

**QUESTION 5 THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK II
OR IN SOFTEST ANSWER SCREEN 5**

Larry, a Michigan lawyer, recently represented Carrie in a lawsuit that settled on terms that paid Carrie \$50,000. This amount was wired directly to Larry's client trust account in accordance with the Michigan Rules of Professional Conduct. Larry's fee agreement provides for a reasonable hourly rate. Larry submitted a bill to Carrie for \$9,000 and asked that Carrie authorize Larry to take his fees out of the settlement proceeds (i.e., authorize Larry to transfer funds from the client trust account to the firm's account). Although the amount of the bill for the services rendered is not clearly excessive, Carrie strongly believes the bill should not be more than \$7,000 and has said so in an email to Larry stating: "I will not authorize you to take more than \$7,000 for your fees from the settlement proceeds."

The fee agreement also provides that Carrie will pay expert witness fees. Carrie, a sophisticated business client having regular experience with this type of litigation, had retained Ellen as an expert directly and negotiated the terms of the agreement. The agreement with Ellen included a provision that Ellen would be paid from any settlement proceeds coming into Larry's possession. A dispute arose between Carrie and Ellen under that agreement and Carrie took the position that Carrie owed Ellen only \$3,000, while Ellen argued that she was owed \$4,000 under the agreement. In the same email mentioned above, Carrie wrote to Larry, "and I won't allow payment of a penny more than \$3,000 to Ellen out of the settlement funds. Please disburse \$7,000 to your firm, \$3,000 to Ellen, and remit the balance of the settlement proceeds to me."

How should Larry handle the settlement proceeds under the Michigan Rules of Professional Conduct? Explain your answer.

*******THE ANSWER TO THIS QUESTION SHOULD GO IN BLUEBOOK II*****
OR IN SOFTEST ANSWER SCREEN 5**