sup> remember we started out from nothing and AT&T was almost a hundred years old--but over the years we developed our own expertise and at some point I guess, it was decided that we're big boys now, we can continue on our own. But sure, there was that expertise there, there was that body of knowledge.

NG: Was it a smooth transition?

JB: As far as I can recall, I think it was. You've got to understand that at the Board level, it's not someone sitting there, hands on and he's driving the train or whatever, and suddenly he's out the door and no one's sitting there--it doesn't work that way. You've got a management, which is doing things on a day to day basis, and you talk to your board members for judgment and advice and the long view. And so it was with the transition; I didn't notice any kind of wrenching change because they weren't still sitting....

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35/ delete: gotta

NG: So it wasn't that real sort of strong, change of direction or a different view of the future.

JB: I think that was in an evolutionary cycle anyway. None of these things occurs quickly. I think things were going on, people could see that as the FCC was changing the rules...they started out...what used to be, you had to clear everything with them, and over the years, they began to step back more and more for whatever reason--whether it was just personality or just a change in administrative philosophy, or whatever, a change in the technology--things began to change. And people here began to slowly accommodate themselves to it.

NG: Let me just ask one last question, and if you have anything that you would like to go into that you think I might have missed. This is again, back to your role as the Board watcher. I'm interested in a look at some of the different chairmen that have been here from McCormick to McConnell to Harper to Charyk. Were they different Boards? Are they different Boards? Do they have different personalities to them? Did these men bring different identities and characteristics that may have affected decisions that the

company would have made?

JB: Yes, I think the men are different. I think the Boards are different.

NG: How's that?

JB: I never saw Welch perform as Chairman. I saw McCormick perform as Chairman, and his successors, McConnell, Harper and Charyk. I think when McCormick--well, let me start off--my recollection of McCormick, (that's a long time ago) is that he was--what's the word I want--less forceful--there's a better word and I just can't think of the one I want--I think he liked to achieve consensus, but was not a fighter in ramming throat consensus.<sup>36/</sup> McConnell was the kind of guy who was a more hands-on kind of guy who, I think consulted with the people on the Board, but wanted the meetings to be shorter and more directed than McCormick wanted. He wanted to be more focused

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<sup>36/</sup> change to: I think when McCormick--well, let me start off--my recollection of McCormick, (that's a long time ago) is that he was--what's the word I want--less forceful--there's a better word and I just can't think of the one I want--I think he liked to achieve consensus, but was not a fighter in ramming something down the Board's throat.

and not worry a problem to death in the Board meeting. He wanted the presentations to be made. He wanted the bases to be touched before the Board meeting to make sure there are no problem areas. He wanted to get in and get out and not have long Board meetings. And he was the kind of guy who, I think, would be willing to decide quickly, and I would say Harper was even more so. I would say Harper was very decisive. He wanted things to be done, things to be moved along. I think he wanted the committees to function well and have the full Board rely on the expertise of the Committees that would develop--let them go into matters in detail and then report to the Board, answer all the Board's questions but make the presentation, get it done and get it out of the way. And I think John Harper, more than McConnell...you have this process: McCormick, who would have long meetings and look for accommodation, then you move to a guy like McConnell who wanted it faster, and then you get it Harper, who was even more decisive, it seemed to me. And then after that is Charyk, who I think stepped back a little from the degree of moving it along. He permits more in the way of discussion, although I think he likes to use the committee system for the expertise. But I think he kind of took a step back more towards letting consensus and accommodation come up.

So that there is a scale...obviously he didn't go back to the level where McCormick was, but not as intensively as Harper did. So that's the way I see it. I don't know whether it's going up and down, or down and then back up--but there were differences in degree that way.

NG: All right. I guess that takes care of the questions that I had. You had mentioned that that you might have some issues on your agenda that you might like to have put on the record.

JB: Right at this junction nothing springs to mind. I would have to go back and refresh my recollection about what it was that was said and not said in the initial interview.

NG: At your suggestion, let's talk a little bit about the Presidential appointees.

