

**OFFICE OF GENERAL COUNSEL CLIENT SURVEY:
SUMMARY OF RESULTS
May 29, 2009**

BACKGROUND REGARDING SURVEY

OGC selected General Counsel Roundtable (GCR), an independent third party, to conduct the survey. GCR is a part of the Corporate Executive Board, whose membership includes the University of California and more than 4,700 other large companies. This survey was conducted at no cost to the University, and GCR maintained the confidentiality of the identity of the respondents. GCR's extensive database provided benchmark data for comparison purposes, which was particularly helpful since OGC had not previously done a client survey. Respondents system-wide rated 28 key service and process attributes of OGC across the following five categories:

- Service Orientation
- Core Legal Services
- Compliance and Risk Management
- Business Partnering
- Outside Counsel Management

The client respondents included 290 internal UC clients, spanning the Office of the President, Regental offices, all general campuses, the health sciences campuses, and the Lawrence Berkeley National Laboratory. Over 40% of OGC's clients who received the survey responded, and responses were returned from all locations. Nearly two-thirds of the client respondents rated themselves as "knowledgeable" or "very knowledgeable" about OGC. Over half reported contacting OGC at least 2 -5 times per month, including 17% over 10 times per month. We also received from approximately 170 respondents written comments that substantially enhanced our understanding of OGC client perspectives, needs and priorities. In order to compare OGC's perceptions about its effectiveness with those of its clients, the survey included responses from OGC staff, including 72 managers, staff, attorneys and paralegals.

For each category, respondents rated on a scale of 1 to 7 the importance of, and OGC's effectiveness on, each of the survey attributes. GCR benchmarked UC's responses against nearly 150 organizations and over 20,000 individual respondents. GCR compared the client respondent scores to those from OGC respondents, and UC client scores to the benchmark average ratings. GCR considered disparities in scores of 0.15 points or more to be statistically significant. We use that measure of statistical significance to report results above or below the benchmark in our analysis below.

KEY FINDINGS

In reviewing the results, we focused on the following areas.

OGC's Effectiveness in the Areas Most Important to our Clients

According to the survey responses, the seven attributes of greatest importance to our clients are:

- Law-related Knowledge
- Solutions Orientation
- Risk Tolerance
- Accessibility
- Meeting Deadlines
- Litigation Outcomes
- Preventive/Proactive Advice

These results are consistent with GCR industry benchmarks for attributes of greatest importance to clients in other organizations. Our clients rated Law-related Knowledge and Solutions Orientation as being more important than the GCR benchmark averages. In rating the effectiveness of OGC's performance on these attributes, client scores for five of seven of these attributes are above the overall average effectiveness scores both for the industry benchmark and for UC-specific results. OGC's effectiveness was below the industry benchmark on Meeting Deadlines and Preventative/Proactive Advice.

OGC's Effectiveness in Areas Most Important to OGC Leadership

In addition to the attributes mentioned above, members of OGC rated the following attributes as essential to OGC's mission:

- Quality of Legal Work
- Compliance Enforcement
- Cost Control

While client scores for effective performance of Quality of Legal Work are at the industry benchmark, scores for Cost Control and Compliance Enforcement are substantially below industry benchmarks. Scores for the latter two attributes reflect concerns meriting immediate priority and attention.

Comparison of OGC to Benchmarks

Effectiveness scores for the following three attributes, in addition to those mentioned above, are significantly below their respective industry benchmarks:

- Providing Client Self-service Tools
- Knowledge of Business Strategy
- Law Firm Administration

Client scores for Law Firm Administration and Self-service Tools rank among the three lowest scores for all attributes.

Written Client Comments

In addition to the tabulated ratings, at least half of the OGC client respondents sent detailed written comments and suggestions, which generally evidenced a solid working relationship with OGC. The comments focused primarily on the following topics:

- Widespread acknowledgement of high caliber of legal services while recognizing limited resources
- Concerns about accessibility, responsiveness, and risk tolerance
- Requests for more regulatory updates and self-service tools. Combined with the effectiveness scores for these attributes, this area of service merits immediate attention.
- Confusion about roles of campus and Oakland attorneys, and the perception of inconsistent and conflicting advice
- Complaints or confusion about the survey (e.g., UC as a "business" and the inability to rate UC counsel separately or by location)

OGC'S RESPONSE

OGC's overall objective is to improve client service on the key attributes identified by the survey highlighted above, focusing on UC priorities. Following my arrival in 2007, OGC embarked on sixteen initiatives, the full implementation of which will address many of our clients' stated concerns. In addition, we are establishing departmental policies and procedures focused on implementing best practices that will enhance our communications with all clients. The key OGC initiatives and new policies and practices are outlined below.

