Are Judges Randomly Assigned to Chapter 11 Bankruptcy Cases? Not According to Hedge Funds

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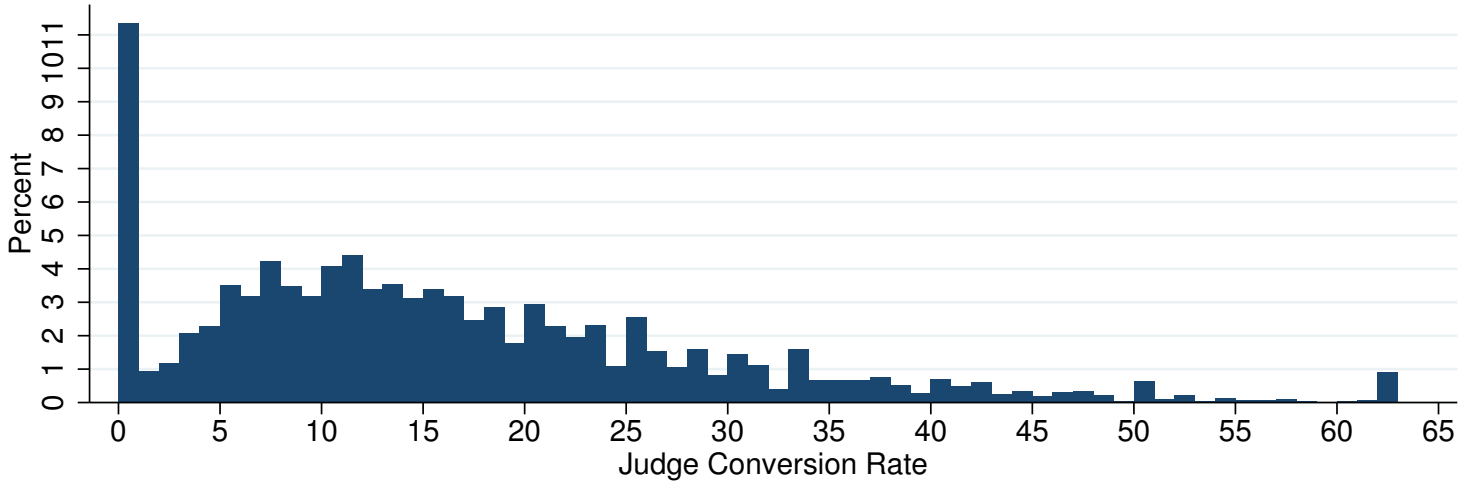
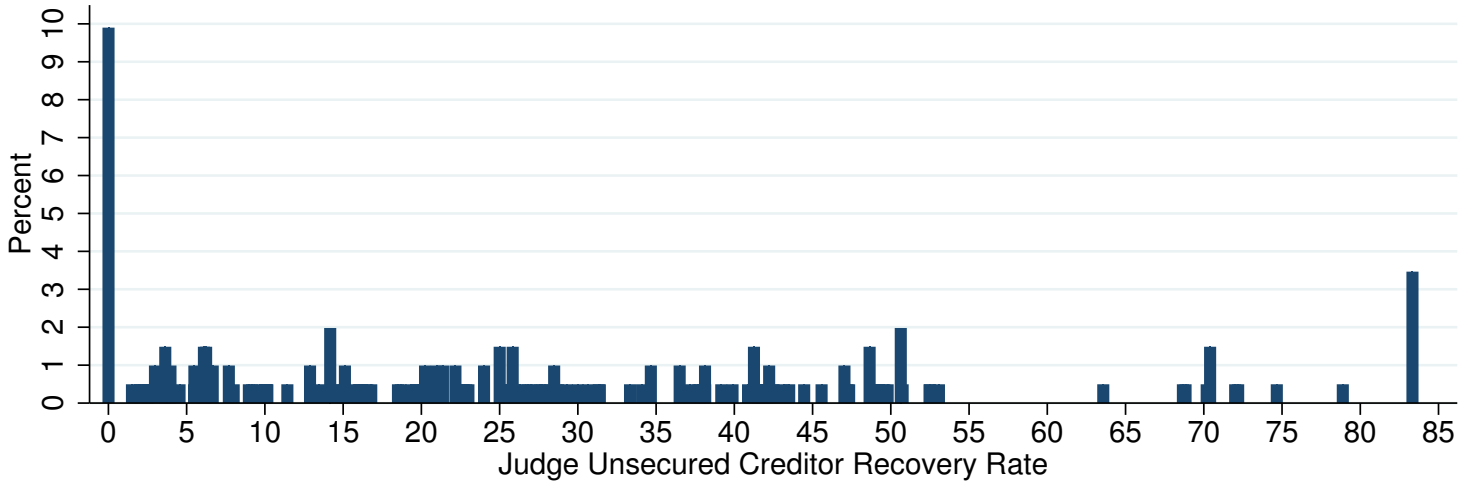
What a Difference a Ch 11 Bankruptcy Judge Makes





