

UNIVERSITY  
OF  
CALIFORNIA

# Annual Report of Legal Expenses for Outside Counsel

2015

University of California  
Office of the General Counsel

Annual Report of Legal Expenses for Outside Counsel  
2015

*Charles F. Robinson, General Counsel and Vice President — Legal Affairs*  
*Karen J. Petrulakis, Chief Deputy General Counsel*  
*submitted June 2016*

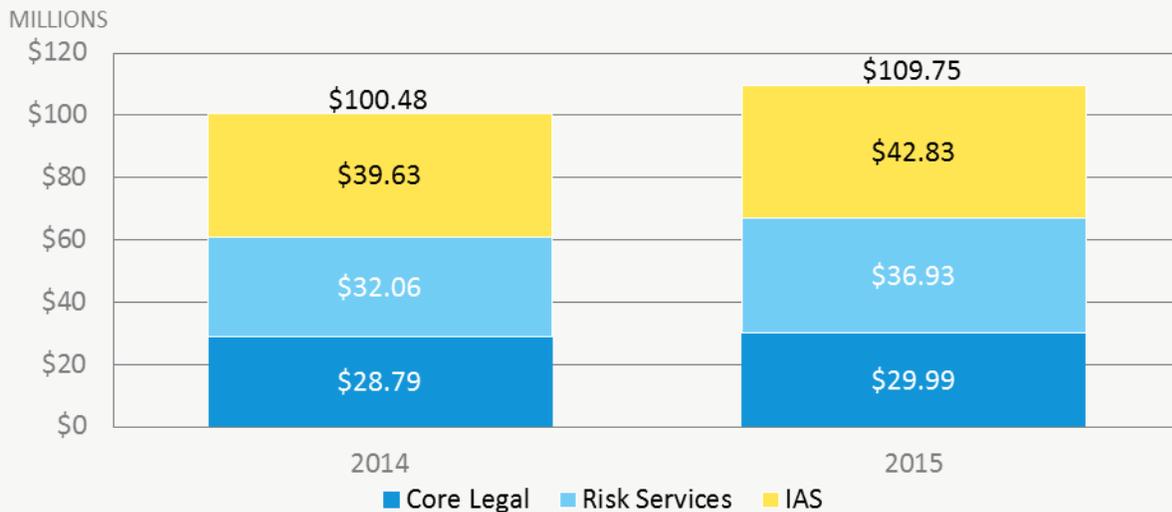
EXECUTIVE SUMMARY.....	1
THE UNIVERSITY’S LEGAL FUNCTION .....	4
OVERVIEW OF THREE CATEGORIES OF OUTSIDE COUNSEL EXPENSE.....	6
SUMMARY OF ANALYSIS OF FY 2015 LEGAL EXPENSE .....	8
RISK SERVICES PROGRAM LITIGATION .....	9
CORE LEGAL SERVICES .....	15
INNOVATION ALLIANCES AND SERVICES .....	26
GENERAL COUNSEL’S COST CONTAINMENT INITIATIVES...29	
CONCLUSION .....	33
APPENDIX.....	34

# EXECUTIVE SUMMARY

For fiscal year 2015, the University of California paid *gross legal expenses*<sup>1</sup> of \$109.8 M, representing a nine percent increase over the previous fiscal year's total of \$100.5 M. (Chart 1) Outside legal expense was flat in the past year as a percentage of University revenue, which is viewed as a more accurate barometer of expense in the legal industry. By this measure, total outside counsel expense has been reduced from \$5 M per billion dollars in revenue in FY 2008 to \$3.8 M per billion in FY 2015. (Chart 2) 64 percent of the FY 2015 Innovation and Alliance Services (IAS) costs were reimbursed by third parties, resulting in net expenditures for IAS of \$15.5 M, and *net legal expense* across all categories of expense of \$82.5 M.

The University of California is an enterprise of unparalleled size and complexity, with accompanying multifaceted legal demands. New initiatives at both the systemwide and campus level – such as UC Health transactions, carbon neutrality, innovation and entrepreneurship, student housing, and cyber security – generate new legal questions and require expanded legal services. Heightened regulatory activity and enforcement in a number of areas, such as sexual violence on campus, creates increased demands on the legal department. Given the mounting legal needs of the institution, some growth in legal expense is to be expected.

**CHART 1: Outside Counsel Legal Expense by Program**



**CHART 2: Outside Counsel Legal Expense per Billion in Revenue**



<sup>1</sup>Gross outside counsel expenses include all expenses (legal fees and costs) paid by the University to outside firms, including in the IAS area where 64 percent of the FY 2015 expenses were reimbursed by third parties, resulting in net expenditures across all categories of \$82.5 M.

*The primary drivers of the \$9.2 M year-over-year increase in outside legal expense included:*

- ◆ Higher IAS legal expense (\$3.2 M increase); and
- ◆ Greater number of matters with legal expense over \$1 M (\$6.6 M increase); and
- ◆ Higher Risk Program legal expense (\$4.9 M increase).

First, IAS legal expense continued to trend upwards, increasing \$3.2 M from FY 2014 to FY 2015 and constituted 39% of the total legal expense (\$42.8 M of \$109.8 M) in FY 2015. This increase is attributable to the University’s strategic decision to make greater investments in its technology, and the continued growth in the size of the University’s patent portfolio. Importantly, 64 percent of the IAS costs – \$27.3 M – was reimbursed by licensees and other third parties, such that the net expenditure for IAS legal expense was only \$15.5 M. Because this 64 percent reimbursement rate was higher than the 57 percent reimbursement rate in FY 2014, net IAS legal expense actually decreased 8% year-over-year (\$15.5 M in FY 2015 as compared to \$16.9 M in FY 2014).

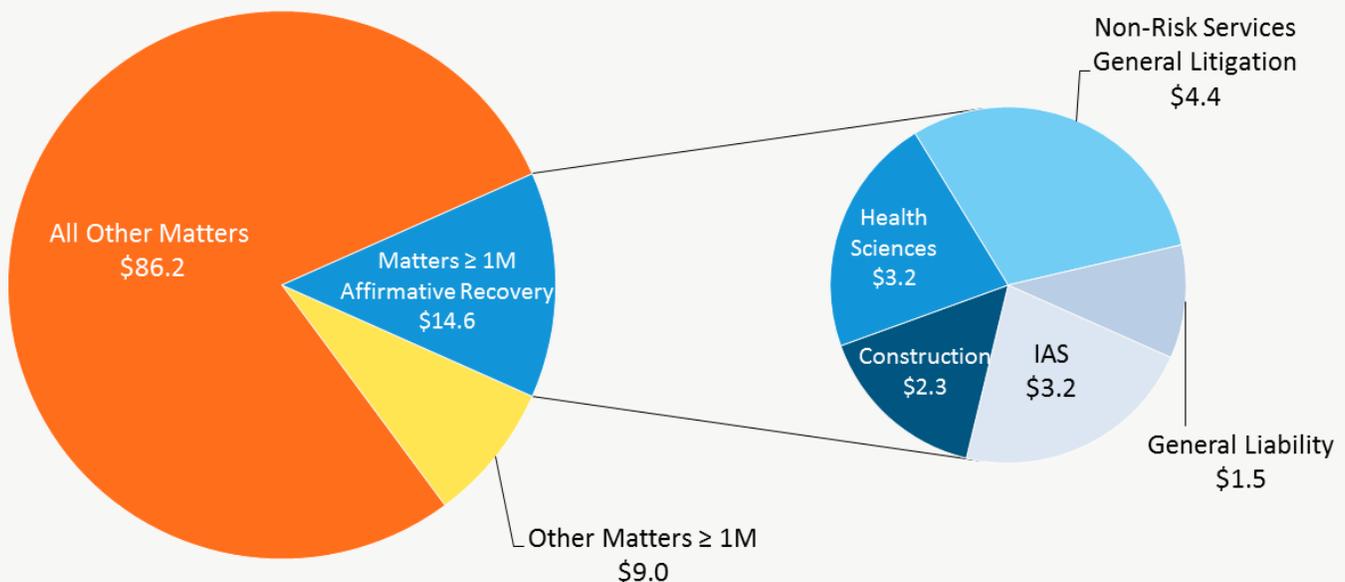
Second, a small number of major matters continued to drive the total legal expense in FY 2015. Eleven matters incurred legal expense of \$1 M or more in FY 2015 as compared to seven cases in FY 2014. Expenditures on these unusually large matters increased 39% (\$6.6 M) in FY 2015 (from \$17 M in FY 2014 to \$23.6 M in FY 2015). (Chart 3) Indeed, matters with \$1 M or more in legal expense accounted for 21% of the total legal expense

(\$23.6 M of \$109.8 M) in FY 2015.

Third, Risk Program legal expense increased \$4.9 M from FY 2014 to FY 2015 and constituted 34% of the total legal expense (\$36.9 M of \$109.8 M) in FY 2015. The increase is due to a slight increase in volume and an increase in legal expense associated with a small number of major matters.

Reflecting the University’s continued focus on pursuit of recovery actions, four of the five largest matters in FY 2015 (over \$13 M) were large-scale affirmative recovery cases in a range of subject areas, including patent licensing, construction defect, medical billing and student health insurance. Overall, affirmative recovery cases accounted for \$17.4 M of total FY 2015 legal expense. The impetus has yielded results as OGC’s Oakland and campus-based attorneys generated a net total of \$71.4 M in affirmative recoveries in FY 2015 in areas such as trusts and estates, bankruptcy, contract disputes, reimbursement for hospital services, patent infringement and construction defect litigation. (Appendix Table F)

**CHART 3: Isolating the Matters ≥ 1 M (\$23.6 M) with Affirmative Recovery Breakout**





*Looking ahead*, given the growing scope of the University's enterprise, and the novelty and complexity of legal issues presented by the University's affairs, continued substantial reliance on outside counsel is anticipated. For these reasons, as well as OGC's continued pursuit of several major affirmative recovery cases and flat budget for in-house staffing, OGC anticipates that outside counsel expense will continue to rise in FY 2016.

OGC continues to be committed to providing excellent quality legal services in the most cost-effective manner possible. Initiatives designed to control outside counsel expense are currently being implemented, including alternative fee arrangements, implementing an e-billing system, preferred provider panels at reduced rates and targeted in-house staffing.

*This Report is organized into four sections:*

- ◆ *Introduction to the organization and operation of the General Counsel's Office*
- ◆ *Summary of the three primary outside counsel expense categories: Risk Services Program Litigation; Core Legal Services; and Innovation Alliances and Services (IAS)*
- ◆ *Comparative analysis of expenses over the two most recent fiscal years in each of the three main outside counsel expense categories*
- ◆ *Review of OGC's cost containment initiatives*

# THE UNIVERSITY'S LEGAL FUNCTION

The University's legal function is performed under the general direction of the General Counsel and Vice President - Legal Affairs, and is managed through the Office of the General Counsel (OGC). Legal services are divided among three segments: (1) the resident counsel located at the campuses and medical centers; (2) the Oakland-based attorneys and support staff located at the central office; and (3) outside counsel retained to supplement the in-house attorneys.

Of the approximately 87 in-house attorneys working for the University at the close of FY 2015, 35 are located on nine of our campuses (one campus has dedicat-

ed chief campus counsel located in Oakland), all five medical centers and at the Lawrence Berkeley National Laboratory. Campus attorneys serve as the first legal resource for the University's campus activities. Chief campus counsels serve on the executive leadership teams at the campuses and on OGC's systemwide leadership team. Campus lawyers provide general legal advice and counsel on a broad range of matters facing the campuses, many of which constitute multi-billion dollar, stand-alone enterprises. The size of campus based legal staffs range from nine attorneys at UCLA to one attorney (resident in the Oakland office) dedicating 50 percent of her time at UC Santa Barbara.

The 52 Oakland-based attorneys perform legal services for The Regents and the Office of the President (UCOP) and directly supervise all of the University's litigation. In addition, organized into five broad practice groups, the Oakland-based attorneys provide substantial legal support to the attorneys and managers on the campuses and medical centers in an extremely broad range of specialized areas of law, including:

- ◆ Benefits
- ◆ Business Transactions & Finance
- ◆ Charitable Giving & Nonprofit Organizations
- ◆ Construction
- ◆ Educational Affairs
- ◆ Energy
- ◆ Environmental Health & Safety
- ◆ Health Law & Medical Center Services
- ◆ Intellectual Property (Patent, Copyright & Trademark)
- ◆ Labor & Employment
- ◆ Land Use
- ◆ Legislative Affairs
- ◆ Litigation
- ◆ National Laboratory Affairs
- ◆ Public Accountability & Governance
- ◆ Real Estate Transactions
- ◆ Research (Academic & Scientific)
- ◆ Tax

Outside counsel are retained when the legal work can be performed more efficiently by outside counsel, such as when OGC lacks a particular expertise or the infrastructure necessary to support the service. Outside counsel are also retained when the volume of work exceeds the capacity of OGC to provide appropriately timely service. For example, the large portfolio of litigation managed through the University's Risk Services Programs can be more efficiently performed by outside counsel retained under aggressively cost-contained, negotiated hourly rates with direct legal oversight from OGC attorneys.

The University's complex organization, diverse funding sources, novel business transactions and heavily regulated activities create many legal challenges that are

often of first impression. A number of these challenges benefit from the expertise that can only be obtained by an outside counsel specialist with broad experience across a range of clients and industries. Specialists are retained, for example, in areas of health care investigations and compliance; patent prosecution and infringement actions; complex real estate and business transactions; copyright and trademark prosecution and infringement actions; complex litigation with system-wide implications and other similar matters. New legal challenges generated by new initiatives and heightened regulatory enforcement sometimes require the specialized assistance of outside counsel. Additionally, increased outside counsel retentions are necessary to pursue large-scale affirmative recovery litigation.

### *UC Legal - 3 Segments*

- ◆ *Campus Offices of Legal Affairs*
- ◆ *Oakland Central Office*
- ◆ *Outside Counsel*

CAMPUS AND MEDICAL  
CENTER ATTORNEYS 35 FTE



OAKLAND ATTORNEYS  
52 FTE

OUTSIDE ATTORNEY FIRMS

# OVERVIEW OF THREE CATEGORIES OF OUTSIDE COUNSEL EXPENSE

*The University's outside counsel expenses are divided into three broad categories:*

- ◆ *Outside counsel expenses for litigation managed through the General Counsel and UCOP Risk Services (OPRS) Self-Insurance Program;*
- ◆ *Expenses for patent prosecution, defense, infringement and other matters related to the UCOP Innovation Alliances and Services (IAS) and technology transfer offices on the campuses (collectively referred to as IAS);*
- ◆ *All other outside counsel expenses for various Core Legal Services, including both litigation and non-litigation transactional and counseling services.*

The first two categories of outside counsel expense largely concern court or administrative processes in a few relatively predictable (in terms of volume) areas of the University's legal practice. These categories are supported by reliable budgets and have dedicated funding sources for payment of the legal expenses. The Risk Services category of expenses is funded by annual fees assessed against the Office of the President, the campuses and the medical centers, determined by actuaries and based on a number of factors including payroll, headcount, and loss experience. Funds in this program are held in trust and administered by the University's Chief Risk Officer under the auspices of the Chief Financial Officer. The IAS category of expenses is funded largely from reimbursement paid by patent licensees, or from royalty revenue and other campus sources, as required under the University's patent policy. These funds are administered by the Executive Director – Innovation Alliances & Services un-

der the direction of the Vice President – Office of Research and Graduate Studies. Each campus is responsible for the funding and staffing of its technology transfer activities, including providing financial resources for the legal support of those functions.

Broadly speaking, expenses in the Risk Services category can be viewed as a University cost of risk associated with the operation of its enterprise. In contrast, IAS expenses can be viewed as an investment in the University's intellectual property to encourage industry to bring inventions to market, thereby fulfilling the University's mission of creating public good from its research programs. For example, the revenue generated by the University's patent portfolio has averaged over \$130 M for the past ten fiscal years. (Chart 13) Moreover, patent prosecution expenses are substantially reduced by reimbursements from licensees and other third parties.

