

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION (CHICAGO)**

SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
vs.	:	Civil Action No. 1:07cv1208
	:	
ONE OR MORE UNKNOWN PURCHASERS OF CALL OPTIONS FOR THE COMMON STOCK OF TXU CORP.,	:	
	:	
SUNIL SEHGAL, SEEMA SEHGAL, HAFIZ NASEEM, and FRANCISCO JAVIER GARCIA,	:	
	:	
Defendants.	:	

SECOND AMENDED COMPLAINT

Plaintiff Securities and Exchange Commission alleges:

NATURE OF THE ACTION

1. This is an insider trading case involving highly profitable and suspicious purchases of call option contracts for and the common stock of TXU Corp. (“TXU”) that were made by Defendants Unknown Purchasers, Sunil Sehgal, Seema Sehgal, and Francisco Javier Garcia in February 2007. These purchases were made in advance of the public announcement regarding a merger agreement. Defendant Hafiz Naseem, a junior investment banker with Credit Suisse Securities USA, misappropriated confidential information concerning at least nine pending merger agreements, including the TXU deal, and tipped at least one of the Defendants, including one of the Unknown Purchasers. The Unknown Purchaser tippee is believed to be a banker in Pakistan (“Pakistani banker”).

2. Upon information and belief, while in possession of material, nonpublic information concerning the proposed but unannounced offer to purchase TXU, the defendants referenced as “Unknown Purchasers” purchased at least 7,760 call option contracts (“call options”) for the common stock of TXU. As a result, the Unknown Purchasers are in a position to receive over \$5.2 million dollars in trading profits. The identities of certain of the defendants are not yet known because they made their purchases in accounts through foreign brokerage firms. Those brokerage firms, in turn, cleared the trades through several domestic brokerage firms, which in turn executed the purchase orders through, among others, the facilities of the Chicago Board Options Exchange and the New York Stock Exchange.

3. Upon information and belief, while in possession of material, nonpublic information concerning the proposed but unannounced offer to purchase TXU, Francisco Javier Garcia purchased at least 260 call options for the common stock of TXU in advance of the Announcement. As a result, Garcia is in a position to receive approximately \$150,500 in trading profits.

4. Upon information and belief, while in possession of material, nonpublic information concerning the proposed but unannounced offer to purchase TXU, Defendants Sunil and Seema Sehgal purchased 700 call options for the common stock of TXU in advance of the Announcement. As a result, Sunil and Seema Sehgal are in a position to receive approximately \$271,600 in trading profits.

JURISDICTION AND VENUE

5. This Court has jurisdiction over this action pursuant to Sections 21(e), 21A and 27 of the Securities Exchange Act of 1934 [15 U.S.C. §§ 78u(e), 78u-1 and 78aa]. Venue lies in this Court pursuant to Section 27 of the Securities Exchange Act of 1934 (“Exchange Act”), 15

U.S.C. § 78aa. Certain of the acts, practices, transactions and courses of business alleged herein occurred within the Northern District of Illinois.

6. The defendants have directly or indirectly, made use of the means or instrumentalities of interstate commerce, or of the mails, or the facilities of a national securities exchange in connection with the transactions, acts, practices and courses of business alleged herein.

7. The defendants will, unless restrained and enjoined, continue to engage in the acts, practices and courses of business alleged herein, or in transactions, acts, practices and courses of business of similar purport and object.

DEFENDANTS

8. The Unknown Purchasers are one or more individuals or entities whose full identities and addresses are unknown to the Commission. The Unknown Purchasers purchased or caused to be purchased call option contracts for the common stock of TXU through the broker-dealers identified below.

9. Sunil and Seema Sehgal are believed to be husband and wife. They reside in England.

10. Hafiz Muhammad Zubair Naseem is a citizen of Pakistan and a resident of New York. Since March 2006, he has been an Associate in the Investment Banking Group of Credit Suisse USA. He has been assigned to the firm's Utilities/Power section in New York City.

11. Francisco Javier Garcia is an individual whose full identity and address is unknown to the Commission. Garcia is believed to be a resident of Switzerland. Garcia purchased or caused to be purchased call option contracts for the common stock of TXU through the broker-dealers identified below.

RELEVANT ENTITIES

12. TXU Corp. is a Dallas, Texas based energy company. TXU's securities are registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 and traded on the New York Stock Exchange. Options for TXU are listed on and trade on the American Stock Exchange LLC, Chicago Board Options Exchange, the International Securities Exchange, the NYSE Arca, the Philadelphia Stock Exchange and the Boston Stock Exchange.