Objective

- Since Frank (1931), research has recognized that judicial outcomes are subject to the biases of the ruling judge.
- **Solution:** To alleviate concerns of fairness, courts in both the US and abroad claim to assign judges to individual court cases randomly(Shayo and Zussman, 2011; Abrams, Bertrand, and Mullainathan, 2012)

- From a policy perspective, randomization promotes public confidence in the judicial process by limiting forum shopping and the individual influence of any individual judge.
- From an academic perspective, recent empirical research in economics and finance exploits the random assignment of judges to causally identify a wide range of legal outcomes.
    - 19 papers in AER, JPE, QJE since 2015
    - 5 papers in JF, JFE, RFS since 2018

This paper: Revisits the claim of randomized assignment in the context of Chapter 11 filings.

Background

- Literature documents systematic forum shopping: choosing a bankruptcy court to influence judicial assignment (LoPucki and Whitford, 1991)

- More recently, legal scholars (Levitin, 2021), policy makers (Randles, 2020), and the public (Merle, 2019) have voiced recent concerns that parties are increasingly choosing their assigned judge within a district.
- However, the empirical evidence is less clear:

    1. After contacting all U.S. Bankruptcy Courts, (Iverson et al., Forthcoming) found that only one court (the Eastern District of Wisconsin) reports assigning cases to judges non-randomly.

    2. To verify validity of IV, Chang and Schoar (2013), Bernstein et al. (2019; 2021), and Antil (2021) show debtor characteristics fail to predict assignment.

    3. Even if some debtor characteristics do predict assignment, this may likely be the result of ex-post data mining

Missing from literature: Systematic empirical evidence of non-random assignment

Setting

We analyze whether the investments of hedge fund creditors predict the assignment of judges to Chapter 11 corporate bankruptcy cases. Why?

1. **Why Corporate Bankruptcies:** Over 35,000 corporate bankruptcies a year since 2000

2. **Why Chapter 11:** 90%+ of all public firm bankruptcies file for Chapter 11

3. **Why Investments:** If investors systemically invest in firms that are later assigned a preferred judge, it must be possible to infer future judicial assignments ex-ante.

4. **Why Hedge Funds:** 43% of large corporate bankruptcies have 1+ hedge fund creditors (Ivashina, Iverson, and Smith, 2016), and they influence a wide range of Chapter 11 outcomes such as emergence and the structure of repayments (Hotchkiss and Mooradian, 1997; Aragon and Strahan, 2012; Jiang, Li, and Wang, 2012)

Identification

We test whether unsecured hedge fund creditors are assigned a judge less likely to convert the case to a liquidation, relative to a similar debtor with a secured hedge fund creditor.

- Chapter 11 results in a debtor developing a repayment plan for creditors, while Chapter 7 leads to the debtor liquidating all assets

- Exploit the fact that opposing regimes (reorganization vs. liquidation) lead to different repayment outcomes among creditors:
  - Secured creditors can have a liquidation bias (Bergstrom 2002; Ayotte, Hotchkiss, and Thomburn, 2012; Vig 2013)
  - Unsecured creditors recover more under the repayment plan in reorganization (Bris, Welch, and Zhu 2006; Antil, 2021)

Results

1. Relative to a hedge fund acting as a secured creditor, unsecured hedge funds in the same district-year are assigned a judge with a 3.3 percentage point lower conversion rate, a 33% reduction relative to the mean.
    - Stronger for recent investments and creditors connected to debtor
    - Remain for districts that claim random assignment
    - Remain when controlling for office-district-year
    - No effect when judge's inclinations are unobservable
    - Comparable to benefits of forum shopping

2. Unsecured hedge funds are also assigned a judge with a higher unsecured recovery rate

3. Large bankruptcy assignments are negatively serially-correlated
    - Judges are unlikely to be assigned multiple large cases within a short time frame
    - Cases involving hedge funds are likely filed the week after an undesirable judge is assigned a large case

