

**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.,	:	Judge Lindberg
	:	
AJAZ RAHIM, SUNIL SEHGAL, SEEMA SEHGAL, HAFIZ NASEEM, and FRANCISCO JAVIER GARCIA,	:	
	:	
Defendants.	:	

THIRD 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 the securities of TXU Corp. (“TXU”) that were made by Defendants Unknown Purchasers, Ajaz Rahim, Sunil and Seema Sehgal, and Francisco Javier Garcia in February 2007. These purchases were made in advance of TXU’s public merger announcement. Defendant Hafiz Naseem, a junior investment banker with Credit Suisse Securities USA (“Credit Suisse USA”), misappropriated confidential information concerning at least nine pending merger agreements, including the TXU deal, and tipped at least one of the Defendants, Ajaz Rahim (“Rahim”), then an investment banker in Pakistan.

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 560 call option contracts (“call options”) for the common stock of TXU. As a result, the Unknown Purchasers are in a position to receive over \$457,000 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, Defendant Rahim purchased at least 6,700 call option contracts (“call options”) for the common stock of TXU. Rahim sold all 6,700 call options on February 26, 2007 after the merger announcement, realizing trading profits of approximately \$5 million.

4. In addition to the call option trading, also on February 23, 2007 in advance of the public announcement of merger, Rahim purchased 15,000 shares of TXU stock through his account at Bank Julius Baer Co. Ltd (Guernsey Branch). Rahim sold all 15,000 shares on February 26 following the Announcement, realizing trading profits of approximately \$137,371.00.

5. As a result, Rahim’s total profit from his insider trading in TXU is approximately \$5.1 million.

6. 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.

7. 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

8. 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.

9. 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.

10. 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

11. 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 omnibus accounts at Credit Suisse, which in turn cleared their trades through Swiss American Securities, Inc.

12. 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 Global Energy Group in New York City. Naseem had access to confidential, non-public information about relevant deals that are subjects of this Complaint and for which Credit Suisse USA was the financial advisor. Naseem was previously employed by American Express Bank in Karachi, Pakistan.

13. Ajaz Rahim is a citizen of Pakistan. During all relevant time periods, Rahim was the Country Head of Investment Banking for Faysal Bank in Karachi, Pakistan. Rahim was previously employed by American Express Bank in Karachi, Pakistan.

14. 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 an omnibus account the Fimat Banque Frankfurt Zweigniederlassung, which in turn cleared the trades through Fimat USA LLC.

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

RELEVANT ENTITIES

16. 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.

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

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

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

20. 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.

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

22. Credit Suisse Securities (USA) LLC, is a New York based investment bank, securities, and investment management firm.

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

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

25. 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.

26. UBS Securities, LLC, a registered broker-dealer based in New York, New York.

27. Charles Schwab is a registered broker-dealer based in San Francisco, California.

28. Clark Dodge & Co. is a registered broker-dealer based in New York, New York.

FACTUAL ALLEGATIONS

29. 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.

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

31. 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. On or about January 25, 2007, TXU retained Credit Suisse USA as a financial advisor.

32. On February 21, 2007, one or more Unknown Purchasers purchased at least 560 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. The Unknown Purchasers sold all 560 call options on February 26, 2007 after the Announcement, realizing trading profits of approximately \$457,300.

33. 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. Garcia sold all 260 call options on February 26, 2007 following the Announcement, realizing trading profits of approximately \$150,500.

34. On February 5, 6, 7, 8 and 23, 2007, Hafiz Naseem, in breach of his duty to Credit Suisse USA and its client, telephoned Rahim 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 USA in New York to Rahim's cell phone.

35. This was not the first time that Naseem conveyed material, non-public information to Rahim. Immediately upon obtaining employment at Credit Suisse USA in March 2006, Naseem began misappropriating material, non-public information concerning pending business combinations and sharing the information with Rahim. From his office telephone, Naseem would alert Rahim to pending deals by placing calls to Rahim'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 (“Hydril”), Trammell Crow Co., John Harland Co. (“Harland”), Energy Partners Ltd., Veritas DGC Inc., Jacuzzi Brands, Caremark Rx, Inc. (“Caremark”), and Northwestern Corporation. Notably, Credit Suisse USA served as an investment banker or financial advisor in all of the mergers involved here. In each instance, Rahim traded in these securities through his accounts at Merrill Lynch Pierce Fenner & Smith (“Merrill Lynch”) and/or Bank Julius Baer Co.

