

- 1 **Q. Can Dr. Booth please confirm that bond rating agencies use *actual* financial**
2 **results in the assessment of a company's credit metrics?**
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- 4 **A.** There is no citation to Dr. Booth's report in this RFI.
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- 6 Dr. Booth's understanding is that rating agencies will use actual data in their
7 statistical review of a company, but the rating is based on forecast or ongoing
8 relationships unless the actual data trigger covenants in the bond contract that
9 restrict the company's financing options. For example, sometimes unusually low
10 earnings might trigger an interest coverage restriction in the new issue test even
11 though it is caused by unusual items.