Framework

Standard Empirical Specification in the IV Literature

To verify validity of IV, researchers run:

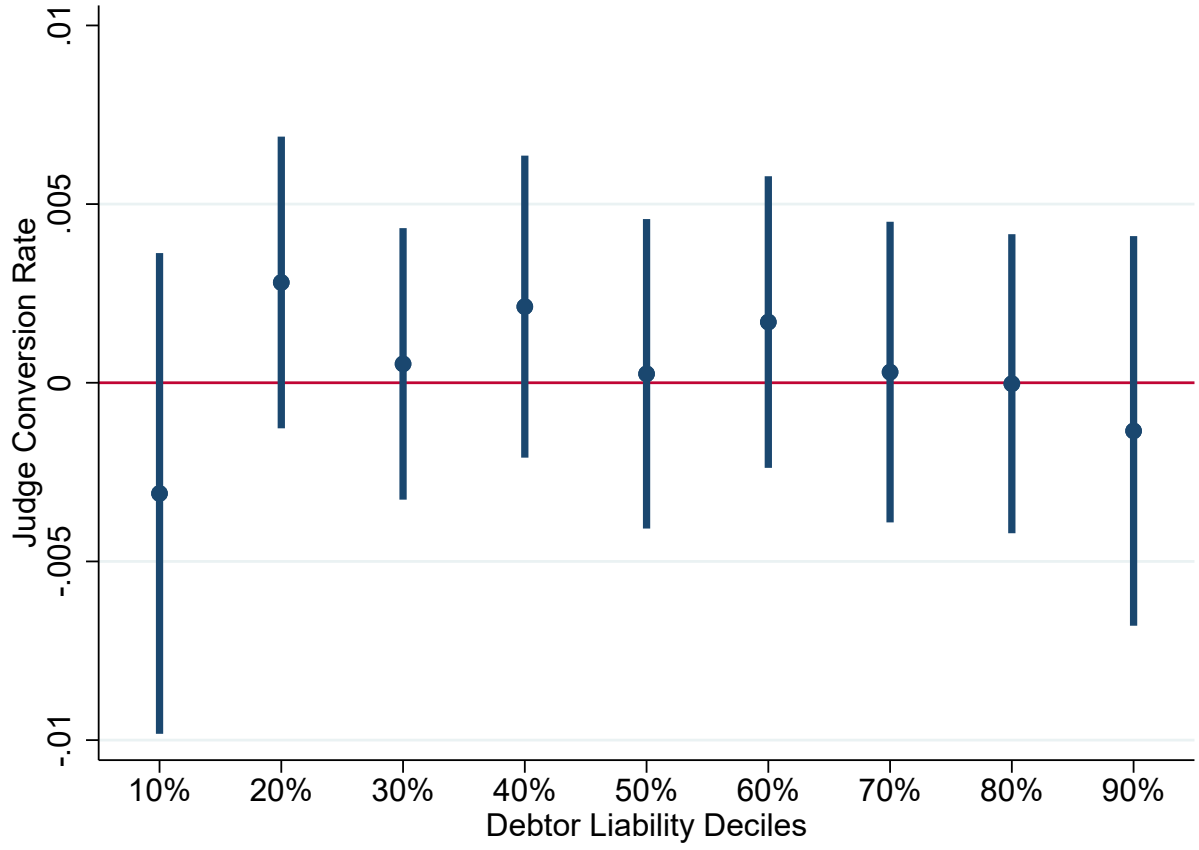
$$\begin{aligned} \text{Judge Conversion Rate}_{it} &= \boldsymbol{\Theta}\textbf{Debtor Controls} \\ &+ \text{Court District FE} \times \text{Year FE} + \varepsilon_{it} \end{aligned}$$

for filing i

- **Judge Conversion Rate:** Fraction of cases assigned to judge that are converted to Chapter 7
- **Debtor Controls:** Size, Profitability, Industry, etc.
- **Court District FE:** Fixed effects for each district
- **Year FE:** Fixed effects for each year

