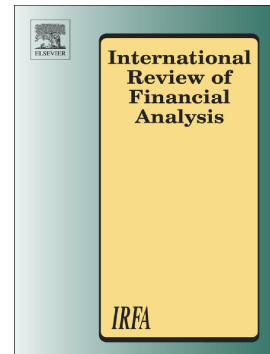


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# Institutional Ownership and the Choice of Equity Issue

## Method

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### Abstract

We examine how institutional ownership impacts the seasoned equity offering (SEO) issue method choice between shelf offerings and traditional SEOs. We use Boehmer and Kelley's (2009) finding that institutional ownership reflects the informational efficiency of stock prices. We find that firms with greater institutional ownership, particularly long term ownership, tend to choose shelf offerings. We control for issue method choice and find that the offer discount decreases with institutional ownership for both shelf and traditional issuers and that higher institutional ownership reduces direct issue costs and is related to a shorter due diligence process for traditional SEOs. This suggests that underwriters are more likely to be able to perform the certification function (and with less effort) for issuers whose stock is priced more efficiently.

*Key words:* Shelf registration; Seasoned equity offering; Institutional ownership.

*JEL classifications:* D82; G14; G24; G32

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