

Online Appendix

Table A.1: List of Treated Firms

Company Name (Compustat)	Fama French 49 Industry
Alcoa Inc	Steel Works Etc
Alere Inc	Pharmaceutical Products
Atlas Pipeline Partner LP	Utilities
Century Aluminum Co	Steel Works Etc
Chesapeake Energy Corp	Petroleum and Natural Gas
Cincinnati Bell Inc	Communication
Colfax Corp	Machinery
Cooper-Standard Holdings Inc	Automobiles and Trucks
Cumulus Media Inc	Communication
Dana Inc	Automobiles and Trucks
Endeavour International Corp	Petroleum and Natural Gas
EnLink Midstream Partners LP	Utilities
Erickson Inc	Business Services
Forbes Energy Services Ltd	Petroleum and Natural Gas
Gastar Exploration Inc	Petroleum and Natural Gas
General Cable Corp/De	Steel Works Etc
General Motors Co	Automobiles and Trucks
Goodrich Petroleum Corp	Petroleum and Natural Gas
HealthSouth Corp	Healthcare
Hecla Mining Co	Precious Metals
Hovnanian Entrprs Inc -Cl A	Construction
HRG Group Inc	Electrical Equipment
ION Geophysical Corp	Measuring and Control Equipment
LSB Industries Inc	Chemicals
M/I Homes Inc	Construction
Magnum Hunter Resources Corp	Petroleum and Natural Gas
Navistar International Corp	Automobiles and Trucks
NRG Energy Inc	Utilities
Nuance Communications Inc	Computer Software
Office Depot Inc	Retail
Officemax Inc	Wholesale
Penn Virginia Corp	Petroleum and Natural Gas
PetroQuest Energy Inc	Petroleum and Natural Gas
PNM Resources Inc	Utilities
Post Holdings Inc	Food Products
Regency Energy Partners Lp	Petroleum and Natural Gas
Rite Aid Corp	Retail
Sanchez Energy Corp	Petroleum and Natural Gas
SandRidge Energy Inc	Petroleum and Natural Gas
Spanish Broadcasting Sys Inc	Communication
Universal Corp/Va	Wholesale
Vanguard Natural Resources	Petroleum and Natural Gas
Warren Resources Inc	Petroleum and Natural Gas
Westmoreland Coal Co	Coal

Table A.2: Ratings and Lev_{GAAP}

The top table displays the average Lev_{GAAP} levels for speculative-grade firms in July 2013. Moody's Rating are categorical variables that can take values between 1 and 22 that are mapped from Moody's letter ratings where 1 is the highest rating and 22 the lowest. The bottom portion includes a simple cross-sectional regression in July of 2013 with Lev_{GAAP} as the dependent variable and the firm's Moody's rating as the independent variable. In Column (1), the sample is all speculative-grade firms, while in Column (2) the sample is firms rated between Caa1 and Ba3.

	Ba1	Ba2	Ba3	B1	B2	B3	Caa1	Caa2	Caa3	Ca	C
Lev _{GAAP}	0.397	0.460	0.502	0.549	0.623	0.580	0.640	0.780	0.356	0.885	-
N	34	48	83	72	61	61	33	11	2	1	0

	Lev _{GAAP}	
	(1)	(2)
Moody's Rating	0.039*** (7.17)	0.041*** (4.71)
Sample	All	Caa1 - Ba3
Industry FE	Y	Y
N	406	306
R ²	0.305	0.283

