

[Company Letterhead]

[Date]

[Shareholder Name]

[Shareholder Address]

[City, State, Zip Code]

RE: Notice of Dividend Payment Restriction Due to Retained Earnings Deficit

Dear [Shareholder Name],

This letter serves as formal notification regarding the company's ability to declare or pay dividends for the period ending [Date].

Upon review of the company's financial statements, it has been determined that the company is currently experiencing a deficit in retained earnings. Under [State/Jurisdiction] corporate law and the company's bylaws, dividends may only be distributed from surplus or net profits.

Because the company's liabilities and legal capital exceed its total assets, a "capital impairment" exists. Consequently, the Board of Directors is legally restricted from authorizing any dividend payments at this time. This restriction is necessary to ensure the company remains in compliance with statutory solvency requirements and maintains sufficient working capital for operations.

The Board will continue to monitor the company's financial position. Dividend distributions will resume only once the retained earnings deficit is cleared and the company meets the legal requirements for such payments.

We appreciate your continued support and understanding.

Sincerely,

[Signature]

[Name of Officer]

[Title/Position]

[Company Name]