13. Kohlberg Kravis Roberts & Co. (KKR) is a New York based private equity firm that specializes in management buyouts.

14. Texas Pacific Group (TPG) is a Fort Worth, Texas based private investment partnership.

15. Goldman Sachs & Co. is a New York based investment banking, securities and investment management firm.

16. Credit Suisse is a financial institution headquartered in Zurich, Switzerland. Credit Suisse clears its U.S. options transactions on behalf of its customers through its affiliate, Swiss American Securities, Inc.

17. Swiss American Securities, Inc. is a registered broker-dealer based in New York, New York.

18. Fimat Banque Frankfurt Zweigniederlassung is a financial institution located in Germany and affiliated with Fimat USA LLC.

19. Fimat USA LLC, is a registered broker dealer based in New York, New York.

20. UBS AG London is a financial institution located in London, England. It clears its U.S. options contracts on behalf of its customers through UBS Securities, LLC.

21. UBS Securities, LLC, a registered broker-dealer based in New York, New York.
22. Charles Schwab is a registered broker-dealer based in San Francisco, California.
23. Clark Dodge & Co. is a registered broker-dealer based in New York, New York.

FACTUAL ALLEGATIONS

24. On February 26, 2007, TXU announced that TXU and an investor group led by KKR, TPG, and Goldman, Sachs & Co. had executed a merger agreement in which the investor group would acquire TXU in a leveraged buyout valued at approximately \$45 billion. Under the merger agreement, upon closing, TXU shareholders will receive \$69.25 in cash for each share of TXU common stock held.

25. Following the announcement, TXU's stock price closed at \$67.93, up \$7.91 (approximately 13%) from the prior trading day's close.

26. Prior to the announcement, TXU and the investor group engaged in non-public negotiations pursuant to a confidentiality agreement that was entered into on or about November 30, 2006.

27. On February 21, 2007, one or more Unknown Purchasers purchased at least 1060 TXU call option contracts through a dealer account at Credit Suisse in Zurich, Switzerland (Acct. No. 95400141). The options had a strike price of \$60 and a March expiration date. The option contracts were cleared through Swiss American Securities, Inc. Following the Announcement, the Unknown Purchasers' trading profits were approximately \$457,300.

28. On February 21 and 22, 2007, Garcia purchased at least 260 TXU call option contracts through an omnibus account at Fimat Banque Frankfurt Zweigniederlassung (Acct. No. FMT ZGR62E1). Forty of the options had a March expiration date with a strike price of \$60; 220 of the options had April expiration dates with a \$62.50 strike price. The option contracts

were cleared through Fimat USA LLC. Following the Announcement, Garcia's trading profits were approximately \$150,500.

29. On February 23, 2007, the Pakistani banker purchased 6,700 TXU call option contracts through an omnibus account at UBS AG London (Acct. No. 450-1600). All of the options expired in March 2007; 3,500 of the option contracts had a strike price of \$57.50, and the remaining 3,200 had a strike price of \$60. The option contracts were cleared through UBS Securities LLC. Following the Announcement, the Pakistani banker realized trading profits of approximately \$5 million.

30. On February 5, 6, 7, 8 and 23, 2007, Hafiz Naseem, in breach of his duty to Credit Suisse and its client, telephoned the Pakistani banker and conveyed to him non-public, material information concerning the proposed TXU leveraged buyout and other information. Naseem placed these calls from his office phone at Credit Suisse in New York to the Pakistani banker's cell phone.

31. This was not the first time that Naseem conveyed material, non-public information to the Pakistani banker. Immediately upon obtaining employment at Credit Suisse in March 2006, Naseem began misappropriating material, non-public information concerning pending business combinations and sharing the information with the Pakistani banker. From his office telephone, Naseem would alert the banker to pending deals by placing calls to the banker's home and cell phones. These calls were made close in advance of – and frequently the day of or the day before – announcements of pending mergers involving, in addition to TXU, the following issuers: Hydril Company, Trammell Crow Co., John Harland Co., Energy Partners Ltd., Veritas DGC Inc., Jacuzzi Brands, Caremark Rx, Inc., and Northwestern Corporation.

Notably, Credit Suisse served as an investment banker or financial advisor in all of the mergers involved here.

32. The Pakistani banker purchased securities of the companies identified in paragraph 31, above in advance of public merger announcements. As a result of this trading, he realized profits in the approximate amount of \$2,425,000.

