
PRINCIPAL PRICING NEGOTIATION

Plaintiff Morgan Magnus

You are 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. Your 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 ball room chandelier when hooligans at a retirement party decided swing from it. Luckily, nobody 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, you contacted the host – Pat Windham – to let him know the \$60,000 total cost of the damage. You don't know much about Windham except that it was his retirement party. You were shocked when Windham refused to accept responsibility under the event contract. While he recognized that guests (apparently his nephews) were out of control, he had the nerve to blame Majestic Mansion and its caterers for continuing to serve alcohol to inebriated people. He also maintained that the staff could have stopped the youths "if you had been paying attention" and said it was "your responsibility to maintain order when things began to get out of control."

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

Unfortunately, you would have to empty most of your personal savings account to cover the chandelier and then sue Windham. Majestic Mansion cannot afford to pay for the chandelier or all of 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. You have 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. You VERY much want 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, your 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. You would like to build



out some additional storage area or construct a storage shed but that is problematic on a historic property.

You haven't yet decided whether to be represented by an attorney against Windham. If so, you would retain the son or daughter of close friends. Both recently graduated from law school and have indicated their willingness to represent you either without charge or at extremely reduced rates. With or without counsel, prepare to try to negotiate a resolution in the upcoming mediation.