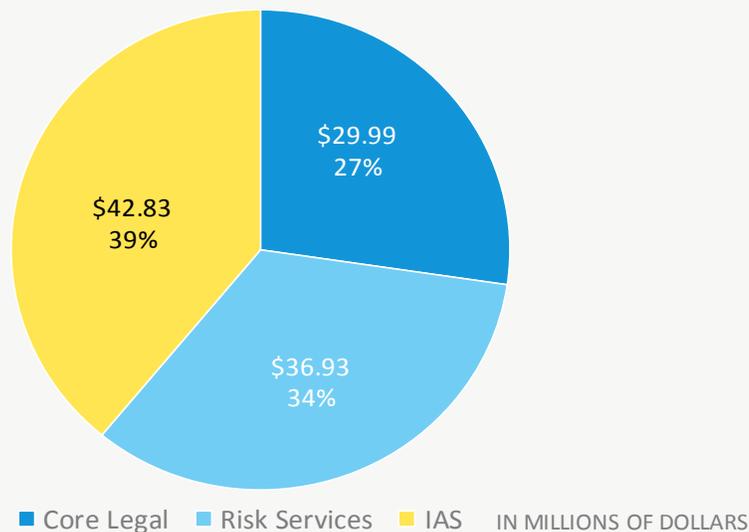
The third category, Core Legal Services, spans a broad spectrum of practice areas and consists of significant training, counseling, compliance, and business transactions activities, as well as complex litigation. Generally, OGC incurs outside counsel legal expenses for Core Legal Services only as a pass through. OGC outside counsel expenses are charged to the client department requiring the service. As is shown in [Appendix Tables B and C](#) (Summary of Legal Expenses by Category and Summary of Top Categories by Location), the legal work performed in the Core Legal Services category is highly reflective of the initiatives at each location, therefore, more difficult to predict and budget for than the work in the other two categories. The Core Legal Services category also includes support of the University's business-related investments as well as affirmative litigation to recover amounts owed to the University.

Affirmative litigation includes trusts and estates, bankruptcy, patent infringement, commercial transactions, reimbursement for hospital services, and construction defect litigation. Over the past five fiscal years (FYs

2011-2015), affirmative litigation is estimated to have generated nearly \$290 M in revenue, largely due to recovery of monies for reimbursement of hospital services (\$97 M), construction defect litigation (\$94 M) and probate litigation (\$45.9 M). As shown in [Appendix Table F](#), the University recovered \$71.4 M in FY 2015.

This report relies on data from three primary sources: the Office of the President Risk Services (OPRS) claims management system; the Office of Innovation Alliances and Services (IAS) financial system, and the Office of the General Counsel's e-billing system. The data compiled from these sources tracks closely with the University's general ledger and provides the necessary granularity to enable management interpretation and analysis. Total expenditures may deviate slightly from those reported in the general ledger due to the University's policy of accruing expenses at year end; such expenses are not reflected in this report, which is generated from a system that works entirely on a cash basis. Totals may also deviate from those reported by OPRS and IAS due largely to similar timing issues.

**CHART 4: Outside Counsel Expense by Category**



# SUMMARY OF ANALYSIS OF FY 2015 LEGAL EXPENSE

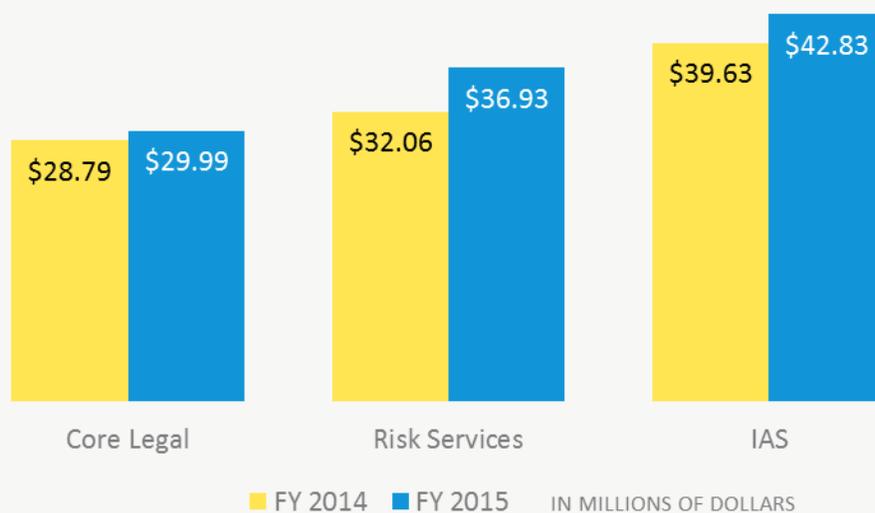
Total legal expenses for FY 2015 were \$109.8 M, as compared with \$100.5 M in FY 2014. The difference (\$9.3 M) represents a modest nine percent overall increase from the previous fiscal year. (Chart 5) Risk Services Programs outside counsel expense experienced a large portion of the FY 2015 increase (\$4.9 M), with increases in all Risk programs other than the Workers' Compensation Program, where the costs decreased slightly. The increase in Risk Services program legal expense was fueled by the costs associated with a small number of major matters and a slight increase in volume. Reflecting the University's strategic decision to make greater investments in its intellectual property, and the continued growth of the University's patent portfolio, IAS gross legal expense remained high, and experienced an eight percent (\$3.2 M) increase over FY 2014. As mentioned above, 64 percent of the FY 2015

IAS legal expenses, or approximately \$27.3 M, was reimbursed by licensees and other third parties, resulting in a net IAS legal expense decrease of eight percent over FY 2014. As in the previous fiscal year, Core Legal Services expense continued to be fueled by several large affirmative recovery cases (in construction, student health insurance, and hospital billing) which represented 42 percent of the total expense in this category, as well as reflecting significant legal services required to support major campus initiatives such as the Merced 2020 project. Expenditures on the largest matters were a primary driver of the year-over-year increase, with eleven matters incurring legal expense over \$1 M in FY 2015 as compared to only seven such matters in FY 2014. Total legal expense incurred on matters over \$1 M increased 39% (\$6.6 M) in FY 2015 (from \$17 M in FY 2014 to \$23.6 M in FY 2015).

**CHART 5: Summary of Outside Counsel Expenses by Program**

Program	FY 2014	FY 2015	\$ Difference FYs 2014-2015	% Difference FYs 2014-2015
Core Legal	\$28.79	\$29.99	\$1.20	4%
Risk Services	\$32.06	\$36.93	\$4.87	15%
IAS	\$39.63	\$42.83	\$3.20	8%
<b>Total</b>	<b>\$100.48</b>	<b>\$109.75</b>	<b>\$9.27</b>	<b>9%</b>

**CHART 6: Comparison of Outside Counsel Expenses**



# RISK SERVICES PROGRAM LITIGATION

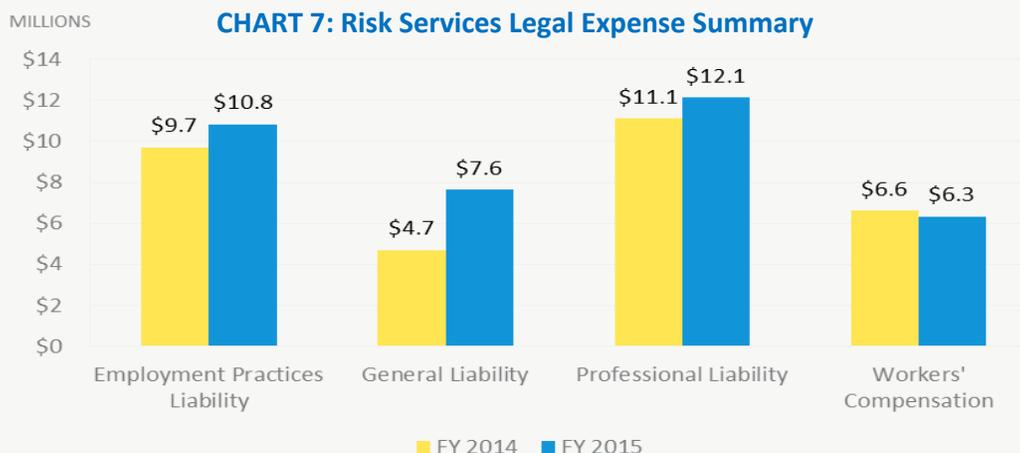
The Risk Services Self-Insurance Litigation Program encompasses over 80 percent of the litigated cases against the University by volume (approximately 500 open litigated cases) and is administered jointly by OPRS and OGC. Risk Services litigation is divided into four programs – Employment Practices Liability (EPL), General Liability, including Auto and Property (GL), Professional Liability (PL), and Workers’ Compensation (WC).

Litigation in the Risk Program is a high volume practice area involving nearly 1000 open claims and litigated matters (not including Workers’ Compensation claims) at any one time. OGC and OPRS regularly review the defense bar in these areas, and retain the state’s leading trial experts to serve on the University’s established defense panels at aggressively negotiated billing rates. OGC and OPRS also closely manage defense costs through comprehensive defense panel guidelines, and through the retention of a Third Party Administrator (TPA) to help oversee the management of the program. Additionally, since FY 2011, the Risk Program has relied upon the invoice review service of Quovant (formerly named Legalbill) to monitor law firm compliance with the defense counsel guidelines and to enhance data analysis, reporting and decision-making. The partnership formed among OGC, OPRS and the outside defense panels has created a model program that is efficient, with clear and substantial accountability and control processes.

In FY 2015, OGC and OPRS conducted a review of the PL program panels for the UC Health System operations in Northern California, including UC Davis Medical Center, UCSF Medical Center, and the UCSF Fresno Medical

Education and Research Program. Additionally, the Risk Program implemented the University’s Purchase Card program, one of the *Working Smarter* administrative efficiency initiatives, thereby reducing administrative costs to the University. OGC and OPRS have also increased focus on preventative programs to reduce liability, with continued growth in the numbers of matters handled in the non-litigated EPL program and training programs offered on employment issues as well as increased attention to key risk areas for purposes of medical malpractice liability.

Overall legal expense in the Risk Programs increased 15 percent in FY 2015 as compared with FY 2014 (from \$32.1 M in FY 2014 to \$36.9 M in FY 2015), with increases in all programs except Workers’ Compensation. The GL program experienced the greatest increase (increase of nearly \$3 M) almost entirely attributable to two matters, an affirmative recovery action at UCSF and a class action lawsuit stemming from the 2011 Occupy protests at the UCB campus. The EPL program (increase of \$1.2 M) and the PL program (increase of \$1 M) both experienced higher outside counsel expense in FY 2015, mostly due to residual billing on high exposure cases that resolved at the end of FY 2014 and a modest increase in volume. As mentioned, the WC program was the only program to experience lower outside counsel legal expense in FY 2015 (decrease of just over \$300,000). The slight decrease is primarily due to the resolution in FY 2014 of one unusually high exposure case stemming from a laboratory fire at UCLA. (Expense by location in these programs is shown in [Appendix Table A.](#)) Below is an analysis of each of the Risk Services categories of legal expenses (EPL, GL, PL, and WC).



**The EMPLOYMENT PRACTICES LIABILITY PROGRAM (EPL)** covers employment claims arising from the University’s approximately 200,000 employee workforce, including wrongful termination, retaliation, discrimination, harassment, defamation, emotional distress and other employment-related torts. Over the past several years, the EPL portfolio has experienced an upward trend, increasing from an average of 74 open litigated cases at any given time during FYs 2012-2013 to an average of 96 open cases during the course of FY 2015.

EPL legal expense increased 12% in FY 2015 (from \$9,671,687 in FY 2014 to \$10,836,226 in FY 2015). In FY 2015, the EPL program experienced the greatest number of billing matters and largest total amount of any fiscal year over the past five fiscal years (FY 2011-2015). The number of billing matters increased from 133 in FY 2014 to 157 in FY 2015, an 18 percent increase. As anticipated in the prior year’s report, residual billing from two unusually large cases (cases with payments of \$500,000 or more during the fiscal year) involving whistleblower retaliation and discrimination claims at UCLA accounted for 19% of the FY 2015 total. In fact, if the larger of these two matters (nearly \$1.6M) is excluded, the EPL legal expense total for FY 2015 is less than the FY 2014 total.

Increased expense continues to be partly attributable to the change in the California whistleblower statute that occurred during FY 2012 – eliminating the bar to retaliation lawsuits if the Regents reached a timely decision in the administrative process. This impact is most dramatically shown in the increases in those cases billing between \$100,000 and \$500,000 during the fiscal year. From FY 2014 to FY 2015, the total number of cases in this range increased from 13 to 22, with a corresponding 73 percent increase in legal expense (from \$2.79 M to \$4.84 M). In FY 2012, there were two whistleblower retaliation cases in this range, generating approximately \$500,000 in expense. By FY 2015, 12 of the 22 cases falling in this range alleged whistleblower retaliation, accounting for \$3.2 M in costs.

The increase in EPL legal expense should be considered in the context of the overall EPL portfolio, in which over the past five fiscal years, 75% of EPL billing matters incurred payments of less than \$50,000, averaging less than \$15,000 per matter. In FY 2015, while matters at the top-

end continued to influence the total EPL legal expense, the vast majority of EPL cases were still managed with relatively modest costs. 85 percent of the matters (133 of 157) incurred less than \$100,000 in costs during FY 2015, and the average legal expense for all EPL matters was \$69,000 in FY 2015.

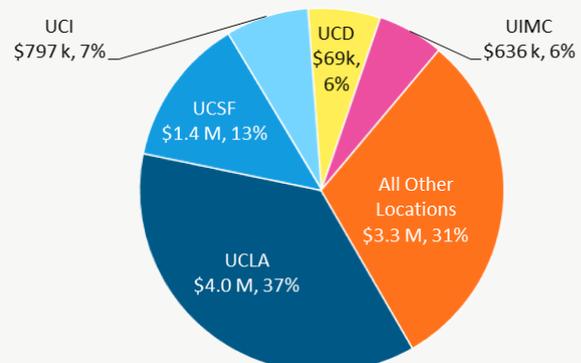
OGC anticipates that EPL legal expense will remain high in FY 2016 due to the presence of new and ongoing large billing matters, increased case filings in the wake of large settlements of high-exposure cases at UCLA in FY 2014, and continuing high volume of claims and litigation. After the total number of open lawsuits dipped slightly to 87 at the close of FY 2015, that number was up to 102 in the second quarter of FY 2016.

To mitigate the impacts on legal expense and settlement costs, the EPL program has implemented a number of measures designed to control costs. These measures include enhanced training and other preventative measures, piloting alternative billing arrangements with several EPL panel firms, and mounting an aggressive defense of existing cases, including taking appropriate cases to trial. The University tried two cases in FY 2015, resulting in one defense verdict and one plaintiff verdict, demonstrating the University’s willingness to try cases believed to lack merit. Other cost mitigation efforts are geared towards resolution of disputes prior to or early in the course of litigation, including the regular identification of claims that are appropriate for inclusion in the non-litigated EPL program and litigated cases that are suitable for early case closure. Reviews of existing defense panels and billing arrangements, are currently underway. In addition, OGC recently hired an additional EPL program contract attorney to assist in the prevention and management of claims and litigation.

**Employment Practices Liability Legal Expenses by Range**

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	2	\$2,109,917	1%	19%
\$200k-\$499k	8	\$2,968,667	5%	27%
\$100k- \$199k	14	\$1,875,729	9%	17%
\$50k-\$99k	30	\$2,211,366	19%	20%
< \$50k	103	\$1,670,547	66%	15%
<b>Total</b>	<b>157</b>	<b>\$10,836,226</b>	<b>100%</b>	<b>100%</b>

**Top Five Campuses**



**The GENERAL LIABILITY PROGRAM (GL)** encompasses approximately 100 open litigated cases each year, including claims arising from an exceptionally broad range of institutional and employee-created liability, including student harassment (including Title IX athletics and sexual assault), public accommodation under the Americans with Disabilities Act, dangerous condition of property, auto liability (personal injury and property damage), high-profile academic affairs cases involving student protests, police practices, Constitutional issues, and medical privacy/data security. The GL program also pursues affirmative recoveries from responsible third parties, as well as insurance coverage claims against insurance carriers.

Due to the broad scope of claims covered within the GL program, year-over-year performance of the GL program reflects changes in the activity of a small number of the largest cases. FY 2015 experienced the highest legal expense total in the GL program since FY 2011 (\$7.6 M in FY 2015 as compared to \$7.5 M in FY 2011). The dramatic year-over-year increase of 64 percent (from \$4.7 M in FY 2014 to of \$7.6 M in FY 2015) in part reflects that the FY 2014 total (\$4.7 M) was well below the five-year average of \$6.3 M.

In FY 2015, the top five highest billing matters accounted for 53% of the total billings and the top ten matters accounted for 64% of total billings. Two matters alone accounted for 70% of the increase from FY 2014 to FY 2015, and 39% of the total billings for the year. One matter was the multi-million dollar proceedings in which UCSF is pursuing recovery for the failure of the underground piping associated with the UCSF Preliminary Utility Plant at Mission Bay, which had the highest billing total in FY 2014. The insurance portion of that litigation is now fully concluded with UCSF recovering significant additional funds beyond the \$8.8 M reported in last year's report. A portion of this matter is ongoing and additional recoveries are anticipated. The other unusually large matter related to litigation arising out of the 2011 Occupy movement protests at the UCB campus. Of note, the conclusion of similar protest litigation at the UCD campus accounted for the 26% decrease from FY 2013 to FY 2014, demonstrating that the program's fi-

ancial results are sensitive to activity in significant cases.