Cost Control/Law Firm Administration

In July of 2008, OGC implemented a multi-part outside counsel cost savings program which it presented to the Legal Services Advisory Committee, other senior administration officials and several Regents. The program targets expenses in all areas of OGC's practices except Technology Transfer (as to which a separate specialized review is underway). This program projected \$5 million in annual savings (roughly 10 percent of net annual expenses in all categories except Technology Transfer) within 18 months, assuming all phases of the program could be implemented.

The program centers on four key objectives: (1) reducing overall hourly billings rates; (2) aggressively managing outside counsel costs through improved monitoring, management, billing and accountability controls, and improved production of legal management data; (3) terminating redundant or inefficient services, and in-sourcing select practice areas; and (4) targeting for prevention certain claim types through enhanced management training and pre-litigation intervention. OGC believes that the projected savings will be achieved and a report of savings will be available in early 2010. A summary of the program, status of individual projects and projected savings is shown in Table 1.

**TABLE 1
OUTSIDE COUNSEL SAVINGS PROGRAM SUMMARY**

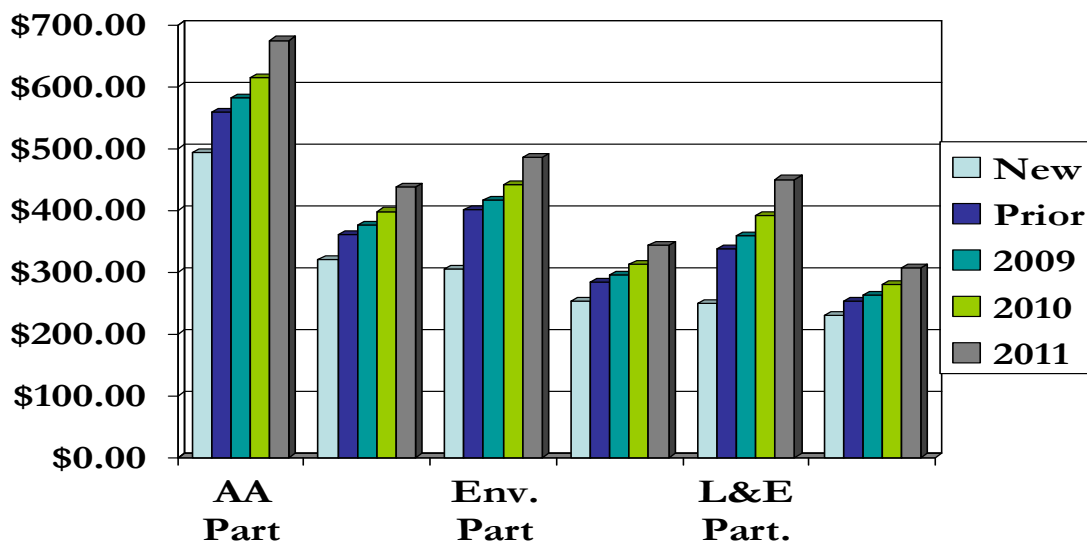
Program	Projected Savings (\$000)	Status	Results
Consolidation/Rate Reduction	\$.900 - \$1.250	Completed 11/08	\$1.1M savings achieved by comparing 2008 billings; projected savings of \$1.3M in 2009 and \$1.5M in 2010
Terminating Select Services	\$.300	Completed 5/1/08	Savings fully achieved
Labor & Employment "In-sourcing"	\$.325 - \$0.630	50 percent achieved	Savings are now accruing at 50% of projections
Risk Services/Claims Closure	\$1.000	On-going	Goal Exceeded -- \$1.5M savings achieved in first six months
Risk Services/Enhanced Training	\$1.000	On-going	No reliable data yet
Aggressive Cost Management	\$.750 - \$1.500	95% implemented	No reliable data yet
Total Expected Savings	\$4.275 - 5.6M		Will exceed \$5M

Rate Reductions: This project targeted three high billings areas – labor/employment, environmental and academic affairs litigation, which collectively accounted for more than \$6 million in FY2008. Requests

for service proposals were sent to attorneys with experience and/or interest in practicing in the three areas on a state-wide basis. Approved panels of counsel were selected following review of written submissions and interviews. The selected firms are now under contract with the University at negotiated rates which are frozen through FY2011.

