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APPENDIX

Table 1 Number of Firm-Year Classified by Rating from Year 1997 to 2006

The top part of this table shows the number of firm year classified by rating from the year 1997 to 2006. After cut out the missing data, total firm year is equal to 6,070 firm years. The lower part shows the number of firm year classified by rate sign from year 1997 to 2006.

Rates	Year										Grand Total (Firm-year)
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
AAA	17	17	13	14	14	13	12	12	9	7	128
AA+	7	9	12	7	10	5	6	6	7	5	74
AA	23	18	20	23	27	26	21	19	21	25	223
AA-	38	43	45	46	45	45	41	46	50	54	453
A+	40	49	53	60	67	76	74	67	74	76	636
A	67	71	81	97	103	96	98	116	121	117	967
A-	38	43	47	49	61	76	81	102	124	132	753
BBB+	28	39	52	60	71	90	89	113	123	132	797
BBB	25	33	34	51	63	88	98	126	138	136	792
BBB-	14	16	24	26	30	33	47	57	76	75	398
BB+	8	10	16	18	21	28	38	58	53	42	292
BB	7	12	9	13	18	18	21	31	31	33	193
BB-	5	6	8	10	9	8	14	23	32	31	146
B+	6	6	3	2	4	8	9	23	28	21	110
B			5	5	4	4	8	12	10	12	60
B-	1	1	1		2	1	4	7	5	5	27
CCC+ and Below				1	1	4	4	3	5	3	21
Rate Sign											
No Sign	139	151	162	203	230	248	262	318	334	331	2378
-	96	109	125	131	147	163	187	235	287	297	1777
+	89	113	136	148	173	208	216	268	286	278	1915
Grand Total (Firm-year)	324	373	423	482	550	619	665	821	907	906	6070

Table 2 Sample Summary Statistics – Leverage, Profit, and Size by Rating

This table shows Means, Maximum, and Minimum of leverage, profit, and size by credit rating within the sample, and the number of firm-years that had the indicated rating at the beginning of the firm-year. The sample is DataStream database from 1997 to 2006. Leverage is Debt/(debt + equity) which is book long-term and short-term debt divided by book long-term debt plus book shares' equity. Profit is Net Income to Total Assets. Size is Ln(Sales).

	AAA	AA+	AA	AA-	A+	A
Leverage						
Mean	31.7%	23.4%	37.3%	48.2%	45.2%	44.2%
Max	93.9%	93.3%	93.0%	96.3%	109.7%	167.5%
Min	1.3%	0.1%	0.4%	0.0%	0.0%	0.0%
Profit						
Mean	10.1%	6.8%	7.0%	4.0%	5.3%	4.6%
Max	25.4%	22.2%	24.7%	24.1%	32.0%	39.1%
Min	0.1%	0.0%	-3.6%	-12.5%	-17.3%	-129.1%
Size						
Mean	17.8	16.6	17.0	17.3	16.7	16.2
Max	23.8	21.9	22.8	23.5	23.3	22.8
Min	15.2	10.5	9.0	9.9	9.3	11.4
Number of Firm Year	128	74	223	453	636	967
	A-	BBB+	BBB	BBB-	BB+	BB
Leverage						
Mean	44.2%	45.1%	46.9%	51.3%	52.8%	57.6%
Max	128.7%	1137.3%	512.7%	1090.1%	127.8%	128.7%
Min	0.0%	0.1%	0.0%	0.6%	0.1%	2.6%
Profit						
Mean	4.3%	4.0%	4.0%	3.6%	2.3%	2.1%
Max	49.4%	45.6%	48.8%	39.4%	16.0%	18.1%
Min	-22.1%	-38.5%	-41.2%	-35.0%	-64.8%	-89.1%
Size						
Mean	16.5	16.1	16.2	16.3	16.0	15.7
Max	23.4	23.4	22.7	22.6	23.1	21.9
Min	11.3	11.6	10.8	5.0	12.5	11.8
Number of Firm Year	753	797	792	398	292	193
	BB-	B+	B	B-	CCC+ and Below	
Leverage						
Mean	56.9%	64.7%	77.6%	79.6%	65.2%	
Max	143.3%	221.1%	424.9%	148.3%	198.3%	
Min	3.9%	5.5%	2.7%	22.1%	4.5%	
Profit						
Mean	0.7%	-1.1%	-3.2%	-1.4%	1.0%	
Max	25.9%	13.9%	43.4%	19.7%	96.5%	
Min	-114.8%	-58.0%	-66.1%	-25.3%	-44.9%	
Size						
Mean	15.3	14.9	14.4	14.6	15.8	
Max	22.3	21.7	20.8	20.6	21.5	
Min	11.8	11.7	10.7	11.7	11.2	
Number of Firm Year	146	110	60	27	21	
Total Firm Year	6070					

