

# Lawyer Networks and Corporate Bankruptcies \*

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## ABSTRACT

We exploit a setting where lawyers are selected before the assignment of a judge and find that large Chapter 11 bankruptcy filings resolve 16%–21% faster when at least one lead counsel lawyer for the debtor has a connection to the judge. The most effective connections arise through previous clerkships and in-court interactions, and the effects concentrate in cases with smaller legal teams where connected lawyers have more influence. We find no evidence that connections lead to judge favoritism or pro-debtor biases. The results suggest that lawyers use knowledge of judges' judicial discretion to improve the efficiency of court processes.

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## **Conflict-of-interest disclosure statement**

Vidhan K. Goyal

I have nothing to disclose.

Joshua Madsen

I have nothing to disclose.

Wei Wang

I have nothing to disclose.

“For judges think that they must follow rules, and people highly approve of that thinking. So that the getting of the judge to do a thing is in considerable measure the art of finding what rules are available to urge upon him, and of how to urge them to accomplish your result.”

– From *The Bramble Bush* by Karl N. Llewellyn

## I. Introduction

Firms in bankruptcy employ outside legal counsel to represent them before a judge. Sometimes these lawyers have previously interacted with the judge through a clerkship, school or past employment, or prior cases. Does having a lawyer familiar with the judge lead to different bankruptcy outcomes? Familiarity could result in greater transactional efficiency and thus improve court processes. Alternatively, network ties may lead to discrimination or favoritism, distorting decision-making and inefficiently allocating resources. Existing empirical evidence on the effects of networks in a variety of other contexts is mixed—social and professional ties improve information flows but also degrade monitoring efficiency, weaken corporate governance, distort director selection, and adversely affect corporate outcomes.<sup>1</sup> We examine whether and how judge-lawyer connections affect bankruptcy outcomes.

A notable feature of US courts, as illustrated by the above quote, is that judges have significant discretion in selecting, describing, and characterizing the “facts” of a case (i.e., “judicial discretion”).<sup>2</sup> Lawyers who are familiar with the judge could know what

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<sup>1</sup>Network ties have been examined in the context of mutual fund proxy voting (Calluzzo and Kedia, 2019), M&As (Cai and Sevilir, 2012), bank lending (Engelberg et al., 2012), venture capital investments (Hochberg et al., 2007), mutual fund investments (Cohen et al., 2008), analyst recommendations (Cohen et al., 2010), corporate investment (Fracassi, 2017), and research productivity (Brogaard et al., 2014). Fracassi and Tate (2012), Kuhnen (2009), Nguyen (2012), and Guner et al. (2008) provide evidence of networks’ negative effects.

<sup>2</sup>See, for example, Gennaioli and Shleifer (2008), Posner (2008), Gennaioli and Rossi (2010), Abrams et al. (2012), Chang and Schoar (2013), Epstein et al. (2013), Gupta et al. (2016), Yang (2015), and

arguments the judge will find persuasive and what to emphasize (or not emphasize) and could thus exploit judicial discretion to strengthen their case and accelerate or slow down court processes. Relative to other equally experienced lawyers without a connection, connected lawyers could thus either enhance the efficiency of the legal process or, due to difficulties in measuring lawyer effort, capture economic rents, leading to delays, larger legal fees, and distorted resource allocations.

A key empirical challenge is ruling out omitted variables that affect both the selection of connected lawyers and case outcomes. We address this concern by focusing on lead counsel lawyers who are employed *before* the bankruptcy filing and judge assignment so that having a connected lawyer is not a deliberate choice made by the debtor. Furthermore, we control for case characteristics as well as court-time, judge-time, and either law firm or lead lawyer fixed effects. Our specifications thus ensure that any effect from having a connected lawyer is not due to unobserved heterogeneity that is specific to courts, judges, or lawyers.

Our analyses focus on a comprehensive data set of all US Chapter 11 filings from 1996 to 2013 that have at least \$100 million in assets at the time of filing. In total, we have 650 cases (debtors) with available controls that were overseen by 162 bankruptcy judges and collectively employed 775 unique law firms and 2,426 individual lawyers. We construct three specific types of judge-lawyer connections. First, we build complete education and employment histories for the lawyers representing the debtors and the judge overseeing the bankruptcy proceeding, and we use these histories to identify lawyers who attended the same school or worked at the same law firm as the judge (Cohen et al., 2008; Brogaard et al., 2014; Engelberg et al., 2012). Second, we identify lawyers who clerked at the judge’s court while the judge was serving on the bench. Finally, we use the universe

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Cohen and Yang (2019). Related research finds that busy judges resolve large bankruptcies more slowly (Iverson, 2018) and on-the-bench judicial experience shortens bankruptcy duration and improves creditor recoveries (Iverson et al., 2020).

of over 400,000 business bankruptcy filings from 1981 to 2013 to identify lawyers who appeared before the judge on a previous bankruptcy filing.

We find that 57% of cases have at least one connected lead counsel lawyer. Comparing cases with a connected lawyer to those without, we find insignificant differences in pre-bankruptcy firm characteristics such as size, performance, asset tangibility, and industry distress, mitigating a concern that only certain types of firms hire lawyers who *ex post* are connected to the judge. We find that firms with a connected lead counsel lawyer spend 16%–21% less time in bankruptcy, a 2.6–3.5-month reduction in bankruptcy duration. This effect is economically large considering that the average firm spends 16 months in bankruptcy. Our extensive set of controls and fixed effects increase confidence that the estimated effects are due to lawyer-judge connections and are not driven by unobserved variation in the complexity of cases by industry, courts', or judges' efficiency at resolving bankruptcy cases or factors that lead to the selection of specific lead law firms or lawyers.

To better understand the nature of connections, we exploit the richness of our data to examine how connection type, depth, strength, recency, and intensity impact case duration. The most frequent and important connection types are clerkships and in-court interactions on previous bankruptcy cases. Past employment and education networks have smaller and mostly insignificant effects. Cases with multiple connection types (i.e., greater depth) do not incrementally decrease time in bankruptcy. Connections have a larger impact when more lawyers on a case have a connection (strength) but also when the legal team is smaller, suggesting the effects are contingent on the connected lawyer's influence on the legal procedures. Both recent and non-recent interactions on prior cases matter, and more reliable connections built through multiple prior in-court interactions (intensity) lead to larger reductions in bankruptcy duration. In contrast to the significant effect of having a connected lead counsel lawyer for the debtor, having a connected lawyer on a creditor's committee is associated with no reduction in case duration.

We find no evidence that connections distort case outcomes or provide additional bargaining power to debtors. Connected cases have a marginally higher propensity to reorganize, but these reorganizations do not lead to increased refiling rates or poorer post-emergence profitability. Thus, faster reorganizations for cases with connected lawyers do not appear to be a result of judges rushing the court process. We also find no evidence that cases with connected lawyers receive favors from the judge, such as extending the exclusivity period to file a reorganization plan or avoiding conversion to a Chapter 7 liquidation (where management is typically dismissed). The evidence is inconsistent with lawyers capturing economic rents via their connections but rather suggests that connections improve the efficiency of the restructuring process.

How do connected lawyers accelerate the bankruptcy process? The most likely explanation is connected lawyers' knowledge of a judge's preferences and biases. Bordalo et al. (2015, p. S17–S18) explain that “judges are extremely busy, and must devote enormous effort to keep straight all the facts and legal nuance under consideration. Rather than cut through the forest of irrelevant disagreements, judges may look for a clearing in the forest that lets the light shine through.” Connected lawyers are plausibly more familiar with the assigned judge's personal preferences and expectations as well as the cases, legal precedents, and statutes that the judge will rely on. They can exploit this knowledge to help the “light shine through.” Idiosyncrasies across judges and their preferences imply that lawyers' experience with other judges may not be as useful as a connection to the assigned judge and that there is likely no one “magic bullet” used by all connected lawyers. To rule out alternative explanations, we focus on lawyers selected prior to judge assignment and use an extensive set of controls as well as court, law firm, lawyer, and judge fixed effects. The results suggest that connected lawyers improve the efficiency of the bankruptcy process through their personal awareness of a judge's preferences.<sup>3</sup>

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<sup>3</sup>Skilled lawyers could feasibly know how to increase the likelihood of being assigned a connected judge in a court with few judges, a controversial practice known as “judge shopping” (Wasby, 1995; Norwood, 1995; Eisenberg and LoPucki, 1999). Our results are robust to restricting the sample to courts with four

Reduced time in bankruptcy for cases with connected lawyers suggests that these distressed firms realize significantly lower costs. LoPucki and Doherty (2004) find that the “burn rate” of bankruptcies is large, with fees and expenses consuming about 1.4% of assets. Using LoPucki and Doherty’s evidence that a 1% change in duration results in a 0.56% change in fees and expenses, we estimate that the average firm in our sample would save \$5–\$7 million in legal fees and expenses by having a connected lawyer, resulting in an aggregate savings of \$3.2–\$4.5 billion for our sample firms. Notably, these estimates only capture legal fees and expenses and are thus a lower-bound estimate of the value of having a connected lawyer since faster resolution also results in contracting efficiencies and operational improvements. The results imply that repeated interactions between lawyers and judges plausibly increase lawyers’ familiarity with each judge’s style and perspective, reducing bankruptcy costs for the lawyers’ clients.

This paper contributes to two strands of research. First, we contribute to a growing literature on the importance of social and professional networks. Prior research shows that connections improve M&A transactions and lower interest rates on bank loans (Cai and Sevilir, 2012; Engelberg et al., 2012), connected executives receive higher salaries (Engelberg et al., 2013), and personal connections improve information flows (Cohen et al., 2008; Schmidt, 2015; Fracassi, 2017; Calluzzo and Kedia, 2019). However, prior research also finds that networks are not always beneficial. Kuhnen (2009) finds that connections between mutual fund board members and advisor firms do not improve outcomes, Fracassi and Tate (2012) find that CEO-board networks can weaken corporate governance and destroy corporate value, and Bertrand et al. (2018) find that politically connected CEOs do not benefit or create value from preferential access to government resources.

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or more bankruptcy judges, where presumably getting a connected judge is more difficult. Furthermore, judge fixed effects rule out any effect of having a particular judge, and lawyer fixed effects rule out the effect of having a particular lawyer. Thus, even if connected lawyers are able to secure their preferred judge in some courts, our findings suggest that the reduction in case duration and improvement in court processes is specific to cases with a judge-lawyer connection.

Existing research on networks focuses primarily on how they influence the diffusion of information. In contrast, we focus on how networks lead to an increased understanding of individual preferences and biases and improve the efficiency of transactions. An advantage of our setting is that we can identify connections based on historical direct interactions, something not possible in most prior studies. We exploit this feature to estimate the heterogeneous effects of connection recency and intensity.

Second, we contribute to research on the value of legal counsel for corporate transactions. Prior research argues that lawyers create value by facilitating the production and transfer of information, improving risk allocation, and reducing transaction costs (Gilson, 1984; Coates, 2001; Choudhary et al., 2013; Krishnan and Masulis, 2013; Karsten et al., 2019; Moran and Pandes, 2019). Related research highlights the role of in-house general counsels in determining corporate disclosure, compliance, and governance (Jagolinzer et al., 2011; Kwak et al., 2012; Hopkins et al., 2015; Morse et al., 2016). Although we provide ancillary evidence that more experienced lawyers are associated with a shorter bankruptcy duration, the focus of our study is on interactions between lawyers and judges and how these legal networks accelerate the bankruptcy process.

## II. Data and Variables

### *A. The Sample*

We obtain all Chapter 11 filings from 1996 to 2013 by US public firms with assets of at least \$100 million (in 2016 constant dollars) at the time of filing from the UCLA-LoPucki Bankruptcy Research Database (BRD). We use New Generation Research’s Bankruptcy-Data.com to determine restructuring status and exclude filings dismissed by the court or pending as of 2016 and those by firms headquartered outside the United States. We obtain



complete court dockets for each Chapter 11 filing from Public Access to Court Electronic Records (PACER). BRD and BankruptcyData are our primary sources for information about filing type, bankruptcy venue, assigned judge, and outcome. From Compustat, we collect pre-bankruptcy financial information, which we supplement with data from EDGAR. The final sample is 650 Chapter 11 cases.

