Katherine P. Waldock

Finance Area
Georgetown University
McDonough School of Business
Hariri Building, Office 591
Washington, DC 20057

Last Updated Dec. 2019
(202) 687-9753
kw709@georgetown.edu
katewaldock.com
Citizenship: U.S.

Interests Corporate Bankruptcy, Law and Finance, Small Businesses, Financial Intermediation

Employment **Georgetown University, McDonough School of Business**

Assistant Professor of Finance, 2017 - Present

Education **New York University, Stern School of Business**

Ph.D., Finance, 2017

M.Phil., Finance, 2016

Harvard University

B.A. *Cum Laude*, Economics (with High Honors), 2010

Working Papers

Can Strong Creditors Inhibit Entrepreneurial Activity? (with Nuri Ersahin and Rustom M. Irani) *Revise & Resubmit, Review of Financial Studes*

We examine startup entry and exit activity following the staggered adoption of modern-day fraudulent transfer laws in the United States. These laws strengthen unsecured creditors rights and are particularly important for entrepreneurs whose personal assets commingle with the firms. Using administrative data from the U.S. Census Bureau, we document declines in startup entry, churning among entrants, and closures of existing firms after these laws pass. Firm financial data shows that entrepreneurs lower leverage by reducing unsecured credit. Our results suggest that excessive creditor rights can reduce entrepreneurs appetite for risk, thereby slowing down the extensive margin process of reallocating resources from failing to new businesses.

Cashing Out: The Rise of M&A in Bankruptcy (with Stuart C. Gilson, Edith S. Hotchkiss, and Matthew G. Osborn)

The use of M&A in bankruptcy has increased dramatically, leading to concerns that Chapter 11 leads to excessive liquidation of viable firms. We examine the drivers of M&A activity, based on factors specific to Chapter 11 as well as more general factors that drive M&A waves for non-distressed firms. M&A in bankruptcy is counter-cyclical, and is more likely when the costs of financing a reorganization are greater than financing costs to a potential acquirer. Consistent with a senior creditor liquidation bias, the greater use of secured debt leads to more sales in bankruptcy, but this result holds only for sales that preserve going concern value. We also show that overall creditor recovery rates are higher for firms with more secured debt, and that recoveries and post-bankruptcy survival rates are not different when bankrupt firms sell businesses as going concerns versus reorganizing independently. Our results are consistent with the efficient redeployment of assets via sales in bankruptcy.

Unearthing Zombies (with Nirupama Kulkarni, S. K. Ritadhi, and Siddharth Vij)

The secular rise of zombie borrowers, insolvent firms sustained by continued extension of credit by complicit banks, has been a source of concern for mature and emerging economies alike. Using supervisory data on the universe of large bank-borrower relationships in India, we introduce a novel method for identifying zombies. Although there was widespread non-disclosure of zombies in India in 2014, the beginning of the sample period, there have been major improvements since. We examine changes in zombie reporting around two key policy changes: an overhaul of the bankruptcy code and a regulatory intervention removing lender discretion in bad loan recognition. Increases in reporting were modest after the bankruptcy reform but there was a sizable jump in the recognition of zombies after the regulatory intervention. Post-intervention results show that lending has been reallocated to large, healthy borrowers. However, under-reporting still exists, particularly among public-sector banks. Overall, our results indicate that regulatory action might be necessary, above and beyond bankruptcy reform, to target zombie lending.

Common Ownership and Startup Growth (with Ofer Eldar and Jillian P. Grennan)

We examine whether and to what extent a corporation's ability to waive the corporate opportunity doctrine, which constrains directors from following conflicted interests, helps it to raise capital. We use the staggered adoption of state legislation to identify if this weaker form of governance can be a tool for attracting venture capital (VC) and private equity (PE) investment. We find that this ability to customize corporate governance is associated with more deals, larger deal values, and more late-stage investments. The capital is accompanied by more directorships for VC and PE investors and a thickening of those investors' overall networks among firms in treated states. These findings challenge the received wisdom that weak governance is bad.

How Do Firms Use Chapter 11? A Taxonomy

The U.S. Bankruptcy Code has been in place for four decades. In this time, a sophisticated cast of distress market participants has arisen and courts have worked to achieve transparency and verifiability in asset valuation. It is a puzzle, therefore, that corporations in the U.S. should file for bankruptcy at all. This paper constructs an empirical taxonomy of large Chapter 11 debtors based on their objectives and preparation at the time of filing. Approximately two thirds of the firms in the sample set out to reorganize while the remaining third aim to sell substantially all of their assets, either as a going concern or in liquidation. Nearly 60% of firms enter bankruptcy having undergone a thorough marketing of their assets or with a pre-arranged plan of reorganization in place. These findings suggest that, while the majority of large corporations use Chapter 11 to cure hold-outs or capture direct financial benefits afforded by the Bankruptcy Code, some cases may still involve strategic gaming and the exploitation of informational frictions.