- **Hypothesis:** $\Theta = 0$

Judge Differences Across Debtor Size Deciles



- Large debtors are not assigned different judges from smaller debtors

Hypothesis I

- Recovery rates depend on bankruptcy outcomes:
    - Secured creditors have a strong preference for liquidation (Moore, Hart, and Aghion, 1993; Pulvino, 1998; Ayotte, Hotchkiss, and Thomburn, 2012)
    - Unsecured creditors recover 22-25% more under reorganization compared to liquidation (Ivashina, Iverson, and Smith, 2016; Wang, 2011)

- Conversion to liquidation is correlated with other judicial outcomes preferred by secured creditors (Chang and Schoar, 2006):
    - lifting an automatic stay (allows secured creditors to remove assets from the firm)
    - denying extension of exclusivity period (allows creditors to submit their own restructuring proposal)

- **Hypothesis I:** Relative to similar cases in the same court district, Chapter 11 cases involving an unsecured hedge fund creditor are less likely to be assigned a judge with strong inclinations to convert the case to Chapter 7.

Hypothesis II

- In order for creditor investments to predict future judicial assignment, creditors must be able to convince the debtor to file when optimal.
    - 99% of corporate bankruptcies are voluntary and therefore the date of the filing is decided by the debtor, not the creditor

- As equity holders and management also prefer reorganization over liquidation (White, 1989; Ayotte, Hotchkiss, and Thomburn, 2012), only unsecured creditors that should be able to influence the time of filing.

- **Hypothesis II:** Relative to similar cases in the same court district, cases involving a secured hedge fund creditor are assigned a similar judge

Our Empirical Specification

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \boxed{\beta_1 \text{Unsecured Hedge Fund}_{it}} \\ &+ \boxed{\beta_2 \text{Hedge Fund}_{it}} \\ &+ \mathbf{\Theta Debtor\ Controls} \\ &+ \text{Court District FE} \times \text{Year FE} + \varepsilon_{it}\end{aligned}$$

- **Judge Conversion Rate:** Fraction of cases assigned to judge that are converted to Chapter 7
- **Unsecured Hedge Fund:** Binary variable denoting a hedge fund is acting as unsecured creditor
- **Hedge Fund:** Binary variable denoting a hedge fund is acting as creditor
- **Debtor Controls:** Asset and liability size fixed effects (sometimes industry fixed effects)
- **Court District FE:** Fixed effects for each district
- **Year FE:** Fixed effects for each year

- **Hypothesis I:** $\beta_1 < 0$
- **Hypothesis II:** $\beta_2 = 0$

Data

Data Sources

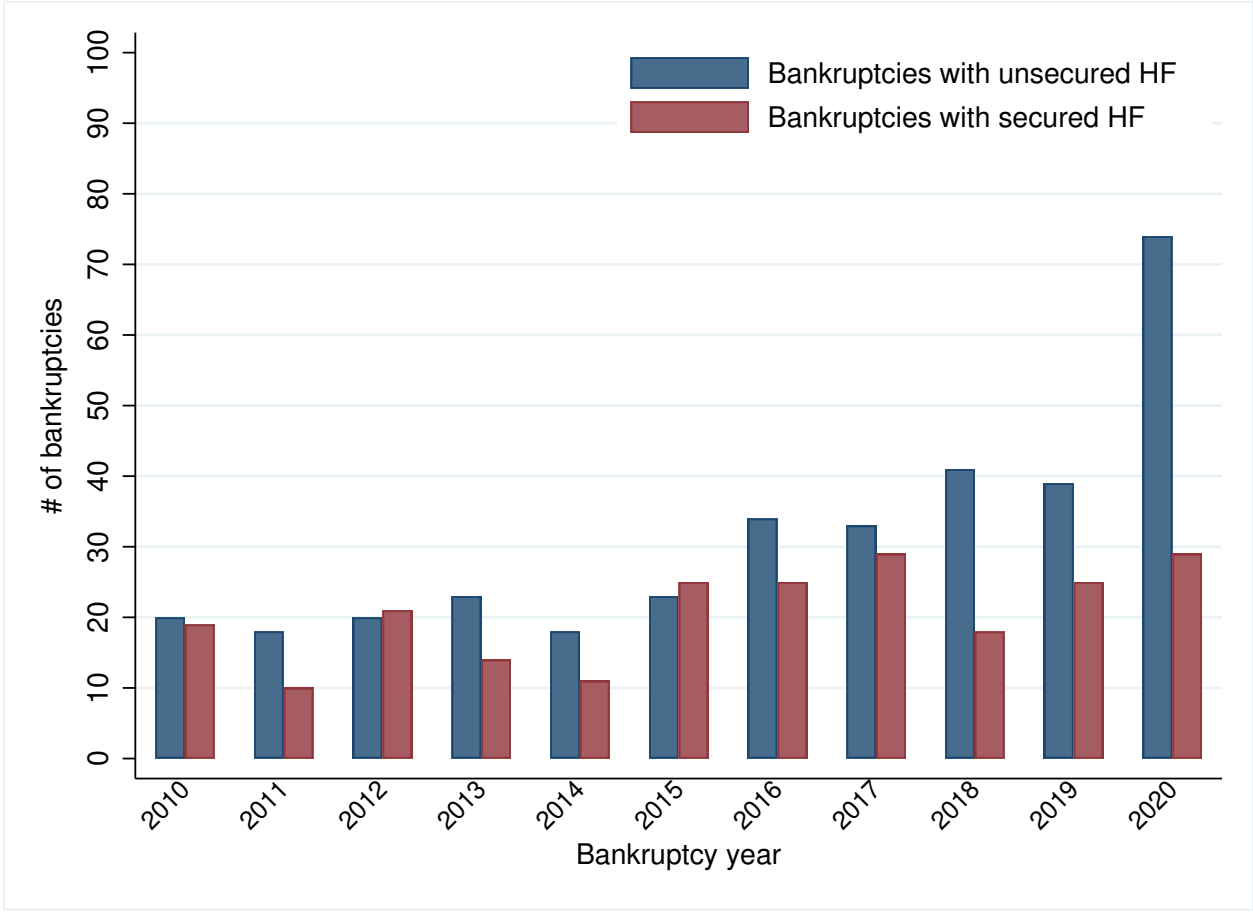
1. **Dockets and BankruptcyData.com:** Collect universe of Chapter 11 corporate bankruptcies from 2007-2020

