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Title: Optimal Investment under funding risk

Abstract: This paper explores a one-period model for a company that finances its operations through debt provided by a continuum of creditors. Creditors differ in their beliefs about the company's investment outcomes. We analyze the joint equilibrium for the creditors' and the company's optimal investment policies. We show the existence of equilibria in which the company holds cash reserves in order to provide incentives for pessimistic creditors to invest in the company.