

# Non-Convertible Revenue-Linked Debt Note

**Effective Date:** [YYYY-MM-DD]

**Issuer (Borrower):** [Full legal name]

**Holder (Investor):** [Full legal name]

## 1. Principal Amount and Payment Obligation

The Issuer unconditionally promises to pay the Holder CAD [PRINCIPAL\_AMOUNT] (the “Principal”), together with all other amounts payable under this Note, in accordance with its terms.

## 2. Revenue-Based Payment

Starting on the Effective Date and on each calendar [month / quarter] thereafter (each, a “Period”), the Issuer shall pay the Holder a Revenue-Based Payment equal to [REVENUE\_RATE] % of all its gross receipts from business operations for that Period (“Revenues”), after deducting [none / any specified items], but in no event less than [1% of the original Principal per month].

Each Revenue-Based Payment includes both interest and principal. The effective interest rate is not separately calculated and varies depending on the timing and amount of payments relative to the outstanding Principal.

## 3. Total Repayment and Prepayment

When cumulative payments reach [MULTIPLE] × the original Principal (the “Total Repayment Amount”), the Note is automatically cancelled. This does not affect the Issuer’s obligation to pay any penalty interest under clause 6 or adjustment fees under clause 8.

The Issuer may prepay at any time, provided it does not breach clause 4. If less than [50%] of the Principal has been repaid at the time of prepayment, the Holder’s effective annualized return must not exceed [APR]% (the “Estimated APR”) from the Effective Date. Any deferred portion must be adjusted to maintain that return.

## 4. Criminal Rate Cap

The Issuer shall not make any payment that would, together with all payments made in the preceding 12 months, result in an effective annual interest rate exceeding the “criminal rate” under section 347 of the Criminal Code (Canada), or any higher threshold permitted for commercial loans under the Criminal Interest Rate Regulations, as amended. Any excess is deferred under clause 6.

## 5. Security Status

This Note is [SECURITY\_STATUS = Unsecured / Secured / Guaranteed].

- *If Unsecured:* The Note ranks pari passu with all other unsecured debt of the Issuer.
- *If Secured:* The Issuer grants the Holder a security interest in all present and after-acquired personal property, or in the following specific collateral: [COLLATERAL\_DESCRIPTION]. The security ranks [first / second / subordinated] among the Issuer’s secured obligations. Upon default, the Holder may enforce its rights under applicable personal property security legislation, including realizing on the collateral without further notice or legal proceedings, to the extent permitted by law.
- *If Guaranteed:* [NAME OF GUARANTOR] unconditionally and irrevocably guarantees all amounts payable under this Note. The Guarantor’s liability is joint and several with the Issuer and continues until the Note is cancelled under clause 3.

*If this Note is secured or guaranteed:* The Holder may enforce repayment directly against the collateral or guarantor, including taking steps to perfect or realize on the security or claim, without further notice or legal proceedings, to the extent permitted by law.

## **6. Deferred Payments**

Any portion of a Revenue-Based Payment that would breach clause 4 or cause the Issuer to contravene any statutory solvency requirement under its governing corporate law is automatically deferred. Deferred amounts accrue interest at [the bank of Canada prime rate + 3%] from the original due date until paid in full under clause 3.

All payments under this Note shall be applied first to any accrued fees or costs, then proportionally to reduce principal and accrued interest until the Total Repayment Amount is paid.

## **7. Events of Default and Acceleration**

Upon the occurrence of any of the following Events of Default, the Holder may declare all unpaid amounts immediately due and payable, subject to clause 4:

- (i) failure to pay any amount due under this Note (including any deferred or adjusted amount under clause 6 or 8) within 30 days of its due date;
- (ii) the commencement of insolvency or bankruptcy proceedings by or against the Issuer;
- (iii) liquidation, dissolution, winding-up, or the appointment of a receiver over the Issuer or a substantial part of its assets;
- (iv) any material breach not cured within 30 days after written notice from any Holder.

## **8. Financial Reporting**

Within 14 days after filing its tax return, the Issuer shall provide its monthly revenue summary that matches the annual revenue reported and discloses any deductions applied under Section 2. Any underpayment identified through this process shall be treated as a deferred payment under clause 6 and accrue interest accordingly. An adjustment fee equal to [10%] of any underpayment shortfall shall apply. Any overpayment may be adjusted in the next Revenue-Based Payment. This obligation continues through final verification of the fiscal period in which the Note is cancelled.

The Issuer shall record each payment allocation and issue any required tax slips under the Income Tax Act (Canada).

## **9. Waiver & Notices**

The Issuer waives presentment, protest, and notice of dishonour.

No waiver is effective unless in writing and signed by the waiving party.

Notices shall be sent by email or courier to the last address provided in writing and are deemed received one business day after dispatch.

## **10. Governing Law**

This Note is governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF, the Issuer has executed this Note as of the Effective Date.

**[Issuer Legal Name]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_