2. **Aggregate:** Measure the conversion rate of individual judges over the prior 3 years

3. **Preqin:** Merge Bankruptcies to information of private debt fund creditors from Preqin

4. **Compare:** Match bankruptcies with a hedge fund creditor to bankruptcies without a hedge fund creditor based on asset size, liability size, industry, and headquarter location

I: Hedge Fund Investors across Time



- In sum, 568 Chapter 11 Corporate Bankruptcies could be matched to a hedge fund creditor

II: Judges Differ in their Propensity to Convert

Standard 1st-Stage IV Specification:

$$\begin{aligned} \text{Convert}_{it} &= \beta \text{Judge Conversion Rate}_{it-1,t-3} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it} \end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Judge Conversion Rate	0.223***	0.223***	0.266***	0.267***
	(0.038)	(0.037)	(0.044)	(0.043)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	48047	48047	33037	31703
Adj. R^2	0.075	0.086	0.071	0.069

- A 10 percentage point increase in a judge's past conversion rate increases the likelihood of future conversion by 2.2%, a 22% increase relative to the mean
- Effect is highly statistically-significant with a T-stat of 6.

Results

I: Are HF creditors assigned judges with low conversion rates?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\ &+ \beta_2 \text{Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	-0.033***	-0.033***	-0.031***	-0.031***
	(0.008)	(0.008)	(0.010)	(0.010)
Hedge Fund	0.004	0.004	0.005	0.007
	(0.007)	(0.007)	(0.009)	(0.010)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	12343	12343	8790	8412
Adj. R^2	0.499	0.500	0.501	0.497
Mean of Dep. Variable	0.110	0.110	0.117	0.118

- **Hypothesis I:** Firms with unsecured hedge fund creditors are assigned judges who are 3% less likely to liquidate (relative to a mean of 11%)
- **Hypothesis II:** No effect for secured hedge fund creditors

II: How Robust is the relationship between HF creditors and judicial assignment?

$$
\begin{aligned}
\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\
&+ \beta_2 \text{Hedge Fund}_{it} \\
&+ \text{Court District FE} \times \text{Year FE} \\
&+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}
\end{aligned}
$$

Resulds hold when:

1. Including only Court Districts that are Randomly Assigned according to Iverson et al (2022) ▸ Click Here
2. Comparing Filings within the same District-Office-Year ▸ Click Here
3. Controlling for Debtor Industry ▸ Click Here
4. Excluding Involuntary Bankruptcies ▸ Click Here
5. Estimate Conversion Rate over the Prior 5 Years (instead of 3-years) ▸ Click Here

III: Are HF creditors assigned judges with low future conversion rates?