Table I, Panel A presents firm and bankruptcy summary statistics as of the Chapter 11 filing date. As expected, these firms are large, with average assets in 2016 constant dollars (*Assets*) of \$4 billion (median \$632 million). The average firm is barely profitable pre-bankruptcy, with a ratio of EBITDA to assets (*Profitability*) of 2%; highly leveraged, with a ratio of total liabilities to assets (*Leverage*) exceeding one; a cash to assets ratio (*Cash*) of 7%; and a ratio of net property, plant, and equipment to assets (*Tangibility*) of 34%. We find that 28% of firms filed a pre-packaged or pre-negotiated bankruptcy (*Prepack*), and 7% are tort cases (*Tort*). These filings are due to liabilities such as product liabilities, financial fraud, unfunded pensions, and environmental and patent litigation. Approximately 16% of firms are in distressed industries (*IndDistress*); that is, the median stock return of the firm's two-digit SIC industry is less than  $-30\%$  the year before bankruptcy (Acharya et al., 2007). See Appendix A for detailed variable definitions.

— Table I about here —

Table I, Panel B reports summary statistics for various filing outcomes. The speed of resolution, *Duration*, is our primary outcome variable, defined as the number of months from the Chapter 11 petition date to the date the reorganization/liquidation plan is confirmed or the date the case is converted to a Chapter 7 filing. The average duration is 16 months (median 12).

*Emerge* is an indicator variable that takes a value of one if the debtor successfully reorganizes and emerges from Chapter 11 and zero otherwise; 60% of Chapter 11 firms reorganize in bankruptcy. *Refile* takes a value of one if, after reorganization, the firm refiles for bankruptcy within three years and zero otherwise; 17% of cases refile for bankruptcy within three years. *ProfPost* captures post-bankruptcy profitability, defined as EBITDA scaled by book assets reported in the first fiscal year after reorganizing. The average profitability of reorganized firms is  $-1\%$ . Of the filings that end in liquidation, 22% are due to conversion to Chapter 7 by the judge (*Ch7Conv*). *LossExclusivity* takes a value of one if the judge denies extensions to the exclusivity period and zero otherwise. Approximately 23% of debtors are denied extensions to exclusivity.

## B. Judges

Our sample covers 162 bankruptcy judges whose names are obtained from BRD (and cross-checked against BankruptcyData and PACER).<sup>4</sup> We collected judge resumes directly from courts (by request). The resumes are our primary source for judges' alumnus, year of graduation, and career histories. We fill in missing information using court websites, LinkedIn, and LexisNexis.

## C. Law Firms, Lawyers, and Lead Counsel

Sections 327 to 331 and 1103 of the US Bankruptcy Code and Federal Bankruptcy Rules 2014, 2016, and 6005 govern the retention and payment of the professionals representing debtors in possession, committees, and trustees in bankruptcy cases. Section

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<sup>4</sup>In a few cases, initial bankruptcy petitions are transferred to another court or are assigned to a different judge. While we record such transfers and identify all judges involved, we rely primarily on the initially assigned judge in our empirical analyses.

327(a) states that a debtor is allowed to “employ one or more attorneys, accountants, appraisers, auctioneers, or other professional persons, that do not hold or represent any interest adverse to the estate, and that are disinterested persons . . . .” That is, professionals can be retained so long as they have no conflicts.

Identities of the debtors’ law firms and lawyers are primarily retrieved from court docket headers and bankruptcy petition forms from PACER and New Generation Research’s Professional Retention database. For cases that list attorneys but not law firms, we search the Martindale-Hubbell Law Directory and lawyers’ LinkedIn profiles and their professional websites to identify where the lawyer worked at the time of the Chapter 11 filing. We identify 775 unique law firms and 2,426 individual lawyers representing the 650 debtors in our sample.

Large Chapter 11 cases typically retain multiple law firms and lawyers (as well as financial advisory and consulting firms) to perform various tasks. Typically one, but sometimes as many as five, law firm acts as primary debtor’s counsel or co-counsel and is retained before the bankruptcy filing in our sample. We obtain the names of lead counsel law firms and lawyers for each case using the Professional Retention database (available for 357 cases) and our reading of the court docket, specifically the debtors’ motion for retention of professionals and first-day hearings. We define these law firms as “lead counsel firms” and the lawyers working for them as “lead counsel lawyers” or simply lead lawyers. Debtors also hire additional law firms after the filing to help with specific aspects of the case.<sup>5</sup> We label these lawyers “other lawyers.”

Appendix B tabulates the ten most represented lead counsel law firms in our sample, both by the number of cases represented (Panel A) and by the aggregate assets of debtors

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<sup>5</sup>These additional law firms often have titles that signify their special roles in the bankruptcy process. Common designations in our sample include “special counsel,” “litigation counsel,” “special litigation counsel,” “conflicts counsel,” “special corporate counsel,” “special conflicts counsel,” “special insurance counsel”, “special regulatory counsel,” “special tax counsel,” “special labor counsel,” “special employee benefits counsel,” “intellectual property counsel,” and “special patent counsel.”

represented (Panel B), during the 1996–2013 period. The two most common lead counsel law firms together account for 36% of the debtors in large bankruptcies. However, beyond a few large firms, the market for lead counsel law firms in large Chapter 11 cases is otherwise quite competitive.<sup>6</sup>

We focus on lawyers rather than law firms for the simple reason that familiarity is individual-specific and difficult to transfer to others. For the 2,426 unique lawyers in our sample, we obtain biographical information including their year of birth, where they received their undergraduate (UG) and postgraduate (JD/LLM) degrees, and years of graduation from the Martindale-Hubbell Law Directory. We determine whether a lawyer attended a top-10 JD granting institution (*Top10JD*) based on the US News Best Law School ranking for the 1994–2013 period. We searched LexisNexis, Google, LinkedIn profiles, and law firm websites to obtain lawyers’ employment history, including names of law firms where they worked and years of employment.<sup>7</sup> We collect data on their clerkships for judges, for example, whether they clerked for a judge at a bankruptcy court, court of appeals, district court, or other court, including the name of judges and courts where they clerked when available.

In Table I, Panel C, we present descriptive statistics of legal teams at the case level. The average debtor hires 1.32 lead counsel law firms (median 1) and 2.38 other non-lead law firms (median 2), with 3.83 lead counsel lawyers and 2.92 other non-lead lawyers. The distribution is skewed, however, with 10% of bankruptcies employing at least 7 lead and 7 non-lead lawyers. Consistent with fragmentation in the market for bankruptcy law firms, only 32% of bankruptcies have a top-10 lead counsel law firm based on the American Lawyers rankings, and only 7% of cases have a lead counsel law firm with a top-10

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<sup>6</sup>We note that Weil, Gotshal & Manges, LLP was the lead law firm for Lehman Brothers, increasing their total assets represented by \$691 billion.

<sup>7</sup>LinkedIn often provides complete education and employment history of lawyers in the sample. While the information is self-reported, the ethical and professional standards require that they be reasonably accurate.

ranking for other corporate transactions (top-10 league) based on legal advisory work for US corporations in domestic M&A transactions, equity issuances (including IPOs, SEOs, and private placements), and debt issuances (including public bonds, shelf registrations, and medium-term notes) during the 1995–2015 period.<sup>8</sup> In 47% of the Chapter 11 filings, a lead counsel lawyer has a JD degree from a top-10 ranked institution and 42% of cases have a lead counsel lawyer who worked for a top-10 law firm. A lead counsel lawyer clerked for a bankruptcy judge in 27% of cases, a district court judge in 11% of cases, and an appeals court judge in 13% of cases. We measure lawyer experience both as time in the profession and by counts of previous large bankruptcies. The average work experience of all lead counsel lawyers on a given case is 9.47 years (time since JD degree year) or 2 previous large bankruptcies, and the most experienced lead counsel lawyer for each case has, on average, 21 years' work experience or 6.6 previous large bankruptcies.

Lead counsel lawyers potentially differ from other lawyers. Appendix C provides characteristics of lawyers who ever serve as a lead counsel and lawyers who never serve as a lead counsel. The average lead counsel lawyer represents 1.10 more debtors than the average non-lead counsel lawyer and is more likely to have attended a top-10 JD program (23% versus 18%) and to have worked for a top-10 ranked law firm (28% versus 9%). The average lead counsel lawyer is also listed on a case in 0.2 more courts and is 15% less likely to be associated with only a single court (although 82% of lead counsel lawyers are associated with only a single court). The average assets represented is higher for non-lead counsel lawyers (\$19.3 billion versus \$9.95 billion), and non-lead counsel lawyers have worked for 0.17 more law firms. Lead counsel and non-lead counsel lawyers have similar clerkship experiences at bankruptcy courts and district court, while lead counsel lawyers are more likely to have clerked at a court of appeals.

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<sup>8</sup>We obtain legal advisory work from the Securities Data Company (SDC) Platinum based on league tables. A similar exercise in the context of M&A is in Krishnan and Masulis (2013).

### *D. Lawyer-Judge Connections*

We focus on three specific types of judge-lawyer connections. First, we identify out-of-court connections, formed when a lawyer on the case and the judge attended the same school or ever worked at the same firm. We use both UG and postgraduate JD/LLM institutions and assign an education connection if they both obtained the same degree from the same school (albeit possibly in different years). We assign a past employment connection if they both worked at the same firm (most often a law firm) any time in the past (not necessarily at the same time). In identifying these connections, we follow Cohen et al. (2008), Fracassi and Tate (2012), Fracassi (2017), and Engelberg et al. (2012). A common concern with this type of connection is the possibility of measurement error. Both educational and employment backgrounds are indirect proxies of interactions, as the “connected” individuals may not have known each other. These measurement errors, however, bias against finding any differences between connected and non-connected cases. Second, we identify court connections through lawyers’ clerkship histories. In four instances, a lawyer on the case directly clerked for the judge, but more commonly a lawyer clerked at the judge’s bankruptcy court after the judge’s appointment date. In these cases, the connection is still indirect but with a higher likelihood of interaction between the lawyer and judge.

Finally, we identify lead counsel lawyers who previously represented another debtor before the same judge. We identify these “direct” connections using a sample of over 400,000 bankruptcies from the New Generation Research database, which includes lead counsel law firms and lawyers for all US bankruptcies (both Chapter 7 and 11 by both public and private firms) over the period 1981–2013. We record the intensity and recency of these connections by measuring how long ago these interactions occurred and how many times a lawyer presented a case to the same judge. These historical interactions provide the cleanest measure of a lawyer’s familiarity with the judge.

Table II summarizes the types of judge-lawyer connections at the case level. We have 367 cases (57%) with a lead counsel lawyer on the case who has a connection to the judge. The number of possible connections at the case level between lead counsel lawyers and judges ranges from zero to three, with three indicating a connection exists via education or past employment, clerkship, and through previous cases (although possibly through different lead counsel lawyers on the case). The average number of connections (depth) is 1.3, indicating that some cases have multiple types of judge-lawyer connections. In most cases, a single connection exists (258 of the 367 connected cases). Two connections exist in 106 cases, and all three connections are present in the remaining 3 cases.

— Table II about here —

Most judge-lawyer connections arise because the connected lawyer represented another debtor on a previous case (288 of 650 cases, or 44%). In 30 cases (5%), a connection exists through a clerkship at the judge’s bankruptcy court, and in 161 cases (25%), a connection exists from attending the same school or working at the same firm.

