

STSI Investment Requirements

To be approved under the program, an investment must meet the following requirements:

- The investment must be fully paid for in cash and come **directly** from the Eligible Investor:
 - Investors who use an intermediary to make their investment (another person or organization) may not be eligible for a credit.
- The investor must acquire shares/convertible rights directly from the Eligible Startup Business (ESB) through a Share Subscription Agreement, Convertible Note, or Simple Agreement for Future Equity.
- The investor cannot require the ESB to repay the investment, repurchase the shares/convertible rights, or pay any interest associated with the investment within three years of the investment date.
- The investor cannot have previously disposed of shares in the ESB.
- No tax credit can have previously been issued for the shares/convertible rights.
- An investment is **not** eligible if it allows an investor to own shares, either directly or in conjunction with a related person(s), carrying 50 percent or more of the ESB's voting rights.
- Founders cannot receive a tax credit for investing in their own company, either directly as an individual or indirectly through a corporation or Limited Partnership:
 - A founder is defined as someone who owns shares carrying 50 percent or more of a company's voting rights or plays a leading role in the strategic direction of the company (ex: CEO, CFO, President).

Frequently Asked Questions

1. How long must an investment be held for?

All investments must be held in a startup for a **minimum of three years**. Failing to comply with this requirement may result in the tax credit being revoked. For more details on the holding period, please refer to [this document](#).

2. Can a Simple Agreement for Future Equity (SAFE) or Convertible Note be converted into shares during the three-year holding period?

Yes. However, the newly issued shares must be held for the remainder of the holding period.

3. Can the maturity date for an investment be less than three years?

Yes. However, if the maturity date falls within the three-year holding period, it is expected that the investment will convert into shares.

If a maturity date is reached and the investor requires the startup to repay the investment amount (rather than converting into shares), the investor may have their tax credit revoked or be liable to repay their credit.

4. Can an investment agreement contain interest rate provisions or rights that enable the investor to request that the startup repay the investment amount?

Yes. A SAFE or Convertible Note **can** contain provisions that allow an investor to request that the startup pay interest or repay the investment amount. However, these provisions **cannot** be triggered within the three-year holding period.

Example 1:

An investment agreement can contain provisions that give the investor the right to collect accrued interest. As long as the investor does not **require** this accrued interest to be repaid within three years of the investment date, this will be deemed an eligible investment. The accrued interest however can be converted into shares during the holding period.

Example 2:

An investment agreement can contain provisions that allow the investor to request that the startup repay the principal upon reaching the maturity date. As long as this repayment provision is not triggered within three years of the investment date, it will be deemed an eligible investment.

If the maturity date is reached within the three-year holding period, the startup and the investor would have two options:

- a) Convert the investment into shares; or
- b) Extend the maturity date beyond the holding period, with the option of triggering the repayment at that later date.

If an interest rate or repayment provision is triggered within three years of the investment date, the investor may have their tax credit revoked or be liable to repay their credit.

For any questions about the program, please see the [STSI Program Guide](#) or contact the Program Manager at stsi@innovationsask.ca