

[Date]

[Borrower Name]

[Borrower Address]

[City, State, Zip Code]

RE: NOTICE OF COVENANT BREACH - DEBT SERVICE COVERAGE RATIO (DSCR)

Dear [Borrower Contact Name],

Reference is made to the [Loan Agreement Name/Number] dated [Original Loan Date] (the "Agreement") by and between [Lender Name] ("Lender") and [Borrower Name] ("Borrower").

Pursuant to Section [Section Number] of the Agreement, the Borrower is required to maintain a minimum Debt Service Coverage Ratio (DSCR) of [Required Ratio, e.g., 1.25:1], to be calculated [Quarterly/Annually].

Based on the financial statements provided for the period ending [Date], the Lender has determined that the actual DSCR is [Actual Ratio]. This constitutes a formal breach of the financial covenants set forth in the Agreement.

Status of Default:

This letter serves as formal notice of a [Event of Default / Potential Event of Default]. As a result of this breach, the Lender hereby reserves all rights, powers, and remedies available under the Agreement and applicable law, including but not limited to:

- Acceleration of the outstanding loan balance;
- Adjustment of applicable interest rates to the Default Rate;
- Suspension of further credit extensions or draws;
- Requirement of additional collateral or equity infusions.

Required Action:

The Borrower is requested to provide a written response by [Date]. This response must include a detailed plan to cure the breach or a request for a formal waiver. Please include updated financial projections and any proposed corrective actions to restore the required ratio.

Please note that any failure by the Lender to exercise its rights immediately does not constitute a waiver of the breach or any future defaults.

Sincerely,

[Signature]

[Name of Authorized Representative]

[Title]

[Lender Name]