We estimate connection strength based on the number of lead counsel lawyers with a judge connection. In 157 cases (43% of connected filings), a single lead counsel lawyer has a connection to the judge. In 210 cases, two or more lead counsel lawyers have a connection. To account for the size of lead lawyer teams, we also summarize the fraction of lead counsel lawyers connected to the judge. In 149 cases, less than half of the lead counsel lawyers (but at least one) have a connection to the judge (41% of connected filings). In another 149 cases, 50% or more (but less than 100%) of lead counsel lawyers have a connection. In the remaining 69 connected cases, all lead counsel lawyers are connected to the judge, with 31 cases where there was only one lead counsel lawyer.<sup>9</sup>

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<sup>9</sup>In untabulated analyses, we find that smaller cases and pre-packaged/pre-negotiated cases have fewer lawyers.

Table II also provides statistics on the recency and intensity of direct connections (i.e., previous in-court interactions). In 227 cases (62% of connected filings), the most recent lawyer-judge interaction occurred within the last two years. In 61 cases (17% of connected filings), the most recent interaction occurred more than two years earlier. As described earlier, in 288 cases a lead counsel lawyer presented a previous case before the judge. We approximate connection intensity using the number of past cases that a lawyer presented to the judge. In 101 cases, a connected lead counsel lawyer previously presented one case before the judge. In 86 cases, a lead counsel lawyer previously presented between two and four cases, and in 101 cases a lead counsel lawyer previously presented five or more cases to the judge.

In summary, just over half of the sample cases have a connected lead counsel lawyer. The most common connections are interactions in previous court cases, and connection strength, intensity, and recency exhibit substantial cross-sectional variation.

### *E. Univariate Case Differences by Lawyer-Judge Connections*

We next examine univariate differences between bankruptcy cases with and without connected lead counsel lawyers. In Table III we find insignificant differences across a number of firm characteristics. Connected cases have more book assets at the time of filing, but the difference is not statistically significant. Profitability of connected cases appears higher, but the difference is also not statistically significant ( $p$ -value 0.103). *Leverage*, *Cash*, *Tangibility*, *Prepack*, *Tort*, and *IndDistress* insignificantly differ.

— Table III about here —

In contrast to the largely insignificant differences in firm characteristics, the two groups exhibit substantial univariate differences in case duration, emergence, and loss of exclu-



sivity. Connected cases resolve 2.78 months faster and have an 11 percentage point higher likelihood of being reorganized and a 7 percentage point lower likelihood of losing exclusivity; all differences are significant at the 10% confidence level or better. Other bankruptcy outcomes do not differ significantly between the two groups.

Regarding legal teams, we find that connected cases employ more law firms and lawyers (0.45 and 2.65, respectively). In our multivariate analysis, we control for lawyer counts since more lawyers increase the likelihood of a connection. Lead law firms on connected cases are, on average, ranked lower, and connected cases are significantly more likely to have a lead counsel lawyer who clerked at a court, including a 25 percentage point increase in the likelihood that a lead counsel lawyer clerked for a bankruptcy court. Differences in legal teams highlight the importance of controlling for lawyer characteristics. The educational backgrounds of legal teams insignificantly differ.

### III. Baseline Results: Bankruptcy Duration

Our baseline specification investigates the effect of connections on bankruptcy duration. Our empirical strategy exploits two institutional features of corporate bankruptcies: debtors select lead counsel lawyers before filing for Chapter 11, and courts assign bankruptcy judges to cases after they are filed. These assignments are, for the most part, random.<sup>10</sup>

In general, more time spent in bankruptcy results in higher bankruptcy costs, larger losses in firm value, and lower debt recovery (Ayotte and Skeel, 2004; Dou et al., 2020).

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<sup>10</sup>Chang and Schoar (2013), Dobbie and Song (2015), Bernstein et al. (2019), and Iverson et al. (2020) find that corporate bankruptcy cases, even for large public firms, are randomly assigned to judges. Although Choi et al. (2013) argue that judges have informal instruments for controlling their docket, in courts with several judges, debtors and the law firms acting on their behalf cannot predict with certainty which judge will be assigned to a case.

Thus mechanisms that can efficiently shorten time in bankruptcy are value enhancing. We estimate regressions of the following form:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i, \quad (1)$$

where the dependent variable is the natural logarithm of time spent in bankruptcy. *LeadLawyerConnected* is an indicator variable denoting whether a connection exists between a lead counsel lawyer on the case and the judge.  $\beta$  thus estimates the change in log duration for a case that has at least one connected lead counsel lawyer relative to an otherwise similar case with no connected lead counsel lawyer.

Our primary specification includes both industry and court  $\times$  time-period fixed effects. Industry fixed effects (defined using the Fama-French 12 classification) ensure that  $\beta$  does not capture variation in connections and bankruptcy duration at the industry level. The full set of interacted court and time-period dummies accounts for time-varying court differences in bankruptcy resolution such as increasing efficiency of certain courts over time or differences in characteristics of cases filed at the court that may lead to both faster resolution and a propensity for lawyers and judges to be connected. Court dummies include a set of indicator variables based on whether a case is filed in Delaware, the Southern District of New York, or any other court. Time-period dummies are indicator variables for five-year periods from 1996 to 2013. We cluster standard errors at the court level to account for the within-court correlation of bankruptcy duration.

We include a large number of controls,  $\mathbf{X}_i$ , to address concerns that the estimated  $\beta$  reflects firm and bankruptcy characteristics. In particular, we include both  $\text{Log}(\text{Assets})$ , the natural logarithm of assets the year before filing, and  $\text{Log}(\text{NumLawyers})$ , the log number of total lawyers on the case, to control for case complexity. We expect larger bankruptcies, both in terms of assets and lawyers, to be more complex, resulting in a longer duration. We control for *Leverage* and *Profitability* since more profitable and

highly levered firms are more likely to experience financial distress, and not economic distress, with a possibly shorter duration. Furthermore, we include *Cash* and *Tangibility* to account for debtor characteristics that may affect both the debtor’s choice of law firm and lawyers but also the bankruptcy duration. We also include *Prepack*, an indicator for whether the bankruptcy is a pre-packaged or a pre-negotiated filing, as we expect these filings to resolve significantly more quickly. Finally, we control for *Tort* and *IndustryDistress*, as we expect these filings to take longer to resolve.

— Table IV about here —

Table IV presents the effect of a connected lead counsel lawyer on bankruptcy duration using specification (1). In column (1), the coefficient of  $-0.222$  on *LeadLawyerConnected* is negative and statistically significant, indicating a 20% shorter duration (approximately three months less time spent in bankruptcy for the average case) for cases with a connected lead counsel lawyer.<sup>11</sup> The estimated coefficients on the control variables have the expected signs. Larger bankruptcies, tort cases, and those in distressed industries take longer to resolve. Conversely, debtors with higher profitability and those filing pre-packaged or pre-negotiated filings resolve faster.

In the remaining columns of Table IV, we explore the robustness of these results to additional controls and fixed effects. Column (2) adds controls for lead counsel lawyer expertise to rule out alternative explanations that lead lawyers may also be more skilled. First, we add *LeadExperienced* to identify cases that have a highly experienced lead counsel lawyer. *LeadExperienced* takes a value of one if a lead counsel lawyer is in the 95<sup>th</sup> percentile of the distribution of Chapter 11 cases seen by lawyers in the sample.<sup>12</sup> Second, we include *LeadTop10JD*, which takes a value of one if a lead counsel lawyer

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<sup>11</sup>Because we use a log dependent variable, all percentage changes are calculated by taking the exponential of the relevant coefficient (i.e.,  $\exp(-0.222) - 1$ ).

<sup>12</sup>We explore several alternative ways of measuring lawyer experience and find that our results are robust to these measures.

has attended a top-10 JD program. If lawyers who attended more selective programs sort themselves into larger, more prestigious national law firms, then they may both have more experience handling cases and be more likely to have a connection to the judge.

Third, we include bankruptcy-specific clerkship experience, as a lawyer who clerked at a bankruptcy court (*LeadClerkedBankr*) has both more experience handling bankruptcy cases and is also more likely to have a connection. Finally, we include *LeadClerkedOthers* to capture familiarity with the judicial system by lead lawyers who clerked at a district court or a court of appeals. In column (2) the estimated coefficients on these lawyer experience variables have the predicted negative sign, but only highly experienced lead counsel lawyers are associated with a significantly shorter case duration. The estimated coefficient on *LeadLawyerConnected* remains negative and significant, indicating a 19.2% reduction in duration for cases with a connected lead counsel lawyer.

To address concerns that these results are driven by the expertise of connected lawyers, we conduct two robustness tests. First, we include additional controls for connected lawyers' expertise. In Appendix D, we find that the reduction in bankruptcy duration for connected cases does vary with connected lawyers' experience or ability. Second, we include a lead lawyer fixed effect and focus on judge connections that only exist through the most experienced lead counsel lawyer.<sup>13</sup> The combination of lead lawyer and judge fixed effects provides a powerful research design to address alternative explanations for why cases with connected lawyers realize reduced time in court. In Appendix E we find that the results are robust to including lawyer fixed effects and to focusing on connections by the most experienced lawyer.

The selection of lead law firms at the time of filing could be based on potential connections between lawyers at the law firm and judges at the court where the case is expected

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<sup>13</sup>We define the most experienced lawyer as either the lawyer with the most years of experience as of the case filing date or the lawyer with the most in-sample cases. We note that of the 367 cases with a connected lead counsel lawyer, in 175 cases the lawyer with the most years of experience has a connection and in 253 cases, the most popular sample lawyer has a connection.

to be filed. The effect of having a connected lawyer could thus potentially be attributed to unobservable law firm effects, as large prestigious law firms may have more connected lawyers but also have the necessary expertise to shepherd cases faster through bankruptcy. We directly control for time-invariant law firm unobservables by including lead law firm fixed effects.<sup>14</sup> We have 154 unique lead law firms in the sample, yet 85 of these appear only once, shrinking our sample because we can only retain observations where a lead law firm appears more than once. We include a fixed effect for each of the remaining 69 lead law firms and present the results in Table IV, column (3). We find that lead counsel lawyer connections continue to have a significant negative effect on bankruptcy duration. The coefficient estimate is of similar magnitude as the other specifications and is statistically significant at the 5% level.

In column (4) we include judge fixed effects, and in column (5) we include judge  $\times$  time-period fixed effects to account for both time-invariant and time-varying unobservable judge characteristics such as their preferences and discretion. The results are robust to the inclusion of either type of judge fixed effect. Overall, the results in Table IV indicate that bankruptcy duration is between 16.1% and 21.3% shorter when a lead counsel lawyer is connected to the judge.

One potential concern is whether connected lead counsel lawyers are added *after* the judge is assigned forming endogenous lawyer-judge connections. Discussions with restructuring attorneys confirms that debtors select their lead counsel lawyers before the filing and do not subsequently change the composition of lead counsel lawyers. As anecdotal evidence, in 26 of our sample cases, no assigned lead counsel lawyer has a connection, but another lawyer at the same law firm does, confirming that connected lawyers are at least not always added to cases after the judge assignment. To confirm the robustness of our results, we rerun the five specifications in Table IV using only lawyers who signed

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<sup>14</sup>For cases with multiple lead law firms, we select the law firm with the most experience as the lead law firm for this fixed effect specification.

the bankruptcy petition form (i.e., form submitted prior to judge assignment). We obtain petition forms for 386 cases (59% of our sample) and identify 290 unique lawyers who signed these petitions. These petition lawyers represent, for the average case, 40% of the total lead counsel lawyers identified using all available data sources. We find in Appendix F that the results are qualitatively similar using this subset of lead counsel lawyers and cases, mitigating concerns that our results are driven by changes in the lead counsel legal team after the judge is assigned.

