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

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

ONE OR MORE UNKNOWN PURCHASERS OF  
CALL OPTIONS FOR THE COMMON STOCK OF  
TXU CORP.,

SUNIL SEHGAL, and  
SEEMA SEHGAL,

Defendants.

Civil Action No. 1:07cv1208

Judge Lindberg

FILED

MAR 28 2007

NF,

MICHAEL W. DOBBINS  
CLERK, U.S. DISTRICT COURT

FIRST 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 the common stock of TXU Corp. that were placed by Unknown Purchasers and Defendants Sunil Sehgal and Secma Schgal through overseas and domestic accounts in January and February 2007. These purchases were made in advance of a public announcement (the "Announcement") on February 26, 2007, that TXU had executed a merger agreement with private equity groups headed by Kohlberg Kravis Roberts & Co., Texas Pacific Group and Goldman Sachs & Co. As a result of the Announcement, TXU's common stock jumped more than 13% over its previous trading day closing price, placing the Unknown Purchasers in a position to gain substantial 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 the facilities of the Chicago Board Options Exchange.

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 8,020 call option contracts ("call options") for the common stock of TXU. As a result, the Unknown Purchasers are in a position to receive over \$5.3 million dollars in trading profits.

3. 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**

4. This Court has jurisdiction over this action pursuant to Sections 21(c), 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.

5. 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.

6. 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**

7. The Unknown Purchasers are one or more individuals or entities whose 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.

8. Sunil and Seema Schgal are believed to be husband and wife. They reside in England.

**RELEVANT ENTITIES**

9. 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 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.

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

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

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

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

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

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

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

17. 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.

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

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

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

#### **FACTUAL ALLEGATIONS**

21. 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.

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

23. 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.

24. 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.

25. On February 21 and 22, 2007, one or more Unknown Purchasers 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, the Unknown Purchasers' trading profits were approximately \$150,000.

26. On February 23, 2007, one or more Unknown Purchasers 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 Unknown Purchasers realized trading profits of approximately \$4.7 million.

27. 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.

28. Between January 29 and February 13, 2007, Sunil Seghal, 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 Seghal sold the option contracts, realizing trading profits of approximately \$127,000.

29. 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.

30. Most, if not all, of these 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.

31. Upon information and belief, the proceeds of the transactions conducted by the Unnamed Purchasers, described above, were held by broker-dealers in the United States. The Unknown Purchasers may request that the cash proceeds be transferred beyond the jurisdiction of the United States federal courts.

32. Upon information and belief, a significant portion of the proceeds of the transactions conducted by Defendants Sunil and Seema Sehgal, described above, are held by broker-dealers in the United States. Seema Sehgal, however, removed \$100,000 from her Charles Schwab account on March 27, 2007. It is therefore apparent that the Sehgals are likely to move additional amounts of the cash proceeds beyond the jurisdiction of the United States federal courts.

**CLAIM FOR RELIEF**

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

33. Paragraphs 1 through 32 are realleged and incorporated by reference.
34. Upon information and belief, at the time the Defendants purchased the call option contracts in TXU 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 duty of trust and confidence.

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

36. 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.

March 28, 2007

Respectfully submitted,

  
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