Different Between Share Subscription Agreement (SSA) and A Share Purchase Agreement (SPA)

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A company that wants to develop its business can do so by raising funds. To do so, it can offer its common shares and invite the general public to subscribe to its shares, or it can approach an investor. When a company chooses to approach an investor, it is probable that the investor will receive shares of the company in exchange. It is important to re[illegible] the distinctions between a share subscription agreement and a share purchase agreement at this point.

What is a Share Subscription Agreement (SSA)?

A share subscription agreement is essentially an agreement between the firm and the investor that involves the purchase of ownership in the company through the issue of additional shares. In a business, acquisition can either include the purchase of current securities or the issue of new shares. The primary goal of a share subscription agreement is to clarify all aspects of the SSA and to have a clear agreement with the shareholders that outlines the mechanics of the investor's investment(s) in the firm. This agreement's primary goal is to compel both parties to complete out the investment procedure without any ambiguity at a further stage.

When a Share Subscription Agreement (SSA) is required ?

Although it is not necessary to execute a share subscription agreement, but it is always recommended to have such an agreement as it proves to be valuable document since it will explicitly state the conditions under which a person (the subscriber) agrees to buy shares from the firm and it presents a potential investor’s intentions to join a limited partnership in a company. Under the subscription agreement, the terms are specified for the company to sell a certain number of shares in return for a predetermined amount from the private investor. The liability of potential investors under the subscription agreement is limited to the investor capital amount.

Advantages of Share Subscription Agreement (SSA)

- Share Subscription Agreement is a great deal for start-ups who want to raise funds at the early stage of their growth by acquiring capital.
- Share Subscription Agreement is most preferred by the ventures at their early stage when the founders seek fresh capital infusion in the company.
- Under the subscription agreement, the private investors’ liability is limited to the amount of capital investment. In the case of the company becoming bankrupt, the potential investor cannot be held liable to repay the lenders or any other entity from their personal wealth.

- The subscription agreement makes up for a great way to invest a lump sum amount and realise returns as the potential investors are required to invest a pre-specified amount as a one-time investment.

Contents of Share Subscription Agreement (SSA)

1. Parties to the Agreement
2. Definitions & interpretation
3. Term of the agreement
4. Shareholding pattern
5. Subscription to the investor subscription securities
6. Conditions precedent
7. Closing
8. Representations & warranties
9. Covenants
10. Indemnification
11. Termination and default
12. Specific performance
13. Notices
14. Governing law
15. Dispute resolution

What is a Share Purchase Agreement (SPA)?

A Share Purchase Agreement is a legal and binding contract between a seller and a buyer. The contract specifies the precise quantity of sale shares at the specified price. This agreement confirms that the sale of shares of was made on pre-determined terms and conditions as mutually agreed upon.

It provide safeguards for the buyer, such as the disclosure of critical company information. It basically contain clauses protecting the buyer from seller’s post-sale competition and confidentiality restrictions.

When a Share Purchase Agreement (SPA) is required?

When a business or individual buys or sells shares of or Interest in a firm from another individual or business, they execute a share purchase agreement. The essential commercial conditions of the transaction (the shares being sold, the buyer and seller's identities, and the sale price) as well as the obligations of the parties in respect to the sale will be described in the SPA.

Advantages of a Share Purchase Agreement (SPA)

- It is a legal and binding contract
- All parties to SPA are equally covered by specific warranties specified in the agreement
- Provides clarity in transaction and respective proportion of shares allocated to the buyer or the entity.
- SPA serves as the first point of reference, in case of any breaches or any misunderstanding arising between the parties in near future.

Contents of a Share Purchase Agreement (SPA)

1. Definitions and interpretations
2. The parties to the agreement
3. Information on the company selling shares
4. Purchase price of the shares
5. Title
6. Timetable for completion
7. Warranties
8. Restrictions following completion
9. Confidentiality requirements

10. Governing law

11. Dispute resolution

Conclusion

After having read in detail one can easily figure out the major difference between a SSA and SPA. The terms "Share Purchase Agreement" and "Share Subscription Agreement" are used to refer to acquisitions made through the purchase of securities and the issuing of new shares, respectively.

The main purpose of the share purchase agreement is to demonstrate all the necessary terms and conditions as mutually agreed upon between the seller and buyer at the time of Purchase of certain shares. Additionally, it covers numerous details about the business whose shares are being bought as well as the benefits that the buyer would receive as a result. While at the time of investment the first document a company releases is a share subscription agreement, from where an investor learns about his control, position, and investment returns that he will receive following the allocation of the shares.

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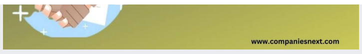

Difference Between Share Subscription Agreement (SSA) & Shareholder Agreement (SHA)

Difference between Shareholders Agreement (SHA) and Share Purchase Agreement (SPA)

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