This project is projected to result in an average hourly billing rate reduction of 25 percent over the contract period, and an immediate rate savings of 19 percent in the first year. Table 2 shows the projected savings by practice area, (average partner rates followed by average associate rates in the selected practice area).

TABLE 2
PROJECTED OUTSIDE COUNSEL SAVINGS IN THREE LEGAL PRACTICE AREAS
(\$000)



Aggressive Cost Management: This is a multi-featured project that targets and improves internal and external controls associated with the retention and monitoring of outside counsel in the All-Other/OGC Billed category. The program features include:

- Improved Outside Counsel Guidelines
- Improved Internal Retention Controls (including identification of responsible attorneys and clients)
- Improved External Retention Controls (including agreed upon scope of work and budgets)
- Improved Bill Review Processes (including regular monitoring and flags when budget limit approaching)
- Improved Bill Pay Processes (including two layers of review for consistency with billing guidelines)
- Improved Internal Recharge System
- Improved Data Collection, Report Capabilities and Data Management

The most ambitious feature is the use of a Third Party Administrator (TPA) to review and process all counsel billing statements previously processed by OGC. This new process includes a robust claims-tracking database that will provide accurate, reliable and useful billing data on outside counsel. This new

database will allow the General Counsel and others to track and study outside counsel trends – individually and programmatically, and will be of tremendous value in all future annual reports.

Early Claims Closure: This project targets the Risk Services Litigation and is based on the actuarially-derived premise that litigated claims cost more the longer they remain active. OGC attorneys, working with the Office of the President Risk Services (OPRS) and the TPA, target claims in the Professional Liability, General Liability and Employment Liability programs that are suitable for early resolution. A resolution plan is developed and implemented, usually through assistance of outside counsel. Metrics for establishing savings are created and tracked by independent actuaries.

Terminating Select Services: This project was fully implemented in May of 2008. All outside counsel contracts in the Laboratory Affairs/DOE area (including a running retainer agreement with a Washington D.C. lobbyist) were terminated, and that work has been in-sourced successfully.

Labor and Employment In-Sourcing: Labor and employment advice and human resources training can be efficiently performed by in-house legal staff. In 2007, as a result of attrition and vacancy freezes, OGC had only two full time Labor and Employment attorneys on staff. To that end, OPRS agreed to fund, and the Office of the President approved, the recruitment of two OGC attorneys for that purpose. As of May 2009, one position had been filled. The other was held temporarily for budgeting purposes, and is now in recruitment.

Enhanced Pre-litigation Training: This project uses training and other interventions to raise awareness of employment best practices and improve workplace environments in high risk areas. This project is administered by OGC employment attorneys working with OPRS, and campus HR.

Client Training, Legal/Regulatory Updates and Self-Service Tools

We will enhance our ongoing efforts to provide preventative training to our clients in order to avoid common legal missteps. For example, in March and April 2009, OGC’s construction attorneys hosted a successful 2-day “UC and the Law” training program for construction managers in Northern and Southern California. We will also provide training in other key areas such as employment practices and e-discovery.

We are developing a program to enhance the delivery of legal and regulatory updates in areas of particular interest to our clients. As currently conceived, the program will include brief E-Alerts on important developments as they are occurring or immediately thereafter, and also longer analyses of changes and trends in various areas of the law, delivered on a regular schedule (e.g. semi-annually or more frequently). In this vein, the office has begun producing biweekly legal/regulatory updates to medical center personnel in the highly active health law area.

We will continue updating and expanding OGC’s website to provide guidance on issues such as contract review, and when matters may be presented in a closed session of the Regents. We will also enhance our offering of self-service tools, including forms, templates and FAQs, and we welcome client input on what self-service tools are your highest priorities.

Solution Orientation/Proactive Advice

Solution Orientation: We have communicated to all OGC attorneys, and are incorporating into our office policies and procedures, the expectation that they will adopt a solutions approach in client communications. While still identifying legal risks, we will also identify alternative courses of action to overcome legal obstacles or reduce legal risks being mindful of risk tolerance.

