

**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., et al.,	:	Judge Lindberg
	:	
Defendants.	:	
	:	

FINAL JUDGMENT BY DEFAULT AGAINST RAHIM

This matter came before the Court on Plaintiff’s Motion for Default Judgment Against Rahim (“Motion”). The Court, having considered all of the pleadings and evidence in the record, is of the opinion that Plaintiff’s Motion should be GRANTED.

The Court, having considered all of the pleadings, records, and proceedings herein, enters the following findings of fact and conclusions of law:

1. The Commission’s Complaint was filed on March 2, 2007. The Commission later determined that the Unknown Purchaser of Call Options for the Common Stock of TXU Corp. #1 is Defendant Rahim.

2. Rahim was served with the Summons and Complaint on March 26, 2007. The Commission caused the affidavit of service to be filed with this Court on March 27, 2007.

[Docket 35 at pp. 1-2.]

3. Rahim is not an infant or an incompetent person, nor is he currently serving in the United States military. Rahim is not eligible for relief under the Soldiers' and Sailors' Civil Relief Act of 1940 [50 U.S.C. Appendix, § 501 et seq.].

4. Rahim has not filed an answer to the Commission's Complaint or other required pleading, nor has he taken any action indicating an intent to defend this suit.

5. The Commission is entitled to entry of a final judgment of permanent injunction against Rahim for violating Exchange Act Section 10b [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

6. The district court has broad discretion not only in determining whether or not to order disgorgement but also in calculating the amount to be disgorged. Disgorgement need only be a reasonable approximation of profits causally connected to the violation.

7. The Commission has met its burden of presenting evidence reasonably approximating the amount of ill-gotten gains.

8. The appropriate amount of disgorgement to be assessed against Defendant Rahim is the total amount of illicit profits or ill-gotten gains he received from his insider trading. According to the Commission's accounting of illicit profits based upon Defendant's trading records produced in this matter, Rahim received \$7,531,289 in ill-gotten profits.

9. The IRS underpayment of federal income tax rate as set forth in 26 U.S.C. § 6621(a)(2) is appropriate for calculating prejudgment interest in SEC enforcement actions such as this one. That rate of interest reflects what it would have cost to borrow the money from the government and therefore reasonably approximates one of the benefits the defendant derived from its fraud.

10. The Commission is entitled to an Order requiring Rahim to disgorge \$7,531,289,

plus prejudgment interest in the amount of \$1,088,902.83, for a total of \$8,620,191.83, representing the proceeds of Rahim's illegal trading as pled by the Commission.

11. A civil monetary penalty against Rahim under Section 21A of the Exchange Act [15 U.S.C. § 78u-1], in an amount to be determined by the Court is appropriate under the facts and circumstances of this case. Section 21A provides that the amount of civil penalties "shall be determined by the court in light of the facts and circumstances, but shall not exceed three times the profit gained" 15 U.S.C. § 78u-1(a)(2). Although in imposing civil penalties, courts often examine the egregiousness of the violation, the isolated or repeated nature of the violations, the degree of *scienter* involved, the deterrent effect given the defendant's financial worth, and other penalties arising from the conduct, each case turns on its own set of circumstances.

12. In this case, in light of the egregiousness of Rahim's illegal insider trading, the repeated nature of his violations, the high degree of *scienter* involved as alleged in the Complaint, and the fact that he has not been subject to other penalties for his unlawful activity, among other factors, a civil penalty against Rahim is appropriate.

13. The Commission is entitled to an Order requiring Rahim to repatriate to this Court's jurisdiction all assets derived from the insider trading alleged by the Commission.

On the basis of the foregoing findings of fact and conclusions of law:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant Rahim, his agents, servants, employees, attorneys, and all persons in active concert or participation with him who receive actual notice of this final judgment by personal service or otherwise, and each of them, are permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the

Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security: (1) to employ any device, scheme or artifice to defraud; (2) to make any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement(s) made, in the light of the circumstances under which were made, not misleading; or (3) to engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Rahim is liable for disgorgement of \$7,531,289, representing profits gained as a result of the conduct alleged in the Commission’s Complaint, together with prejudgment interest thereon in the amount of \$1,088,902.83, for a total of \$8,620,191.83. In addition, pursuant to Section 21A of the Securities and Exchange Act of 1934 [15 U.S.C. § 78u-1], Defendant Rahim is liable for a civil penalty in the amount of \$8,600,000. The Commission may enforce the Court’s judgment for disgorgement and prejudgment interest by moving for civil contempt (and/or through other collection procedures authorized by law) at any time after 60 days following entry of this Final Judgment. In response to any such civil contempt motion by the Commission, the defendant may assert any legally permissible defense. Payment under this paragraph shall be made within 30 days of the entry of this Final Judgment, by certified check, bank cashier’s check or United States postal money order payable to the Clerk of this Court, together with a cover letter identifying Ajaz Rahim as a defendant in this action; setting forth the title and civil action number of this action and the name of this Court; and specifying that payment is made pursuant

to this Final Judgment. The payment shall be delivered or mailed to the United States District Court for the Northern District of Illinois, Michael W. Dobbins, Clerk of Court, Everett McKinley Dirksen United States Courthouse, 219 South Dearborn Street, Chicago, IL 60604, and shall be accompanied by a letter. By making this payment, Defendant relinquishes all legal and equitable right, title, and interest in such funds, and no part of the funds shall be returned to Defendant. The Clerk shall deposit the funds into an interest bearing account with the Court Registry Investment System (“CRIS”) or any other type of interest bearing account that is utilized by the Court. These funds, together with any interest and income earned thereon (collectively, the “Fund”), shall be held in the interest bearing account until further order of the Court. In accordance with 28 U.S.C. § 1914 and the guidelines set by the Director of the Administrative Office of the United States Courts, the Clerk is directed, without further order of this Court, to deduct from the income earned on the money in the Fund a fee equal to ten percent of the income earned on the Fund. Such fee shall not exceed that authorized by the Judicial Conference of the United States. The Commission may propose a plan to distribute the Fund subject to the Court’s approval. Defendant shall pay post-judgment interest on any delinquent amounts pursuant to 28 USC § 1961.

III.

The Court’s Order dated June 15, 2007 (“Asset Freeze Order”), entered a Preliminary Injunction Against Ajaz Rahim and, among other things, continued the asset freeze as to any and all securities and cash maintained “in any securities trading account in which Ajaz Rahim has signatory authority or any beneficial interest.” (Asset Freeze Order at ¶ I.) The Asset Freeze Order remains in full force and effect, except that the Asset Freeze Order is modified to permit Ajaz Rahim, his officers, agents, servants, employees, attorneys, and those persons in active

concert or participation with him who receive actual notice of this Final Judgment by personal service or otherwise (including, without limitation, UBS Securities LLC, UBS AG London, Julius Baer (Guernsey Branch), Andrews Kurth, LLP, or their affiliates, successors in interest, and assigns), to transfer any and all funds held pursuant to the Asset Freeze Order to the United States District Court for the Northern District of Illinois at the address and in the manner listed above to satisfy, in full or in part, Defendant's disgorgement obligation.

IV.


IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant Rahim shall, within 10 days of service of this Final Judgment upon him, repatriate to this Court's jurisdiction all assets derived from the insider trading alleged by the Commission.

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

VI.

There being no just reason for delay, pursuant to Rule 54(b) of the Federal Rules of Civil Procedure, the Clerk is ordered to enter this Final Judgment forthwith and without further notice. SIGNED this 12th day of February, 2009.


UNITED STATES DISTRICT JUDGE