$$\text{Judge Future Conversion Rate}_{it} = \beta_1 \text{Unsecured Hedge Fund}_{it} + \beta_2 \text{Hedge Fund}_{it} + \text{Court District FE} \times \text{Year FE} + \eta_{it}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	0.002	0.002	0.006	0.005
	(0.009)	(0.008)	(0.008)	(0.009)
Hedge Fund	-0.000	0.000	-0.005	-0.003
	(0.008)	(0.007)	(0.007)	(0.008)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	9566	9566	6954	6632
Adj. R^2	0.387	0.389	0.396	0.394
Mean of Dep. Variable	-0.046	-0.046	-0.044	-0.044

- Future conversion rate is estimated as the future 3-year conversion rate unexplained by the past 3-year conversion rate
- Measures Judge's unobserved propensity to convert
- No effect for hedge fund creditors: suggests hedge funds respond to observable outcomes in prior tests

IV: Does Judicial Assignment Depend on the Time since Initial HF Investment?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured HF investing just before filing}_{it} \\ &+ \beta_2 \text{Unsecured Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured HF investing just before filing	-0.020***	-0.020***	-0.019***	-0.019***
	(0.005)	(0.005)	(0.007)	(0.007)
Unsecured Hedge Fund	-0.019**	-0.019**	-0.013	-0.012
	(0.008)	(0.008)	(0.011)	(0.011)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	12117	12117	8646	8279
Adj. R^2	0.498	0.498	0.498	0.494
Mean of Dep. Variable	0.110	0.110	0.117	0.117

- Effect is twice as large for recent investors
- Suggest HFs may invest to influence assignment
- No effect for Secured HFs Click Here

V: Does Assignment Depend on Connections with the Debtor?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured HF with Board Connection}_{it} \\ &+ \beta_2 \text{Unsecured Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
UHF with Board Connection	-0.004	-0.004	-0.012**	-0.015***
	(0.004)	(0.004)	(0.006)	(0.006)
Unsecured Hedge Fund (UHF)	-0.029***	-0.029***	-0.025***	-0.023***
	(0.006)	(0.006)	(0.007)	(0.007)
Public Borrower	0.003	0.003	0.002	0.002
	(0.003)	(0.003)	(0.004)	(0.004)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	12343	12343	8790	8412
Adj. R^2	0.499	0.500	0.501	0.496
Mean of Dep. Variable	0.110	0.110	0.117	0.118

- Effect is 150% as large for connected investors
- Suggest HFs use connections with debtor to influence timing
- No effect for Secured HFs Click Here

VI: Are HF creditors assigned judges with high proposed recovery rates?

$$\begin{aligned}\text{Judge Recovery Rate}_{it} &= \beta_1 \text{Unsecured HF}_{it} \\ &+ \beta_2 \text{Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	27.842**	28.078**	31.181***	33.640***
	(12.564)	(11.517)	(10.344)	(10.735)
Hedge Fund	-9.822	-7.378	-8.209	-7.170
	(10.922)	(9.381)	(7.092)	(7.425)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	674	674	454	433
Adj. R^2	0.699	0.707	0.693	0.707
Mean of Dep. Variable	24.529	24.529	28.413	28.587

- Firms with unsecured hedge fund creditors are assigned judges with a 28% higher recovery rate (relative to a mean of 25%)
- No effect for secured hedge fund creditors

Comparison to Forum Shopping

Are our Effects Similar in Magnitude to Forum Shopping?

$$\text{District Conversion Rate}_{it} = \beta_1 \text{Unsecured Hedge Fund}_{it} + \beta_2 \text{Hedge Fund}_{it} + \text{Year FE} + \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	-0.043***	-0.037**	-0.041***	-0.043***
	(0.012)	(0.012)	(0.010)	(0.011)
Hedge Fund	0.003	0.010	0.012	0.013
	(0.012)	(0.010)	(0.009)	(0.009)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Observations	16621	16621	11867	11378
Adj. R^2	0.095	0.139	0.123	0.114
Mean of Dep. Variable	0.112	0.112	0.118	0.118

1. We estimate that relative to secured hedge funds, cases involving an unsecured hedge fund creditor file in a district with a 4% lower conversion rate
    - Similar magnitudes to our earlier baseline estimates of 3.3%
2. Similar to earlier estimates, no effect for secured hedge fund creditors

