

Securities Regulation Daily Wrap Up, FORMS FILINGS—Sen. Grassley queries SEC on EDGAR’s ‘systemic vulnerability’, (May 28, 2015)

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By Mark S. Nelson, J.D.

Senator Charles E. Grassley (R-Iowa), Chairman of the Senate Judiciary Committee, has asked the SEC to answer questions about what he says is a possible “systemic” flaw in the agency’s Electronic Data Gathering, Analysis, and Retrieval system or EDGAR. The senator’s letter was prompted by a May 14, 2015 filing by PTG Capital Partners LTD proposing a tender offer for all the stock of Avon Products, Inc.

According to Sen. Grassley, the PTG filing is reminiscent of a 2012 filing by an allegedly nonexistent firm that proposed a buyout of another company. He said that incident, and the PTG filing, raise the prospect of market manipulation due to how easy it is for anyone to post a filing on EDGAR. Specifically, Sen. Grassley wants the SEC to state if it ever verifies EDGAR filings, how many false filings occurred in the last three years, how many daily filings are made by first-time EDGAR users, and if the agency has tallied the cost of false filings to investors and other market participants.

For its part, Avon issued a statement denying that it had received any offer from PTG, and the cosmetics company said it was unable to verify PTG’s existence. PTG had filed a Schedule TO-C earlier that day claiming to be making a communication related to a possible tender offer for Avon.

PTG’s filing described the firm as a global private equity firm with a taste for leveraged deals. According to PTG, it proposed a cash tender offer for Avon at \$18.75 per share. But PTG’s filing also contained many seemingly unexplained references, including numerous permutations of PTG’s name, such as “PTG Partners,” “TPG,” “TPG Partners,” or simply “Partners.”

Companies: Avon Products, Inc.; PTG Capital Partners LTD.

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