Other GL cases generating significant legal expense in FY 2015 included appeals involving issues of high institutional interest, such as whether a public university owes a legal duty to protect students from the unforeseeable criminal conduct of other students, and several severe personal injury cases arising out of automobile accidents.

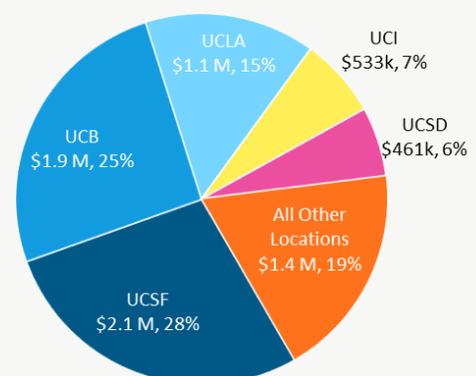
The expense associated with the largest cases should be considered in the context of the entire GL program portfolio, in which 84 percent of billing matters (136 of 162) involved less than \$50,000 in costs, and in which the average costs per matter across the entire program were \$47,000 in FY 2015.

Given the diverse subject matters covered within the GL program and the effect that costs associated with large litigation matters has on the overall legal expense, it is expected that the GL program will continue to experience volatility in the cost of outside counsel, with higher totals in FY 2016. In particular, FY 2016 GL program expense is anticipated to be heavily impacted by recent data security/privacy class action litigation and several newly filed Title IX cases focused on the handling of complaints of sexual harassment and sexual assault. OGC recently hired an additional GL program contract attorney to help reduce risk and manage claims and litigation.

### General Liability Legal Expenses by Range

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	3	\$3,114,016	2%	41%
\$200k-\$499k	3	\$1,145,515	2%	15%
\$100k-\$199k	10	\$1,335,276	6%	18%
\$50k-\$99k	10	\$653,008	6%	9%
< \$50k	136	\$1,380,036	84%	18%
<b>Total</b>	<b>162</b>	<b>\$7,627,851</b>	<b>100%</b>	<b>100%</b>

### Top Five Campuses



**The PROFESSIONAL LIABILITY PROGRAM (PL)** is the second largest of the Risk programs, following Workers' Compensation. The PL program currently encompasses more than 470 open matters (including approximately 315 lawsuits), ranging from minor incidents to multi-million dollar malpractice lawsuits emanating from five major medical centers, associated hospitals and clinics, schools of medicine, dentistry and nursing, and student health centers.

After a dip in outside legal expense in FY 2014 (to \$11.1 M), total fees and costs in the PL program increased \$1 M in FY 2015 (to \$12.1 M), approaching the level experienced in FY 2013 (\$12.7 M). PL program total legal expense was just slightly higher than the five-year average of \$11.8 M.

While year-over-year fluctuations in PL program legal expense are often attributable to expenditures needed to defend the program's largest litigation matters, more than half of the increase in FY 2015 is due to a slight increase in the cost per matter associated with small matters (cases with payments of less than \$50,000 during the fiscal year). Accounting for 92 percent of all PL matters (638 of 697), these small cases – even with the slight increase per matter – averaged just over \$9,000 per matter. OGC and OPRS continue to monitor legal expense and encourage efficiency by the outside law firms, with average legal expense per matter across the entire PL program just over \$17,000 in FY 2015.

The PL program's litigation results were strong in FY 2015, closing 79 percent of claims and lawsuits (74 percent of lawsuits and 85 percent of claims) with zero indemnity payment (the highest percentage in the last five fiscal years), and winning defense verdicts in all four cases taken to trial. The average total amount of indemnity and legal expense paid for claims and lawsuits that closed in FY 2015 decreased 28 percent as compared to FY 2014.

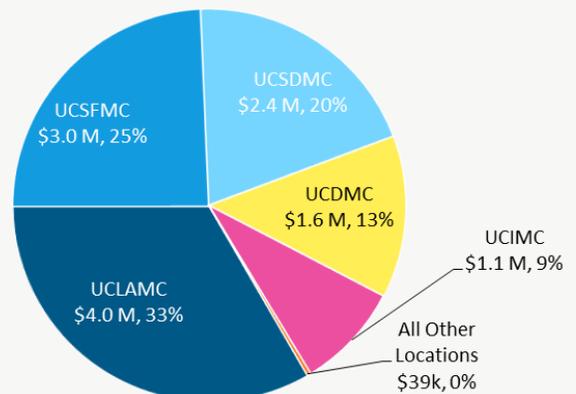
The PL program experience is consistent with industry trends and benchmarks, which indicate that the recent trend of modestly decreasing case volume is now leveling and turning slightly upward year-to-year and the severity and costs of claims continues to increase. Litigated case volume increased 13 percent from FY 2014 to FY 2015 (from 280 to 315 litigated cases), with an additional 12 percent increase observed in the first quarter of FY 2016. It is anticipated that outside legal expense will continue to increase in FY 2016, due in part to this increase in volume and also to the approval of a modest market increase in panel firm rates based on benchmarking the University's rates against the rates paid by other, comparable hospital systems.

Ongoing efforts to closely monitor expenses and promote efficiency and economy will continue. In particular, in FY 2015, OGC and OPRS conducted a review of the PL program panels for the UC Health System operations in Northern California, including UC Davis Medical Center, UCSF Medical Center, and the UCSF Fresno Medical Education and Research Program. A similar review of the panel supporting UC San Diego is anticipated in FY 2016. Additionally, the PL program has undertaken to improve the early reporting program and identification of matters for early claim resolution as well as in-depth risk analyses of the data to identify areas on which to focus preventative actions.

**Professional Liability Legal Expenses by Range**

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	0	\$0	0%	0%
\$200k-\$499k	5	\$1,295,482	1%	11%
\$100k- \$199k	21	\$2,778,477	3%	23%
\$50k-\$99k	33	\$2,269,699	5%	19%
< \$50k	638	\$5,790,678	92%	48%
<b>Total</b>	<b>697</b>	<b>\$12,134,336</b>	<b>100%</b>	<b>100%</b>

**Top Five Campuses**



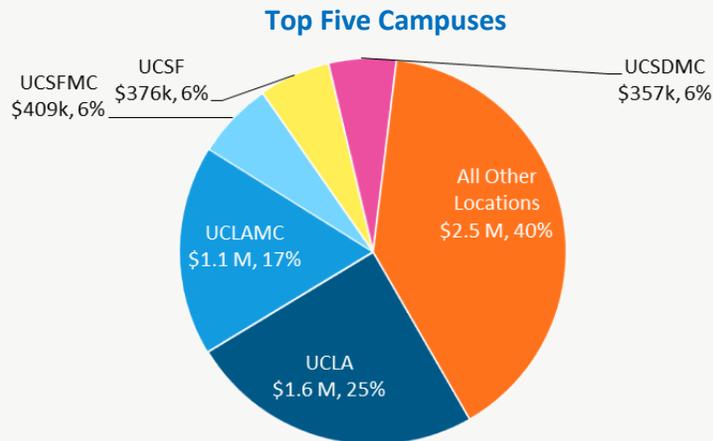
**The WORKERS' COMPENSATION PROGRAM (WC)** pays claims of University employees who are injured in the course and scope of their University service. Approximately 5,000 claims are filed per year and, unlike the other Risk Service Programs, WC claims are not adjudicated in civil courts. These claims are administered by OPRS with a Third Party Administrator (TPA), and the University retains outside counsel only in claims deemed appropriate and necessary.

The total WC program legal expense in FY 2015 decreased \$310,739 or approximately 5% as compared to FY 2014 (\$6,641,384 in FY 2014 and \$6,330,645 in FY 2015). In FY 2015, greater than 99% of the WC billing matters incurred payments of less than \$50,000, averaging just under \$3,000 per matter. With the exception of an unusually large case arising out of a laboratory fire at UCLA that continued to generate some legal expense in FY 2015, no other single case in the WC program generated fees exceeding \$100,000 in either FY 2014 or FY 2015.

Excluding the laboratory fire case, which drove legal expense up dramatically in FY 2013, WC program legal expense has otherwise remained flat over the past five fiscal years (FY 2011 – 2015). Furthermore, the total WC legal expense in FY 2015 was \$464,806 or approximately 7% lower than the past five year average of \$6,795,451. Legal expense control with a focus on continued decreases in these costs will remain a priority of the WC program in FY 2016.

**Worker's Compensation Legal Expenses by Range**

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	0	\$0	0%	0%
\$200k-\$499k	0	\$0	0%	0%
\$100k-\$199k	1	\$135,778	0%	2%
\$50k-\$99k	2	\$158,374	0%	3%
< \$50k	2137	\$6,036,493	100%	95%
<b>Total</b>	<b>2140</b>	<b>\$6,330,645</b>	<b>100%</b>	<b>100%</b>



## RISK SERVICES PROGRAM EXPENSES BY LOCATION

Chart 8 below and Appendix Table A reveal the distribution of Risk Program outside counsel expense by location. Not surprisingly, the legal expense totals tend to reflect the size of operations at each location. Year-over-year, each of the medical centers bears a relatively high percentage of the total Risk Program legal expense, primarily due to medical malpractice claims and litigation, which are managed through the PL program. Variation from year-to-year in the relative medical malpractice costs of each medical center is to be expected, as high severity PL cases can impact the totals. For example, the increase in the number of large PL program cases at UCLA Medical Center accounted for over 70 percent of the increase in legal expense in FY 2015 (10 cases totaling \$1.6 M in FY 2015 as compared to 4 cases totaling just over \$700,000 in FY 2014).

Total costs for a particular campus or medical center in a given year can fluctuate based on a small number

of high-exposure cases. For example, the student protest litigation arising out of the 2011 “Occupy” protests accounted for the majority of the FY 2015 increase in Risk Program outside counsel expense at UCB. At UCSF, a large affirmative recovery case generated nearly 50 percent of the \$1.6 M increase at the campus, with the remainder attributable to major employment cases.

UCLA once again generated the highest total of Risk Program legal expenses of any campus or medical center, accounting for 18% of total Risk Program legal expense in FY 2015. This was less than FY 2014, when UCLA accounted for 23% of total Risk Program outside counsel expense. Drivers of UCLA’s high Risk Program legal expense included residual billing from two unusually complex employment cases from the prior year, greater legal expense associated with several large cases in the GL program, and the highest workers’ compensation expense of any location.

**CHART 8: Risk Services Program Expenses by Location**

Campus/Location	FY 2014	FY 2015	% of FY 2015 Risk Services Total	\$ Difference
UC Los Angeles	\$7,392,418	\$6,659,132	18%	(\$733,286)
UC Los Angeles Medical Center	\$4,369,351	\$5,634,962	15%	\$1,265,611
UC San Francisco	\$2,300,773	\$3,934,047	11%	\$1,633,274
UC San Francisco Medical Center	\$3,046,304	\$3,838,142	10%	\$791,838
UC San Diego Medical Center	\$2,991,829	\$3,134,584	8%	\$142,755
UC Berkeley	\$1,522,375	\$2,697,540	7%	\$1,175,165
UC Davis Medical Center	\$2,972,379	\$2,358,523	6%	(\$613,856)
UC Irvine Medical Center	\$1,884,256	\$2,064,933	6%	\$180,677
UC Irvine	\$1,579,999	\$1,592,801	4%	\$12,802
UC Davis	\$1,522,350	\$1,368,275	4%	(\$154,075)
UC San Diego	\$932,741	\$1,261,546	3%	\$328,805
UC Riverside	\$566,944	\$894,851	2%	\$327,907
UC Santa Barbara	\$258,990	\$823,175	2%	\$564,185
Office of the President	\$328,150	\$335,537	1%	\$7,387
UC Santa Cruz	\$277,545	\$134,302	<1%	(\$143,243)
LBNL	\$77,508	\$126,728	<1%	\$49,220
UC Merced	\$36,198	\$69,982	<1%	\$33,784
<b>Grand Total</b>	<b>\$32,809,391</b>	<b>\$36,929,058</b>	<b>100%</b>	<b>\$4,119,667</b>

## CORE LEGAL SERVICES

Core Legal Services encompasses the University legal work outside of technology transfer and Risk Services Litigation, spanning a broad spectrum of practice areas and consisting of significant training, counseling, compliance and business transactions activities, as well as complex litigation. (Appendix Tables B and C) In FY 2015, Core Legal Services outside counsel expense increased \$1.2 M (from \$28.8 M in FY 2014 to \$30.0 M in FY 2015, an increase of 4%). (Chart 9)

Since Core Legal Services matters arise out of the individual legal needs and initiatives of a campus or unit of the Office of the President (OP), the expenses associated with this category are the most difficult to predict. Year after year, the data reveals the dramatic impact that a small number of major matters can have on the total outside counsel expense incurred in the Core Legal Services category. Just as the conclusion of a few major litigated matters contributed to reductions in total outside counsel expense in FY 2011 and FY 2012, a small number of major matters drove total expense up over the past three fiscal years.

**CHART 9: Core Services Legal Expense by Practice Area**

Practice Area	FY 2014*	FY 2015	\$ Change (FYs 2014-2015)	% Change (FYs 2014-2015)
Benefits	\$186,111	\$138,113	(\$47,998)	-26%
Business and Finance Transactions	\$2,442,846	\$2,914,445	\$471,599	19%
Charitable Giving & Tax	\$94,156	\$365,926	\$271,770	289%
Construction	\$7,099,924	\$7,332,265	\$232,341	3%
Educational Affairs	\$1,027,098	\$1,254,045	\$226,947	22%
Environmental Health & Safety	\$320,610	\$45,715	(\$274,895)	-86%
Environmental Planning	\$1,115,373	\$1,334,231	\$218,858	20%
Health Sciences	\$7,799,241	\$6,993,074	(\$806,167)	-10%
Intellectual Property	\$131,617	\$68,109	(\$63,508)	-48%
Labor and Employment	\$1,884,188	\$1,416,017	(\$468,171)	-25%
Laboratory Affairs	\$0	\$12,918	\$12,918	n/a
Miscellaneous	\$519,099	\$173,500	(\$345,599)	-67%
Non-Risk General Litigation	\$5,091,117	\$6,688,699	\$1,597,582	31%
Public Accountability & Governance	\$218,956	\$29,379	(\$189,577)	-87%
Real Estate Transactions	\$858,724	\$1,137,958	\$279,234	33%
Research (Academic & Scientific)	\$0	\$84,623	\$84,623	n/a
<b>Total</b>	<b>\$28,789,060</b>	<b>\$29,989,017</b>	<b>\$1,199,957</b>	<b>4%</b>

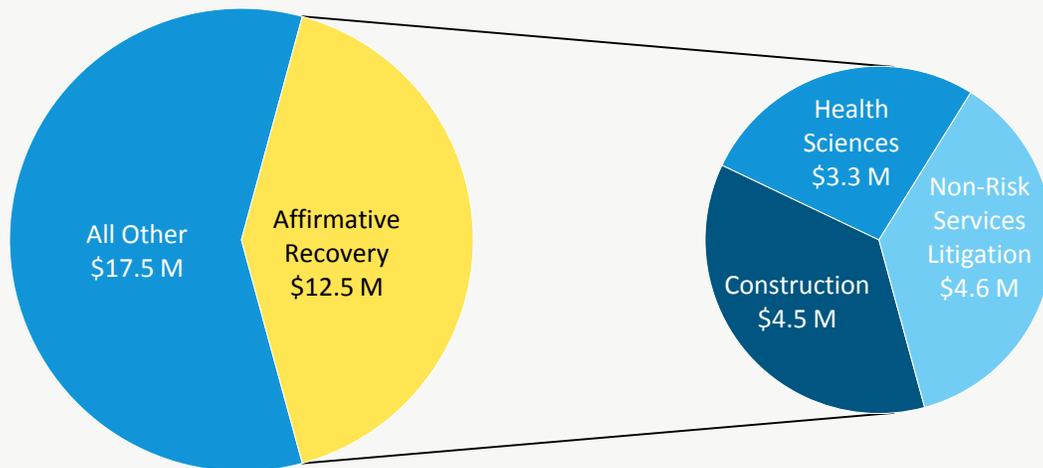
\*FY 2014 numbers are as reported in last year's annual report. During FY 2015, OGC implemented several changes that impact prior year's data, including reclassification of matters and creation of new Practice Areas. See Appendix Table D.