JB: Ok. I think I mentioned earlier the fact that we have COMSAT is unique--in that we have shareholder-elected directors, and directors appointed by the President of the United States with the advice and consent of the [U.S.] Senate. The rationale for that was when the original compromise

legislation came forward, there was a fight between the carriers who wanted to be in charge of the exploitation of satellite communications and the public saying, "No, the government put up all the money to develop communications satellites, the public ought to get the benefit of that money." The compromise was COMSAT where the carriers could put up half the money and the public could put up the other half of the money, but to be sure that the carriers didn't dominate it since COMSAT had a role in representing the United States to the international organization--which ultimately became INTELSAT--since the government had a concern and to be sure that the carriers didn't dominate the Board, the President could nominate three [directors] so you'd have 15 directors: six carrier directors, six public directors, and three [Presidential directors]. When it first started out, (by then John Kennedy was dead and Lyndon Johnson was selecting the three people he wanted to nominate to the Board) it was his decision to have the biggest businessman in the United States, and at that time was the head of General Motors, Fred Donner--the biggest labor leader in the United States, George Meany; and then he wanted an educator, and Clark Kerr, who was the head of the University of California, I guess he had

stature as the "biggest" educator in the United States-- so those were the three. What happened was Donner, Meany and Kerr were approved by the Senate, Kerr only made it to one meeting, because his, I want to say regents--I'm not sure that's the right title--whatever the governing body for the California school system, met on the third Friday of the month and so it was a conflict, and neither side was willing to change the meeting dates, so he resigned and then William Hagerty, who Lyndon Johnson, I guess had met and he<sup>37/</sup> was at the University of Texas, I believe. Recently he retired from being the head of Drexel University. So he was the educator that went on. So what you had was, in essence, these three directors and Meany and Donner served for a long time. They were a reflection of the special nature of the company and the special responsibility of the company in representing the United States to INTELSAT. As things evolved after Meany--he retired from the Board, and died shortly thereafter--and then, I guess prior to that time the Carter Administration had come in. Donner had retired from the Board and the third Presidentially appointed director, and I don't recall who that was...

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37/ change "and he" to "when Hagerty"



NG: Leonard Woodcock?

JB: Oh, no, no, no. That's ancient history. He was an incorporator. I don't think he ever was a director. We may have had a--that's funny, I don't recall--but I think we had a vacancy for some time. That's something I could look in the proxy statements, but I think we had a vacancy in the third Presidential slot until the Carter Administration. Oh, isn't that funny, I don't remember anymore. I'll have to go back and look.

NG: I have to trust your judgment on that.

JB: Right, but in any event, when Carter came in he nominated Joan Tobin, who had been active in the Carter campaign, and Jesse Hill, who was a long time friend and counselor to Jimmy Carter. Jesse Hill is the head of the largest Black[-owned] insurance company in the United States, from Atlanta, and so they served. Who was the third guy, isn't that awful?

[Turned off the machine to check the records]

JB: Ok, now what I'm doing, I'm going back. Now Meany was on in '77, [flipping through proxy statements] Meany was still on. Ok. We had, let me find a time when we had three guys... There are two guys...we had a gap for a while...going back to 1973 did we have three directors? Series 1, Series 1, Ok, we had Donner, Meany and Peterson as Presidentially appointed and that was in '73, and then in '74...Ok, Peterson's term expired and Donner and Meany continued....

NG: And there was no replacement?

JB: There was no replacement the following year, the President had nominated Edward David who was then Executive Vice President Research and Development Planning of Gould Inc., and the confirmation was pending. Then the next year, his confirmation was still pending, and Donner and Meany continued to serve. So then in '77, Donner retired in January and by that time, with the change in Administration, David was out of the picture and Jimmy Carter comes in at the beginning of '77, so Meany continues to serve, Donner has retired, and were waiting for something to happen. What happened was I guess the following year...no we have in '78 Meany still serving and

