

Drafting the prospectus. After the letter of intent is signed, the securities lawyers and accountants begin the process of preparing the prospectus. A *prospectus* is a written document prepared for presentation to investors as both a selling document and as a legal disclosure document. The prospectus is required to contain the following information:

- A description of the business
- A description of the management structure
- Disclosure of management compensation
- Disclosure of transactions between the company and management
- Names and shareholdings of principal shareholders
- Audited financial statements
- A discussion of the company's operations and financial condition
- Information on the intended use of the proceeds of the offering
- A discussion of the effect of dilution on existing shares
- A description of the company's dividend policy
- A description of the company's capitalization
- A description of the underwriting agreement

Usually the lawyers draft the narrative part of the prospectus and the accountants prepare financial statements.