Because we measure connections through clerkships and past cases, our results could be driven by a connection to the court (e.g., connection to the clerk, knowledge of court procedures). To disentangle the effects of court versus judge connections, we include two additional controls: *LeadCourtConnected*, an indicator variable denoting whether a lead counsel lawyer previously presented any case at the court, and *ClerkedatCourt*, an indicator variable denoting whether a lead counsel lawyer ever clerked at the bankruptcy court. Both variables are positively correlated with *LeadLawyerConnected* (0.49 and 0.30, respectively), and 74% of cases have a lead counsel lawyer who previously presented a case at the court. These two court connection measures are, however, generally insignificantly associated with case duration, whereas the coefficient on *LeadLawyerConnected* is qualitatively similar in all specifications (see Appendix G). The results suggest that judge connections are incrementally valuable to more general court connections.<sup>15</sup>

In smaller courts, lawyers are more likely to have a connection to the judge given the concentrated nature of these courts, making it empirically difficult to separate out the effect of lawyer-judge connections from lawyer-court connections. In contrast, in a large court it is less likely that a lawyer is hired because he/she has a connection to a particular judge. Consistent with this intuition, 64.5% of cases filed in a court with three or fewer judges have a connected lawyer, while only 36.1% of cases filed in a court with more than

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<sup>15</sup>We note that if we replace *LeadLawyerConnected* with these court connection variables, the new variables are not robust and generally insignificant (untabulated).

six judges (sample median) have a connected lawyer. Furthermore, judge assignment may be predictable in smaller courts. We rerun the five specifications in Table IV after keeping only courts that have more than three judges. Appendix H shows that the results are qualitatively similar for this subsample.

We also estimate the effect of connections after keeping only firms that retain one lead counsel law firm to address a concern that including lawyers from co-counsel law firms, who may be more likely to have been on previous cases with the judge but are less able to influence case proceedings, could bias our results.<sup>16</sup> Appendix I shows that the results are again qualitatively similar for this restricted sample.

Finally, lead counsel lawyers could potentially have a connection to the judge through some other undocumented channel, biasing against finding any effect. We examine one plausible additional source of connection: prior representation of an official unsecured creditor’s committee (UCC) in a large Chapter 11 case. We find that 371 cases have a connected lead counsel lawyer after also considering all lead counsel lawyers’ prior work for creditors, a small increase from the 367 cases already identified. The results in Appendix J are qualitatively similar using this expanded definition of lead lawyer connections.

## IV. Connections and Duration: Further Tests

### A. *Extent of Connections*

Our primary variable, *LeadLawyerConnected*, captures the effect of having at least *one* connected lead counsel lawyer. We next investigate whether the effects are larger when multiple lawyers have a judge connection (i.e., connection strength). In Table V,

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<sup>16</sup>Lead law firms often employ law firms located in the city of the bankruptcy court as co-counsel or local counsel to deal with mostly clerical issues. Firms that retain multiple law firms may also be inherently different (e.g., more complex) than firms retaining only one lead law firm.

column (1) we include indicators for whether only one lead counsel lawyer is connected to the judge (*Connect1Lawyer*) or whether two or more lead lawyers are connected (*Connect2Lawyer*). The point estimate for *Connect1Lawyer* is  $-0.205$ , significant at the 1% level. The effect of having two or more connected lead lawyers is slightly larger with a point estimate of  $-0.225$ , also significant at the 1% level, albeit not significantly different from the *Connect1Lawyer* estimate.

— Table V about here —

In column (2), we examine whether the fraction of lead counsel lawyers with a judge connection (*PctLeadConnected*) affects duration to address concerns that larger lead counsel teams may also have more connected lawyers. We find that bankruptcy duration is decreasing in the fraction of connected lead lawyers. The point estimate of  $-0.396$  (significant at the 1% level) suggests that cases where 75% of the lead lawyers have a connection resolve 18% faster than cases where 25% of lead lawyers have a connection.

Column (3) examines potential non-linearities in connection intensity by sorting cases into three buckets: bankruptcy cases where less than half but at least one lead lawyer has a connection (*Connect1to49Pct*), cases where more than half but less than 100% of lead lawyers have a connection, and cases where 100% of lead lawyers have a connection. The estimated coefficients in column (3) indicate that the effects become larger as a higher percentage of lead lawyers has a connection to the judge. When less than half the lead lawyers have a connection, the coefficient estimate on *Connect1to49Pct* is  $-0.080$  ( $p$ -value 0.218). When more than 50% but not all lawyers have a connection, bankruptcy duration is 17.6% shorter ( $p$ -value  $< 0.001$ ). Duration falls by 36.4% when all lead counsel lawyers have a connection, which is significantly shorter than the estimated decrease in duration when less than 50% of lawyers have a connection ( $p$ -value  $< 0.001$  for  $F$ -test of differences). In column (4) we find that for cases where all lawyers have a connection,



having two or more connected lawyers has a slightly larger point estimate than having just one connected lawyer.

As the case progresses through court, debtors routinely employ additional law firms to help with specific issues such as intellectual property, taxes, labor, and regulation. In our sample, we find 85 cases where at least one of these other lawyers is connected to the judge. We examine the effect of other connected lawyers by augmenting our previous specification with *OtherLawyerConnected*, an indicator variable, to capture connections through other, non-lead counsel lawyers.

— Table VI about here —

In column (1) of Table VI, the coefficient estimate on *OtherLawyerConnected* is  $-0.139$  ( $p$ -value 0.107). In contrast, the coefficient estimate on *LeadLawyerConnected* is  $-0.262$  and significant at the 1% level, albeit not significantly different from the estimate for *OtherLawyerConnected* ( $p$ -value 0.131 for  $F$ -test of differences). In column (2) we estimate whether these effects vary with the legal team's size. If the mere presence of a connected lawyer is sufficient to impact duration, then the effects of having a connected lawyer should not vary with the team's size. However, if both judge familiarity and the ability to influence the proceedings are necessary, then we expect that connected lawyers will have a larger impact in smaller legal teams. We thus interact our connection measures (both *LeadLawyerConnected* and *OtherLawyerConnected*) with indicators for whether the entire legal team is less than or equal to the sample median of five lawyers (*Few Lawyers*) or above the sample median (*Many Lawyers*). As predicted, connected lead counsel lawyers are most influential when fewer lawyers are involved. In contrast, we find that other connected lawyers have insignificant effects that do not differ by the legal

team’s size.<sup>17</sup> The evidence suggests that non-lead counsel lawyers’ connections matter less for duration than lead counsel lawyers’ connections.

### *B. Nature of Connections*

We next directly compare whether the type of connection matters. In Table VII, column (1), we repeat our main specification, decomposing *LeadLawyerConnected* into the three connection types. Specifically, we examine the effect of lawyer-judge connections through past cases (*ConnectedPastCases*), clerkships at the judge’s court (*ConnectedClerkship*), and education and past professional employment (*ConnectedOutCourt*). The estimated coefficients show that connections through past cases and clerkships significantly shorten bankruptcy duration, whereas indirect and plausibly noisy measures of out-of-court connections through past employment or education networks are less important.

— Table VII about here —

In column (2) we examine whether having multiple types of connections to the judge matters (i.e., connection depth). We find that cases that have a lawyer with only one connection (e.g., only clerked) have similar effects as cases where multiple connection types are present (e.g., clerked and appeared on a previous case, possibly through different lawyers). The point estimate for having multiple connections (*LeadJudge2+Connect*) is larger, albeit not significantly different from the estimate for *LeadJudgeOneConnect*.

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<sup>17</sup>Other parties to the bankruptcy could also have connections to the judge, creating potentially competing judicial networks. In Appendix K we examine, for cases with a UCC approved by the judge, the effect of having a connected lawyer representing the UCC. We find no evidence these connected lawyers affect bankruptcy duration and that the effect of having a connected lead counsel lawyer is robust to controls for connections by other legal teams.

The remaining columns of Table VII examine connection recency and intensity. A unique aspect of the bankruptcy setting is that we can measure how recently a lawyer with an in-court connection presented a different case before the same judge. We identify instances where the most recent interaction on a past case occurred within the previous two years (*PastCasesLast2Years*), those that took place more than two years ago (*PastCasesMoreThan2Years*), and instances where the connected lawyer has never presented a case to the judge (*Connected0PastCases*). Column (3) shows that connections through past cases have long-lasting effects. The coefficient estimates on both recency variables are negative and statistically significant, with larger point estimates than connections where the lawyer has never presented before the judge.

We measure intensity as how many times a lawyer previously presented before the same judge. We classify connected cases into four groups: cases where a connected lawyer has never presented a case to the judge (*Connected0PastCases*), presented one case (*Connected1PastCase*), presented two to four cases (*Connected2to4PastCases*), and presented five or more cases (*Connected5+PastCases*). The results, shown in column (4), suggest that stronger connections lead to larger benefits. Connections are weakest when a lead lawyer has never presented a case before the judge, although even these connections are economically and statistically significant ( $p$ -value 0.047). As reported earlier, these effects are largely due to connections through a clerkship. Connections become progressively more effective for lawyers who have presented more cases.

## V. Other Bankruptcy Outcomes

Our results thus far show that connected lead counsel lawyers help their debtor firms navigate the bankruptcy process faster. The evidence is consistent with connected lawyers using their private knowledge of judges' preferences and biases to speed up the court pro-

cess rather than seeking economic rents through higher fees in delayed reorganization. A natural question is whether connected lawyers skew bankruptcy outcomes in favor of the debtors they represent. After all, debtors hire the lead counsel law firms. Connected lawyers may help provide additional bargaining power and benefits to debtors against other constituents of the restructuring process. To better understand whether connections among legal professionals distort case outcomes, we analyze their effect on other bankruptcy outcomes that measure the debtor’s performance post-emergence and the debtor’s bargaining power during the restructuring.

In Table VIII, column (1) we find that connected cases are more likely to reorganize (i.e., emerge as a going concern). The estimated coefficient on *LeadLawyerConnected* is positive and statistically significant ( $p$ -value 0.022), indicating that bankruptcy cases with a connected lawyer have a 9.6 percentage point higher likelihood of emergence, a 16% increase from the sample mean of 59.5%. A higher propensity to reorganize could imply efficiency in preserving the going-concern value of viable firms but could also indicate inefficient continuation (due to management continuation bias) if the firm would be worth more liquidated or sold. Judges on connected cases could thus potentially be lenient, allowing less viable firms to emerge from bankruptcy.

— Table VIII about here —

To evaluate the success of reorganizations, we focus on two aspects of post-bankruptcy performance. First, we examine refiling rates in the three years following emergence (*Refile*), as higher subsequent refiling rates could indicate inefficient reorganizations.<sup>18</sup> In Table VIII, column (2) we find no evidence that cases with connected lawyers realize higher refiling rates. Second, we examine post-bankruptcy performance (*ProfPost*). If judges show leniency toward debtors with connected lawyers and speedily and inef-

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<sup>18</sup>We note that a subsequent refiling does not prove that the initial reorganization was inefficient, just as failure to refile does not prove that the reorganization was efficient.

ficiently reorganize these cases, then operating performance post-emergence should be poorer relative to otherwise similar cases without a connected lawyer. In column (3) the estimated coefficient on *LeadLawyerConnected* is insignificant. The evidence suggests that judge-lawyer networks speed up the bankruptcy process and improve the likelihood of emergence but not at the cost of higher refiling rates or worse post-bankruptcy operating performance.

Firms that do not emerge are either sold (in their entirety) or piecemeal liquidated. Liquidations occur either in Chapter 11, with the debtor managing the process, or in Chapter 7, with an independent private trustee managing the liquidation. In a Chapter 7 liquidation, the debtor's management and many employees are effectively dismissed. If judges are lenient toward liquidated cases with connected lawyers, then we expect a lower likelihood that these cases are converted to Chapter 7. In Table VIII, column (4) we find that connections do not affect whether liquidations occur in Chapter 7 or 11.