we're still waiting for Carter to appoint some people and then sure enough, this is '78? No, '79 finally Joan Tobin was appointed in March of '79. So there were three years that went by. Then we finally get Jesse Hill and Joan Tobin serving with Meany, and then in '80 what happened? Meany died. So Hill and Tobin continued to serve and that's the election year, and the following year...since you serve until your successors are qualified, that's how Meany and Donner served all that time, although ostensibly they had three year terms. The Presidentially appointed directors get three year terms. And so Hill and Tobin continue to serve...let's see, her term was supposed to expire...no, she [Tobin] got a new term in '80. In other words, what happened was they came in and one of the terms would have expired in a couple of months so they approved two terms at one time. And so that's '81. In '82, I'm trying to recall whether Reagan had gotten around [to appointing a director]. Nope. See Reagan had put Bob Garrick on because there was an opening. Now Jesse Hill's term expired (this is '82) at that year's annual meeting and you didn't know whether or not by reading this [proxy statement] whether the President had nominated someone to succeed Hill. Of course, Tobin went on because her term was to last for another year. So now

you're beginning to see, instead of the--I guess starting with Tobin and Hill--political type of appointments, rather than the businessman, the educator, and the labor leader.<sup>38/</sup> And then the following year, if I can find it here, the President had within that one year, appointed Justin Dart, who replaced Jesse Hill. But then within the year, due to ill health, Mr. Dart had to retire from the Board. So another vacancy. So you could see slowly the Carter people being replaced by the Reagan people. Joan Tobin was still on, Garrick who had worked at the White House, and was very close to Meese, was on the Board, Mr. Dart, who was very friendly with the President, came on and unfortunately had to go off because of illness. Then we get up to '84 and then we see Neal Freeman and Pen James, both politically active, and finally we have a full Reagan Presidentially appointed directors slate on the Board. And that continues through this year and people continue to serve, although their terms may have expired. James' is good through '86, Garrick's term expired last year in '84, and Freeman's term expired just this year. But they continue to serve. So,

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<sup>38/</sup> change to: So now you're beginning to see, instead of the biggest businessman, labor leader/educator approach, I guess starting with Tobin and Hill you find political type of appointments, rather than the businessman, the educator, and the labor leader.

nonetheless they still have the same fiduciary obligations as every other director. It doesn't matter how you get on the Board. Your obligations are the same, but still they do recognize the fact that, because they come to the Board through a different route and the history has been that the company has a special relationship in representing the United States, that they are mindful of that special relationship.

NG: Do you think that the Board is missing something now because of its problems of not being able to hold these people of preeminence in labor and in business and in education? That the nature of the system has changed in such a way that the Presidential appointee system doesn't serve the same purpose, it doesn't bring to the the Board the kind of things that were initially envisioned?

JB: Well, you have to remember there were no standards for Presidentially appointed directors. It doesn't say anywhere what they're supposed to do--only that they exist. The rationale for it has been the fact that we've got this unique responsibility. It was Lyndon Johnson's concept [to have a businessman, a labor leader, and an educator] but that doesn't

mean it is the only concept for it. It so happens that George Meany was a very effective director, because COMSAT is a highly political company and he had those strengths. Fred Donner was a consummate businessman. I feel like I got my MBA just being in the boardroom and listening to this guy function. But that was not because he was a Presidentially appointed director, but because he was an excellent businessman. The different directors, each brings a different kind of skill to the board. Pen James is a director whose strength is in the area of personnel. So he's been looked to and has been very helpful in his area of expertise. So, each of the Presidentially appointed director has a strength and you go to a person's strength. It's not because he or she was or was not a labor leader, or a businessman, or an educator. I think every different Presidentially appointed director we've had, has had a strength that has helped the corporation. So, I don't think the fact that we've moved away from the biggest businessman, the biggest educator, and the biggest labor leader has hurt the corporation. Obviously those kinds of people aren't there because they're figureheads, but because they're capable people. But there are other capable people around, and I don't think we've been disadvantaged by the fact that the original

Lyndon Johnson scheme has not been adhered to. But, I do think, the fact that the Presidentially appointed directors are there, and the corporation has them, is valuable to the corporation.

NG: Okay. That's what I have. Thank you.

JB: All righty.