Key drivers of the Core Legal Services total legal expense in FY 2015 included several large affirmative recovery cases (in construction, student health insurance, and hospital billing) as well as legal services required to support major initiatives such as the Merced 2020 project. Most of the increase from FY 2014 to FY 2015 was generated by a single, large recovery case relating to student health insurance, with most practice areas showing reductions or only modest increases. As previously noted, OGC has heightened its focus on assisting the University in pursuing often large-scale, multi-million dollar litigation to seek to recover money owed to the University. While in some cases contingency fee arrangements can be negotiated with outside counsel ([Appendix G](#)), in other cases the University incurs fees during the course of the litigation. Although affirmative cases impact fees across the other segments of legal expense (most notably, \$3.2 M spent on affirmative litigation by IAS), the impact of recovery actions on Core Legal Services expense is the most striking. In FY 2015, the University invested \$12.5 M on litigation to recover amounts due to the University – 42% of the total expense in this category. These large-scale affirmative cases explain much of

the expense in the Construction, Health Sciences, and Non-Risk General Litigation practice areas. ([Chart 10](#)) Taking these risks in appropriate cases has thus far proven to be a worthwhile investment for the University. Overall, in FY 2015, OGC's Oakland and campus-based attorneys generated a total of \$71.4 M in affirmative recoveries, the highest reported total in the past five fiscal years, with the largest recoveries in Construction and Patent matters.

At the same time, the Core Legal Services category also offers the greatest opportunities for a re-examination of the University's service needs, funding and delivery methods. For example, OGC closely analyzes trends in campus legal demands and outside counsel expense to determine whether or not particular legal services can be more cost-effectively provided by in-house resources. OGC continues to pursue strategic in-sourcing and other cost-savings initiatives, such as rate reduction measures and new systems to enable closer monitoring of expense, in an effort to maintain excellent legal services and contain outside counsel expense.

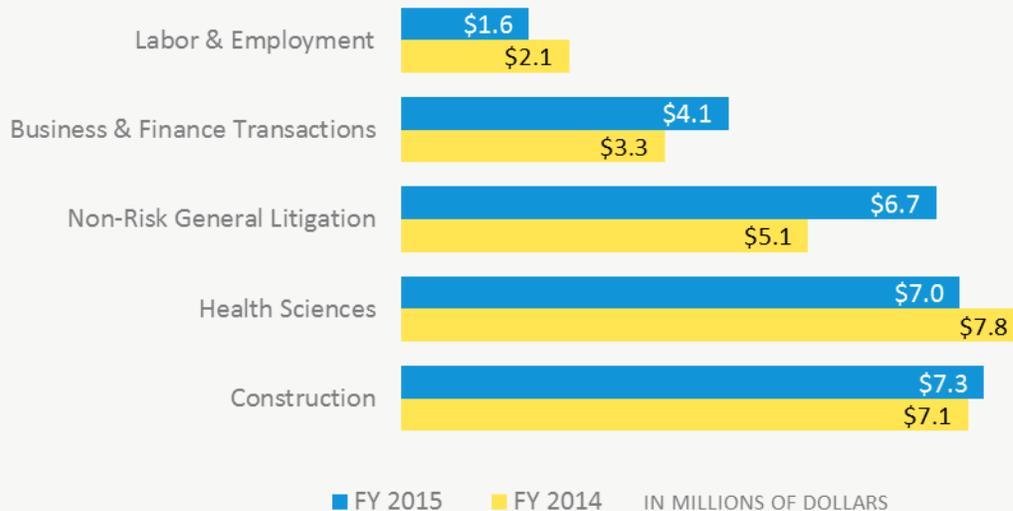
**CHART 10: Core Legal Expenditures in Pursuit of Affirmative Recoveries**



## CORE LEGAL SERVICES LARGEST BILLING PRACTICE AREAS

The chart below shows how total costs in the largest billing practice areas changed between FY 2014 and FY 2015. Over the past five fiscal years, the same five practice areas continue to predominate: Health Care, Construction, Non-Risk General Litigation, Business Transactions, and Labor & Employment. These five broad practice areas represent 89 percent of all Core Legal Services

expenditures in the past fiscal year. This chart combines expenses associated with related practice areas – “Labor & Employment” includes services regarding benefits, for example, and “Business” includes business and finance transactions and real estate transactions (excluding litigated matters).



## OTHER PRACTICE AREAS

The next largest practice area in terms of expense is Environmental Planning, where legal costs increased slightly in FY 2015 (from \$1.1 M in FY 2014 to \$1.3 M in FY 2015). The highest expenses (57%) were associated with defending two separate legal actions involving the Luskin Hotel and Conference Center on the UCLA campus that included allegations relating to compliance under California’s Environmental Quality Act (CEQA).

As in past years, the vast majority (74%) of the \$1.3 M reported as falling within the Educational Affairs practice area was attributable to immigration counsel – highly commoditized work handled by a small number of panel firms.

Reflecting growing legal needs and initiatives in these areas, in FY 2015, OGC created two newly defined practice areas – (1) Research (Academic and Scientific) and (2) Energy & Sustainability.

The **CONSTRUCTION PRACTICE** includes a broad range of activities related to supporting the legal needs of the University’s capital projects, including:

- ◆ Litigation of both affirmative and defensive claims against contractors, sureties and designers
- ◆ Bid protests, stop notice claims and administrative hearings
- ◆ Counseling on a range of issues such as public contracting, competitive bidding and prevailing wage law, and
- ◆ Complex contract negotiations.

Construction legal expense increased slightly in FY 2015 (from \$7.1 M in FY 2014 to \$7.3 M in FY 2015). As anticipated in last year’s report, major matters continued to drive the legal expense in this practice area in FY 2015, with over half of these cases coming to or near final resolution by the end of the fiscal year. Indeed, out of 38 total matters, the top five cases accounted for 73% (\$5.4 M) of the total expense in this category. Notwithstanding these larger cases, 53% of the Construction cases incurred less than \$50,000 each, averaging just over \$20,000 per matter in FY 2015.

UC Santa Cruz saw increased Construction expenses due to ongoing litigation in one major affirmative case that resolved highly favorably as to all 28 defendants early in FY 2016, on the eve of trial. Ongoing complex litigation relating to the Westwood and Santa Monica hospitals continued to drive Construction legal expense at UCLA. These three matters anticipate only minimal costs in FY 2016 associated with settlement processing and case closure. UC San Francisco continued to experience significant activity on various affirmative matters including litigation relating to Rock Hall. The substantial increase in legal expense in FY 2015 at UC Merced is

attributable to preparation for trial in one major Construction case, which resulted in a defense verdict (and associated additional expense) in FY 2016.

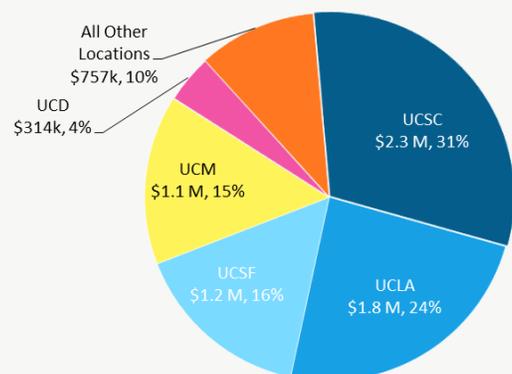
Affirmative recovery actions are at the core of the Construction group’s activities and drive the corresponding legal expense. In FY 2015, 71% of Construction cases were affirmative cases brought by the University, accounting for over \$4.5 M, or 62%, of the FY 2015 total legal expense, with a net recovery on affirmative claims exceeding \$36 M. Significant additional recoveries are expected in FY 2016.

Construction legal expenses are expected to remain high in FY 2016 due to the trial of one major case and continuing efforts on other large matters. In addition, the Construction group initiated the creation of a Construction Panel to be completed in FY 2016 with the goal of providing additional counsel options at competitive rates. The Construction group continues to strive to reduce expenses by capping standard rates systemwide, negotiating alternative rate structures, and handling matters in-house as capacity allows.

**Construction Legal Expenses by Range**

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	3	\$4,597,229	8%	63%
\$200k-\$499k	4	\$1,193,957	11%	16%
\$100k- \$199k	5	\$766,511	13%	10%
\$50k-\$99k	6	\$366,474	16%	5%
< \$50k	20	\$408,095	53%	6%
<b>Total</b>	<b>38</b>	<b>\$7,332,265</b>	<b>100%</b>	<b>100%</b>

**Top Five Campuses**



**The HEALTH LAW TEAM** provides direct legal services to UC Health and oversees the work of outside counsel in areas such as:

- ◆ Health care transactions
- ◆ Regulatory and reimbursement matters
- ◆ Government audits and investigations

Health Care legal expenses in FY 2015 reflected UC Health's continued growth and expansion. UC Health is a \$9.7 billion academic health enterprise that is among the largest and most complex of its kind. The University operates five academic medical centers, 17 health professional schools and 12 hospitals, and student health and counseling centers at each UC campus – collectively referred to as UC Health. UC Health's total operating revenue has increased 48 percent over the past five fiscal years (from \$6.5 billion in FY 2011 to \$9.7 billion in FY 2015). Nevertheless, OGC's Health Law group has managed to hold legal expenses as a percentage of revenue relatively steady during this period of unprecedented growth and expansion. By this measure, outside counsel expense has increased only modestly from \$600,000 per billion dollars in revenue in FY 2011 to \$700,000 per billion in FY 2015.

FY 2015 saw a temporary decline of 10 percent in UC Health-related legal expense, from \$7.8 M in FY 2014 to \$7.0 M in FY 2015, due primarily to the completion of the affiliation between UCSF and Children's Hospital & Research Center Oakland (CHRCO). As in prior years, billing on a small number of major matters continues to drive costs in this area. In FY 2015, the top three matters alone accounted for 62 percent (\$4.3 M) of the total legal expense. These large matters should be viewed in the context of the overall Health Care legal expense portfolio in which 55 of the 77 matters on which there was outside counsel billing in FY 2015 (71%) each incurred less than \$50,000, aver-

aging just over \$13,000 per matter.

In FY 2015, 48 percent of the total legal expense in this practice area, and 95 percent of the expense for core health care litigation (\$3.3 M of \$3.5 M) is attributable to the pursuit of affirmative claims against commercial managed care plans and governmental payors who have underpaid (or refused to pay) for hospital and physician services rendered. Health care litigation costs included over \$3 M in expense related to UCDMC's continued pursuit of a multi-million claim against the County for its failure to compensate the medical center for services rendered as part of the County Medically Indigent Services Program (CMISP). Other medical centers generally handle managed care litigation on a contingent fee basis. (Appendix Table G) As shown in Appendix Table F, in return for this investment, the Regents achieved net recoveries of \$40.2 M in FY 2014 and \$9.8 M in FY 2015.

Outside counsel legal expense associated with health care transactions decreased \$1.1 M in FY 2015. The decrease was largely due to the completion of the CHRCO transaction, which alone accounted for nearly \$1.2 M in outside counsel expense in FY 2014. Although total legal expense associated with health care transactions decreased, the volume of such matters increased 11 percent (from 35 matters in FY 2014 to 39 matters in FY 2015), due in part to continued growth in affiliation activity in response to industry developments including the Affordable Care Act.

### Health Law Legal Expenses by Range

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	3	\$4,312,377	4%	62%
\$200k-\$499k	1	\$222,648	1%	3%
\$100k-\$199k	7	\$964,279	9%	14%
\$50k-\$99k	11	\$770,523	14%	11%
< \$50k	55	\$723,247	71%	10%
Total	77	\$6,993,074	100%	100%

## The HEALTH LAW TEAM (continued)

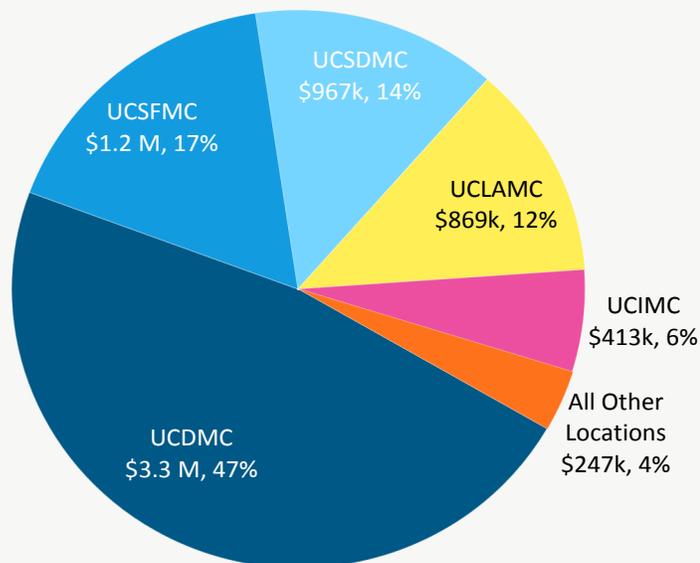
The legal expense associated with health care investigations, medical staff actions and regulatory compliance advice fluctuates from year-to-year with no discernible trend. Legal expense in these categories experienced a \$400,000 increase in FY 2015 and is expected to remain high in FY 2016.

Throughout the fiscal year, the Health Law group remained under-staffed at the medical centers and in OGC Oakland, contributing to continued high outside counsel expense. Midway through FY 2015, the practice group filled one vacancy, and by late FY 2016 or early FY 2017, the Health Law group is expected to have completed the process of filling vacancies and increasing staffing by three attorneys in Oakland and two at the medical centers to provide greater coverage of legal services relating to regulatory issues, reim-

bursement matters, data privacy and security issues, health procurement and healthcare transactions.

As indicated in last year's report, in FY 2015 OGC implemented a select panel of health law firms with aggressively negotiated rates, in a proactive effort to control costs in a practice area where experienced counsel can typically demand very high rates and plans to update this panel in FY 2017. Given the continued growth of the University's health system, an increase in investigations, privacy and compliance issues (including a recent highly-publicized cyber attack), and the University's continued pursuit of affirmative claims such as the CMISP case referenced above, legal expense in this practice area is expected to increase in FY 2016, though in-house staff additions are expected to curb this growth.

**Health Law Legal Expenses  
Top Five Campuses**



**The LABOR AND EMPLOYMENT GROUP** provides policy and legal advice and training on a wide range of issues arising from the University's 200,000 employee workforce, including:

- ◆ Discipline and termination
- ◆ Leaves of absence and disability accommodation
- ◆ Wage and hour compliance
- ◆ Collective bargaining and labor contracts
- ◆ Administrative proceedings before various agencies and equal employment opportunity and whistleblower claims.

**THE BENEFITS ATTORNEYS** provide legal advice to support the operation of the University's \$60 billion retirement system and health and welfare benefit plans.

Labor, Employment and Benefits outside counsel expenses decreased 25 percent in FY 2015 (from \$2,070,299 in FY 2014 to \$1,554,130 in FY 2015). Outside counsel fees for labor and employment matters comprise 91% of the total fees, while benefits matters account for 9% of the total. Of note, 70 of the 79 matters (89%) in this combined category incurred less than \$50,000 each, averaging just less than \$20,000 per matter in FY 2015.

The 25 percent reduction (\$470,000) in outside counsel expense in Labor and Employment matters is attributable to a decrease in the number of contested labor matters in FY 2015, as many of the University's systemwide unions had closed contracts for the duration of the fiscal year. Approximately 25% of the total legal expenses in this category were for outside counsel handling of grievance arbitrations or unfair practice charge

cases at UCSF and UCSD due to staffing vacancies in their labor and employee relations offices. Outside counsel assistance with OFCCP audits at two campuses and a wage and hour compliance review comprise another 25% of the total Labor and Employment expense. The retention of outside investigators to review employment-related claims accounts for approximately 16% of the total fees incurred.

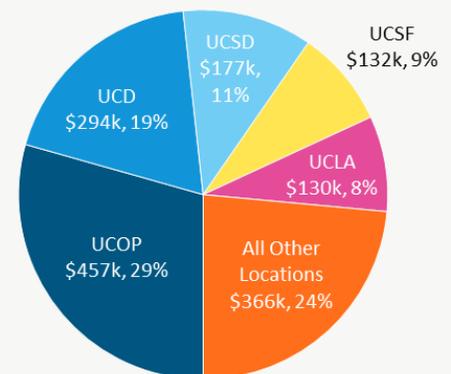
Outside counsel fees for Benefits matters totaled \$138,114 for FY 2015. All of the fees for Benefits matters were for outside counsel advice matters, with the largest single matter being advice related to the vendor contract for the new pension administration system.

It is anticipated that outside counsel fees in FY 2016 will remain relatively constant as compared to FY 2015.