Table 3 Credit Rating Impact on Capital Structure - Plus or Minus Tests

Coefficients and t-statistics from pooled time-series cross-section regressions of net debt raised for the year minus net equity raised for the year divided by beginning-of-year total assets on credit rating dummy variables and on control variables measured at the beginning of each year. *POM* is a credit rating dummy variable equal to 1 if the firm has either a plus or a minus credit rating and 0 otherwise. *CR Plus* and *CR Minus* are credit rating dummy variables equal to 1 if the firm has a plus or minus rating, respectively and 0 otherwise. The control variables include $D/(D + E)$, book debt divided by book shareholder's equity plus book debt, *NI/A*, previous year's net income divided by total assets, and $\ln(\text{Sales})$, the natural log of total sales. The sample covers security issuance from 1997 to 2006. Errors are White's consistent standard errors. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Net Debt Issuing		
	1	2	3
Intercept	-0.0912 (-1.2156)	-0.0913 (-1.2164)	0.0218* (1.811)
POM	-0.0016 (-0.3869)		-0.0021 (-0.5023)
CR Plus		0.0002 (0.0346)	
CR Minus		-0.0036 (-0.6936)	
Leverage	-0.0117 (-1.0631)	-0.0116 (-1.0545)	
Profit	-0.0835* (-1.7609)	-0.0836* (-1.7639)	
Size	0.0078* (1.7205)	0.0078* (1.7208)	
Adjusted R-squared	0.0177	0.0176	0.01322
N	6070	6070	6070

Table 4 Credit Rating Impact on Capital Structure - High or Low Tests

Coefficients and t-statistics from pooled time-series cross-section regressions of net debt raised for the year minus net equity raised for the year divided by beginning-of-year total assets on credit rating dummy variables and on control variables measured at the beginning of each year. *HOL* is a credit rating dummy variable equal to 1 if the firm has rank by credit score either high or low and 0 otherwise. *CR High* and *CR Low* are credit rating dummy variables equal to 1 if the firm is rank at high level or low level, respectively and 0 otherwise. The control variables include $D/(D + E)$, book debt divided by book shareholder's equity plus book debt, *N/A*, previous year's net income divided by total assets, and $\ln(\text{Sales})$, the natural log of total sales. The sample covers security issuance from 1997 to 2006. Errors are White's consistent standard errors. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Net Debt Issuing		
	1	2	3
Intercept	-0.0865 (-1.1231)	-0.093 (-0.9591)	0.0246** (2.0154)
HOL	-0.0038 (-0.8009)		-0.006 (-1.2665)
CR High		-0.0055 (-0.7667)	
CR Low		-0.0025 (-0.3241)	
Leverage	-0.0119 (-1.0758)	-0.0115 (-0.9876)	
Profit	-0.0859* (-1.7832)	-0.0843* (-1.6876)	
Size	0.0077* (1.6599)	0.008 (1.3952)	
Adjusted R-squared	0.0178	0.0176	0.0134
N	6070	6070	6070

Table 5 Probability of Default Impact on Capital Structure

Coefficients and t-statistics from pooled time-series cross-section regressions of net debt raised for the year minus net equity raised for the year divided by beginning-of-year total assets on probability of default and on control variables measured at the beginning of each year. PD t-1 is an amount of each firms' probability of default of previous year. The control variables include $D/(D + E)$, book debt divided by book shareholder's equity plus book debt, NII/A , previous year's *net income* divided by total assets, and $\ln(\text{Sales})$, the natural log of total sales. The sample covers security issuance from 1997 to 2006. Errors are White's consistent standard errors. ***, **, and * denote significance at the 1%, 5%, and 10% levels, respectively.

	Net Debt Issuing	
	1	2
Intercept	-0.0825 (-1.0826)	0.0207* (1.7633)
PD t-1	-0.2396** (-2.4479)	-0.24** (-2.5571)
Leverage	-0.0106 (-0.9322)	
Profit	-0.1042** (-2.0941)	
Size	0.0073 (1.5797)	
Adjusted R-squared	0.0203	0.016
N	6070	6070

BIOGRAPHY

Mr. Ekalak Muangsri was born in October 31, 1983 in Bangkok, Thailand. At the secondary school, he graduated from Suan sunandha Rajapat Institute Demonstration Secondary School. At the undergraduate level, he graduated from the Faculty of Business Administration, Majoring in Accounting, Assumption University in October 2005 with a Bachelor of Business Administration degree, majoring in Accounting. He joined the Master of Science in Finance program, Chulalongkorn University in June 2006.