



Business Roundtable

1717 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036

Telephone 202.872.1260
Facsimile 202.466.3509
Website businessroundtable.org

May 5, 2008

Mr. Richard Edelman
President and CEO
Edelman
1500 Broadway
26th Floor
New York, NY 10036

Harold McGraw III
The McGraw-Hill Companies
Chairman

Kenneth I. Chenault
American Express Company
Co-Chairman

Edward B. Rust, Jr.
State Farm
Insurance Companies
Co-Chairman

John J. Castellani
President

Larry D. Burton
Executive Director

Johanna I. Schneider
Executive Director
External Relations

Dear Richard:

I am writing to bend your ear on a topic that has troubled me over the last several months as a long-time user of public relations, advertising and general communications services (and I might add a short-time and failed practitioner of the same).

Specifically, I am becoming increasingly troubled by the inherent conflicts of interest that are presented by multi-divisional, multi-brand public relations firms.

I do not mean to pick on the recent news, but rather it has caused me to think more extensively about the issues. In my mind there are three categories of potential conflict that need to be addressed.

Firstly, the simplest is when commercial competitors are represented simultaneously by public relations firms, be they conglomerates or stand-alone. Whether it be product or market competition, what appears to be loosely defined internal safeties or organizational separation present what I think are the easiest conflicts to avoid. The issues here are both disclosure and protection, but I would default to the "law firm" model with the hard and fast rule not to represent competitors in the same space.

Secondly, a more difficult issue is the representation of competitors by different arms of a multi-faceted public relations conglomerate. This is particularly troublesome when, as a user, one of the motivations for retaining a large multi-faceted public relations firm is to gain both reach and relevant experience. That benefit is, I believe, difficult to manage where different firms are still part of a single corporate entity and run

Mr. Richard Edelman
May 5, 2008
Page 2

the risk of proprietary information being improperly shared, much less the confusion caused by public examination of potential conflicts.

Thirdly and most difficult is where an agency, either stand-alone or multi-divisional, represents private and political clients under the same umbrella. As you well know, many corporate issues now embody a substantial public policy and/or political component. The conflict presented by the same company representing a political candidate with a perspective that bears on other corporate clients positioning is, I believe, wrought with potential for conflict.

As consolidation has occurred in the public relations/advertising industry it has become more important to have a better discussion and definition of how these conflicts should be disclosed, managed and/or avoided. It certainly is becoming a factor from my perspective as a client and I think it will be an issue for others as more potential conflicts surface. I am not sure if a forum exists to discuss and define these issues. Perhaps the PRSA may be one; however, I would urge the industry along with its clients to engage this issue before it becomes a more serious threat to either the public relations industry or client's business models.

I am copying my good friend Harold Burson on this letter, not to pick on his firm's most recent controversy in this area, but rather because he and you are two of the wisest people I know in the public relations field and would like to see both your reactions to my concerns.

I would happy to discuss this with you further, but I do believe this is an increasing problem from both the clients' and agencies' perspectives and should be addressed.

Please let me know your thoughts, including if you think I am just off base.

Sincerely,



John J. Castellani

cc: Harold Burson
Ben Boyd
Johanna Schneider