Ltd. (Guernsey Branch). A summary chart of certain phone calls from Naseem's office phone at Credit Suisse USA to Rahim's home or cell phones that were made on the same day as and immediately before a trade by Rahim follows:

DATE	CALL TIME (EST)	TRADE TIME (EST)	SECURITY	TRANSACTION
April 6, 2006	9:38 a.m.	10:25 a.m.	Northwestern Corporation	Purchased 2,000 Shares
April 7, 2006	9:30 a.m.	10:06 a.m.	Northwestern Corporation	Purchased 2,000 Shares
April 24, 2006	2:32 p.m.	2:43 p.m.	Northwestern Corporation	Purchased 16,000 Shares
June 20, 2006	12:37 p.m.	12:48 p.m.	Veritas DGC, Inc.	Purchased 1,000 Shares
July 5, 2006	10:17 a.m.	10:59 a.m.	Veritas DGC, Inc.	Purchased 1,000 Shares
July 5, 2006	11:31 a.m.	11:44 a.m.	Veritas DGC, Inc.	Purchased 500 Shares
July 10, 2006	11:11 a.m.	12:29 p.m.	Veritas DGC, Inc.	Purchased 1,000 Shares
July 21, 2006	11:47 a.m.	11:53 a.m.	Veritas DGC, Inc.	Purchased 1,000 Shares
July 21, 2006	11:47 a.m.	11:53 a.m.	Energy Partners, Ltd.	Purchased 1,000 Shares
July 25, 2006	11:27 a.m.	11:36 a.m.	Energy Partners, Ltd.	Purchased 2,000 Shares
July 26, 2006	1:56 p.m.	2:02 p.m.	Energy Partners, Ltd.	Purchased 2,000 Shares
July 27, 2006	9:54 a.m.	9:59 a.m.	Energy Partners, Ltd.	Purchased 3,000 Shares
July 27, 2006	2:41 p.m.	3:41 p.m.	Energy Partners, Ltd.	Purchased 3,000 Shares
August 31, 2006	12:43 p.m.	1:12 p.m.	Veritas DGC, Inc.	Purchased 6,000 Shares
September 13, 2006	9:36 a.m.	9:44 a.m.	Jacuzzi Brands, Inc.	Purchased 5,000 Shares
September 15, 2006	12:05 p.m.	12:15 p.m.	Jacuzzi Brands, Inc.	Purchased 20,000 Shares
September 20, 2006	10:11 a.m.	10:23 a.m.	Jacuzzi Brands, Inc.	Purchased 5,000 Shares
October 9, 2006	9:59 a.m.	10:05 a.m.	Jacuzzi Brands, Inc.	Purchased 5,000 Shares
October 16, 2006	11:32 a.m.	1:12 p.m.	Tramell Crow Company	Purchased 2,000 Shares
October 17, 2006	10:14 a.m.	10:57 a.m.	Tramell Crow Company	Purchased 8,000 Shares

December 5, 2006	12:12 p.m.	12:35 p.m.	John H. Harland Co.	Purchased 5,000 Shares
December 6, 2006	10:34 a.m.	10:44 a.m.	John H. Harland Co.	Purchased 15,000 Shares
December 7, 2006	11:29 a.m.	12:40 p.m.	John H. Harland Co.	Purchased 5,000 Shares
February 5, 2007	10:10 a.m.	11:00 a.m.	Hydril Company	Purchased 15,000 Shares
February 8, 2007	9:25 a.m.	11:51 a.m.	Hydril Company	Purchased 5,000 Shares

36. On February 23, 2007, Rahim 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, Rahim realized trading profits of approximately \$5 million.

37. Also on February 23, 2007, Rahim purchased 15,000 shares of TXU stock through his account at Bank Julius Baer Co. Ltd (Guernsey Branch). Rahim sold all 15,000 shares on February 26 following the Announcement, realizing trading profits of approximately \$137,371.00.

38. In addition to his TXU stock and options purchases, Rahim purchased securities of the other companies identified in paragraph 35 in advance of public merger announcements. As a result of this trading, he realized profits in the approximate amount of \$2,425,000.

39. Rahim provided the material non-public information that he received from Naseem regarding a number of these mergers to certain of his associates in Pakistan, including bank officers, bank directors and brokerage officials. These executives also traded ahead of merger announcements.

40. 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 Rahim, his “tippee.”

41. 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 following the Announcement, realizing trading profits of approximately \$144,600.

42. In addition, on February 6, 2007, Seema Sehgal, through her account at Schwab, purchased 130 call options for the common stock of Hydril with an expiration date of February 17, 2007. On February 12, 2007, after the public announcement of merger, Seema Sehgal sold all 130 call options, realizing trading profits of approximately \$132,000.

43. 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.

44. In addition to his TXU trades, Sunil Sehgal, through his Clark Dodge & Co. account, traded in advance of the Hydril, Harland, and Caremark public announcements. Between February 6 and February 9, 2007, Sunil purchased 150 Hydril call options, with February and March expiration dates. On February 12 and 13, following the announcement of merger, Sunil sold all 150 call options, realizing trading profits of approximately \$108,000.

45. On December 19, 2006, Sunil purchased 2600 shares of Harland. On December 20, 2006, following the announcement of merger, Sunil sold all 2600 shares, realizing trading profits of approximately \$17,000.

46. On December 14, 2006, Sunil purchased 100 call options of Caremark with January 20, 2007 expiration dates. On December 18, 2006, following the announcement of merger, Sunil sold all 100 call options, realizing trading profits of approximately \$35,800.

47. 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.

48. 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

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

50. 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.

51. 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.

52. 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 11, 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 11th day of May 2007, I served a copy of *Third 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:

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