

Askee: Electric Supply

QUESTION: We have a property management firm with an open account with us. They buy for their properties, but we bill and ship to the management firm. We also get paid from the management firm. We just received notice that one of the properties they manage filed Chapter 11 and thus the management firm does not want to pay the invoices owed to us. Do we have any recourse on this? I think the management firm should be responsible for paying us since they are the ones with the open account with us. We have nothing that has the name of the Chapter 11 Company anywhere on our invoices, pick tickets, etc.?

RESPONSE: I would want to review the purchase orders (if any from the management firm) for any or all of the properties. This is a very intriguing question. The management firm cannot simply separate itself from a property it manages when it is convenient for the management firm. If the management firm has been responsible for making its own purchases of materials, maintaining the properties, it manages and then they probably charge the property for their maintenance services plus a markup on the materials you provide. If the relationship is structured that way, they cannot/should not be able to hide behind the Chapter 11 filing. Now, if they were buying on behalf of the property all along and acting as an agent, again I'd like to see any PO's confirming that.