Another channel whereby judges could favor management is by extending management's exclusivity period for filing reorganization plans. Extensions of exclusivity give additional bargaining power to management. In Table VIII, column (5), we find no evidence that judges on cases with connected lawyers are less likely to deny extensions to the exclusivity period. Having a competing connected lawyer on a creditor's committee may also matter. While we examine this in Appendix L, the findings are not straightforward to interpret since connected lawyers on a creditor's committee are hired following the court's assignment of a judge to the case and the presence of creditor's committee is itself endogenous (i.e., not all cases have these committees). While the likelihood of emergence is negatively associated with the presence of a connected creditor's lawyer, all other outcomes insignificantly differ for cases with these type of connections. Overall, we find no evidence that connected lawyers are able to capitalize on their connections to generate favorable outcomes for either debtors or creditors.

## VI. Conclusions

This paper provides evidence that connections between legal counsel lawyers and corporate bankruptcy judges affect the bankruptcy process. Lead counsel lawyers are employed before the debtor firm files for bankruptcy, while courts assign a judge to the case after filing. These features allow us to contrast bankruptcy outcomes for cases with and without a connected lawyer that are otherwise similar. We investigate whether connections lead to more efficient court processes or allow connected lawyers to capture economic rents through delayed restructuring and plausibly reduced economic efficiencies.

We find that large US firms spend 16%–21% less time in Chapter 11 restructurings when one of their lead counsel lawyers has a connection to the judge. The reduced time in bankruptcy translates into an aggregate savings of \$3.2–\$4.5 billion in professional fees for our sample firms. The most important connections result from past clerkships and lead counsel lawyers who previously presented a bankruptcy case to the same judge. We find no evidence that debtors with connected lawyers extract favors or preferential treatment other than reduced time in bankruptcy.

Judicial discretion allows judges latitude in how they interpret “facts” and rule on cases. An implication of our findings is that connected lawyers use their knowledge of judges’ preferences and biases, derived from their past interactions, to increase the efficiency of the restructuring process. Due to idiosyncrasies in judges’ preferences and biases, this knowledge appears to be largely non-transferable, judge specific, and incremental to connected lawyers’ expertise, background, and experience with other judges. These findings have implications for the design of bankruptcy institutions and suggest that institutions that lead to lawyers’ increased awareness of a judge’s preferences could produce efficiency gains.

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**Table I**  
**Data Description**

This table provides summary statistics of firm and bankruptcy characteristics at the time of filing in Panel A, bankruptcy outcomes in Panel B, and legal counsel in Panel C. The sample includes large US public Chapter 11 filings for the period 1996–2013. Financial ratio variables are winsorized at the 0.5% level in both tails of the distribution. Appendix A describes the variables and our data sources.

	N	Mean	Standard Deviation	Distribution		
				10 <sup>th</sup> %ile	Median	90 <sup>th</sup> %ile
<i>Panel A: Firm and Bankruptcy Characteristics (at time of filing)</i>						
<i>Assets</i> (USD millions)	650	4,115	30,956	264	632	4,133
<i>Profitability</i>	650	0.02	0.15	-0.13	0.04	0.14
<i>Leverage</i>	650	1.02	0.41	0.64	0.94	1.45
<i>Cash</i>	650	0.07	0.10	0.00	0.04	0.19
<i>Tangibility</i>	650	0.34	0.25	0.02	0.31	0.71
<i>Prepack</i>	650	0.28	0.45	0.00	0.00	1.00
<i>Tort</i>	650	0.07	0.25	0.00	0.00	0.00
<i>IndDistress</i>	650	0.16	0.37	0.00	0.00	1.00
<i>Panel B: Bankruptcy Outcomes</i>						
<i>Duration</i> (in months)	650	16.34	16.66	2.85	12.07	33.27
<i>Emerge</i>	650	0.60	0.49	0.00	1.00	1.00
<i>Refile</i>	387	0.17	0.37	0.00	0.00	1.00
<i>ProfPost</i>	190	-0.01	0.16	-0.13	0.02	0.10
<i>Ch7Conv</i>	204	0.22	0.42	0.00	0.00	1.00
<i>LossExcl</i>	502	0.23	0.42	0.00	0.00	1.00

**Table I: Continued**

	N	Mean	Standard Deviation	Distribution		
				10 <sup>th</sup> %ile	Median	90 <sup>th</sup> %ile
<i>Panel C: Legal Counsel</i>						
# Lead law firms	650	1.32	0.54	1.00	1.00	2.00
# Non-lead law firms	650	2.38	2.51	0.00	2.00	6.00
# Lead lawyers	650	3.83	3.38	1.00	3.00	7.00
# Non-lead lawyers	650	2.92	3.75	0.00	2.00	7.00
Lead law firm: Top 10 ranked	650	0.32	0.47	0.00	0.00	1.00
Lead law firm: Top-10 league	650	0.07	0.25	0.00	0.00	0.00
Lead lawyer: Top-10 JD	650	0.47	0.50	0.00	0.00	1.00
Lead lawyer: Top-10 UG	650	0.28	0.45	0.00	0.00	1.00
Lead lawyer: Top-10 law firm	650	0.42	0.49	0.00	0.00	1.00
Lead lawyer: Clerked supreme	650	0.00	0.07	0.00	0.00	0.00
Lead lawyer: Clerked bankruptcy	650	0.27	0.53	0.00	0.00	1.00
Lead lawyer: Clerked district	650	0.11	0.39	0.00	0.00	0.00
Lead lawyer: Clerked appeals	650	0.13	0.42	0.00	0.00	1.00
Lead lawyer: Avg. work experience	626	9.47	6.81	2.33	8.00	19.00
Lead lawyer: Max. work experience	626	21.39	9.49	9.00	22.00	33.00
Lead lawyer: Avg. large cases	650	2.03	3.35	0.00	0.67	5.82
Lead lawyer: Max. large cases	650	6.55	9.29	0.00	2.00	21.00

**Table II**  
**Lead Counsel Lawyer-Judge Connections**

This table describes connections between lawyers and bankruptcy judges. The sample consists of 650 large US public Chapter 11 filings for the period 1996–2013. Appendix A describes the variables.

	#	$\mu$ / Percent of total
Lead counsel on the case connected to judge ( <i>LeadLawyerConnected</i> )	367	56.5%
Average # of connections ( <i>LeadNumConnections</i> )	367	1.31
<i>Lead counsel and judge:</i>		
Have 1 connection ( <i>LeadJudge1Connect</i> )	258	39.7%
Have 2 or more connections ( <i>LeadJudge2+Connect</i> )	109	16.8%
<i>Connection with the judge through:</i>		
Previous court cases ( <i>ConnectedPastCases</i> )	288	44.3%
Clerk at judge's court ( <i>ConnectedClerkship</i> )	30	4.6%
Overlapped at school or law firm ( <i>ConnectedOutCourt</i> )	161	24.8%
<i>Number of connected lead lawyers:</i>		
One lead lawyer connected ( <i>Connect1Lawyer</i> )	157	24.2%
Two or more lead lawyers connected ( <i>Connect2+Lawyers</i> )	210	32.3%
<i>Connected lead lawyers (% of total lead):</i>		
Connected lead 1% to 49% ( <i>Connect1to49Pct</i> )	149	22.9%
Connected 50% to 99% ( <i>Connect50to99Pct</i> )	149	22.9%
Connected 100% ( <i>Connect100Pct</i> )	69	10.6%
<i>Recency of past cases:</i>		
In previous two years ( <i>PastCasesLast2Years</i> )	227	34.9%
More than two years ago ( <i>PastCasesMoreThan2Years</i> )	61	9.4%
<i>Number of past cases before judge:</i>		
Connected but no past cases ( <i>Connected0PastCases</i> )	79	12.2%
One case ( <i>Connected1PastCase</i> )	101	15.5%
Two to four cases ( <i>Connect2to4PastCases</i> )	86	13.2%
Five or more cases ( <i>Connect5+PastCases</i> )	101	15.5%

**Table III**  
**Average Characteristics by Lead Counsel Judge Connections**

This table presents tests of the differences in mean characteristics of Chapter 11 cases between cases with and without lead lawyer-judge connections. Panel A provides means and t-tests for the difference in means for firm and bankruptcy characteristics at the time of filing. Panel B provides means and tests for the difference in means for bankruptcy outcomes. Panel C provides similar information for law firms and lawyers. Appendix A describes the variables.

	Lead Counsel and Judge				$\mu_1 - \mu_2$	t-test:
	Connected		Not Connected			$\mu_1 = \mu_2$
	N	Mean ( $\mu_1$ )	N	Mean ( $\mu_2$ )		p-value
<i>Panel A: Firm Characteristics</i>						
<i>Assets</i> (USD millions)	367	5,586	283	2,208	3,378	0.168
<i>Profitability</i>	367	0.03	283	0.01	0.02	0.103
<i>Leverage</i>	367	1.03	283	0.99	0.04	0.224
<i>Cash</i>	367	0.07	283	0.08	-0.01	0.149
<i>Tangibility</i>	367	0.35	283	0.33	0.01	0.585
<i>Prepack</i>	367	0.29	283	0.27	0.02	0.621
<i>Tort</i>	367	0.07	283	0.06	0.02	0.387
<i>IndDistress</i>	367	0.15	283	0.17	-0.01	0.641
<i>Panel B: Outcomes</i>						
<i>Duration</i> (months)	367	15.13	283	17.91	-2.78	0.035
<i>Emerge</i>	367	0.64	283	0.53	0.11	0.005
<i>Refile</i>	236	0.17	151	0.15	0.02	0.581
<i>ProfPost</i>	124	-0.01	66	-0.03	0.02	0.417
<i>Ch7Conv</i>	97	0.22	107	0.22	-0.01	0.894
<i>LossExcl</i>	271	0.19	231	0.26	-0.07	0.054
<i>Panel C: Law Firms and Lawyer Characteristics</i>						
<i>NumLawFirms</i>	367	3.89	283	3.45	0.45	0.028
<i>NumLawyers</i>	367	7.90	283	5.25	2.65	0.000
<i>NumLeadFirms</i>	367	1.45	283	1.14	0.30	0.000
<i>NumLeadLawyers</i>	367	4.86	283	2.49	2.36	0.000
<i>LeadTop10Rank</i>	367	0.32	283	0.33	-0.01	0.791
<i>LeadTop10League</i>	367	0.05	283	0.10	-0.05	0.013
<i>LeadTop10JD</i>	367	0.49	283	0.43	0.06	0.116
<i>LeadTop10UG</i>	367	0.30	283	0.26	0.04	0.241
<i>LeadTop10LawFirm</i>	367	0.47	283	0.37	0.09	0.015
<i>LeadClerkBankr</i>	367	0.38	283	0.12	0.25	0.000
<i>LeadClerkAppeal</i>	367	0.16	283	0.10	0.07	0.047
<i>LeadClerkDistrict</i>	367	0.14	283	0.06	0.08	0.008

**Table IV**  
**Effect of Judge-Lawyer Connections on Bankruptcy Duration**

The table reports estimates of the effect of judge-lawyer connections on bankruptcy duration using the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