33. The Pakistani banker provided the material non-public information that he received from Naseem regarding a number of these mergers to certain high-profile financial executives in Pakistan. These executives also traded ahead of merger announcements.

34. To insure that he would obtain a personal, financial benefit from his misappropriations, in May 2006, Naseem opened a brokerage account in Pakistan and granted trading authority over that account to the Pakistani banker, his “tippee.”

35. Between January 29 and February 20, 2007, Seema Sehgal, through her account at Charles Schwab & Co., Inc. (Acct. No. 1456-2299), purchased 400 TXU call option contracts. All of the options had expiration dates in March and April 2007. Seema Sehgal sold the option contracts, realizing trading profits of approximately \$144,600.

36. Between January 29 and February 13, 2007, Sunil Sehgal, through his account at Clark Dodge & Co. (Acct. No. 12W4-7542-9696) purchased 300 TXU call option contracts. All of the options had expiration dates in March and April 2007. Sunil Sehgal sold the option contracts, realizing trading profits of approximately \$127,000.

37. A “call option” gives the purchaser the right to buy 100 shares of an underlying security at a specified price up to a specified expiration date. A call option gives the purchaser the right to “call in” or buy stock, and profit is made on a call option when the underlying stock increases in price.

38. Most, if not all, of the call options were purchased “out of the money,” meaning that at the time of purchase, the market price of TXU stock was below the exercise price.

CLAIM FOR RELIEF

Violations of Exchange Act Section 10(b) and Rule 10b-5 Promulgated Thereunder

39. Paragraphs 1 through 36 are realleged and incorporated by reference.

40. Upon information and belief, at the time the Defendants purchased the call option contracts in TXU or shares of TXU stock as set forth above, they were in possession of material, nonpublic information about the impending merger. The Defendants knew, or had reason to know, or recklessly disregarded the fact that: (a) their trading was in breach of fiduciary duties or similar duties of trust and confidence owed to the shareholders of TXU or to the source from whom they received the material nonpublic information; or (b) material nonpublic information about the acquisition had been communicated to the defendants in breach of fiduciary or similar duties of trust and confidence.

41. The Defendants have made and have the opportunity to make aggregate illegal profits because the value of the options or shares that they purchased, as set forth above, rose in response to the Announcement of the proposed acquisition.

42. By reason of the foregoing, the Defendants, directly and indirectly, violated Section 10(b) of the Exchange Act [15 U.S.C Sec 78j(b)] and Rule 10b-5 thereunder [17 C.F.R Sec 240.10b-5], and are likely to commit such violations in the future unless enjoined from doing so.

RELIEF SOUGHT

The Commission respectfully requests that this Court enter a judgment:

I.

Permanently restraining and enjoining each of the Defendants, their agents, servants, employees, attorneys in-fact, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, and each of them, from violating Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

II.

Ordering Defendants to disgorge all profits realized from the unlawful trading alleged herein, with prejudgment interest.

III.

Ordering Defendants to pay civil monetary penalties pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1];

IV.

Granting such other relief as this Court may deem just and appropriate.

May 2, 2007

Respectfully submitted,

/s/Jennifer D. Brandt
JENNIFER D. BRANDT
Texas Bar No. 00796242
J. KEVIN EDMUNDSON
Texas Bar No. 24044020
STEPHEN J. KOROTASH
Oklahoma Bar No. 5102
DAVID B. REECE
Texas Bar No. 24002810

Securities and Exchange Commission
Fort Worth District Office
801 Cherry Street, 19th Floor
Fort Worth, TX 76102-6882
(817) 978-6442 (jb)
(817) 978-4927 (*fax*)

Local Counsel:

Steven J. Levine
Securities and Exchange Commission
175 West Jackson Street, Suite 900
Chicago, IL 60604-2601
(312) 353-7390

CERTIFICATE OF SERVICE

I hereby certify that on the 2nd day of May 2007, I served a copy of *Second Amended Complaint*, on all known adverse parties by causing a true and correct copy thereof to be delivered to each of them via Federal Express to their addresses as listed below:

Spencer C. Barasch, Esq.
Andrews Kurth LLP
1717 Main Street, Suite 3700
Dallas, Texas 75201
Counsel for Defendant Unknown Purchaser #1

Jeff Bailey
Bose McKinney & Evans LLP
2700 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204
Counsel for Sunil and Seema Sehgal

Ronald P. Kane
Thomas A. Volz
208 S. LaSalle Street
Suite 1800
Chicago, Illinois 60604
Local Counsel for Sunil and Seema Sehgal

/s/Jennifer D. Brandt
Jennifer D. Brandt