### Labor, Employment & Benefits Legal Expenses by Range

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	0	\$0	0%	0%
\$200k-\$499k	0	\$0	0%	0%
\$100k- \$199k	3	\$408,905	4%	26%
\$50k-\$99k	6	\$413,165	8%	27%
< \$50k	70	\$732,059	89%	47%
<b>Total</b>	<b>79</b>	<b>\$1,554,130</b>	<b>100%</b>	<b>100%</b>

### Top Five Campuses



## The BUSINESS TRANSACTIONS AND FINANCE TEAM'S subject matter expertise includes:

- ◆ bond, external finance, and banking services;
- ◆ complex business and corporate transactions (including the creation of new entities, acquisitions, joint ventures, and affiliations);
- ◆ international transactions;
- ◆ energy initiatives;
- ◆ Treasurer's investments; and
- ◆ procurement contracts to support University operations.

## The REAL ESTATE TRANSACTIONS GROUP negotiates and drafts major commercial leases, acquisition agreements, and ground leases.

Legal costs (combined for purposes of this report) associated with Business and Finance and Real Estate Transactions increased by 23 percent (or \$750,000) between FY 2014 and FY 2015 (from \$3.3 M in FY 2014 to \$4.1 M in FY 2015). Business Transactions and Finance increased from \$2.4 M in FY 2014 to \$2.9 M in FY 2015, and Real Estate Transactions increased from \$858,724 in FY 2014 to \$1.1 M in FY 2015.

Although this year's increase followed a 30% increase in this combined practice area between FY 2013 and FY 2014, the drivers of the increase in the two periods are very different. The prior year's increase reflected substantially higher costs for bond/external finance counsel, which totaled \$1.7 M in FY 2014 and accounted for half of the legal expense in this practice area. These rising costs for bond counsel were effectively addressed in FY 2015 with the hiring of an external financing specialist within the internal legal department, reducing the expense for bond/external finance

counsel to less than \$750,000 in FY 2015. Legal expense associated with OCIO Investment matters (previously referred to as "Treasurer's Office Investments") remained lower for the second year in a row, likewise due to added in-house capability.

Instead, the largest driver of the FY 2014 to FY 2015 increase was Merced 2020, an ambitious and innovative project to grow the UC Merced campus that required sophisticated legal services costing \$1.2 M in 2015. The University retained outside counsel with specialized experience in the Design-Build-Finance-Operate-Maintain delivery model and the proposed availability payment transaction structure, and the legal team was integral to driving this project forward. Legal fees associated with the Merced 2020 project are anticipated to continue to escalate throughout FY 2016, with the transaction projected to close in the summer of 2016.

### Business Transactions and Real Estate Legal Expenses by Range

Range	No.	Amount	% of No.	% of Amount
>\$500K	1	\$1,192,554	1%	29%
\$200K-\$499K	2	\$752,587	2%	19%
\$100K-\$199K	5	\$823,867	5%	20%
\$50K-\$99K	5	\$367,961	5%	9%
<\$50K	96	\$915,434	88%	23%
Total	109	\$4,052,403	100%	100%

**The BUSINESS TRANSACTIONS AND FINANCE TEAM and the REAL ESTATE TRANSACTIONS GROUP** (continued)

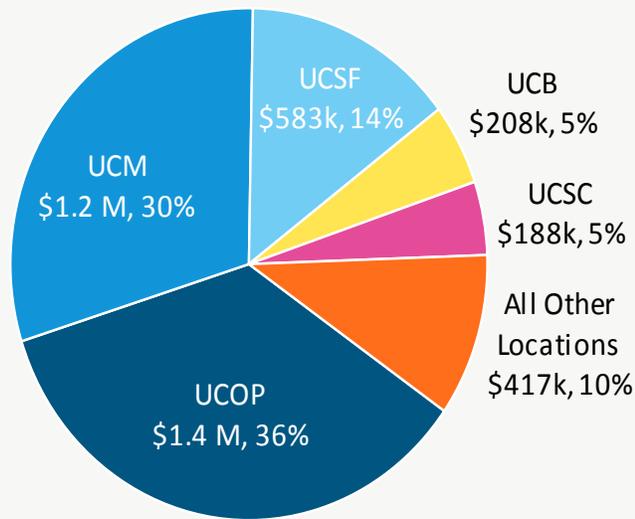
Reflecting the President’s initiative to achieve carbon neutrality, \$260,000 was expended in FY 2015 on legal fees related to the University’s largest solar energy purchase by any higher education institution in the United States as well as to the University’s efforts to procure or develop carbon neutral biomethane. Beginning in FY 2016, legal expense relating to Energy and Sustainability will be tracked as a new and separate practice area.

Legal expenses associated with Real Estate Transactions were \$1.1 M in FY 2015. Significant matters in FY 2015 included UC San Francisco’s 99 year ground lease at

Laurel Heights and continued work on the UCSF Mission Bay 4th Street project, UC Santa Cruz’s NASA AMES Research Park, and advice related to the UC San Diego Center For Novel Therapeutics.

The University also continues to expand the number of complex business initiatives such as fund formations, commercialization initiatives, acquisitions, partnerships and joint ventures and international initiatives. Particularly due to heavy demands for legal services related to the Merced 2020 project, outside counsel expense is anticipated to continue to rise in this area in FY 2016.

**Business Transactions and Real Estate Legal Expenses by Range  
Top Five Campuses**



**“CORE LEGAL LITIGATION” OR “NON-RISK SERVICES GENERAL LITIGATION”** references the broad range of adversarial proceedings – administrative hearings, writs, trials, appeals, complex subpoenas – managed by OGC’s Litigation Group (in addition to managing Risk Program Litigation), including:

- ◆ Academic affairs litigation such as student claims and constitutional challenges to University practices
- ◆ Copyright and trademark cases
- ◆ California Public Records Act (CPRA) cases
- ◆ Faculty disciplinary and grievance hearings, and
- ◆ Affirmative cases, including breach of contract, probate/gifts, securities and antitrust.

As anticipated in the prior year’s report, Non-Risk Services General Litigation legal expense increased 31 percent in FY 2015 (from \$5.1 M in FY 2014 to \$6.7 M in FY 2015). The year-over-year increase was due to greater expense in one unusually large affirmative recovery case against the University’s actuary in connection with extensive losses in the UC Student Health Insurance Program (UCSHIP). That case, which was favorably resolved in the fall of 2016, alone accounted for 66 percent (\$4.4 M) of the total expense in this practice area in FY 2015. Because the matter resolved seven weeks into trial, legal expenses from this action will continue to dominate the outside counsel expense total in this practice area in FY 2016.

While the volume of billing matters in this practice area decreased 10 percent in FY 2015 (from 76 in FY 2014 to 69 in FY 2015), it was still the second highest total number of billing matters over the past five fiscal years, and campus demands for litigation services – particularly faculty hearings, CPRA litigation, and complex subpoena-

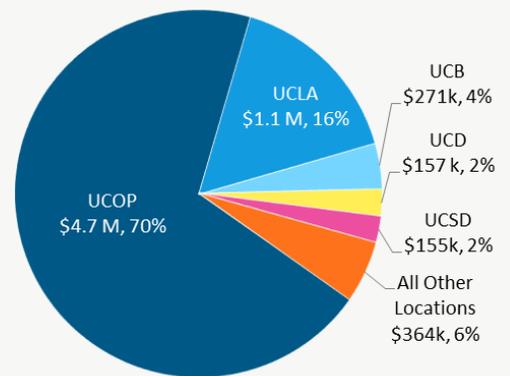
nas – continue to exceed in-house resources. Many of these matters are relatively small and could be handled more efficiently in-house, even with one additional in-house litigator. Indeed, in FY 2015, 81% of Non-Risk Litigation billing matters (56 of 69 matters) incurred payments of less than \$50,000, averaging less than \$11,500 per matter.

Costs for Non-Risk Services General Litigation are expected to increase substantially in FY 2016 primarily due to the legal expense associated with trial of the aforementioned unusually large affirmative recovery case. Additionally, higher FY 2016 litigation expenses are anticipated to reflect significant expense in a case of high institutional interest relating to the transition of a major research center to another university, a wave of newly filed student writs challenging discipline arising out of sexual harassment and sexual assault investigations on our campuses, and continued campus service demands.

**Non-Risk Services General Litigation Legal Expenses by Range**

Range	No.	Amount	% of No.	% of Amount
≥ \$500k	1	\$4,396,396	1%	66%
\$200k-\$499k	2	\$568,663	3%	9%
\$100k-\$199k	3	\$504,952	4%	8%
\$50k-\$99k	7	\$583,851	10%	9%
< \$50k	56	\$634,836	81%	9%
<b>Total</b>	<b>69</b>	<b>\$6,688,699</b>	<b>100%</b>	<b>100%</b>

**Top Five Campuses**



## INNOVATION ALLIANCES AND SERVICES

Outside counsel expenses related to Innovation Alliances and Services (IAS) patent activities are paid as administrative costs largely from patent royalty revenue, but also from other campus sources. Outside counsel is retained to assist in patent prosecution efforts before U.S. and foreign patent offices and for litigation and disputes associated with the protection of the University's patents. Litigation and settlement of disputes has resulted in substantial recoveries for the University. For example, the Monsanto case has netted UCSF a minimum annual royalty fee of \$5 M since February of 2006. In FY 2015, settlement of disputes with two University patent licensees (short of litigation) resulted in a net recovery of \$13.6 M to UC San Francisco, and an \$875,000 payment (towards a total recovery amount of \$2.75 M to be paid in FY 2015 and FY 2016) to UC Irvine.

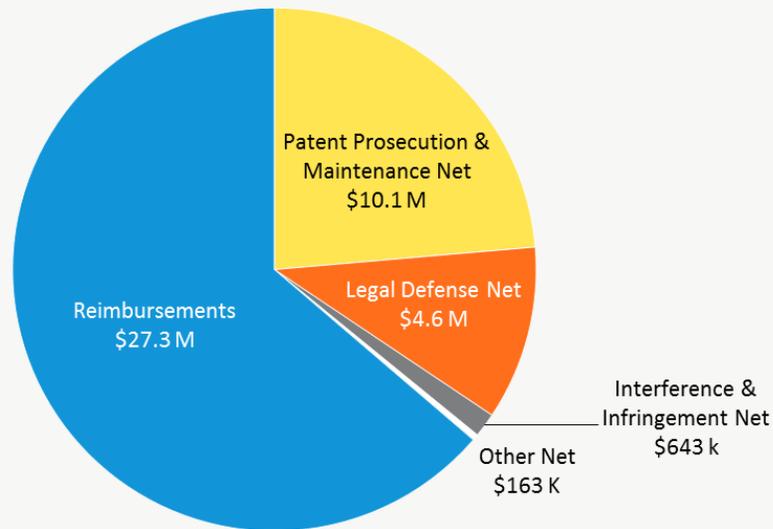
Although *gross* IAS legal expense increased in FY 2015, *net* IAS legal expense decreased, due to a higher rate of reimbursement of these expenses by licensees and

other third parties. Specifically, gross legal expenses for patent prosecution, infringement, legal defense, and related legal matters (e.g., interferences) totaled \$42.8 M in FY 2015, an eight percent increase over FY 2014, when gross legal expense in this category was \$39.6 M. Importantly, however, 64 percent of IAS costs or approximately \$27.3 M, was reimbursed by licensees and other third parties. Moreover, the 64 percent reimbursement rate in FY 2015 was significantly higher than the 57 percent reimbursement rate in FY 2014, such that the net IAS outside counsel expense decreased eight percent year-over-year, from \$16.9M to \$15.5M.

Isolating patent prosecution costs exclusively, the University's reimbursement rate of 72 percent compares favorably against a recent calculation of the national average of 49 percent (for patent prosecution costs) for over 150 U.S. universities reporting to the Association of University Technology Managers for 2010 (the most recent year with available data).

**Chart 11: IAS Legal Expense & Reimbursements**

Category	Expense	Reimbursement	Net Expense
Patent Prosecution & Maintenance	\$35,766,660	\$25,647,325	\$10,119,335
Legal Defense	\$4,615,077	\$4,948	\$4,610,129
Interference & Infringement	\$2,282,474	\$1,639,864	\$642,610
Other	\$162,882	\$0	\$162,882
<b>Total</b>	<b>\$42,827,093</b>	<b>\$27,292,137</b>	<b>\$15,534,956</b>

**Chart 12: IAS Legal Expense & Reimbursements**

Increased IAS gross legal expenses during FY 2015 is not surprising, given the University's strategic decision to make greater investments in its technology, and the resulting continued growth in the size of the University's patent portfolio. Increased expenses in FY 2015 are attributable to a number of factors, including continued significant litigation (in two Medivation matters), preparation for potential interference, and the improving economy, resulting in increased licensing activity and associated patent prosecution costs.

Legal expenses incurred in the Medivation litigation matters are primarily attributable to extensive discovery conducted during the past two fiscal years. The University remains confident in the merits of its underlying claim and believes it may be able to recoup its litigation costs through a damages recovery in the litigation. In addition, the ongoing UCLA-Medivation license agreement generated \$65.5 M in income (from royalties and

fees) this fiscal year, which is unaffected by the litigation between the parties.

Expenses in the potential interference (an administrative proceeding in the U.S. patent office) matter totaled \$2.4 M in FY 2015. This expense is attributable to the cost of preparing for and requesting the U.S. patent office to determine who was the first to invent a high-profile DNA-editing platform technology; such expenses will be reimbursed by the University's exclusive patent licensee, a co-owner of the patent, and a research sponsor.

As noted above, over two-thirds (\$25.7 M) of the patent prosecution costs was reimbursed (72 percent) in FY 2015. The remaining patent prosecution costs for FY 2015 (i.e., \$10.1 M), reflect appropriate campus business decisions, which were based on the opportunities presented to the campuses in FY 2015.

As shown in [Chart 13](#), below, the University's patent enterprise is substantial and successful. Over the past 16 years, the University's patent portfolio (in combination with the University's legal interventions to protect its property) has generated over \$1.99 billion in revenue. Over the same period, the University spent \$225 M.

**Chart 13**  
**IAS Revenue and Net Legal Expenses**  
**FYs 2000-2015 (In Millions)**

Fiscal Year	Income From Royalties & Fees	Net Legal Expense
2000	\$267.8	\$9.1
2001	\$72.9	\$12.3
2002	\$88.2	\$13.4
2003	\$67.0	\$13.6
2004	\$79.3	\$14.8
2005	\$92.9	\$17.7
2006	\$193.5	\$26.6
2007	\$97.6	\$15.8
2008	\$146.8	\$13.9
2009	\$103.3	\$10.9
2010	\$104.4	\$6.0
2011	\$182.0	\$9.6
2012	\$102.2	\$11.9
2013	\$104.8	\$17.7
2014	\$115.4	\$16.9
2015	\$174.3	\$14.9
<b>TOTAL</b>	<b>\$1,992.4</b>	<b>\$225.1</b>

# GENERAL COUNSEL'S COST CONTAINMENT INITIATIVES

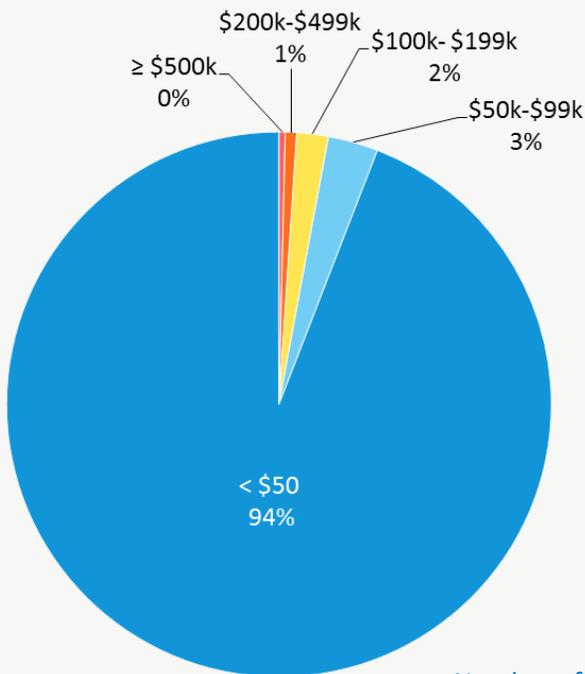
Over the past several years, the General Counsel has implemented a number of initiatives designed to maintain the quality of legal services provided to the University while containing costs, particularly outside counsel expense. These initiatives include strategic and concerted efforts to:

- ◆ Select preferred panels to lock-in favorable rates
- ◆ Expand alternative fee arrangements to achieve cost-savings and predictability.
- ◆ Implement an e-billing system to permit enhanced cost management and data analysis
- ◆ Enhance training, preventative advice and pre-litigation intervention

There will necessarily always be some volatility year-to-year in outside counsel expense because of the impact that a small number of large-scale matters can have in the overall total. As shown in the charts below, 1.4 percent of billing matters incurred expense of \$200,000 or more during the fiscal year and accounted for 44 percent of the total legal expense in core legal services and risk services. The nature of those major matters can be unpredictable, often relating to campus initiatives – such as Merced 2020, the CHRCO affiliation or the Westwood and Santa Monica hospital projects– or to national events, such

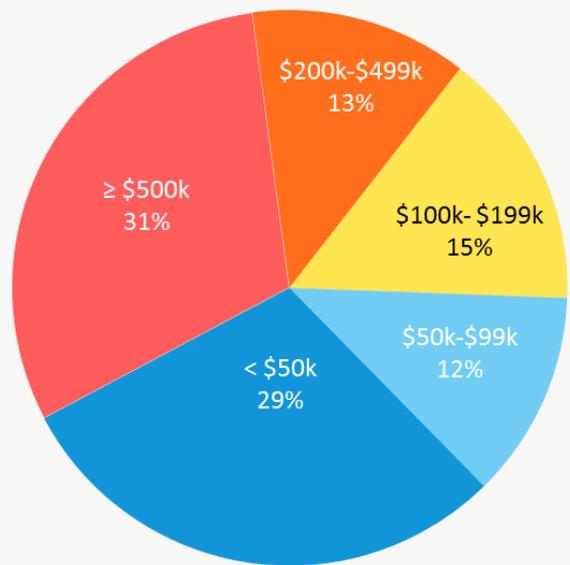
as the Occupy movement student protests or the current national focus on sexual assault on campus. The investment of legal fees in potential monetary recoveries and greater investments in the University's technology also has resulted in higher outside counsel expense.

