**FIN 4203**

**Individual Activities**

**Week 6**

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Date: 15/11/2024

You have to visit the website of SEDAR and search for one preliminary prospectus and one final prospectus of an initial public offering.

Please write a one-page summary (facts, analysis, and conclusion) about five differences between the two types of prospectuses related to the initial public offering of the public company.

Companies issue two prospectuses, preliminary and final, in an initial public offering, IPO. A short breakdown into their main differences is presented below.

**1. Content Completeness:** The preliminary prospectus-also known as the "red herring"-is an overview of the company and financial data, but without certain critical specifics such as the offering price and number of shares. The final prospectus includes these details, providing full information that is binding upon release.

**2. Regulatory Compliance:** The preliminary prospectus represents the minimum amount of information required in regulatory filings and allows the company to announce its intention to go public. In contrast, the final prospectus is put under extreme scrutiny by the regulatory body to ensure that it will meet all legal requirements, and thus it becomes the public document for the IPO.

**3. Market Feedback:** Preliminary prospectus indications of interest are used by the company for investor interest and to get market feedback that might alter some final decisions about pricing and share volume. However, a final prospectus is static; once filed, it confirms the offering terms with no room for adjustment.

**4. Disclosure of Risks:** While both prospectuses do contain some risk disclosures, the final prospectus contains a comprehensive list of fully detailed risk factors. This shall help investors make informed decisions with all possible risks right before one's eyes before committing to the IPO.

**5. Pricing Information**: The preliminary prospectus may also contain a tentative price range, thus giving an indication as to the value of the offering. However, the final prospectus provides the fixed offering price and the number of underwriting discounts and commissions to give the financial terms of the IPO.

**Conclusion:** The preliminary prospectus is a sort of draft in an IPO that tests investor appetite, while the final prospectus is a definitive offer to the public.

**Reference:** FAQs about prospectus filings. SEDAR+ Help Centre. Retrieved from <https://www.sedarplus.ca/onlinehelp/filings/securities-offerings/faqs-about-prospectus-filings/>