Table A.3: The Effect of S&P Rating on Response to Rule Change

This table contains results testing whether treated firms respond to the rule change less if they are rated by S&P. The dependent variables are Total Debt, PPE, Assets and Moody's Rating. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Capital is the ratio between the amount of preferred stock and the sum of debt and shareholders' equity in the last quarter prior to the rule change. SP is an indicator variable that equals 1 if the firm is rated by S&P at the time of the rule change. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Total Debt	PPE	Assets	Moody's Rating
	(1)	(2)	(3)	(4)
Preferred Dummy x Post x SP	-0.285 (-1.28)	-0.201 (-1.57)	-0.284** (-2.15)	-0.614 (-1.41)
Preferred Dummy x Post	0.485** (2.33)	0.267** (2.27)	0.344*** (2.83)	0.453 (1.24)
Post x SP	0.123 (1.32)	0.127** (1.99)	0.129* (1.79)	0.014 (0.05)
Profitability	0.000 (0.00)	0.340** (2.54)	0.458*** (3.66)	-1.135 (-1.19)
Tangibility	0.217 (0.47)	1.968*** (4.66)	-0.403 (-1.22)	2.314* (1.71)
Sales	0.356*** (5.91)	0.352*** (7.50)	0.339*** (6.86)	-0.187 (-0.74)
Market-to-Book	-0.038 (-0.21)	-0.146** (-2.25)	-0.142** (-2.11)	-1.155*** (-3.42)
Firm FE	Y	Y	Y	Y
Quarter x Cohort FE	Y	Y	Y	Y
Firm Quarters	2448	2454	2454	2340
R ²	0.131	0.342	0.310	0.082

Unmatched Regressions

Table A.4: The Effect of Rule Change on Debt Levels

This table contains results testing whether treated firms increase their debt levels after the rule change compared to other firms rated speculative-grade by Moody's. The dependent variables are total debt, long-term debt and short-term debt and are all in logs. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Capital is the ratio between the amount of preferred stock and the sum of debt and shareholders' equity in the last quarter prior to the rule change. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Total Debt		LT Debt		ST Debt	
	(1)	(2)	(3)	(4)	(5)	(6)
Preferred Dummy x Post	0.204*** (2.68)		0.236*** (2.75)		0.059 (0.30)	
Preferred/Capital x Post		1.547*** (3.71)		1.662*** (3.36)		0.126 (0.05)
Profitability	-1.085*** (-2.62)	-1.089*** (-2.66)	-2.241*** (-5.25)	-2.234*** (-5.31)	-2.776*** (-3.96)	-2.784*** (-3.98)
Tangibility	0.318 (1.01)	0.331 (1.04)	0.269 (0.76)	0.285 (0.80)	-0.537 (-0.62)	-0.537 (-0.62)
Sales	0.414*** (6.52)	0.411*** (6.53)	0.423*** (4.86)	0.420*** (4.84)	0.316** (2.02)	0.317** (2.03)
Market-to-Book	-0.141** (-2.42)	-0.145** (-2.49)	-0.130** (-2.29)	-0.135** (-2.38)	-0.176 (-1.23)	-0.178 (-1.25)
Firm FE	Y	Y	Y	Y	Y	Y
Quarter FE	Y	Y	Y	Y	Y	Y
Firm Quarters	5259	5259	5228	5228	4133	4133
R ²	0.110	0.111	0.095	0.094	0.009	0.009

Table A.5: The Effect of Rule Change on Leverage

This table contains results testing whether treated firms increase their leverage after the rule change compared to other firms rated speculative-grade by Moody's. The dependent variables are Lev_{GAAP} and $Lev_{Moody's}$. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Capital is the ratio between the amount of preferred stock and the sum of debt and shareholders' equity in the last quarter prior to the rule change. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Lev_{GAAP}		Lev_{Moody's}	
	(1)	(2)	(3)	(4)
Preferred Dummy x Post	0.043** (2.36)		-0.010 (-0.61)	
Preferred/Capital x Post		0.471*** (3.61)		-0.148 (-1.44)
Profitability	-0.325* (-1.92)	-0.320* (-1.92)	-0.310* (-1.91)	-0.312* (-1.90)
Tangibility	0.303*** (2.69)	0.305*** (2.72)	0.296*** (2.63)	0.296*** (2.63)
Sales	0.019 (1.22)	0.016 (1.12)	0.011 (0.78)	0.012 (0.84)
Market-to-Book	-0.022 (-1.00)	-0.023 (-1.04)	-0.023 (-1.04)	-0.023 (-1.03)
Firm FE	Y	Y	Y	Y
Quarter x Cohort FE	Y	Y	Y	Y
Firm Quarters	5291	5291	5291	5291
R ²	0.040	0.046	0.032	0.033