Implementation

I: Judges are unlikely to be assigned consecutive large cases

$$h_{ijt} = h_t exp\left\{\text{Large Case}_{i-1jt-1}\beta + \text{Court District FE} \times \text{Year FE} + \text{Judge FE} + \text{Liability Size FE} + \text{Asset Size FE}\right\},$$

	(1)	(2)	(3)	(4)
Case in week $(t-1)$	0.050			
	(0.039)			
$\geq$ 600k liability case in week $(t-1)$/L$\geq$ p50		-0.049**		
		(0.019)		
$\geq$ 1m liability case in week $(t-1)$/L$\geq$ p75			-0.060***	
			(0.022)	
$\geq$ 10m liability case in week $(t-1)$L$\geq$ p90				-0.069***
				(0.020)
Judge FE	Yes	Yes	Yes	Yes
Liability FE	Yes	Yes	Yes	Yes
Asset FE	Yes	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
# of weeks	205011	205011	205011	205011

- Piecewise exponential survival model at the weekly level
- **Column 2:** Judges are less likely assigned a new case when assigned a large case in the prior week
- **Columns 3-4:** Effects increase with the size of the prior case

II: HFs time filings based on recent large cases

$$h_{ijt} = h_t exp \Big\{ \text{High Conversion Rate \& Large Case}_{i-1kt-1} \times \text{Unsecured Creditor}_{ik}\beta_1 + \Big(\text{High Conversion Rate \& Large Case}_{i-1kt-1}\Big)\beta_2 + \text{Unsecured Creditor}_{ik}\beta_3 + \text{Court District FE} \times \text{Year FE} + \text{Investment Firm FE} + \text{Revenue FE} + \text{Industry FE} \Big\},$$

	(1)	(2)	(3)
Big case $(t-1)$	1.578***		
	(0.389)		
High judge conv. rate & big case $(t-1)$		2.102***	-3.988***
		(0.692)	(1.011)
Unsecured Hedge Fund (UHF)			0.195
			(0.129)
High judge conv. rate & big case $(t-1) \times$ UHF			2.265***
			(0.841)
Liability FE	YES	YES	YES
Asset FE	YES	YES	YES
Court FE $\times$ year FE	YES	YES	YES
# of Quarters	49732	49732	49732

- **Column 2:** Probability of filing increases when a large case is assigned to a high-conversion judge in the prior week
- **Column 3:** Effect is driven by cases w/ unsecured hedge fund creditors

Implications

Implications for Policy

How can we improve the assignment process?

- **Randomize:** Develop an assignment process that is fully random
- **Add Judges:** Adding judges decreases the likelihood of being able to influence the assignment of a particular judge

Implication for Judge IVs

When can future researchers exploit judicial assignment to study bankruptcy outcomes?

1. **Idea:** If debtors are not assigned a preferable judge even after provided the necessary information and data, then influence is not possible and the IV is valid for that debtor

2. **Setup:** Online experiment of bankruptcy lawyers
   - **Population:** 15,000 bankruptcy lawyers across 7,000 law firms
   - **Randomization:** Randomly assign law firms into Control/Treatment
   - **Method:** Contact lawyers in each firm by email

3. **Treatment:** Provide law firms different information
   - **Control:** Ask lawyers to fill out an anonymous survey concerning judicial assignment
   - **Treatment:** Survey + Information on findings/Data on judges' conversion and recovery rates

4. **Outcomes:** Judge assignment for future cases

Experimental Specification

$$\begin{aligned} \text{Judge Conversion Rate}_i &= \sum \beta_n \text{Treatment}_i \times \text{Size FE} \\ &+ \text{Size FE} + \text{Court District FE} + \text{Industry FE} + \eta_i \end{aligned}$$

- **Treatment:** Information demonstrating assignment can be influenced and judge-level data on conversion and recovery rates
- **Hypotheses:**
  - If influence is possible for debtors of size n, then: $\beta_n < 0$
  - If influence is not possible for debtors of size n, then: $\beta_n = 0$
- **Rule for Researchers:** Judicial assignment IVs are valid for debtors of size n (or some other debtor characteristic)

Hope to you have the experimental results shortly!
Thanks!