To counteract this volatility, the General Counsel has focused on moving each of these cost containment initiatives forward, continually re-examining existing programs and exploring new strategies for outside counsel management with the goal of keeping the University's legal costs as low as possible.



Number of Billing Matters

Core Legal and Risk Services Billing Matters By Range



Dollar Amounts

## SELECTION OF PREFERRED PANELS

The development of systemwide and campus-specific panels of approved law firms has resulted in significant savings in average hourly rates and overall costs. Formal and informal preferred panels of outside counsel, generally with rate structures locked-in for multi-year time periods, have been established in the following practice areas:

- ◆ Employment Practices Liability Risk Program (EPL)
- ◆ General Liability Risk Program (GL)
- ◆ Professional Liability Risk Program (PL)
- ◆ Workers' Compensation (WC)
- ◆ Police Practices
- ◆ Subrogation
- ◆ Academic Affairs Litigation
- ◆ Construction Litigation
- ◆ Environmental Litigation
- ◆ Health
- ◆ Immigration
- ◆ International
- ◆ Labor & Employment
- ◆ Patent Prosecution
- ◆ Public Accountability & Governance

The use of panels has achieved the greatest success in containing outside legal expense in the Risk Programs, with very aggressively negotiated panel rates and frequent panel reviews to ensure the best representation possible. To address the industry-wide trend of increasing severity of medical malpractice cases, in FY 2015, OGC and OPRS selected new defense panels for the PL program at UCDCMC and UCSFMC and are currently selecting a new defense panel for the PL program at UCSDMC. These efforts to contain costs in high volume Risk Program litigation have continued in FY 2016. For example, OGC and OPRS selected new defense panels for the EPL panel in Northern California.

In Core Legal Services, the implementation of panels has been a primary driver of OGC's ability to keep the average hourly cost of outside counsel relatively controlled. In early FY 2015, OGC implemented a health law panel of law firms, aggressively negotiating significant rate reductions in a highly specialized practice area that typically demands premium rates.

The UC System is experiencing an increase in affiliation activity in response to industry developments, including the Affordable Care Act. This panel is designed to enable the University to hire cost-effective outside counsel to address bandwidth issues of the small staff of in-house health law attorneys.

Going forward, OGC has continued to use the panel concept to negotiate aggressive rates for services. For example, OGC has selected a limited number of firms to handle the increasing number of sexual assault cases, which fall in both the GL program and Core Legal, at highly favorable rates. Likewise, OGC updated and re-negotiated rates for its Construction panel and created a new panel of firms to advise on international law matters. At the time of production of this report, OGC is engaged in a multi-disciplinary panel process across a wide range of Core Legal practice areas, seeking to reduce the number of firms utilized for Core Legal matters and to negotiate competitive rates with the firms selected.

## IMPLEMENTATION OF AN E-BILLING SYSTEM

OGC has pursued several initiatives designed to improve processing of outside counsel billing statements and to provide reliable and informative billing data for purposes of tracking and analyzing outside counsel trends. These technology improvements build on fundamental internal controls that the General Counsel put in place several years ago to more effectively control the retention and management of outside counsel, such as:

- ◆ Improved Outside Counsel Guidelines (including billing guidelines and required budgets)
- ◆ Improved Outside Counsel Retention Controls (centralizing the authority to retain counsel)
- ◆ Improved Internal Recharge System (enhancing the transparency of costs for campus clients)

For example, OGC worked with OPRS to implement the invoice review services provided by an outside vendor, Quovant (formerly called Legalbill) for Risk Services litigation. OGC and OPRS periodically share with Risk Program law firms data showing how law firms compare to other panel firms, using billing and expense data generated from this invoice review system, as well as internal survey data assessing the effectiveness of the law firms on several qualitative metrics.

In Core Legal Services, OGC recently implemented a new e-billing system (e-Counsel) and began to process invoices in the second quarter of FY 2015. When reporting capabilities are fully implemented, e-Counsel promises to provide OGC with access to even more data about the activities of the outside law firms providing Core Legal Services, together with better tools for analyzing that data. These enhanced data tracking and analytical capabilities should enable OGC to more closely monitor outside counsel expense and target areas where services might be more efficiently performed by in-house resources or through alternative fee arrange-

ments. The data and analytical capabilities of the e-Counsel system will also aid in identifying potentially more efficient models for utilizing outside counsel – for instance, contract attorney services and teaming the expertise of our in-house lawyers with the infrastructure available at our outside firms.

E-Counsel also offers the ability to integrate data that OGC has collected regarding the effectiveness of our outside counsel – in terms of legal results achieved and client satisfaction – with hard data about costs to inform decision-making regarding retentions and fee negotiations. In particular, the e-Counsel tool will facilitate OGC's ability to examine the distribution of outside counsel expense and consider whether savings can be achieved by reducing the number of outside firms retained by the University. Finally, the e-Counsel system brings matter management and e-billing within a single system, thus permitting analyses that examine, for example, the ratio of matters handled in-house versus outside counsel in each practice area.

## EXPANSION OF ALTERNATIVE FEE ARRANGEMENTS

OGC has expanded efforts to negotiate alternative to traditional hourly rate billing arrangements (known as alternative fee arrangements or AFA's) in appropriate matters as a way to achieve cost-savings and greater predictability of outside legal expense.

AFA's utilized to date range from small monthly retainers designed to facilitate obtaining specialized legal advice on discrete issues to a complex "collar" arrangement in a high-stakes litigation matter. Note that in certain high-value affirmative recovery actions, it may be more cost-effective in the long run to invest in counsel hired on an hourly basis than to hire contingency fee counsel. Although this strategy may enhance net recoveries, it increases outside counsel expense during the pendency of the litigation.

As part of this effort to expand use of AFA's, OGC has utilized AFA's with two law firms new to the EPL panel as a way to gain access to different expertise and to control the predictability of expense. Before negotiating these AFA's, OGC and OPRS compiled and closely reviewed cost data from existing and prior cases. With the new eCounsel system, similar data to that available in the Risk Programs will be available to analyze the value of alternative to traditional hourly rate billing arrangements in Core Legal Services matters. In the multi-disciplinary panel process currently underway, OGC has requested that firms offer AFA's as a way of managing expense.

## ENHANCED TRAINING AND PREVENTATIVE ADVICE

OGC has also maintained an intense focus on training and other preventative measures to raise awareness throughout the system of legal requirements and best practices in areas where, based on loss experience and other factors, the risk has been determined to be high. Although this effort was initially focused on employment practices, OGC's emphasis on training and prevention has expanded to multiple areas of legal risk, including construction, health law, intellectual property and litigation, as illustrated in [Appendix Table E](#).

## TARGETED IN-HOUSE STAFFING

OGC's internal budget for in-house resources has remained relatively flat. Although prior comprehensive proposals for increased in-house staffing over a multi-year period are not presently moving forward, OGC continues to look for opportunities to reduce expense through targeted supplements to in-house staffing. The premise of this effort is that OGC attorneys are able to provide legal services on a more cost effective basis than private law firms, and thus insourcing could result in savings. The marginal cost of hiring a new in-house lawyer is currently \$151 per hour. Even including a proportional amount of the Oakland office overhead, the hourly cost of an in-house attorney is still only \$256 per hour. These rates compare favorably with the hourly fees of outside counsel, which can greatly exceed that amount, particularly in premium practice areas such as health law, complex litigation and business transactions.

OGC has focused on the following factors to target practice areas where in-sourcing promises a return in reduced outside counsel expense:

- ◆ A high average outside counsel hourly rate
- ◆ A significant and steady volume of work currently being sent to outside counsel
- ◆ The ability to handle matters in-house with the same quality of legal service or better

Current efforts are underway to examine how the department might utilize outside contract lawyer resources, as an even more cost-effective way to manage outside counsel expense. Although not workable for all practice areas, these outside contract lawyer resources pose the potential benefit of being very low cost while not requiring the same infrastructure necessary to support in-house lawyers.

# CONCLUSION

For fiscal year 2015, the University of California paid gross legal expenses of \$109.8 M, representing a nine percent increase over the previous fiscal year's total of \$100.5 M. This increase reflects a greater investment in the University's intellectual property, increased volume in the number of cases falling within the Risk Program, and increased costs in the largest matters. New initiatives at both the systemwide and campus level – such as UC Health transactions, carbon neutrality, innovation and entrepreneurship, student housing, and cyber security – generate new legal questions and require expanded legal services. Heightened regulatory activity and enforcement in a number of areas, such as sexual violence on campus, creates increased demands on the legal department.

Given the continued expansion of the University's enterprise, increased reliance on outside counsel

can be expected going forward. Total outside counsel expense can fluctuate significantly and unpredictably year-over-year as a result of a small number of particularly complex or difficult matters. Faced with the increasingly complex legal needs of the University, OGC's continued emphasis on pursuing actions to recover amounts due to the University and a flat internal budget for in-house resources, OGC anticipates that outside counsel expense will remain high and increase, going forward.

Nevertheless, OGC will endeavor to continue to provide excellent quality legal services in the most cost-effective manner possible by continuing to pursue the cost-saving initiatives outlined above, including alternative fee arrangements, e-billing, reductions in the number of outside law firms through use of panels, and targeted in-house staffing.

# APPENDIX TABLE A

## Summary of Risk Services Litigation Expenses by Campus

### UC Berkeley

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$450,180	\$428,857	-5%
General Liability	\$800,187	\$1,952,769	144%
Professional Liability	(\$7,823)	\$38,417	391%
Workers' Compensation	\$279,831	\$277,496	-1%
<b>UC Berkeley Total</b>	<b>\$1,522,375</b>	<b>\$2,697,540</b>	<b>77%</b>

### UC Davis

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$771,444	\$693,496	-10%
General Liability	\$426,880	\$389,549	-9%
Professional Liability	\$8,343	\$0	-100%
Workers' Compensation	\$315,683	\$285,231	-10%
<b>UC Davis Total</b>	<b>\$1,522,351</b>	<b>\$1,368,275</b>	<b>-10%</b>

### UC Davis Medical Center

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$449,146	\$393,343	-12%
General Liability	\$53,996	\$25,867	-52%
Professional Liability	\$2,167,240	\$1,614,469	-26%
Workers' Compensation	\$301,997	\$324,844	8%
<b>UC Davis Medical Center Total</b>	<b>\$2,972,380</b>	<b>\$2,358,523</b>	<b>-21%</b>

### UC Irvine

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$669,929	\$797,063	19%
General Liability	\$263,480	\$532,986	102%
Professional Liability	\$331,848	\$368	-100%
Workers' Compensation	\$314,742	\$262,383	-17%
<b>UC Irvine Total</b>	<b>\$1,580,000</b>	<b>\$1,592,801</b>	<b>1%</b>

### UC Irvine Medical Center

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$396,995	\$636,314	60%
General Liability	\$22,351	\$75,670	239%
Professional Liability	\$1,124,572	\$1,059,963	-6%
Workers' Compensation	\$340,338	\$292,986	-14%
<b>UC Irvine Medical Center Total</b>	<b>\$1,884,256</b>	<b>\$2,064,933</b>	<b>10%</b>

# APPENDIX TABLE A

## Summary of Risk Services Litigation Expenses by Campus

### Lawrence Berkeley National Laboratory

Practice Area	FY 2014	FY 2015	% Difference
General Liability	\$17	\$0	-100%
Workers' Compensation	\$77,491	\$126,728	64%
<b>LBNL Total</b>	<b>\$77,508</b>	<b>\$126,728</b>	<b>64%</b>

### UC Los Angeles

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$4,804,536	\$3,965,183	-17%
General Liability	\$622,389	\$1,132,297	82%
Professional Liability	\$1,813	\$33	-98%
Workers' Compensation	\$1,963,680	\$1,561,619	-20%
<b>UC Los Angeles Total</b>	<b>\$7,392,418</b>	<b>\$6,659,132</b>	<b>-10%</b>

### UC Los Angeles Medical Center

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$42,651	\$288,864	577%
General Liability	\$356,110	\$191,271	-46%
Professional Liability	\$2,900,673	\$4,042,393	39%
Workers' Compensation	\$1,069,916	\$1,112,435	4%
<b>UC Los Angeles Medical Center Total</b>	<b>\$4,369,351</b>	<b>\$5,634,962</b>	<b>29%</b>

### UC Merced

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$18,490	\$42,029	127%
General Liability	\$0	\$0	0%
Workers' Compensation	\$17,708	\$27,953	58%
<b>UC Merced Total</b>	<b>\$36,198</b>	<b>\$69,982</b>	<b>93%</b>

### UC Riverside

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$246,218	\$499,746	103%
General Liability	\$162,982	\$198,207	22%
Workers' Compensation	\$157,744	\$196,898	25%
<b>UC Riverside Total</b>	<b>\$566,944</b>	<b>\$894,851</b>	<b>58%</b>

# APPENDIX TABLE A

## Summary of Risk Services Litigation Expenses by Campus

### UC San Diego

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$180,703	\$459,497	154%
General Liability	\$495,052	\$460,970	-7%
Professional Liability	\$0	\$134	134%
Workers' Compensation	\$256,986	\$340,945	33%
<b>UC San Diego Total</b>	<b>\$932,741</b>	<b>\$1,261,546</b>	<b>35%</b>

### UC San Diego Medical Center

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$410,162	\$332,355	-19%
General Liability	\$6,718	\$21,346	218%
Professional Liability	\$2,208,172	\$2,424,278	10%
Workers' Compensation	\$366,778	\$356,604	-3%
<b>UC San Diego Medical Center Total</b>	<b>\$2,991,829</b>	<b>\$3,134,584</b>	<b>5%</b>

### UC San Francisco

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$864,151	\$1,431,853	66%
General Liability	\$1,052,641	\$2,126,140	102%
Workers' Compensation	\$383,981	\$376,054	-2%
<b>UC San Francisco Total</b>	<b>\$2,300,773</b>	<b>\$3,934,047</b>	<b>71%</b>

### UC San Francisco Medical Center

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$192,142	\$302,692	58%
General Liability	\$31,243	\$172,538	452%
Professional Liability	\$2,351,600	\$2,954,071	26%
Workers' Compensation	\$471,319	\$408,842	-13%
<b>UC San Francisco Medical Center Total</b>	<b>\$3,046,304</b>	<b>\$3,838,142</b>	<b>26%</b>

### UC Santa Barbara

Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$64,268	\$447,186	596%
General Liability	\$6,119	\$101,535	1559%
Professional Liability	\$2,053	\$210	-90%
Workers' Compensation	\$186,550	\$274,244	47%
<b>UC Santa Barbara Total</b>	<b>\$258,990</b>	<b>\$823,175</b>	<b>218%</b>