Table A.6: Yearly Placebo Tests

This table contains results testing whether there are similar changes in total debt in the second half of other years in which the rule change did not take place among treated and untreated firms rated speculative-grade by Moody's. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. After July is a dummy variable that equals 1 if the quarter end is after July. Controls include: profitability, tangibility, sales and market-to-book. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively

		Total Debt							
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Preferred x After July		0.041 (0.54)	-0.023 (-0.43)	-0.125*** (-2.66)	-0.025 (-0.59)	-0.039 (-1.02)	0.173*** (3.04)	0.049 (1.16)	0.004 (0.14)
Year		2008	2009	2010	2011	2012	2013	2014	2015
Controls		Y	Y	Y	Y	Y	Y	Y	Y
Firm FE		Y	Y	Y	Y	Y	Y	Y	Y
Quarter FE		Y	Y	Y	Y	Y	Y	Y	Y
Firm Quarters		1533	1556	1615	1691	1758	1791	1729	1639
R ²		0.026	0.005	0.045	0.107	0.116	0.081	0.047	0.032

Table A.7: The Effect of Rule Change on Balance Sheet

This table contains results testing whether treated firms increase the size of their balance sheets after the rule change compared to other firms rated speculative-grade by Moody's. The dependent variables are Assets, PPE and Capex and are all in logs. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Capital is the ratio between the amount of preferred stock and the sum of debt and shareholders' equity in the last quarter prior to the rule change. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Assets		PPE		Capex	
	(1)	(2)	(3)	(4)	(5)	(6)
Preferred Dummy x Post	0.046 (0.72)		0.053 (1.43)		0.048 (1.30)	
Preferred/Capital x Post		0.366 (1.08)		0.584** (1.97)		0.428* (1.70)
Profitability	-0.083 (-0.26)	-0.081 (-0.25)	-0.116 (-0.42)	-0.109 (-0.40)	-0.364 (-1.08)	-0.360 (-1.07)
Tangibility	1.060*** (2.94)	1.063*** (2.94)	-0.053 (-0.23)	-0.050 (-0.22)	2.785*** (5.67)	2.787*** (5.67)
Sales	0.369*** (6.88)	0.368*** (6.81)	0.389*** (9.90)	0.386*** (9.94)	0.434*** (7.16)	0.432*** (7.10)
Market-to-Book	0.151*** (3.14)	0.150*** (3.14)	-0.135*** (-4.07)	-0.136*** (-4.11)	-0.105*** (-3.08)	-0.106*** (-3.11)
Firm FE	Y	Y	Y	Y	Y	Y
Quarter x Cohort FE	Y	Y	Y	Y	Y	Y
Firm Quarters	5278	5278	5291	5291	5291	5291
R ²	0.054	0.054	0.300	0.303	0.373	0.374

Table A.8: Stock Price Response to the Announcement of Moody's Rule Change

This table contains an event study testing if treated firms experienced positive cumulative abnormal returns compared to other firms rated speculative-grade by Moody's. The dependent variable is the sum of the firm's daily stock return minus the market return over the return period. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Pre-Period		Event			Post-Period		
	CAR[-30,-2]	CAR[-1,1]	CAR[-1,3]	CAR[4,30]				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Preferred Dummy	-0.018 (-0.78)		0.014 (1.43)		0.028** (2.29)		0.013 (0.63)	
Preferred/Capital		-0.008 (-0.05)		0.078 (1.21)		0.170 (1.62)		0.148 (0.82)
Profitability	-1.657 (-0.99)	-1.647 (-0.99)	0.816** (2.56)	0.803** (2.52)	0.883** (2.36)	0.855** (2.29)	0.671 (1.17)	0.653 (1.15)
Tangibility	-0.068 (-0.86)	-0.066 (-0.84)	-0.000 (-0.02)	-0.001 (-0.05)	-0.019 (-0.81)	-0.020 (-0.87)	0.024 (0.70)	0.024 (0.69)
Sales	-0.001 (-0.15)	-0.001 (-0.13)	0.003 (0.93)	0.003 (0.98)	0.003 (0.67)	0.003 (0.81)	0.012* (1.88)	0.013*** (1.99)
Market-to-Book	-0.016 (-0.95)	-0.014 (-0.85)	0.000 (0.05)	0.000 (0.02)	-0.002 (-0.19)	-0.002 (-0.23)	-0.005 (-0.35)	-0.004 (-0.30)
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y
Firms	426	426	426	426	426	426	426	426
R ²	0.140	0.139	0.163	0.162	0.181	0.177	0.163	0.164