Proactive and Consistent Advice: We have launched our “**One OGC**” initiative to improve internal coordination and foster closer communication between campus and Oakland counsel. One element of the

initiative is monthly teleconferences among Oakland and campus legal leadership, and separate weekly telephone calls between the Deputy General Counsel for Educational Affairs and Campus Services in Oakland, and each of the chief campus attorneys. We will be working with OGC attorneys to provide more proactive advice and training to help avoid legal problems. Examples are employment practices liability training, a Q& A document relating to the H1N1 (“Swine Flu”) virus, and a client tool to assist in the consideration of whether Regents topics may be heard in closed session.

Meeting Deadlines: We are implementing a policy requiring OGC attorneys and paralegals to inform clients routinely when they can expect a response and to follow up periodically with updates if the timeframe changes.

Client Input: We will ask our clients for a de-briefing when each significant assignment concludes, seeking input particularly about the solution orientation, proactivity and timeliness of the OGC professionals handling the assignment. Moreover, we will include these key attributes when evaluating the performance of our OGC professionals.

Compliance Enforcement

Compliance is everyone’s business at UC. A key role of the OGC is to support the University’s compliance efforts. Working principally with the Ethics, Audit and Compliance Services Division and the Risk Services Department at UCOP, OGC is enhancing our involvement in the University’s compliance program as follows:

- As described above, we are increasing our efforts in the areas of client training, legal and regulatory updates, and self-help tools.
- We are encouraging and facilitating our clients’ efforts to document adequately the University’s policies and compliance initiatives.
- We are supporting our clients in their efforts to make compliance requirements unambiguous. For instance, we are assisting in identifying Regental policies that require clarification, and we are working with local conflict of interest coordinators to simplify the University’s conflict of interest code.
- Where necessary and appropriate, OGC will draft guidelines for responsible administrators regarding the proper enforcement mechanism in instances of noncompliance. By way of example, this year OGC has worked with Academic Senate representatives and others on establishing guidelines to enforce the sexual harassment prevention training requirement with regard to faculty.

Business Knowledge/Office Coordination

OGC will engage in a strategic planning process that will include substantial review of client business strategies to ensure proper alignment. Annual campus visits are made to each campus by the General Counsel and the Deputy for Educational Affairs and Campus Services to meet with key clients to discuss the delivery of legal services. The information from these visits will be a basis for strategic planning in OGC to best meet continuing and newly developing legal needs. Our quarterly campus attorney meetings now have a standing agenda item in which campuses talk about their strategic plans on the same schedule as the plans are being heard by The Regents. We are rotating campus attorneys through the Oakland office to gain central office perspective. We intend to do same in reverse, to allow central office attorneys to gain perspective of campus legal needs. Additionally, we are dedicating Oakland attorneys to assist campus counsel at smaller locations. Last but not least, the General Counsel has established a requirement that campus attorneys be consulted on a regular basis in overseeing outside counsel providing services to their campuses.

Enhanced Communication/Transparency

OGC established a Legal Services Advisory Committee, to solicit client feedback on an ongoing basis. The LSAC provides guidance to the University’s General Counsel for purposes of improving the

effectiveness and efficiency of legal services delivered to the University community. Its membership includes the Executive Vice Chancellor or another senior representative from each campus and two medical center Chief Executive Officers. The LSAC receives and discusses information regarding OGC's budget, hiring plans, performance management process, and other critical department administrative matters.

We consolidated OGC into five practice groups: Business Transactions and Land Use; Educational Affairs and Campus Services; Governance and Compliance; Health Law and Medical Center Services; and Litigation, Labor and Employment. We believe that this reorganization will provide our clients with greater clarity about whom they should contact for legal services, and eliminate gaps in coverage. OGC's website includes an organizational chart for OGC, with all attorneys listed by practice specialization. Moreover, we are in the process of enhancing OGC's website. It will include new organizational charts, updated listings of attorney assignments by subject matter and location, FAQs and other self-help tools, and a feedback button.

OGC will continue the practice, established by General Counsel Robinson, of issuing an annual report regarding OGC's operations. In addition, OGC will provide clients with monthly and annual reports of outside counsel expenditures, by location and subject matter. We intend to repeat the client survey in Fiscal Year 2010-11 but in the interim we will seek client feedback – including feedback in the performance management context – that includes the key attributes discussed in this report.

Other suggestions from UC clients?

We welcome any further feedback you may have. Please provide your feedback to General Counsel Charles Robinson, or any member of his cabinet:

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