

BARON ART MART, INC.®

Bruce Levin, Customer Relations Manager, for Baron Art Mart, Inc. ("Baron"), was in a quandary. He pondered over a memo from Jimmie Lee, Loss Prevention Manager at Baron, (Exhibit 1) and a letter addressed to him from Susan Kim, a customer (Exhibit 2). What appeared to have been a routine shoplifting incident on the part of Mrs. Kim turned out to lack evidence. To make matters worse, the suspect was injured during apprehension. It appeared that Baron faced the possibility of a lawsuit because of the incident. Donald West, Chief Administrator, had asked Mr. Levin to assess the legal and financial consequences of the case, make recommendations, and report back to him.

Baron is a large stationery and drawing supplies retailer with approximately 70 stores located throughout the State of Green. The firm has been established for many years, making steady, if unspectacular profits.

EXHIBIT 1

MEMORANDUM

DATE: January 3, 2006
TO: File
FROM: Jimmie Lee, Loss Prevention Manager
SUBJECT: Shoplifting Incident

At 2:20 p.m. today, I observed a customer, Susan Kim, who was standing next to calligraphy sets in the store, make a sudden move to her pocket. She then proceeded at an accelerated pace toward the exit. I noticed that her side pocket was stuffed. I then proceeded directly to where the customer had been standing and noticed that a calligraphy pen set was missing. It so happened that I noticed earlier that day that the calligraphy pen sets were fully stocked up. I assumed that the customer, who I had previously observed, had shoplifted the set. As the customer was about to leave the store by then, I began chasing after her and reached her at the store's entrance. Fearing that I might lose her in the crowd, I shouted at her to stop. I then grasped her by the arm and shoved her back to the store. Apparently, the customer lost her balance and fell on her back hitting one of the checkout counters. She seemed to be hurt a little, but then I offered to help her stand up, although she continued to limp. I then asked her if she had forgotten to pay for something. She seemed surprised and said that she does not understand what I am talking about. I then directed her to follow me to the Loss Prevention room. Kimberly Youseff, one of the checkout employees, helped her walk toward the Loss Prevention room as the customer

complained she was having difficulties walking and was experiencing terrible back pain. I closely walked behind the two of them.

Per store's protocol, I then advised the customer that she would have to wait until the store's manager would come back from a meeting for the investigation to begin. The store's manager, Jennifer Parker, was due to return from a meeting at 2:30 p.m. that day. Unfortunately, she only returned at 3:30 p.m. At that time, Mrs. Parker advised the customer why she was being held up and asked her to empty her pockets. However, no calligraphy set was found. Mrs. Parker then apologized for the inconvenience, gave her a \$50 gift certificate, and wished the customer well.

I really did not mean to hurt the customer, but apparently her fall did some damage to her as she kept complaining that her back hurts.

EXHIBIT 2

**Susan Kim
19853 Angel Blvd.
Angel City, Green**

February 18, 2006

Donald West, Chief Administrator
Baron Art Mart, Inc.
10984 Glitter Blvd.
Beverly Flats, Green

Re: incident dated January 3rd, 2006

Dear Mr. West:

Based on permanent injuries inflicted on me by one of your employees while falsely imprisoning me on January 3rd, 2006, I demand compensation in the sum of \$570,000 in medical care expense and \$550,000 for loss of future income.

On January 3rd, 2006, I came to your store to locate some art supplies for my daughter's art project at school. While I was examining a number of calligraphy sets that you had on the shelves, I was not able to find the calligraphy set my daughter's teacher requested. Rushed to make it back to an appointment I had with a client that afternoon, I headed toward the store's exit. As I was about to leave the store's premises, I heard someone shout behind me ordering me to stop immediately while using some foul language. When I looked back, I saw a six-foot, two hundred pound man grabbing my arm and shoving me back to the store. Due to the tremendous force of that shoving, I lost balance and fell on my back, right against one of the store's checkout counters. I immediately felt extreme pain in my back and was unable to move. I was then helped out by a store's employee and was ordered to go to the Loss Prevention room. I was told that police would be called to the premises if I did not directly go the Loss Prevention room. There were approximately twenty-five

customers watching me as I was escorted to the Loss Prevention room. I felt extremely embarrassed by the ordeal. Once we got to the Loss Prevention room, I asked the man, who accosted me at the store's entrance and who then followed me to the room, the reason for my detention. He then mentioned that it is against the store's policy for him to discuss the matter further and that I would have to wait for the store's manager. Almost an hour later, the store manager, Ms. Parker, arrived. At that point she notified me that I have been detained because one of the store's employees had observed me stealing a calligraphy pen set. I immediately denied any involvement in the matter and offered to empty my pockets. Ms. Parker was then satisfied that I have done nothing wrong. She politely apologized and allowed me to leave the store's premises.

Later that afternoon, I was admitted to Ceder Sinai Hospital emergency room as I was experiencing severe back pain arising out of my fall earlier that day. That same night, a team of surgeons operated on my back as the condition severely deteriorated. However, they were unable to successfully treat the back injuries in this and in two other surgeries that followed. I am now diagnosed with an abnormal degeneration of my spine resulting in irreparable back injury and permanent disability. This condition prevents me from ever walking again or from ever sitting down for more than ten minutes at a time. As a result of this permanent condition, I had to quit my job as a regional salesperson for Derk, a pharmaceutical company. My doctor's diagnosis indicates that these injuries to my back would prevent me from ever working again.

Besides my past and future medical bills, I am also demanding that you compensate me for loss of future income. As a fifty-five year old, highly successful career woman in the field of pharmaceutical sales, I am now deprived of any prospects of employment for the rest of my life. I am attaching a copy of my gross yearly income from my sales position during the last fifteen years and data regarding the Price Index. (See Excel data file).

Please respond to my settlement offer on or before April 15. I hope this matter could be resolved amicably.

Sincerely,
Susan Kim

Required:

Suppose your team is working for Bruce Levin. You have just confirmed that, for all practical purposes, Mrs. Kim will be unable to work at all during the next twelve years, including *all* of 2006. Write a report, addressed to Donald West, Chief Administrator of Baron. Be sure to follow the guidelines for writing a report found on the instructor's web site.

To prepare for this case, you may want to review business law LDC concepts 2 and 9, financial accounting LDC concept 7, macroeconomics LDC concept 1, and statistics LDC concepts 1, 4, and 8.