Table A.9: Credit Spread Response to the Announcement of Moody's Rule Change

This table contains an event study testing if treated firms' credit spreads increased around the rule change compared to other firms rated speculative-grade by Moody's. The dependent variable is the change in the firm's credit spread over the period in basis points. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Pre-Period			Event			Post-Period		
	Δ CS[-30,-2]	Δ CS[-1,1]	Δ CS[-1,3]	Δ CS[4,30]	Δ CS[4,30]	Δ CS[4,30]	Δ CS[4,30]	Δ CS[4,30]	Δ CS[4,30]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Preferred Dummy	-16.5 (-1.22)		12.1 (1.29)		17.7* (1.85)		-2.6 (-0.25)		
Preferred/Capital		-53.1 (-0.51)		32.8 (1.09)		67.5* (1.75)		-15.3 (-0.21)	
Profitability	103.3 (0.28)	131.1 (0.36)	-225.6* (-1.95)	-247.1** (-2.27)	-191.9 (-1.26)	-220.6 (-1.52)	-282.5 (-0.91)	-279.0 (-0.92)	
Tangibility	-31.2 (-1.32)	-29.0 (-1.24)	-16.6* (-1.79)	-18.3* (-1.87)	-8.8 (-0.88)	-10.9 (-1.05)	-0.6 (-0.03)	-0.4 (-0.02)	
Sales	-9.6** (-2.36)	-9.5** (-2.36)	3.5** (2.56)	3.4*** (2.62)	4.2*** (2.68)	4.3*** (2.84)	3.3 (0.75)	3.2 (0.73)	
Market-to-Book	-4.3 (-0.56)	-3.9 (-0.52)	7.4** (2.06)	7.0** (2.01)	8.3** (2.19)	8.0** (2.15)	12.4* (1.93)	12.4* (1.94)	
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y	
Firms	216	216	222	222	222	222	221	221	
R ²	0.179	0.174	0.264	0.247	0.328	0.304	0.114	0.114	

Table A.10: The Effect of Convertible Debt on Response to Rule Change

This table contains results testing whether treated firms' responses to the rule change are affected by the amount of convertible debt they had in their capital structure at the time of the rule change. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Capital is the ratio between the amount of preferred stock and the sum of debt and shareholders' equity in the last quarter prior to the rule change. Convert is the ratio of convertible debt to total debt at the time of the rule change. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Total Debt			LevGAAP			PPE			Assets		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)				
Preferred Dummy x Post	0.286*** (3.39)		0.064*** (3.39)		0.062 (1.48)			0.088** (2.17)				
Preferred Dummy x Convert x Post	-1.869*** (-4.34)		-0.470** (-2.21)		-0.338 (-0.77)			-0.794*** (-2.85)				
Preferred/Capital x Post		1.760*** (4.28)		0.553*** (4.48)		0.399 (1.46)		0.613** (1.98)				
Preferred/Capital x Convert x Post		-11.627*** (-2.93)		-4.776*** (-3.41)		-0.226 (-0.07)		-2.480 (-1.07)				
Convert x Post	0.160 (0.89)	0.109 (0.61)	0.047 (1.28)	0.041 (1.11)	-0.227 (-1.09)	-0.241 (-1.20)	-0.042 (-0.64)	-0.071 (-1.09)				
Profitability	-1.103*** (-2.69)	-1.101*** (-2.67)	-0.330** (-1.98)	-0.324* (-1.95)	-0.354 (-1.09)	-0.349 (-1.08)	-0.119 (-0.43)	-0.108 (-0.40)				
Tangibility	0.306 (0.97)	0.322 (1.01)	0.301*** (2.68)	0.301*** (2.69)	2.767*** (5.70)	2.772*** (5.71)	-0.062 (-0.27)	-0.055 (-0.24)				
Sales	0.408*** (6.41)	0.410*** (6.48)	0.018 (1.12)	0.015 (1.06)	0.431*** (7.28)	0.430*** (7.27)	0.385*** (9.85)	0.384*** (9.93)				
Market-to-Book	-0.147** (-2.52)	-0.148** (-2.55)	-0.023 (-1.06)	-0.024 (-1.09)	-0.104*** (-2.95)	-0.104*** (-2.97)	-0.136*** (-4.10)	-0.136*** (-4.09)				
Firm FE	Y	Y	Y	Y	Y	Y	Y	Y				
Quarter FE	Y	Y	Y	Y	Y	Y	Y	Y				
Firm Quarters	5252	5252	5284	5284	5284	5284	5284	5284				
R ²	0.117	0.113	0.046	0.052	0.379	0.379	0.305	0.304				

