
PRINCIPAL PRICING NEGOTIATION

Attorney for Plaintiff Morgan Magnus

A recent law school graduate, you began practicing as a litigation associate at a small law firm. Your firm encourages new lawyers to take on small matters for family and friends without charge or at low rates to build experience. You recently agreed to represent Morgan Magnus, a long-time neighbor and friend of your parents, in a negotiation. Magnus explained the information below.

Magnus is the owner and operator of Majestic Mansion, a lovely historic building in the city of Metropolis. Majestic Mansion houses a small exhibit of 19th-century memorabilia from its grand past, but most of the space is used for social and business events. The staff does logistics and food for small events. A catering company subcontracts for larger parties with demanding menu items.

Majestic Mansion recently suffered major property damage including the loss of its magnificent ballroom chandelier when hooligans at a retirement party decided to swing from it. Luckily, no one was injured when the chandelier shattered into a million pieces. The price tag for the chandelier was \$20,000 and the rest of the damage came to \$40,000. Majestic Mansion was not insured for this.

After the disastrous party, Morgan Magnus contacted the host – Pat Windham – to let them know the \$60,000 total cost of the damage. You don't know much about Windham except that it was their retirement party. You were shocked when Windham refused to accept responsibility under the event contract. While Windham recognized that guests (apparently their nephews) were out of control, they had the nerve to blame Majestic Mansion and its caterers for continuing to serve alcohol to inebriated people. Windham also maintained that the staff could have stopped the youths if Magnus "had been paying attention" and said it was Magnus' "responsibility to maintain order when things began to get out of control."

Magnus marched to the courthouse to see about filing a claim! Magnus thinks a judge or jury would agree with them; the Mansion staff didn't cause the damage and can't control wild drunks. When the court clerk suggested trying to negotiate before suing, Magnus recognized that was a good idea.

Unfortunately, Magnus would have to empty most of their personal savings account to cover the chandelier and then sue Windham. Majestic Mansion cannot pay for the chandelier or the other damage without tapping deep into its line of credit. That's not wise, as the bank has been skittish about maintaining the credit line and Majestic Mansion needs capital NOW to seize a great opportunity. Magnus has entered a handshake agreement with a dance company to rent the ballroom for weekly ballroom dancing lessons on late Sunday afternoons, followed by 'gala' ballroom dance events. The Mansion would provide music and food. Magnus VERY much wants this booking as it offers steady income from a time slot that would not overlap with other bookings. Most parties are on Friday or Saturday evenings or Sunday brunch – Majestic Mansion must still compete (in this tough market) for these bookings.



To make this work, Magnus' business plan calls for building greater in-house catering capacity, by expanding Majestic Mansion's kitchen into an area currently used to house extra tables, chairs, and gift store inventory. Majestic Mansion has no extra space. Magnus would like to build out some additional storage area or construct a storage shed but that is problematic on a historic property.

Prepare to try to negotiate a resolution with Windham and/or their attorney.