# APPENDIX TABLE A

## Summary of Risk Services Litigation Expenses by Campus

UC Santa Cruz			
Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$3,038	\$3,666	21%
General Liability	\$186,409	\$62,233	-67%
Professional Liability	\$1,232	\$0	-100%
Workers' Compensation	\$86,866	\$68,402	-21%
<b>UC Santa Cruz Total</b>	<b>\$277,545</b>	<b>\$134,302</b>	<b>-52%</b>

Office of the President			
Practice Area	FY 2014	FY 2015	% Difference
Employment Liability	\$107,634	\$114,083	6%
General Liability	\$170,741	\$184,473	8%
Workers' Compensation	\$49,775	\$36,981	-26%
<b>Office of the President Total</b>	<b>\$328,150</b>	<b>\$335,537</b>	<b>2%</b>

<b>Grand Total</b>	<b>\$32,060,113</b>	<b>\$36,929,058</b>	<b>15%</b>
--------------------	---------------------	---------------------	------------

# APPENDIX TABLE B

## Summary of Core Legal Services Expenses by Practice Area

Practice Area	FY 2014	FY 2015	% Difference	\$ Difference
<b>Benefits</b>	<b>\$186,111</b>	<b>\$138,113</b>	<b>-26%</b>	<b>(\$47,998)</b>
Litigated-Benefits	\$638	\$820	28%	\$182
Non-Litigated-Benefits	\$185,473	\$137,294	-26%	(\$48,179)
<b>Business and Finance Transactions</b>	<b>\$2,442,846</b>	<b>\$2,914,445</b>	<b>19%</b>	<b>\$471,599</b>
Non-Litigated-Bond/Other External Financing	\$1,660,352	\$745,621	-55%	(\$914,731)
Non-Litigated-Corporate/Business	\$244,134	\$198,093	-19%	(\$46,041)
Non-Litigated-Energy	\$22,159	\$260,024	1073%	\$237,865
Non-Litigated-Government Relations/Legislation	\$3,990	\$0	-100%	(\$3,990)
Non-Litigated-Procurement and Competitive Bidding	\$113,975	\$1,296,082	1037%	\$1,182,107
Non-Litigated-Treasurer's Investments	\$398,236	\$402,115	1%	\$3,879
Non-Litigated-Other	\$0	\$12,510	n/a	\$12,510
<b>Charitable Giving &amp; Tax</b>	<b>\$94,156</b>	<b>\$365,926</b>	<b>289%</b>	<b>\$271,770</b>
Non-Litigated-Development (Gifts, Estates, Trusts)	\$38,956	\$328,349	743%	\$289,392
Non-Litigated-Tax	\$55,200	\$37,577	-32%	(\$17,623)
<b>Construction</b>	<b>\$7,099,924</b>	<b>\$7,332,265</b>	<b>3%</b>	<b>\$232,341</b>
Litigated-Construction	\$5,749,182	\$6,957,783	21%	\$1,208,601
Non-Litigated-Construction	\$1,350,742	\$374,482	-72%	(\$976,260)
<b>Educational Affairs</b>	<b>\$1,027,098</b>	<b>\$1,254,045</b>	<b>22%</b>	<b>\$226,947</b>
Non-Litigated-Academic & Business Affiliations	\$168,301	\$52,562	-69%	(\$115,739)
Non-Litigated-Athletics	\$24,641	\$43,899	78%	\$19,258
Non-Litigated-Criminal	\$0	\$0	0%	\$0
Non-Litigated-FCC	\$16,530	\$17,444	6%	\$914
Non-Litigated-Immigration	\$715,767	\$922,521	29%	\$206,754
Non-Litigated-International	\$13,826	\$13,229	-4%	(\$597)
Non-Litigated-Research Compliance/Misconduct	\$88,033	\$127,444	45%	\$39,411
Non-Litigated-Other	\$0	\$76,946	n/a	\$76,946
<b>Environmental Health &amp; Safety</b>	<b>\$320,609</b>	<b>\$45,715</b>	<b>-86%</b>	<b>(\$274,894)</b>
Litigated-Environmental EH&S	\$44,845	\$9,434	-79%	(\$35,411)
Non-Litigated-Environmental EH&S	\$275,764	\$36,281	-87%	(\$239,483)
<b>Environmental Planning</b>	<b>\$1,115,373</b>	<b>\$1,334,231</b>	<b>20%</b>	<b>\$218,858</b>
Litigated-Environmental Land Use	\$702,983	\$788,663	12%	\$85,680
Non-Litigated-Environmental Land Use	\$412,390	\$545,568	32%	\$133,178
<b>Health Sciences Enterprise</b>	<b>\$7,799,241</b>	<b>\$6,993,074</b>	<b>-10%</b>	<b>(\$806,167)</b>
Litigated-Health (Fraud & Abuse)	\$14,880	\$41,345	178%	\$26,465
Litigated-Health (Managed Care)	\$3,044,818	\$3,294,887	8%	\$250,069
Litigated-Health (Medical Staff)	\$49,880	\$48,060	-4%	(\$1,820)
Litigated-Health (Medicare/Cal Reimbursement)	\$0	\$9,857	n/a	\$9,857
Litigated-Health (Patient Rights)	\$0	\$84,073	n/a	\$84,073
Litigated-Health (Other)	\$692,842	\$0	-100%	(\$692,842)
Non-Litigated-Health (Accreditation/Licensing)	\$72,553	\$75,521	4%	\$2,968
Non-Litigated-Health (Acquisitions)	\$0	\$8,872	n/a	\$8,872
Non-Litigated-Health (Antitrust)	\$60,257	\$0	-100%	(\$60,257)
Non-Litigated-Health (Faculty Matters)	\$0	\$5,000	n/a	\$5,000

# APPENDIX TABLE B

## Summary of Core Legal Services Expenses by Practice Area

Practice Area	FY 2014	FY 2015	% Difference	\$ Difference
Non-Litigated-Health (Fraud & Abuse)	\$100,638	\$954,449	848%	\$853,811
Non-Litigated-Health (Govt Relations/Legislation)	\$0	\$3,371	n/a	\$3,371
Non-Litigated-Health (Hospital General)	\$0	\$61,216	n/a	\$61,216
Non-Litigated-Health (Insurance)	\$0	\$11,546	n/a	\$11,546
Non-Litigated-Health (Investigations)	\$755,599	\$0	-100%	(\$755,599)
Non-Litigated-Health (Medical Staff)	\$112,152	\$117,132	4%	\$4,981
Non-Litigated-Health (Medicare/Cal Cost Rpt/Bill Appl)	\$1,853	\$3,521	90%	\$1,668
Non-Litigated-Health (Medicare/Cal Reimbursement)	\$52,449	\$58,876	12%	\$6,427
Non-Litigated Health (Privacy)	\$0	\$170,921	n/a	\$170,921
Non-Litigated Health (Procurement & Public Contracting)	\$0	\$10,750	n/a	\$10,750
Non-Litigated Health (Regulatory Compliance)	\$0	\$320,253	n/a	\$320,253
Non-Litigated Health (Research - Contracts, Grants)	\$0	\$14,880	n/a	\$14,880
Non-Litigated-Health (Transactions)	\$104,542	\$392,692	276%	\$288,151
Non-Litigated-Health (Transactions-US)	\$2,736,779	\$1,305,851	-52%	(\$1,430,927)
<b>Intellectual Property</b>	<b>\$131,617</b>	<b>\$68,109</b>	<b>-48%</b>	<b>(\$63,508)</b>
Non-Litigated-Intellectual Property Other	\$131,617	\$68,109	-48%	(\$63,508)
<b>Labor and Employment</b>	<b>\$1,884,188</b>	<b>\$1,416,017</b>	<b>-25%</b>	<b>(\$468,171)</b>
Litigated-Employment	\$56,514	\$232,760	312%	\$176,246
Litigated-Labor	\$904,301	\$474,768	-47%	(\$429,533)
Non-Litigated-Employment	\$566,486	\$416,054	-27%	(\$150,432)
Non-Litigated-Investigations	\$118,942	\$245,332	106%	\$126,390
Non-Litigated-Labor Relations	\$237,945	\$0	-100%	(\$237,945)
Non-Litigated-Other	\$0	\$47,103	n/a	\$47,103
<b>Laboratory Affairs</b>	<b>\$0</b>	<b>\$12,918</b>	<b>n/a</b>	<b>\$12,918</b>
Non-Litigated-Environmental Health & Safety	\$0	\$12,918	n/a	\$12,918
<b>Miscellaneous - not categorized</b>	<b>\$519,099</b>	<b>\$173,500</b>	<b>-67%</b>	<b>(\$345,599)</b>
Non-Litigated-Miscellaneous	\$519,099	\$173,500	-67%	(\$345,599)
<b>Non-Risk Services General Litigation</b>	<b>\$5,091,119</b>	<b>\$6,688,699</b>	<b>31%</b>	<b>\$1,597,580</b>
Litigated-Admin Hearings/Writs (Non-Student)	\$220,520	\$204,797	-7%	(\$15,723)
Litigated-Bankruptcy	\$4,560	\$1,800	-61%	(\$2,760)
Litigated-Breach of Contract	\$3,045,530	\$4,708,254	55%	\$1,662,724
Litigated-Collection	\$22,515	\$2,616	-88%	(\$19,899)
Litigated-Intellectual Property Other	\$84,271	\$104,423	24%	\$20,152
Litigated-Miscellaneous	\$734,115	\$457,131	-38%	(\$276,984)
Litigated-Personal Rights (Defamation/Privacy)	\$0	\$0	0%	\$0
Litigated-Probate/Gifts-Pledges/Trusts-Estates	\$145,193	\$324,801	124%	\$179,608
Litigated-Real Estate	\$319,886	\$101,616	-68%	(\$218,270)
Litigated-Records (PRA/IPA/FERPA)	\$167,668	\$393,079	134%	\$225,411
Litigated-Research Compliance/Misconduct	\$83,423	\$1,161	-99%	(\$82,263)
Litigated-Securities	\$5,375	\$0	-100%	(\$5,375)

# APPENDIX TABLE B

## Summary of Core Legal Services Expenses by Practice Area

Practice Area	FY 2014	FY 2015	% Difference	\$ Difference
Litigated-Student Matters	\$247,128	\$188,589	-24%	(\$58,539)
Litigated-Subpoenas	\$10,935	\$200,431	1733%	\$189,496
<b>Public Accountability &amp; Governance</b>	<b>\$218,955</b>	<b>\$29,379</b>	<b>-87%</b>	<b>(\$189,576)</b>
Non-Litigated-Conflict of Interest	\$52,650	\$17,650	-66%	(\$35,001)
Non-Litigated-Regents	\$166,305	\$11,730	-93%	(\$154,576)
<b>Real Estate Transactions</b>	<b>\$858,725</b>	<b>\$1,137,958</b>	<b>33%</b>	<b>\$279,233</b>
Non-Litigated-Real Estate	\$540,904	\$674,763	25%	\$133,859
Non-Litigated-Real Estate Acquisitions	\$193,318	\$255,778	32%	\$62,460
Non-Litigated-Real Estate Privatized Transactions	\$124,503	\$35,730	-71%	(\$88,773)
Non-Litigated-Other	\$0	\$171,688	n/a	\$171,688
<b>Research (Academic/ Scientific)</b>	<b>\$0</b>	<b>\$84,623</b>	<b>n/a</b>	<b>\$84,623</b>
Litigated Research	\$0	\$81,159	n/a	\$81,159
Non-Litigated Research	\$0	\$3,464	n/a	\$3,464
<b>Grand Total</b>	<b>\$28,789,061</b>	<b>\$29,989,017</b>	<b>4%</b>	<b>\$1,199,956</b>

# APPENDIX TABLE C

## Summary of Core Legal Services Top Categories of Expenses by Location

### Office of the President

Practice Area/Category	FY 2014	%	FY 2015	%
Systemwide Non-Risk General Litigation	\$2,487,512	41%	\$4,668,709	67%
Non-Litigated-Bond/Other External Financing	\$1,572,655	26%	\$745,621	11%
Treasurer's Investments	\$398,236	7%	\$402,115	6%
Labor & Employment	\$892,258	17%	\$319,219	5%
Energy	\$19,751	0%	\$260,024	4%
<b>Top Practice Area/Category Total</b>	<b>\$5,370,412</b>	<b>88%</b>	<b>\$6,395,689</b>	<b>92%</b>
<b>Campus/Location Total</b>	<b>\$6,090,305</b>		<b>\$6,958,831</b>	

### UC Berkeley

Practice Area/Category	FY 2014	%	FY 2015	%
Construction	\$59,457	7%	\$292,993	29%
Non-Risk General Litigation	\$0	0%	\$270,730	27%
Business and Finance Transactions	\$65,813	8%	\$190,246	19%
Health Sciences	\$287,205	35%	\$167,606	17%
Environmental Planning	\$230,976	28%	\$43,800	4%
<b>Top Practice Area/Category Total</b>	<b>\$643,451</b>	<b>77%</b>	<b>\$965,375</b>	<b>96%</b>
<b>Campus/Location Total</b>	<b>\$830,848</b>		<b>\$1,003,006</b>	

### UC Davis

Practice Area/Category	FY 2014	%	FY 2015	%
Construction	\$359,586	29%	\$314,150	30%
Labor & Employment	\$93,113	7%	\$293,594	28%
Educational Affairs	\$186,701	15%	\$194,005	18%
Non-Risk General Litigation	\$206,280	17%	\$156,589	15%
Real Estate Transactions	\$125,313	10%	\$35,730	3%
<b>Top Practice Area/Category Total</b>	<b>\$970,992</b>	<b>78%</b>	<b>\$994,069</b>	<b>94%</b>
<b>Campus/Location Total</b>	<b>\$1,245,321</b>		<b>\$1,055,736</b>	

### UC Davis Medical Center

Practice Area/Category	FY 2014	%	FY 2015	%
Health Science	\$3,222,065	95%	\$3,309,025	99%
Non-Risk General Litigation	\$123,179	4%	\$46,015	1%
<b>Top Practice Area/Category Total</b>	<b>\$3,345,245</b>	<b>99%</b>	<b>\$3,355,040</b>	<b>100%</b>
<b>Campus/Location Total</b>	<b>\$3,385,936</b>		<b>\$3,355,125</b>	

# APPENDIX TABLE C

## Summary of Core Legal Services Top Categories of Expenses by Location

### UC Irvine

Practice Area/Category	FY 2014	%	FY 2015	%
Labor & Employment	\$64,836	16%	\$128,886	28%
Construction	\$81,392	20%	\$84,067	18%
Educational Affairs	\$71,624	17%	\$82,296	18%
Non-Risk General Litigation	\$112,730	28%	\$75,173	16%
Business & Finance Transactions	\$9,780	2%	\$52,260	0%
<b>Top Practice Area/Category Total</b>	<b>\$340,362</b>	<b>83%</b>	<b>\$422,682</b>	<b>91%</b>
<b>Campus/Location Total</b>	<b>\$409,336</b>		<b>\$462,379</b>	

### UC Irvine Medical Center

Practice Area/Category	FY 2014	%	FY 2015	%
Health Sciences	\$786,066	88%	\$412,740	92%
Educational Affairs	\$54,756	6%	\$28,798	6%
Non-Risk General Litigation	\$42,766	5%	\$7,390	0%
<b>Top Practice Area/Category Total</b>	<b>\$883,588</b>	<b>98%</b>	<b>\$448,928</b>	<b>100%</b>
<b>Campus/Location Total</b>	<b>\$897,904</b>		<b>\$448,928</b>	

### UC Los Angeles

Practice Area/Category	FY 2014	%	FY 2015	%
Construction	\$3,189,340	56%	\$1,761,357	42%
Non-Risk General Litigation	\$1,204,564	21%	\$1,072,235	26%
Environmental Planning	\$454,285	8%	\$788,663	19%
Educational Affairs	\$444,160	8%	\$360,259	9%
Labor & Employment	\$172,595	3%	\$129,804	3%
<b>Top Practice Area/Category Total</b>	<b>\$5,464,944</b>	<b>96%</b>	<b>\$4,112,317</b>	<b>99%</b>
<b>Campus/Location Total</b>	<b>\$5,669,962</b>		<b>\$4,173,776</b>	

### UC Los Angeles Medical Center

Practice Area/Category	FY 2014	%	FY 2015	%
Health Science	\$745,135	80%	\$826,971	90%
Real Estate Transactions	\$9,971	1%	\$82,851	9%
<b>Top Practice Area/Category Total</b>	<b>\$755,106</b>	<b>81%</b>	<b>\$909,822</b>	<b>99%</b>
<b>Campus/Location Total</b>	<b>\$928,187</b>		<b>\$920,554</b>	

