[Your Company Letterhead/Header]

[Date]

[Counterparty Name]
[Counterparty Address]
[City, State, Zip Code]

RE: Notice of Credit Rating Downgrade and Risk Status Update

Dear [Contact Name],

This letter serves as formal notification regarding the recent adjustment to the credit rating of [Counterparty Name] by [Name of Rating Agency, e.g., Moody's/S&P/Fitch]. We note that your credit rating has been downgraded from [Former Rating] to [New Rating], effective as of [Date].

Under the terms of our [Master Agreement/Credit Support Annex/Contract Name] dated [Agreement Date], this change in credit quality constitutes a [Credit Event/Trigger Event]. Consequently, [Your Company Name] is exercising its right to implement the following actions to manage our counterparty credit risk exposure:

- **Collateral Requirements:** An increase in the required Initial Margin or Variation Margin as specified in Section [X] of the agreement.
- **Credit Limits:** A reduction in the maximum credit exposure limit permitted for outstanding transactions.
- **Payment Terms:** Adjustment of payment terms to [e.g., Pre-payment/Cash on Delivery/Shortened Net Terms].
- **Termination Rights:** Notice that this downgrade may provide [Your Company Name] the right to terminate existing positions should further deterioration occur.

We request a meeting or conference call by [Date] to discuss your current financial standing and your plan to address this credit rating change. Please provide any updated financial statements or supporting documentation that may assist in our internal credit review.

Please acknowledge receipt of this notification by signing below and returning a copy to [Email Address/Department].

Sincerely,

[Your Name/Signature]
[Title]
[Department Name]
[Your Company Name]

Acknowledgment of Receipt:

Signature: _____________________________ Date: ________________

Printed Name: __________________________ Title: _______________