Unsecured Creditor Control in Chapter 11

In Chapter 11 bankruptcy, certain control rights are assigned to an official committee of unsecured creditors. This paper investigates the impact of the official committee on Chapter 11 outcomes using a novel dataset built from raw court documents that covers all cases from 2004-2014 with over $10 million in assets. We find that the existence of an official committee is associated with a 7-11% increase in the likelihood that the firm is acquired. It also leads to a reduction in the amount of time spent in bankruptcy, particularly for firms that end up acquired. In addition to the main results, we also find that membership composition matters and that certain influential creditors are associated with higher rates of reorganization when they are present on the official committee.

Works in Progress

Negotiation and Control in Chapter 11

Restructuring Support Agreements: An Empirical Analysis (with Anthony J. Casey and Frederick Tung)

FOSTERing a New Approach to Corporate Risk Management (with Lee Pinkowitz and Rohan Williamson)

Tax Behavior Following M&A *IRS Statistics of Income proposal approved*

Teaching Experience

Instructor

Georgetown University (2018 - Present)

Applied Financial Management (Teaching Rating: 6.4/7)

New York University (2016)

Corporate Finance (Teaching Rating: 4.6/5)

Teaching Assistant

New York University (2012 - 2017)

Risk Management in Financial Institutions

Corporate Finance

Foundations of Finance

Jones Day (2013 - 2016)

Global Finance Training

Presentations

2016

New York University Stern, BlackRock Applied Research, Colorado Finance Summit, Hofstra University, Western Finance Association (discussant)

2017

Society of Financial Studies Cavalcade, Notre Dame Mendoza, University of Michigan Ross, Ohio State University Fisher, University of Chicago Booth, Dartmouth College Tuck, Boston College Carroll, Emory University Goizueta, Georgetown University McDonough, Vanderbilt University Owen, U.S. Federal Reserve Board, Western Finance Association (discussant)

2018

American Finance Association (discussant), UC Hastings Bankruptcy Conference, Canadian Law and Economics Association, Women Assistant Professors in Finance Conference

2019

American Finance Association (discussant), Duke University Law Colloquium, Seoul National University Business School, Yonsei School of Business, Reserve Bank of India, European Association of Law and Economics, IIM Calcutta - NYU Stern India Research Conference, University of Calgary Haskayne, Georgetown University Law Center (upcoming), International Monetary Fund (upcoming)

Awards and Grants

BlackRock, Applied Research Award Finalist (2016)

Colorado Finance Summit, Best Ph.D. Paper Finalist (2016)

American Association of University Women, American Fellowship (2016)

American Finance Association, Student Travel Grant (2015)

NYU Stern, Jules Bogen Doctoral Fellowship (2015)

NYU Stern, Center for Global Economy and Business Grant (2014)

NYU Stern, Teaching Commendation (2014)

NYU Stern, Doctoral Fellowship (2010, 2011, 2013, 2014)

Professional Activities

Capitalisn't Podcast, Co-host with Luigi Zingales (2017 - Present)

Census Bureau, Special Sworn Status Researcher (2014 - Present)

NBER Retirement Research Center, Consultant (2013)

Office of Financial Research, Intern (2013 - 2014)

Lehman Brothers Capital Markets Group, Intern (Summer 2008)

Other Articles

Bankruptcy as a Rubber Stamp, BankruptcyData's 2019 Bankruptcy Yearbook, Almanac, and Directory (2019)

The Budgetary Impact of Ending Drug Prohibition, *with Jeffrey Miron*, Cato Institute White Paper (2010)

Media and Press

How IPOs Work, Marketplace Podcast (Sep. 2019)

The Podcast Prof, The Eric Koester Creator Institute Podcast (March 2019)

Kate Waldock and Jeff Korzenik, Behind the Markets Podcast (June 2018)

Trump's Economic Report Misses Mark on Key Issue: Wage Growth, The Hill (Feb. 2018)

Toys R Us - Crushed by Debt - Files for Bankruptcy, Washington Post (Sep. 2017)

Heavy Debt Crushed Owners of Toys 'R' Us, Wall Street Journal (Sep. 2017)

Ask The Experts: 2016 Financial Predictions, WalletHub (Dec. 2015)

Drug Legalization – a Windfall for State Budgets, Huffington Post (Sep. 2010)

Community Service

New York Center for Children, Junior Board Member (2017 - 2019)

Chelsea-Elliott "I Have a Dream" Program, Mentor (2011 - 2012)