Rule 1.15

A. Read Problem #6 (first paragraph). Identify the four violations of Rule 1.15.

(1)

(2)

(3)

(4)

B. Read Rule 1.15. Work the following problems.

(1) In your office, you have 3 separate non-interest earning bank accounts labeled: Office, Costs and Trust. You start your practice with $500 of your money. Where do you put it?

Client Conrad comes to you, saying he was injured and has $600 in medical bills. You take the case on a 1/3 contingency basis. Conrad agrees to pay all the costs of litigation. He brings in $100 as an advance for costs. One week later you pay $75 to a doctor to cover the cost of a physical exam and $325 to cover filing fees and the cost of depositions. Ten days later the defendant offers $10,000 in full settlement. Conrad accepts. The defendant pays the money to you as attorney for Conrad.

Your task is to trace the money through various accounts. How much does each account have in it at the end? How much is your fee? Where is your fee? How much does Conrad receive?

(2) Suppose the costs totaled $4000. How would the fee then be calculated? Does that make you rethink your conclusion to (1)?

(3) You have the same three accounts. You agree to represent a corporation for an annual retainer of $1000, with additional fees to be billed monthly. Where do you put the $1000?

(4) You agree to defend a corporation in a breach of contract action. You agree to bill at $100 an hour, and you estimate the total cost of defending the suit over the next six months at $12,000. The client brings you $12,000. Where do you put it? What happens in 30 days?

(5) You agree to represent a woman in a divorce for $500 and $125 in court costs. She brings you $625. Where do you put it? Suppose she calls you a week later and says she has changed her mind because she and her husband have reconciled. What happens to the money?

(6) Suppose you have a small practice and have only two accounts: Office and Trust. What fundamental principle must be followed?

(7) Suppose you are in a large firm, with hundreds of clients and dozens of lawyers. How many accounts do you have? What fundamental principle must be followed? See page 116 of Morgan.

(8) Suppose the firm bookkeeper is an embezzler and the trust accounts are dissipated. What are the consequences to the firm? See page 120-121 of Morgan.

C. Read 1.15(b). Read pages 606-610 of Morgan/Rotunda, and Chapter 4 of Brill.

(1) The $10,000 settlement of Conrad would earn perhaps $5.00, if placed in an interest earning account for a week. How should the settlement be handled?

(2) Suppose a real estate buyer brings you $1,000,000 to be held in trust until the closing a week later. It would earn perhaps $500 in an interest earning account. What options should the client be given? What action in regard to the $500 by the attorney would be improper?

(3) How are trust accounts monitored?

D. Because of an innocent mistake, a check written on the lawyer's trust account is rejected for insufficient funds. What are the consequences? See Rule 1.15(b)(5).

E. Client brings attorney $32,000 to be paid on her behalf to the IRS. Attorney converts the money to his own use. He is now bankrupt and in jail. Any remedy for the client? Read Chapter 5 of Brill.

F. Record keeping

(1) How long should trust accounting records be kept? See Rule 1.15 (a)(3).

(2) How long should other records involving the representation be kept?

(3) Is the client entitled to the records? See Rule 1.16 (d). See pages 128-131 of Morgan. What factors should be considered?

(4) See Travis, 2009 Ark. 188, page 174 of Brill.