In column (1), the control variables,  $X'_i$ , include *Log(Assets)*, *Profitability*, *Leverage*, *Cash*, *Tangibility*, *Prepack*, *Tort*, *IndDistress*, and *Log(NumLawyers)*. We further include Fama-French 12 industry fixed effects and court-time-period fixed effects in all specifications. Court dummies include a set of indicator variables based on whether a case is filed in Delaware, the Southern District of New York, or in other courts. Time-period dummies are a set of indicator variables that consider whether the cases are filed in five-year periods from 1996 to 2013. Column (2) includes lawyer expertise variables as additional controls. In column (3), we include law firm fixed effects in addition to lawyer expertise variables. Column (4) additionally includes judge fixed effects. Column (5) replaces the judge fixed effects in column (4) with judge-time-period fixed effects. Appendix A provides detailed variable definitions. Standard errors are clustered by court, and *t*-statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)	(5)
<i>LeadLawyerConnected</i>	-0.222*** (-4.4)	-0.213*** (-3.7)	-0.176** (-2.4)	-0.203*** (-4.3)	-0.240** (-2.1)
<i>Log(Assets)</i>	0.050 (1.5)	0.054 (1.5)	0.090** (2.5)	0.073* (1.9)	0.072** (2.6)
<i>Profitability</i>	-0.673*** (-3.1)	-0.675*** (-3.0)	-0.518** (-2.5)	-0.700*** (-4.1)	-0.926*** (-3.3)
<i>Leverage</i>	-0.179* (-1.8)	-0.176* (-1.8)	-0.118** (-2.1)	-0.123*** (-3.5)	-0.103*** (-3.9)
<i>Cash</i>	-0.586 (-1.3)	-0.569 (-1.2)	-0.657* (-1.7)	-1.063*** (-4.1)	-1.075*** (-6.4)
<i>Tangibility</i>	-0.122 (-0.7)	-0.092 (-0.5)	-0.078 (-0.3)	-0.116 (-0.4)	-0.062 (-0.2)
<i>Prepack</i>	-0.878*** (-13.7)	-0.887*** (-14.0)	-0.891*** (-17.6)	-0.845*** (-20.3)	-0.835*** (-33.8)
<i>Tort</i>	0.312*** (4.9)	0.298*** (4.7)	0.303*** (5.5)	0.244*** (2.9)	0.274** (2.5)
<i>IndDistress</i>	-0.017 (-0.4)	-0.013 (-0.3)	0.001 (0.0)	-0.044 (-0.5)	-0.137*** (-4.7)
<i>Log(NumLawyers)</i>	0.358*** (3.0)	0.370*** (3.2)	0.428*** (3.4)	0.515*** (3.4)	0.554*** (4.8)

Table IV: Continued

	(1)	(2)	(3)	(4)	(5)
<i>LeadExperienced</i>		-0.296*** (-7.2)	-0.247*** (-2.8)	-0.211** (-2.4)	-0.228* (-2.0)
<i>LeadTop10JD</i>		-0.035 (-0.5)	0.042 (0.6)	0.054 (0.6)	0.067 (0.9)
<i>LeadTop10UG</i>		0.024 (0.4)	-0.045 (-0.5)	0.006 (0.1)	0.006 (0.1)
<i>LeadClerkedBankruptcy</i>		0.001 (0.0)	-0.089 (-1.1)	-0.060 (-0.8)	-0.063 (-0.9)
<i>LeadClerkedOthers</i>		-0.112 (-1.1)	-0.169** (-2.1)	-0.155* (-2.0)	-0.089 (-0.8)
Industry FE	Yes	Yes	Yes	Yes	Yes
Court × Period FE	Yes	Yes	Yes	Yes	Yes
Law firm FE	No	No	Yes	Yes	Yes
Judge FE	No	No	No	Yes	No
Judge × Period FE	No	No	No	No	Yes
$R^2$ -Adjusted	0.405	0.405	0.428	0.408	0.421
<i>Observations</i>	650	650	565	481	429



**Table V**  
**Extent of Connections**

This table estimates the effect of multiple lead counsel lawyer-judge connections on bankruptcy duration using the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{Connection Variables}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)
<i>Connect1Lawyer</i>	-0.205*** (-4.1)			-0.140*** (-3.1)
<i>Connect2+Lawyers</i>	-0.225*** (-2.7)			-0.145** (-2.2)
<i>PctLeadConnected</i>		-0.396*** (-3.5)		
<i>Connect1to49Pct</i>			-0.080 (-1.2)	
<i>Connect50to99Pct</i>			-0.193*** (-4.5)	
<i>Connect100Pct</i>			-0.453*** (-3.1)	-0.303** (-2.3)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes
Lead lawyer controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Court × Period FE	Yes	Yes	Yes	Yes
$R^2$ -Adjusted	0.404	0.412	0.412	0.411
<i>Observations</i>	650	650	650	650

**Table VI**  
**Lead Counsel Lawyers versus Other Lawyers**

This table estimates the effect of both lead and other connected lawyers on bankruptcy duration using the following regression:

$$\text{Ln}(\text{Duration})_i = \beta \cdot \text{Connection Variables}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)
<i>LeadLawyerConnected</i>	-0.262*** (-4.4)	
<i>OtherLawyerConnected</i>	-0.139 (-1.6)	
<i>LeadLawyerConnected</i> × <i>FewLawyers</i>		-0.341*** (-5.5)
<i>LeadLawyerConnected</i> × <i>ManyLawyers</i>		-0.083 (-1.1)
<i>OtherLawyerConnected</i> × <i>FewLawyers</i>		-0.072 (-0.7)
<i>OtherLawyerConnected</i> × <i>ManyLawyers</i>		-0.127 (-1.2)
Firm/bankruptcy controls	Yes	Yes
Lead lawyer controls	Yes	Yes
Industry FE	Yes	Yes
Court × Period FE	Yes	Yes
$R^2 - \text{Adjusted}$	0.406	0.411
<i>Observations</i>	650	650

**Table VII**  
**Nature of Connections**

This table estimates the effect of judge-lawyer connection type, depth, recency, and intensity on bankruptcy duration using the following regression:

$$\text{Ln}(\text{Duration})_i = \beta \cdot \text{Connection Variables}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)
<i>ConnectedPastCases</i>	-0.172*** (-3.3)			
<i>ConnectedClerkship</i>	-0.314*** (-3.8)			
<i>ConnectedOutCourt</i>	-0.052 (-0.5)			
<i>LeadJudge1Connect</i>		-0.207*** (-4.0)		
<i>LeadJudge2+Connect</i>		-0.235** (-2.5)		
<i>PastCasesLast2Years</i>			-0.225*** (-2.7)	
<i>PastCasesMoreThan2Years</i>			-0.231*** (-2.7)	
<i>Connected0PastCases</i>			-0.182** (-2.1)	-0.182** (-2.0)
<i>Connected1PastCase</i>				-0.213*** (-3.6)
<i>Connected2to4PastCases</i>				-0.235** (-2.3)
<i>Connected5+PastCases</i>				-0.246*** (-3.6)

**Table VII: Continued**

	(1)	(2)	(3)	(4)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes
Lead lawyer controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes
$R^2$ -Adjusted	0.404	0.404	0.404	0.403
<i>Observations</i>	650	650	650	650

**Table VIII**  
**Other Outcomes**

This table estimates the effect of judge-lawyer connections on various other bankruptcy outcomes using the following regression:

$$\ln(\text{Outcome})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

Column (1) examines the likelihood of reorganizing in bankruptcy. Column (2) examines the likelihood of refiling within the next three years for firms that emerge from bankruptcy. Column (3) examines the profitability in the first year after emergence. Column (4) examines the likelihood that the case liquidates in Chapter 7 rather than in Chapter 11. Column (5) examines the likelihood that the debtor loses exclusivity. The control variables,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	<i>Emerge</i> (1)	<i>Refile</i> (2)	<i>ProfPost</i> (3)	<i>Ch7Conv</i> (4)	<i>LossExcl</i> (5)
<i>LeadLawyerConnected</i>	0.096** (2.4)	0.036 (0.9)	0.013 (0.8)	0.021 (0.2)	0.023 (0.6)
<i>Log(Assets)</i>	0.043* (1.8)	0.012 (0.5)	-0.001 (-0.1)	-0.053 (-1.3)	-0.078*** (-5.9)
<i>Profitability</i>	0.233* (1.9)	0.116 (0.9)	0.518** (2.2)	0.375** (2.3)	-0.174 (-1.1)
<i>Leverage</i>	0.196*** (5.2)	0.040 (1.5)	0.099*** (4.2)	-0.007 (-0.1)	-0.044 (-1.2)
<i>Cash</i>	-0.574*** (-3.7)	-0.161 (-0.7)	-0.476* (-2.0)	-0.208 (-1.0)	0.109 (0.6)
<i>Tangibility</i>	0.125 (1.5)	0.038 (0.3)	-0.063* (-1.7)	0.221 (1.1)	0.142 (1.5)
<i>Prepack</i>	0.331*** (8.2)	0.061* (1.8)	-0.013 (-0.7)	0.283** (2.2)	0.189*** (4.1)
<i>Tort</i>	0.061 (0.6)	-0.104* (-2.0)	0.093*** (3.5)	0.062 (0.5)	0.097 (1.5)
<i>IndDistress</i>	-0.059 (-1.6)	0.004 (0.1)	0.028 (1.0)	-0.025 (-0.3)	0.005 (0.1)
<i>Log(NumLawyers)</i>	-0.022 (-0.9)	-0.036 (-0.9)	0.028** (2.2)	-0.088* (-1.7)	-0.061** (-2.3)

Table VIII: Continued

	<i>Emerge</i> (1)	<i>Refile</i> (2)	<i>ProfPost</i> (3)	<i>Ch7Conv</i> (4)	<i>LossExcl</i> (5)
<i>LeadExperienced</i>	0.007 (0.3)	-0.023 (-0.6)	0.074*** (7.2)	0.238*** (6.6)	0.014 (0.7)
<i>LeadTop10JD</i>	0.086*** (3.2)	-0.010 (-0.4)	-0.021 (-0.7)	-0.005 (-0.0)	0.080** (2.5)
<i>LeadTop10UG</i>	0.006 (0.2)	-0.007 (-0.2)	-0.011 (-0.5)	-0.037 (-0.7)	-0.012 (-0.3)
<i>LeadClerkedBankr</i>	0.022 (0.7)	-0.031 (-0.7)	-0.041** (-2.6)	0.086 (1.6)	-0.017 (-0.4)
<i>LeadClerkedOthers</i>	0.030 (0.5)	-0.027 (-0.6)	0.041* (1.9)	0.030 (0.4)	-0.024 (-0.6)
Industry FE	Yes	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes	Yes
$R^2$ -Adjusted	0.209	0.067	0.385	0.059	0.127
<i>Observations</i>	650	387	189	204	502

## Appendix A Variable Definitions

This table provides definitions of key variables. Data sources for firm characteristics and post-emergence performance are Bankruptcy Research Data (BRD), BankruptcyData.com, Compustat, CRSP, and 10-K filings from EDGAR. Data sources for bankruptcy characteristics are BRD, BankruptcyData.com, 8-K filings, and bankruptcy plans obtained through PACER. Data sources for information on law firms and lawyers are docket header files retrieved through PACER, New Generation Research’s Professional Retention Database, Martindale-Hubbell Law Directory, bankruptcy petition forms, restructuring plans, disclosure statements, and file motions. Law firm rankings are from the various editions of American Lawyer annual rankings. League rankings are constructed based on data from Securities Data Company Platinum. Information on lawyers and judges is from LexisNexis, Google, LinkedIn profiles, and law firm and court websites.

Variable Description	Name	Definition
<b>Panel A: Firm and Bankruptcy Characteristics</b>		
Assets (in USD millions)	<i>Assets</i>	Book assets in millions of constant 2016 dollars as of the last fiscal year before the Chapter 11 filing.
Profitability	<i>Profitability</i>	The ratio of EBITDA to assets in the last fiscal year before the Chapter 11 filing.
Leverage	<i>Leverage</i>	The ratio of total liabilities to assets as of the last fiscal year before the Chapter 11 filing.
Cash/assets ratio	<i>Cash</i>	The ratio of cash and marketable securities to assets as of the last fiscal year before the Chapter 11 filing.
Tangibility	<i>Tangibility</i>	The ratio of net property, plant, and equipment to assets as of the last fiscal year before the Chapter 11 filing.
Pre-packaged bankruptcy	<i>Prepack</i>	Indicator variable that takes a value of one if the bankruptcy filing is pre-packaged or pre-negotiated. A case is pre-packaged if the debtor drafted a plan, negotiates it with impaired creditor classes, and obtains their acceptance before filing. The case is pre-negotiated if the debtor has obtained a supporting agreement from its key creditors or stakeholders before filing.
Tort	<i>Tort</i>	Indicator variable that takes a value of one if the Chapter 11 filing involves mass tort liabilities such as product liabilities, financial fraud, unfunded pensions, or environmental and patent litigation.
Industry in distress	<i>IndDistress</i>	Indicator variable that takes a value of one if the median stock return of same two-digit SIC industry is $-30\%$ or less in the year before the firm files for bankruptcy.