Table A.11: The Effect of Rule Change on Credit Ratings

This table contains results testing whether treated firms ratings change after the rule change. The dependent variables, Moody's Rating and S&P Rating, are categorical variables that take values between 1 and 22 that are mapped from Moody's and S&P letter ratings where 1 is the highest rating and 22 the lowest. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Capital is the ratio between the amount of preferred stock and the sum of debt and shareholders' equity in the last quarter prior to the rule change. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Moody's Rating		S&P Rating	
	(1)	(2)	(3)	(4)
Preferred Dummy x Post	0.003 (0.02)		-0.065 (-0.46)	
Preferred/Capital x Post		-1.069 (-1.21)		-0.299 (-0.38)
Profitability	-1.026 (-1.17)	-1.047 (-1.20)	-1.794 (-1.56)	-1.794 (-1.56)
Tangibility	0.214 (0.35)	0.193 (0.32)	0.274 (0.58)	0.271 (0.57)
Sales	-0.188** (-2.16)	-0.184** (-2.11)	-0.428*** (-4.35)	-0.428*** (-4.35)
Market-to-Book	-0.315*** (-3.00)	-0.315*** (-3.00)	-0.399*** (-3.99)	-0.398*** (-3.98)
Firm FE	Y	Y	Y	Y
Quarter FE	Y	Y	Y	Y
Firm Quarters	5051	5051	4835	4835
R ²	0.026	0.027	0.085	0.085

Additional Robustness Tests

Table A.12: The Effect of Rule Change on GAAP Leverage: Different Control Groups

This table contains results testing whether treated firms increase their GAAP leverage after the rule change compared to other firms with preferred stock. The dependent variable is Lev_{GAAP} . Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. *Junk* is an indicator variable that equals one if the firm was rated speculative-grade by Moody's at the time of the rule change. In Columns 1 - 2 the sample is restricted to firms with preferred stock at the time of the rule change and in Columns 3 - 4, the sample includes all treated and untreated firms. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Lev _{GAAP}			
	(1)	(2)	(3)	(4)
Junk x Post	0.109*** (4.84)	0.058*** (2.62)	0.050*** (7.41)	-0.003 (-0.51)
Preferred x Post x Junk			0.060** (2.56)	0.059*** (2.58)
Preferred x Post			-0.007 (-0.62)	-0.012 (-1.09)
Profitability		0.043*** (3.36)		0.036*** (7.49)
Tangibility		-0.005 (-0.05)		0.101*** (3.00)
Sales		0.002 (0.21)		0.020*** (3.61)
Market-to-Book		-0.000 (-0.11)		-0.000*** (-3.00)
Sample	Preferred	Preferred	All	All
Firm FE	Y	Y	Y	Y
Quarter FE	Y	Y	Y	Y
Quarter x Cohort FE	N	N	N	N
Firm Quarters	5761	4922	55732	46543
R ²	0.005	0.016	0.002	0.020

Table A.13: The Effect of Rule Change on GAAP Leverage: Debt/Assets

This table contains results testing whether treated firms increase their GAAP leverage after the rule. The dependent variables are Debt/Assets_{GAAP} and Debt/Assets_{Moody's}. Preferred Dummy is an indicator variable that equals one if the firm had preferred stock in its capital structure in the last quarter prior to the rule change. Preferred/Assets is preferred stock over assets at the time of the rule change. The samples include and matched and unmatched firms. T-statistics are shown below the parameter estimates in parenthesis and are calculated using robust standard errors clustered by firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