# APPENDIX TABLE C

## Summary of Core Legal Services Top Categories of Expenses by Location

### UC Merced

Practice Area/Category	FY 2014	%	FY 2015	%
Business & Finance Transactions	\$95,855	19%	\$1,202,549	47%
Construction	\$284,141	56%	\$1,091,934	42%
Environmental Planning	\$42,338	8%	\$200,497	8%
<b>Top Practice Area/Category Total</b>	<b>\$422,334</b>	<b>84%</b>	<b>\$2,494,980</b>	<b>97%</b>
<b>Campus/Location Total</b>	<b>\$503,849</b>		<b>\$2,572,550</b>	

### UC Riverside

Practice Area/Category	FY 2014	%	FY 2015	%
Construction	\$175,442	57%	\$231,136	75%
Educational Affairs	\$47,450	15%	\$55,000	18%
<b>Top Practice Area/Category Total</b>	<b>\$222,892</b>	<b>72%</b>	<b>\$286,136</b>	<b>93%</b>
<b>Campus/Location Total</b>	<b>\$308,097</b>		<b>\$308,287</b>	

### UC San Diego

Practice Area/Category	FY 2014	%	FY 2015	%
Labor and Employment	\$184,226	44%	\$176,839	31%
Real Estate Transactions	\$11,751	3%	\$172,801	34%
Non-Risk General Litigation	\$180,321	43%	\$155,106	27%
<b>Top Practice Area/Category Total</b>	<b>\$376,298</b>	<b>90%</b>	<b>\$504,746</b>	<b>89%</b>
<b>Campus/Location Total</b>	<b>\$419,079</b>		<b>\$567,587</b>	

### UC San Diego Medical Center

Practice Area/Category	FY 2014	%	FY 2015	%
Health Science	\$721,733	65%	\$967,204	89%
Labor & Employment	\$383,061	34%	\$90,792	8%
<b>Top Practice Area/Category Total</b>	<b>\$1,104,793</b>	<b>99%</b>	<b>\$1,057,996</b>	<b>97%</b>
<b>Campus/Location Total</b>	<b>\$1,114,389</b>		<b>\$1,086,126</b>	

# APPENDIX TABLE C

## Summary of Core Legal Services Top Categories of Expenses by Location

### UC San Francisco

Practice Area/Category	FY 2014	%	FY 2015	%
Construction	\$1,082,270	45%	\$1,153,777	42%
Real Estate Transactions	\$545,096	22%	\$583,330	21%
Charitable Giving & Tax	\$0	0%	\$321,538	12%
Environmental Planning	\$186,626	8%	\$213,227	8%
Educational Affairs	\$100,064	4%	\$189,475	7%
Non-Risk General Litigation	\$420,262	17%	\$141,030	5%
<b>Top Practice Area/Category Total</b>	<b>\$2,334,318</b>	<b>96%</b>	<b>\$2,602,377</b>	<b>94%</b>
<b>Campus/Location Total</b>	<b>\$2,429,094</b>		<b>\$2,758,795</b>	

### UC San Francisco Medical Center

Practice Area/Category	FY 2014	%	FY 2015	%
Health Science	\$1,594,231	64%	\$1,187,227	81%
Construction	\$763,115	31%	\$140,088	10%
Labor & Employment	\$23,287	1%	\$122,966	8%
<b>Top Practice Area/Category Total</b>	<b>\$2,380,633</b>	<b>95%</b>	<b>\$1,450,281</b>	<b>99%</b>
<b>Campus/Location Total</b>	<b>\$2,500,683</b>		<b>\$1,470,811</b>	

### UC Santa Barbara

Practice Area/Category	FY 2014	%	FY 2015	%
Research (Academic/Scientific)	\$0	0%	\$81,159	49%
Non-Risk General Litigation	\$23,017	5%	\$34,356	19%
Educational Affairs	\$250	0%	\$29,464	16%
Environmental Planning	\$0	0%	\$21,541	12%
<b>Top Practice Area/Category Total</b>	<b>\$23,267</b>	<b>5%</b>	<b>\$166,520</b>	<b>90%</b>
<b>Campus/Location Total</b>	<b>\$446,042</b>		<b>\$184,953</b>	

### UC Santa Cruz

Practice Area/Category	FY 2014	%	FY 2015	%
Construction	\$1,091,677	68%	\$2,253,657	86%
Real Estate Transactions	\$75,212	5%	\$187,988	7%
Educational Affairs	\$61,500	4%	\$71,764	3%
Non-Risk General Litigation	\$278,361	17%	\$48,393	2%
<b>Top Practice Area/Category Total</b>	<b>\$1,506,750</b>	<b>94%</b>	<b>\$2,561,801</b>	<b>98%</b>
<b>Campus/Location Total</b>	<b>\$1,610,031</b>		<b>\$2,606,402</b>	

## APPENDIX TABLE D

### Summary of Core Legal Category Expense Reclassifications from FY 2014

Practice Area	FY 2014 as reported	FY 2014 as modified	\$ Change	% Change
Benefits/UCRS	\$186,111	\$176,568	(\$9,543)	-5%
Business Transactions	\$2,442,846	\$2,461,192	\$18,346	1%
Construction	\$7,099,924	\$7,023,267	(\$76,657)	-1%
Educational Affairs	\$1,027,098	\$1,028,951	\$1,853	0%
Environmental (CEQA)	\$1,115,373	\$1,099,962	(\$15,411)	-1%
Environmental H&S	\$320,610	\$308,773	(\$11,837)	-4%
Gifts and Tax	\$94,156	\$94,156	\$0	0%
Governance	\$218,956	\$218,956	\$0	0%
Health Sciences	\$7,799,241	\$7,384,177	(\$415,064)	-5%
Labor & Employment	\$1,884,188	\$2,012,539	\$128,351	7%
Miscellaneous <sup>3</sup>	\$519,099	\$319,862	(\$199,237)	-38%
Non-Risk Litigation	\$5,091,117	\$5,360,194	\$269,077	5%
Real Estate	\$858,724	\$965,651	\$106,927	12%
Trademark, Copyright	\$131,617	\$145,166	\$13,549	10%
Research <sup>2</sup>	\$0	\$277,390	\$277,390	n/a
<b>Total</b>	<b>\$28,789,060</b>	<b>\$28,876,804<sup>1</sup></b>	<b>\$87,744</b>	<b>0%</b>

1. Core Legal Expense Total is \$87,744 (0.3%) higher
  - a. (\$66,578) originally reported as UC expense was reimbursed by Benioff Childrens Hospital of Oakland and Bay Area ACO
  - b. \$154,321 in Trademark litigation was reclassified from IAS
2. \$277,390 in expenses shifted from other areas (primarily Health) to the new Research practice area.
3. Almost \$200K in "Miscellaneous" expenses have been shifted to other practice areas.

# APPENDIX TABLE E

## Enhanced Pre-Litigation Training

Date	Practice Area	Training Topic
July 2014	Health Sciences	Business Associate Flow Chart - Self Help Tool (Systemwide)
July 2014	Business Transactions	Legal Issues in International Agreements (Systemwide)
July 2014	Business Transactions	Post-Mortem on Haas/CEE Transaction (Systemwide)
July 2014	Labor, Employment & Benefits	Update re WPP (Systemwide)
July 2014	Construction	Annual Construction Law Topics (Multiple Campuses)
August 2014	Construction	Project Closeout for Construction Projects (UCOP)
August 2014	Labor, Employment & Benefits	Skills For Conducting Hearings – A Workshop for Hearing Officers (UCI)
August 2014	Construction	Performance Design/Build Construction; LEAN Practices (UCDMC)
September 2014	Health Sciences	Privacy, Security, Breach Reporting and Business Associate Training (UCSF)
September 2014	Intellectual Property, Litigation and UCD	Panelist for Lunchtime Presentation at UCD School of Law's "Negotiation Week" (UCD)
September 2014	Charitable Giving and Non-profit Organizations	Health Sciences Faculty Compensation Guidance - Tax Issues (Systemwide)
October 2014	Health Sciences	Attorney/Client Privilege (Oakland Children's Hospital)
October 2014	Public Accountability & Governance	COI Issues (Systemwide)
October 2014	Construction	Attorney/Client Privilege (UCSF)
October 2014	Labor, Employment & Benefits	Essential Information about Family and Medical Leaves (UCIMC)
October 2014	Health Sciences	Privacy, Security, Breach Reporting and Business Associate Training (UCSF)
October 2014	Labor, Employment & Benefits	Essential Information about Family and Medical Leaves (UCIMC)
October 2014	Construction	Contract Administration Issues (Systemwide)
November 2014	Environmental Health & Safety	Regulation of Worker Safety for Scientific Diving Operations (Multiple Campuses)
November 2014	Business Transactions	Governing Law and Dispute Resolution (Multiple Campuses)
November 2014	Land Use	UC Capital Planning and Approvals (Systemwide)
November 2014	Land Use	CEQA Regulatory and Litigation Updates (Systemwide)
November 2014	Business Transactions	Procurement Contract Templates, Phase 2 (Multiple Campuses)
November 2014	Labor, Employment & Benefits	The Latest on Managing Family Medical Leave (UCOP)
November 2014	Construction	Selecting and Managing Executive Design Professionals (UCOP)
November 2014	Intellectual Property	Intellectual Property Legal Update (Systemwide)

# APPENDIX TABLE E

## Enhanced Pre-Litigation Training

Date	Practice Area	Training Topic
November 2014	Business Transactions	Procurement Contract Templates, Phase 2 (Multiple Campuses)
November 2014	Intellectual Property	Intellectual Property Legal Update (LBNL)
December 2014	Business Transactions	Procurement Contract Templates, Phase 2 (Multiple Campuses)
December 2014	Construction	Selecting and Managing Executive Design Professionals (Multiple Campuses)
December 2014	Construction	New/ Advertising/Bidding Laws (Systemwide)
December 2014	Health Sciences	Privacy, Security, Breach Reporting and Business Associate Training (Oakland Children's Hospital)
December 2014	Business Transactions	Appendix - Data Security; Privacy and Information Security (Multiple Campuses)
January 2015	Charitable Giving and Non-profit Organizations	Faculty Compensation Guidance - Tax Issues (Systemwide)
January 2015	Business Transactions	Procurement Contract Templates, Phase 2 (Multiple Campuses)
January 2015	Construction	Best Procurement Practices and "Lessons Learned" (UCSF/UCSFMC)
February 2015	Business Transactions	Legal Issues in International Compliance (Systemwide)
February 2015	Labor, Employment & Benefits	Employment Practices Improvement Committee – Disability Accommodation and Related Issues for Academics (Multiple Campuses)
February 2015	Construction	Labor Compliance Webinar (Systemwide)
February 2015	Labor, Employment & Benefits	Requests For Information – What to Do and Say When the Union Wants Everything? (UCLA/UCLAMC)
March 2015	Public Accountability & Governance	MCLE seminar: Overview of the California Public Records Act & Legal Update (Multiple Campuses)
April 2015	Intellectual Property	Not CopyWrong, CopyRight: Staying Safe on the Radio and in Digital Media (UCB)
April 2015	Labor, Employment & Benefits	OGC Update (Systemwide)
April 2015	Intellectual Property	Problematic Intellectual Property Terms in Agreements: Ownership Issues (Systemwide)
April 2015	Intellectual Property	Various Copyright “Hot Topics” Relevant to the University’s IP Managers (Multiple Campuses)
April 2015	Charitable Giving & Business Transactions	Venture Funds (Systemwide)
April 2015	Intellectual Property	Patent Legal Update (Systemwide)
April 2015	Labor, Employment & Benefits	Legal Update – California’s Pregnancy Disability Leave Regulations and Other PDL Related Issues (UCSB)

# APPENDIX TABLE E

## Enhanced Pre-Litigation Training

Date	Practice Area	Training Topic
April 2015	Environment, Health & Safety	Environmental Enforcement and Regulatory Updates (Multiple Campuses)
April 2015	Construction	Conflict of Interest (Systemwide)
April 2015	Construction	Campus & Construction Counsel (UCSD)
April 2015	Construction	Managers Meeting (UCI)
May 2015	Labor, Employment & Benefits	Hot Topics in Employment Law 2014 – 2015 (Multiple Campuses)
May 2015	Construction	Facilities Directors Meeting (Systemwide)
May 2015	Real Estate	Real Estate Roundtable (Systemwide)
May 2015	Construction	Introducing Lean Contracting: Using Lean Design Contracting to Get More from Projects (Multiple Campuses)
May 2015	Construction	Facilities Presentation (Systemwide)
June 2015	Construction	Public Works Sector Seminar-Northern Session (Multiple Campuses)
June 2015	Construction	Design Build (Multiple Campuses)
June 2015	Public Accountability & Governance	Can't Buy Me Love? (Multiple Campuses)
June 2015	Educational Affairs and Campus Services	Drones? Really? (Multiple Campuses)
June 2015	Construction	UC & the Law Construction Project Management: Northern Session (Multiple Campuses)
June 2015	Construction	UC & the Law Construction Project Management: Southern Session (Multiple Campuses)
June 2015	Public Accountability & Governance	Legislative/Judicial Updates (Systemwide)
June 2015	Public Accountability & Governance	Audit Reports (Systemwide)
June 2015	Public Accountability & Governance	Investigation Reports (Systemwide)
June 2015	Public Accountability & Governance	Data Programming/Compilation Charges (Systemwide)
June 2015	Public Accountability & Governance	Privacy and Small Cell Sizes (Systemwide)
June 2015	Public Accountability & Governance	Privacy Rights After Death (Systemwide)
June 2015	Public Accountability & Charitable Giving	Entrepreneurship on Campus: Spotting Legal Issues and Minimizing University Risks (Systemwide)
June 2015	Public Accountability & Charitable Giving	Tax Issues re Venture Funds and Incubators (Systemwide)

## APPENDIX TABLE F

### Summary of Net Affirmative Recoveries to the University by Subject

Category	Fiscal Year 2011		Fiscal Year 2012		Fiscal Year 2013		Fiscal Year 2014		Fiscal Year 2015	
	Net Amount	%								
Construction	\$6,688,929	17%	\$11,951,200	23%	\$36,800,361	55%	\$2,546,890	4%	\$36,269,334	51%
Patent Infringement	\$0	0%	\$5,233,005	10%	\$0	0%	\$1,000,000	2%	\$16,336,000	23%
Hospital Collections	\$8,174,009	21%	\$28,062,272	54%	\$10,989,456	16%	\$40,157,916	67%	\$9,841,906	14%
Trust & Estates	\$14,581,164	37%	\$2,980,193	6%	\$12,485,767	19%	\$7,831,608	13%	\$7,985,131	11%
Other	\$305,783	1%	\$83,788	<1%	\$176,291	<1%	\$0	0%	\$660,507	<1%
Antitrust	\$40,447	<1%	\$0	0%	\$42,639	<1%	\$0	0%	\$220,018	<1%
Contract Disputes	\$1,911,688	5%	\$556,162	1%	\$4,545,370	7%	\$7,865,044	13%	\$122,953	<1%
Fraud/False Claims	\$161,780	<1%	\$0	0%	\$2,263,335	3%	\$0	0%	\$5,000	<1%
Bankruptcy	\$22,604	<1%	\$3,319,509	6%	\$1,618	<1%	\$140,526	<1%	\$0	0%
Securities	\$7,654,298	19%	\$0	0%	\$0	0%	\$0	0%	\$0	0%
<b>Total</b>	<b>\$39,540,702</b>	<b>100%</b>	<b>\$52,186,129</b>	<b>100%</b>	<b>\$67,304,837</b>	<b>100%</b>	<b>\$59,541,984</b>	<b>100%</b>	<b>\$71,440,849</b>	<b>100%</b>

## APPENDIX TABLE G

### Summary of Net Affirmative Recoveries to the University by Billing Arrangement

Billing Arrangement	No.	Fiscal Year 2014			No.	Fiscal Year 2015		
		Recovery	Expenses	Net Amount		Recovery	Expenses	Net Amount
Hourly Billing	11	\$16,224,936	\$2,939,897	\$13,285,039	13	\$46,849,734	\$6,355,997	\$40,493,737
Contingency	67	\$43,894,178	\$5,117,395	\$38,776,783	37	\$22,300,573	\$3,796,839	\$18,503,734
General Retainer	0	\$0	\$0	\$0	2	\$188,199	\$0	\$188,199
Handled In-House	18	\$7,480,162	\$0	\$7,480,162	18	\$12,269,456	\$14,276	\$12,255,180
<b>Total</b>	<b>96</b>	<b>\$67,599,276</b>	<b>\$8,057,292</b>	<b>\$59,541,984</b>	<b>70</b>	<b>\$81,607,962</b>	<b>\$10,167,112</b>	<b>\$71,440,849</b>