## Appendix A: Continued

Variable Description	Name	Definition
<b>Panel B: Bankruptcy Outcomes</b>		
Bankruptcy duration	<i>Duration</i>	Log number of months from the date of the Chapter 11 petition to the date of confirmation of the reorganization/liquidation plan or conversion to a Chapter 7 filing.
Emerge	<i>Emerge</i>	Indicator variable that takes a value of one if the firm reorganized in bankruptcy.
Refiling bankruptcy	<i>Refile</i>	Indicator variable that takes a value of one if the firm refiled for bankruptcy within three years of emergence.
Profitability after emergence	<i>ProfPost</i>	EBITDA scaled by book assets reported in the first fiscal year after emergence.
Conversion to Chapter 7	<i>Ch7Conv</i>	Indicator variable that takes a value of one if the case liquidates in Chapter 7 rather than in Chapter 11.
Loss of exclusivity	<i>LossExcl</i>	Indicator variable that takes a value of one if the judge denies the debtor extensions to the exclusivity period and zero if the case is granted an extension.
<b>Panel C: Law Firms and Lawyers</b>		
# Law firms	<i>NumLawFirms</i>	Number of law firms listed on debtor's filing.
# Lead law firms	<i>NumLeadFirms</i>	Number of lead counsel law firms listed on debtor's filing.
# Non-lead law firms	<i>NumOtherFirms</i>	Number of other (non-lead) law firms listed on debtor's filing.
# Lawyers	<i>NumLawyers</i>	Number of lawyers listed on debtor's filing.
# Lead lawyers	<i>NumLeadLawyers</i>	Number of lead counsel lawyers listed on debtor's filing.
# Non-lead lawyers	<i>NumOtherLawyers</i>	Number of other (non-lead) lawyers listed on debtor's filing.
Lead law firm: Top-10 ranked	<i>LeadTop10Rank</i>	Indicator variable that takes a value of one if a lead counsel law firm on the case is a top-10 ranked firm based on American Lawyer annual rankings from 1995 to 2011.



## Appendix A: Continued

Variable Description	Name	Definition
Lead law firm: Top-10 league	<i>LeadTop10League</i>	Indicator variable that takes a value of one if a lead counsel law firm is a top-10 ranked firm in legal advising on corporate transactions.
Lead lawyer: Top-10 JD	<i>LeadTop10JD</i>	Indicator variable that takes a value of one if a lead counsel lawyer on the case attended a top-10 JD program.
Lead lawyer: Top-10 UG	<i>LeadTop10UG</i>	Indicator variable that takes a value of one if a lead counsel lawyer on the case attended a top-10 UG program.
Lead lawyer: Top-10 law firm	<i>LeadTop10LawFirm</i>	Indicator variable that takes a value of one if a lead counsel lawyer on the case ever worked for a top-10 law firm based on American Lawyer annual rankings from 1995 to 2011.
Lead lawyer: Clerked bankruptcy	<i>LeadClerkBankr</i>	Indicator variable that takes a value of one if a lead counsel lawyer clerked for a bankruptcy court judge.
Lead lawyer: Clerked appeal	<i>LeadClerkAppeal</i>	Indicator variable that takes a value of one if a lead counsel lawyer clerked for an appeals court judge.
Lead lawyer: Clerked district	<i>LeadClerkDistrict</i>	Indicator variable that takes a value of one if a lead counsel lawyer clerked for a district court judge.
Lead lawyer: Clerked others	<i>LeadClerkedOthers</i>	Indicator variable that takes a value of one if a lead lawyer clerked for either a judge at a court of appeals or a district court judge.
Lead lawyer: Avg. work experience	<i>LeadAvgWorkExp</i>	Average years of work experience (time since JD) of all lead counsel lawyers on the case.
Lead lawyer: Max. work experience	<i>LeadMaxWorkExp</i>	Maximum years of work experience (time since JD) of all lead counsel lawyers on the case.

## Appendix A: Continued

Variable Description	Name	Definition
Lead lawyer: Avg. large cases	<i>LeadAveCases</i>	Average number of large bankruptcy cases seen by lead counsel lawyers on the case.
Lead lawyer: Max. large cases	<i>LeadMaxCases</i>	Maximum number of large bankruptcy cases seen by lead counsel lawyers on the case.
Lead lawyer: Experienced	<i>LeadExperienced</i>	Indicator variable that takes a value of one if a lead lawyer has large bankruptcy case experience in the 95 <sup>th</sup> percentile of all lawyers in the sample.
Few lawyers	<i>FewLawyers</i>	Indicator variable that takes a value of one if the case has below median lawyer count.
Many lawyers	<i>ManyLawyers</i>	Indicator variable that takes a value of one if the case has above median lawyer count.
<b>Panel E: Lawyer-Court Connections</b>		
Connected to court	<i>LeadCourtConnected</i>	Indicator variable that takes a value of one if the lead lawyer on the case has previously worked on another case in the same court.
Clerked at court	<i>ClerkedatCourt</i>	Indicator variable that takes a value of one if the lead lawyer on the case has clerked in the court (regardless of when the judge was appointed).
<b>Panel F: Lawyer-Judge Connections</b>		
Lead lawyer connected	<i>LeadLawyerConnected</i>	Indicator variable that takes a value of one if any lead counsel lawyer on the case has any of the following connections: attended the same JD school as the judge, attended the same UG school as the judge, previously worked at the same law firm as the judge, clerked at the same court as the judge after the judge's appointment, or previously appeared before the judge on a different case.
Non-lead connected lawyers	<i>OtherLawyerConnected</i>	Indicator variable that takes a value of one if any non-lead counsel lawyer on the case has a connection to the judge.

## Appendix A: Continued

Variable Description	Name	Definition
Lead # of connections	<i>LeadNumConnections</i>	Number of distinct connection types (previous cases, clerkship, education/work experience) between any lead counsel lawyer on the case and the judge. Used to define <i>LeadJudge1Connect</i> and <i>LeadJudge2+Connect</i> .
Connection: Previous cases	<i>ConnectedPastCases</i>	Indicator variable that takes a value of one if any lead counsel lawyer is connected to the judge through a previous case.
Clerk at judge's court	<i>ConnectedClerkship</i>	Indicator variable that takes a value of one if any lead counsel lawyer clerked for the judge's bankruptcy court after the judge's appointment.
Connection: Edu./work	<i>ConnectedOutCourt</i>	Indicator variable that takes a value of one if any lead counsel lawyer attended the same JD or UG institution as the judge or ever worked at the same law firm as the judge.
Lead # Lawyer connected	<i>NumLeadConnected</i>	Number of lead counsel lawyers on the case with a connection to the judge. Used to define <i>Connect1Lawyer</i> and <i>Connect2+Lawyers</i> .
LCPctLawyersConnected	<i>PctLeadConnected</i>	Percentage of lead counsel lawyers on the case with a connection to the judge. Used to define <i>Connect1to49Pct</i> , <i>Connect50to99Pct</i> , and <i>Connect100Pct</i> .
Recency connected cases	<i>TimeSinceLastCase</i>	Minimum number of years since a lead counsel lawyer on the case appeared before the judge for a different case. Used to define <i>PastCasesLast2Years</i> and <i>PastCasesMoreThan2Years</i> .
Number connected cases	<i>NumberConnectedCases</i>	Maximum number of previous cases on which a lead counsel lawyer and the judge have interacted. Used to define <i>Connected0PastCases</i> , <i>Connected1PastCase</i> , <i>Connected2to4PastCases</i> , and <i>Connected5+PastCases</i> .
Most experience connected	<i>ExpLeadLawyerConnected</i>	Indicator variable that takes a value of one if the most experienced lead counsel lawyer (by either years of experience or count of in-sample cases) has a connection to the judge.

## Appendix B Most Represented Lead Counsel Law Firms

This table lists the ten most frequently appearing lead counsel law firms in large US Chapter 11 filings during the period from 1996 to 2013. The sample comes from the Bankruptcy Research Database and BankruptcyData.com. Panel A presents the list of lead counsel law firms by case count. Panel B presents a similar list by aggregate real assets of debtors represented in \$ trillions.

*Panel A: Based on Case Count*

Lead Counsel Law Firm	Cases	Top 10	
		AM Law Rank	League
Young, Conaway, Stargait & Taylor, LLP	88	0	0
Skadden, Arps, Slate, Meagher & Flom	65	1	1
Weil, Gotshal & Manges, LLP	57	1	1
Richards, Layton & Finger	52	0	0
Kirkland & Ellis	48	1	0
Pachulski, Stang, Ziehl & Jones, LLP	44	0	0
Morris, Nichols, Arsht & Tunnell	19	0	0
Willkie Farr & Gallagher, LLP	17	0	0
Sidley Austin, LLP	16	1	1
Latham Watkins, LLP	15	1	1

*Panel B: Based on Debtor Assets (trillions \$)*

Lead Counsel Law Firm	Assets	Top 10	
		AM Law Rank	League
Weil, Gotshal & Manges, LLP	3.15	1	1
Richards, Layton & Finger	1.24	0	0
Skadden, Arps, Slate, Meagher & Flom	0.61	1	1
Kirkland & Ellis	0.44	1	0
Young, Conaway, Stargait & Taylor, LLP	0.33	0	0
Squire, Sanders & Dempsey, LLP	0.23	0	0
Sidley Austin, LLP	0.20	1	1
Togut, Segal & Segal, LLP	0.15	0	0
Pachulski, Stang, Ziehl & Jones, LLP	0.14	0	0
Parker, Hudson, Rainer & Dobbs, LLP	0.11	0	0

## Appendix C Lawyer Characteristics

This table presents tests of the differences in mean characteristics of lawyers who ever serve as a lead counsel lawyer and other non-lead counsel lawyers. Appendix A describes the variables.

	Lead Counsel Lawyers		Other Lawyers		$\mu_1 - \mu_2$	<i>p</i> -value
	N	Mean ( $\mu_1$ )	N	Mean ( $\mu_2$ )		
Number of debtors represented	1,281	2.33	1,145	1.23	1.10	0.00
Debtor assets represented	1,281	9,952	1,145	19,324	-9,372	0.00
Number of law firms worked for	1,281	1.47	1,145	1.64	-0.17	0.00
Attended: Top-10 JD program	1,281	0.23	1,145	0.18	0.05	0.00
Attended: Top-10 UG program	1,281	0.11	1,145	0.11	0.00	0.70
Worked: Top-10 law firm	1,281	0.28	1,145	0.09	0.19	0.00
# courts	1,281	1.24	1,145	1.03	0.21	0.00
Single court	1,281	0.82	1,145	0.97	-0.15	0.00
Clerked: Bankruptcy court	1,281	0.06	1,145	0.06	0.01	0.44
Clerked: Court of appeals	1,281	0.03	1,145	0.02	0.01	0.02
Clerked: District court	1,281	0.03	1,145	0.04	-0.00	0.52

## Appendix D

### Connected Lead Lawyer Expertise and Duration

This table estimates the effect of judge-lawyer connections after controlling for connected lawyers' expertise using the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{Z}'_i \cdot \nu + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The connected lawyer controls,  $Z'_i$ , include measures of connected lawyers' expertise. The controls,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)
<i>LeadLawyerConnected</i>	-0.210*** (-3.8)	-0.212*** (-3.6)	-0.210** (-2.4)	-0.204** (-2.4)
<i>LeadConnected: ClerkedBankruptcy</i>	-0.054 (-0.5)			-0.067 (-0.8)
<i>LeadConnected: ClerkedOthers</i>	0.036 (0.6)			0.051 (0.7)
<i>LeadConnected: LeadExperienced</i>		0.269 (0.9)		0.278 (0.8)
<i>LeadConnected: Top10JD</i>			-0.058 (-0.4)	-0.069 (-0.4)
<i>LeadConnected: Top10UG</i>			0.085 (1.3)	0.087 (1.3)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes
Lead lawyer controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes
$R^2$ -Adjusted	0.404	0.405	0.404	0.402
<i>Observations</i>	650	650	650	650

