**Title:** What Rent Collectible in Bankruptcy?

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**Meta Description:** What Rent Collectible in Bankruptcy?

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**Raw Content:** <div dir="ltr" style="text-align: left;">
<div style="text-align: justify;"><a style="clear: left; float: left; margin-bottom: 1em; margin-right: 1em;" href="http://1.bp.blogspot.com/-HzNQ8OZbmuI/TtjxUf22IoI/AAAAAAAAAI4/eICOR9e8RUw/s1600/248080201\_9a78083e2e.jpg"><img alt="" src="http://1.bp.blogspot.com/-HzNQ8OZbmuI/TtjxUf22IoI/AAAAAAAAAI4/eICOR9e8RUw/s200/248080201\_9a78083e2e.jpg" width="200" height="200" border="0" /></a><span class="Apple-style-span" style="font-family: Georgia, 'Times New Roman', serif;"><span class="Apple-style-span" style="font-family: Georgia, 'Times New Roman', serif;"><span class="Apple-style-span" style="font-size: large;">"Stubbing" the Landlords Toe</span></span></span>The Bankruptcy Code requires that a commercial tenant, which files a bankruptcy, must immediately begin to "timely perform" all leasehold obligations-to the extent that these obligations arise "from and after" the filing of the bankruptcy petition.
But, what if the lease states that rent becomes due on the first day of the month, and the tenant files bankruptcy on the tenth? Those twenty days after the filing are referred to as the "stub" period, and the courts differ on how they are treated.
In the Seventh Circuit, in the nation's midland, the courts require that a bankrupt tenant immediately and automatically pay stub rent. In New Jersey, however, in the Third Circuit, a recent court ruling rejected this approach, requiring that a landlord first demonstrate that its tenant received an actual economic benefit from the premises during the stub period. The case is in re Goody's Family Clothing Inc, and the Third Circuit relied on the principle that the "billing date" determines when a leasehold obligation arises. Thus, since the Goody's lease made rent due on the first of the month, and the debtor filed bankruptcy on the ninth, the due date for rent occurred prior to the bankruptcy. Therefore, the payment of rent was not one of the leasehold obligations that a debtor must "timely perform."
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<span class="Apple-style-span" style="font-family: Georgia, 'Times New Roman', serif;">Having said that, however, the court left the landlord a window. It allowed the landlord to file a motion and seek to prove that the debtor's use of the leasehold premises during the stub period conferred an actual and necessary economic benefit on the debtor. If so, the landlord was allowed to recover the reasonable value of the premises during the stub period.</span></div>
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