Do our results hold when focusing on districts that explicitly state random assignment?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\ &+ \beta_2 \text{Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	-0.023***	-0.023***	-0.014***	-0.013***
	(0.007)	(0.006)	(0.005)	(0.005)
Hedge Fund	0.002	0.001	-0.003	-0.003
	(0.006)	(0.006)	(0.008)	(0.008)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	11043	11043	7730	7373
Adj. R^2	0.486	0.486	0.484	0.480
Mean of Dep. Variable	0.111	0.111	0.118	0.119

▸ Go back

Do our results hold when comparing cases filed in the same office?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\ &+ \beta_2 \text{Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Office FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	-0.015***	-0.015***	-0.012**	-0.012***
	(0.006)	(0.006)	(0.006)	(0.005)
Hedge Fund	0.000	-0.000	0.001	0.001
	(0.005)	(0.005)	(0.007)	(0.007)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ Office FE $\times$ Year FE	Yes	Yes	Yes	Yes
Observations	12259	12259	8734	8359
Adj. R^2	0.647	0.648	0.637	0.644
Mean of Dep. Variable	0.111	0.111	0.117	0.118

▸ Go back

Do our results hold when controlling for industry?

$$
\begin{aligned}
\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\
&+ \beta_2 \text{Hedge Fund}_{it} \\
&+ \text{Court District FE} \times \text{Office FE} \times \text{Year FE} \\
&+ \text{Asset Size FE} + \text{Liability Size FE} + \text{Industry FE} + \eta_{it}
\end{aligned}
$$

Go back

Do our results hold for voluntary bankruptcies?

$$
\begin{aligned}
\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\
&+ \beta_2 \text{Hedge Fund}_{it} \\
&+ \text{Court District FE} \times \text{Office FE} \times \text{Year FE} \\
&+ \text{Asset Size FE} + \text{Liability Size FE} + \text{Industry FE} + \eta_{it}
\end{aligned}
$$

Go back

Do our results hold when estimating conversion rates over the prior 5 years?

$$\begin{aligned}\text{Judge Long-Term Conversion Rate}_{it} &= \beta_1 \text{Unsecured Hedge Fund}_{it} \\ &+ \beta_2 \text{Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Office FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Unsecured Hedge Fund	-0.029***	-0.029***	-0.020***	-0.017***
	(0.008)	(0.008)	(0.007)	(0.006)
Hedge Fund	0.007	0.007	-0.000	-0.002
	(0.006)	(0.006)	(0.008)	(0.008)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	12245	12245	8724	8348
Adj. R^2	0.519	0.519	0.514	0.510
Mean of Dep. Variable	0.120	0.120	0.126	0.127

▸ Go back

IV: Does Judicial Assignment Depend on the Time since Initial HF Investment?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Secured HF investing just before filing}_{it} \\ &+ \beta_2 \text{Secured Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
Secured HF investing just before filing	0.002	0.003	0.011	0.018
	(0.014)	(0.014)	(0.018)	(0.018)
Secured Hedge Fund	0.002	0.002	-0.001	-0.003
	(0.011)	(0.011)	(0.014)	(0.014)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	12010	12010	8574	8211
Adj. R^2	0.497	0.498	0.499	0.495
Mean of Dep. Variabl	0.112	0.112	0.119	0.119

Go back

V: Does Judicial Assignment Depend on Connections with the Debtor?

$$\begin{aligned}\text{Judge Conversion Rate}_{it} &= \beta_1 \text{Secured HF with Board Connection}_{it} \\ &+ \beta_2 \text{Secured Hedge Fund}_{it} \\ &+ \text{Court District FE} \times \text{Year FE} \\ &+ \text{Asset Size FE} + \text{Liability Size FE} + \eta_{it}\end{aligned}$$

	(1) All	(2) All	(3) L $\geq$ p50 ($600k)	(4) A $\geq$ p50 ($400k)
UHF with Board Connection	-0.004	-0.004	-0.012**	-0.015***
	(0.004)	(0.004)	(0.006)	(0.006)
Unsecured Hedge Fund (UHF)	-0.029***	-0.029***	-0.025***	-0.023***
	(0.006)	(0.006)	(0.007)	(0.007)
Public Borrower	0.003	0.003	0.002	0.002
	(0.003)	(0.003)	(0.004)	(0.004)
Asset FE	No	Yes	Yes	Yes
Liability FE	No	Yes	Yes	Yes
Court FE $\times$ year FE	Yes	Yes	Yes	Yes
Observations	12343	12343	8790	8412
Adj. R^2	0.499	0.500	0.501	0.496
Mean of Dep. Variable	0.110	0.110	0.117	0.118

Go back