PRESS RELEASE

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SEC Charges Tallgrass Energy's Former Board Member Roy Cook and Four Others with Insider Trading in Advance of Blackstone Acquisition

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Washington D.C., March 12, 2024 —The Securities and Exchange Commission today announced insider trading charges against Roy Cook, a former board member of Tallgrass Energy LP, and four of his friends for trading on material nonpublic information in advance of a public announcement that Blackstone Infrastructure Partners had offered to acquire Tallgrass and take it private. The SEC also charged Cook for failing to file required disclosure reports concerning securities transactions by family trusts. All five of the defendants agreed to settlements that, in aggregate, include more than $2.2 million in disgorgement, prejudgment interest, and civil penalties.

According to the SEC's complaint, Cook learned in late July 2019 that Blackstone, which had acquired 44 percent of Tallgrass's public shares earlier that year, was planning to make an offer to acquire the remainder of Tallgrass's publicly traded shares. Within weeks of learning that information, Cook allegedly tipped his friends, Jeffrey Natrop, Peter Renner, James Rudolph, and Peter Williams, who all purchased Tallgrass securities prior to an August 27, 2019, public announcement of Blackstone's offer.

The complaint alleges that Natrop and Renner, who were friends and business associates of Cook's, purchased Tallgrass call options on August 8 and 9, 2019, which resulted in illicit profits of $43,862 for Natrop and $13,520 for Renner. The complaint further alleges that Cook tipped Rudolph while the two were in the Bahamas celebrating Rudolph's birthday on Rudolph's yacht and that Rudolph purchased Tallgrass stock on August 6, 2019, which resulted in illicit profits of $31,035. The complaint also alleges that Cook tipped Williams, his long-time friend and personal accountant, and that Williams purchased call options on August 19 and 21, 2019, which resulted in illicit profits of $463,000.

Following the August 27 announcement, which saw Tallgrass shares increase by 36 percent, Cook served for several months as chair of a Tallgrass Conflicts Committee tasked with assessing Blackstone's offer and negotiating the final terms of the transaction. In connection with this role, Cook allegedly learned material nonpublic information about the status of the negotiations that he communicated to Williams, who purchased Tallgrass stock in a Cook family trust account over which he had trading authority, resulting in $88,800 of illicit profits for Cook. The complaint further alleges that, on December 10, 2019, while on vacation in Chile, Cook tipped Williams more material nonpublic information about the status of the negotiations, and Williams purchased more call options in his personal account, resulting in additional illicit profits of $61,525.

"As our complaint alleges, Roy Cook took advantage of his position as a Tallgrass director to repeatedly enrich himself and his friends," said Mark Cave, Associate Director of the SEC's Division of Enforcement. "We will hold accountable board members and others who misuse inside information for their own benefit and violate the trust placed in them by shareholders."

The SEC complaint, filed in U.S. District Court for the Eastern District of Wisconsin, charges the defendants with violating the antifraud provisions of the federal securities laws and charges Cook with failing to file required reports concerning Tallgrass securities transactions by family trusts. Without admitting or denying the allegations in the complaint, Cook agreed to pay a civil penalty of $801,742 and disgorge his illicit trading profits, with prejudgment interest. Cook also agreed to an officer-and-director bar.

Without admitting or denying the allegations, each of the other four defendants agreed to pay a civil penalty equal to the amount of their allegedly illicit trading profits and disgorge their illicit trading profits, with prejudgment interest.

The SEC's investigation was conducted by David Frisof and Brian Vann, with assistance from Dean M. Conway, James Carlson, and Brian Shute. The case was supervised by Brian Quinn.

The SEC appreciates the assistance of the Financial Industry Regulatory Authority, the FBI, and the U.S. Attorney's Office for the District of New Jersey.

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Last Reviewed or Updated: March 12, 2024

RESOURCES

- SEC Complaint