## Appendix E

### Most Experienced Connected Lead Lawyer and Duration

This table estimates the effect of a judge connection by the most experienced lead counsel lawyer for the debtor (*ExpLeadLawyerConnected*) after controlling for lawyer fixed effects.

$$\ln(\text{Duration})_i = \beta \cdot \text{ExpLeadLawyerConnected}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \delta_{\text{Lawyer}} + \omega_{\text{Judge}} + \epsilon_i.$$

The controls,  $X'_i$ , include firm and bankruptcy controls and log of number of lawyers; we also include Fama-French 12 industry fixed effects, court-time-period fixed effects, lawyer fixed effects, and either judge or judge-time-period fixed effects (see Table IV). In columns (1) and (2) the most experienced lawyer is determined by years of experience as of the case filing date; in columns (3) and (4) the most experienced lawyer is the lawyer with the most in-sample cases. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)
<i>ExpLeadLawyerConnected</i>	-0.138*** (-4.1)	-0.088** (-3.1)	-0.129** (-2.6)	-0.138 (-1.6)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes
Lead lawyer FE	Yes	Yes	Yes	Yes
Judge FE	Yes	No	Yes	No
Jude $\times$ Period FE	No	Yes	No	Yes
$R^2$ -Adjusted	0.438	0.489	0.463	0.481
<i>Observations</i>	288	267	386	337

## Appendix F

### Lawyer-Judge Connections and Duration: Lead Counsel Petition Lawyers

The table reports estimates of the effect of judge-lawyer connections on bankruptcy duration using only lead counsel lawyers who signed the bankruptcy petition form and the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{Z}'_i \cdot \nu + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls and the log of number of lawyers; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Column (2) includes lawyer expertise variables as additional controls. In column (3), we include law firm fixed effects in addition to lawyer expertise variables. Column (4) additionally includes judge fixed effects. Column (5) replaces the judge fixed effects in column (4) with judge-time-period fixed effects. The sample is restricted to cases with available bankruptcy petition filings. Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)	(5)
<i>LeadLawyerConnected</i>	-0.216*** (-3.3)	-0.185*** (-2.8)	-0.190*** (-3.1)	-0.210** (-2.1)	-0.406* (-1.9)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes	Yes
Lead lawyer controls	No	Yes	Yes	Yes	Yes
Law firm FE	No	No	Yes	Yes	Yes
Judge FE	No	No	No	Yes	No
Judge $\times$ Period FE	No	No	No	No	Yes
$R^2$ -Adjusted	0.380	0.386	0.407	0.377	0.469
<i>Observations</i>	384	384	323	272	240



## Appendix G Court Connections and Bankruptcy Duration

The table reports estimates of the effect of judge-lawyer connections on bankruptcy duration after controlling for court connections using the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{Z}'_i \cdot \nu + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The court connection variables,  $Z'_i$ , include *LeadCourtConnected* and *ClerkedatCourt*. The control variables,  $X'_i$ , include firm and bankruptcy controls and the log of number of lawyers; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Column (2) includes lawyer expertise variables as additional controls. In column (3), we include law firm fixed effects in addition to lawyer expertise variables. Column (4) additionally includes judge fixed effects. Column (5) replaces the judge fixed effects in column (4) with judge-time-period fixed effects. Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)	(5)
<i>LeadLawyerConnected</i>	-0.209*** (-3.2)	-0.210*** (-3.2)	-0.186** (-2.2)	-0.251*** (-4.7)	-0.274** (-2.5)
<i>LeadCourtConnected</i>	-0.027 (-0.4)	-0.025 (-0.3)	0.008 (0.1)	0.150* (2.1)	0.119 (1.7)
<i>ClerkedatCourt</i>	-0.023 (-0.4)	0.073 (0.9)	0.120* (1.9)	0.176** (2.5)	0.105 (1.2)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes	Yes
Lead lawyer controls	No	Yes	Yes	Yes	Yes
Law firm FE	No	No	Yes	Yes	Yes
Judge FE	No	No	No	Yes	No
Judge $\times$ Period FE	No	No	No	No	Yes
$R^2$ -Adjusted	0.403	0.404	0.426	0.407	0.418
<i>Observations</i>	650	650	565	481	429

## Appendix H

### Lawyer-Judge Connections and Duration: Courts with More Than Three Judges

The table reports estimates of the effect of judge-lawyer connections on bankruptcy duration for the sample of cases filed in courts with more than three judges using the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls and the log of number of lawyers; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Column (2) includes lawyer expertise variables as additional controls. In column (3), we include law firm fixed effects in addition to lawyer expertise variables. Column (4) additionally includes judge fixed effects. Column (5) replaces the judge fixed effects in column (4) with judge-time-period fixed effects. Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)	(5)
<i>LeadLawyerConnected</i>	-0.205*** (-3.0)	-0.195*** (-3.0)	-0.189** (-2.3)	-0.141 (-1.7)	-0.332** (-2.5)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes	Yes
Lead lawyer controls	No	Yes	Yes	Yes	Yes
Law firm FE	No	No	Yes	Yes	Yes
Judge FE	No	No	No	Yes	No
Judge $\times$ Period FE	No	No	No	No	Yes
$R^2$ -Adjusted	0.363	0.364	0.338	0.308	0.375
<i>Observations</i>	382	382	313	257	214

**Appendix I**  
**Lawyer-Judge Connections and Duration: Sample Restricted to Cases with**  
**One Lead Counsel Firm**

The table reports estimates of the effect of judge-lawyer connections on bankruptcy duration for the sample of cases with one lead counsel law firm using the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnected}_i + \mathbf{Z}'_i \cdot \nu + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls and the log of number of lawyers; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Column (2) includes lawyer expertise variables as additional controls. In column (3), we include law firm fixed effects in addition to lawyer expertise variables. Column (4) additionally includes judge fixed effects. Column (5) replaces the judge fixed effects in column (4) with judge-time-period fixed effects. Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)	(5)
<i>LeadLawyerConnected</i>	-0.262*** (-5.3)	-0.229*** (-3.8)	-0.181*** (-3.0)	-0.258*** (-4.0)	-0.289* (-2.0)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes	Yes
Lead lawyer controls	No	Yes	Yes	Yes	Yes
Law firm FE	No	No	Yes	Yes	Yes
Judge FE	No	No	No	Yes	No
Judge $\times$ Period FE	No	No	No	No	Yes
$R^2$ -Adjusted	0.379	0.394	0.408	0.362	0.445
<i>Observations</i>	463	463	377	301	255

## Appendix J

### Lawyer-Judge Interactions Including Work as Counsel for Creditors' Committee

The table reports estimates of the effect of judge-lawyer connections on bankruptcy duration after expanding the measure of connections to also include in-court interactions between lead lawyers and judges on previous cases on behalf of either debtors or creditors. We estimate the following regression:

$$\ln(\text{Duration})_i = \beta \cdot \text{LeadLawyerConnectedCR}_i + \mathbf{Z}'_i \cdot \nu + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls and the log of number of lawyers; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Column (2) includes lawyer expertise variables as additional controls. In column (3), we include debtor law firm fixed effects in addition to lawyer expertise variables. Column (4) includes judge fixed effects in addition to controls for firm, bankruptcy, and lead lawyer expertise and fixed effects for industry, court-time period, and debtor law firm. Column (5) replaces the judge fixed effects in column (4) with judge-time-period fixed effects. Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)	(3)	(4)	(5)
<i>LeadLawyerConnectedCR</i>	-0.205*** (-4.1)	-0.196*** (-3.4)	-0.159** (-2.4)	-0.171*** (-4.3)	-0.225* (-1.9)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Court × Period FE	Yes	Yes	Yes	Yes	Yes
Lead lawyer controls	No	Yes	Yes	Yes	Yes
Debtor law firm FE	No	No	Yes	Yes	Yes
Judge FE	No	No	No	Yes	No
Judge × Period FE	No	No	No	No	Yes
$R^2$ -Adjusted	0.403	0.404	0.427	0.406	0.420
<i>Observations</i>	650	650	565	481	429

## Appendix K

### Lead Counsel Lawyers, Other Debtor Lawyers, and Creditor Lawyers

This table estimates the effect of both lead connected lawyers and other connected lawyer whether for the debtor or the creditor on bankruptcy duration.

$$\ln(\text{Duration})_i = \beta \cdot \text{Connection Variables}_i + \mathbf{X}'_i \cdot \lambda + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i.$$

The control variables,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	(1)	(2)
<i>LeadLawyerConnected</i>	-0.242** (-2.4)	
<i>OtherLawyerConnected</i>	-0.069 (-0.7)	
<i>CreditorLawyerConnected</i>	0.083 (1.1)	
<i>LeadLawyerConnected</i> × <i>FewLawyers</i>		-0.328*** (-3.1)
<i>LeadLawyerConnected</i> × <i>ManyLawyers</i>		-0.205* (-1.7)
<i>OtherLawyerConnected</i> × <i>FewLawyers</i>		0.091 (0.5)
<i>OtherLawyerConnected</i> × <i>ManyLawyers</i>		-0.115 (-1.2)
<i>CreditorLawyerConnected</i> × <i>FewLawyers</i>		0.135 (0.9)
<i>CreditorLawyerConnected</i> × <i>ManyLawyers</i>		0.071 (1.0)
Firm/bankruptcy controls	Yes	Yes
Lead lawyer controls	Yes	Yes
Industry FE	Yes	Yes
Court × Period FE	Yes	Yes
$R^2$ -Adjusted	0.333	0.332
<i>Observations</i>	401	401

## Appendix L

### Debtor Lead Counsel Lawyers, Creditor Lawyers, and Other Outcomes

This table estimates the effect of judge-lawyer connections on various other bankruptcy outcomes.

$$\begin{aligned} \ln(\text{Outcome})_i = & \beta \cdot \text{LeadLawyerConnected}_i + \theta \cdot \text{CreditorLawyerConnected}_i + \mathbf{X}'_i \cdot \lambda \\ & + \gamma_{\text{Industry}} + \zeta_{\text{Court} \times \text{Time}} + \epsilon_i. \end{aligned}$$

The sample is restricted to bankruptcy filings with a creditors' committee. Column (1) examines the likelihood of reorganizing in bankruptcy. Column (2) examines the likelihood of refiling within the next three years for firms that emerge from bankruptcy. Column (3) examines the profitability in the first year after emergence. Column (4) examines the likelihood that the case liquidates in Chapter 7 rather than in Chapter 11. Column (5) examines the likelihood that the debtor loses exclusivity. The control variables,  $X'_i$ , include firm and bankruptcy controls, log of number of lawyers, and lawyer expertise variables; we also include Fama-French 12 industry fixed effects and court-time-period fixed effects (see Table IV). Appendix A provides detailed variable definitions. Standard errors are clustered by court, and  $t$ -statistics are in parentheses. \*, \*\*, and \*\*\* indicate 10%, 5%, and 1% two-tailed statistical significance, respectively.

	<i>Emerge</i> (1)	<i>Refile</i> (2)	<i>ProfPost</i> (3)	<i>Ch7Conv</i> (4)	<i>LossExcl</i> (5)
<i>LeadLawyerConnected</i>	0.103** (2.3)	0.049 (1.0)	-0.001 (-0.0)	0.067 (1.1)	0.007 (0.2)
<i>CreditorLawyerConnected</i>	-0.071** (-2.1)	-0.079 (-1.5)	-0.037 (-1.4)	-0.034 (-0.3)	0.005 (0.1)
Firm/bankruptcy controls	Yes	Yes	Yes	Yes	Yes
Lead lawyer controls	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Court $\times$ Period FE	Yes	Yes	Yes	Yes	Yes
$R^2$ -Adjusted	0.207	0.014	0.360	0.148	0.141
<i>Observations</i>	401	233	107	130	356