

[Company Letterhead]

[Date]

[Recipient Name]

[Title]

[Lending Institution Name]

[Address]

[City, State, Zip Code]

RE: Notice and Explanation of Financial Covenant Violation

Dear [Recipient Name],

This letter serves as formal notification and a detailed explanation regarding a breach of the financial covenants set forth in the [Loan Agreement Name/Reference Number], dated [Agreement Date]. As of the measurement period ending [Date], the company was not in compliance with the [Name of Covenant, e.g., Debt Service Coverage Ratio or Leverage Ratio].

1. Description of the Violation

Per the agreement, the required ratio is [Required Threshold]. For the period ending [Date], the company's actual ratio was [Actual Ratio].

2. Root Causes of Non-Compliance

The deviation from the required threshold was primarily driven by the following factors:

- [Factor 1: e.g., Unexpected increase in raw material costs]
- [Factor 2: e.g., Delayed revenue recognition from Project X]
- [Factor 3: e.g., One-time restructuring expenses]

3. Corrective Actions and Mitigating Factors

To address this violation and ensure future compliance, management has implemented the following measures:

- [Action 1: e.g., Reduction of discretionary operating expenses]
- [Action 2: e.g., Capital injection or asset liquidation]
- [Action 3: e.g., Revised financial forecasting and monitoring controls]

4. Request for Waiver or Amendment

In light of the temporary nature of this breach and our proactive steps toward rectification, we respectfully request a [Waiver/Amendment] for the period ending [Date]. We remain committed to our obligations and value our partnership with [Lending Institution Name].

We are available to discuss this matter in further detail at your earliest convenience. Please find the attached updated financial statements and compliance certificate for your review.

Sincerely,

[Signature]

[Name of Authorized Officer]

[Title]

[Company Name]