	Debt/Assets _{GAAP}		Debt/Assets _{Moody's}	
	(1)	(2)	(3)	(4)
Preferred Dummy x Post	0.036** (2.43)		0.003 (0.17)	
Preferred/Assets x Post		0.368* (1.93)		-0.179 (-0.92)
Profitability	-0.283*** (-5.09)	-0.287*** (-5.17)	-0.294*** (-5.30)	-0.291*** (-5.27)
Tangibility	0.289*** (2.69)	0.292*** (2.71)	0.295*** (2.77)	0.290*** (2.70)
Sales	0.001 (0.07)	0.002 (0.13)	0.000 (0.00)	0.001 (0.06)
Market-to-Book	0.028 (0.92)	0.026 (0.84)	0.022 (0.70)	0.025 (0.78)
Firm FE	Y	Y	Y	Y
Quarter x Cohort FE	Y	Y	Y	Y
Firm Quarters	2454	2454	2454	2454
R ²	0.078	0.074	0.065	0.068

Sample Language in Filings from Treated Firms

In this section we include sample language from filings of treated firms relating to rating-based triggers.

“Any further downgrade of Alcoa’s credit ratings could limit Alcoa’s ability to obtain future financing, increase its borrowing costs, increase the pricing of its credit facilities, adversely affect the market price of its securities, trigger letter of credit or other collateral postings, or otherwise impair its business, financial condition, and results of operations.” [Alcoa 10-q](#)

“Chesapeake has significant flexibility with regard to releases and/or substitutions of pledged reserves, provided that certain requirements are met including maintaining specified collateral coverage ratios as well as maintaining credit ratings with either of the designated rating agencies at or above current levels” [Chesapeake Energy 10-q](#)

“PNMR, PNM, and TNMP cannot be sure that any of their current ratings will remain in effect for any given period of time or that a rating will not be put under review for a downgrade, lowered, or withdrawn entirely by a rating agency. Downgrades or changing requirements could result in increased borrowing costs due to higher interest rates in future financings, a smaller potential pool of investors, and decreased funding sources. Such conditions also could require the provision of additional support in the form of letters of credit and cash or other collateral to various counterparties.” [PNM Resources 10-k](#)

Under some over-the-counter derivative agreements on forms promulgated by the International Swaps and Derivatives Association, Inc. (“ISDA”), FGL has agreed to maintain certain financial strength ratings. A downgrade below these levels provides the counterparty under the agreement the right to terminate the open derivative contracts between the parties, at which time any amounts payable by FGL or the counterparty would be dependent on the market value of the underlying derivative contracts. FGL’s current rating allows multiple counterparties the right to terminate ISDA agreements, at which time the counterparty would unwind existing positions for fair market value. No ISDA agreements have been terminated, although the counterparties have reserved the right to terminate the ISDA agreements at any time. As of September 30, 2013, the amount at risk for ISDA agreements which could be terminated based upon FGL’s current ratings was \$221.8 million, which equals the fair value to FGL of the open over-the-counter call option positions. The fair value of the call options can never decrease below zero.” [HRG Group 10-k](#)

“Certain agreements with counterparties employ set-off, collateral support arrangements and other risk mitigating procedures designed to reduce the net exposure to credit risk in the event of counterparty default.” [General Motors 10-k](#)

“Borrowings under the new credit facility bear interest at our option at the Eurodollar Rate (the LIBOR Rate) plus an applicable margin or the Base Rate (the highest of the Federal Funds Rate plus 0.50 %, the 30-day Eurodollar Rate plus 1.0%, or the administrative agent’s prime rate) plus an applicable margin. The applicable margins vary depending on our credit rating. Upon breach by us of certain covenants governing the new credit facility, amounts outstanding under the new credit facility, if any, may become due and payable immediately.” [Enlink Midstream Partners LP 10-k](#)

“A downgrade of our credit rating might increase our cost of borrowing and could require us to post collateral with third parties, negatively impacting our available liquidity.” [Regency Energy Partners Lp 10-k](#)