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IN THE UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. CONRAD P. SEGHERS and JAMES R. DICKEY, Defendants.	Civil Action No. 3:04-CV-1320-K **PLAINTIFF'S FIRST AMENDED COMPLAINT**

Plaintiff Securities and Exchange Commission ("Commission") alleges as follows:

JURISDICTION AND VENUE

1. This Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§ 77t(b), 77t(d)(1) & 77v(a), Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa, and Sections 209(d), 209(e)(1) and 214 of the Investment Advisers Act of 1940 ("Advisers Act"), 15 U.S.C. §§ 80b-9(d), 80b-9(e)(1) & 80b-14. Defendants have, directly or indirectly, made use of the means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

2. Venue is proper in this district pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and Section 214 of the Advisers Act, 15 U.S.C. § 80b-14, because certain of the transactions, acts, practices and courses of conduct constituting violations of

the federal securities laws occurred within this district.

SUMMARY

3. This action involves hedge fund fraud. Between July 1998 and October 2001, Conrad P. Seghers and James R. Dickey, on behalf of Integral Investment Management, L.P. ("Integral"), offered and sold interests in three hedge funds, Integral Equity, L.P., Integral Hedging, L.P. and Integral Arbitrage, L.P. (collectively, the "Funds"). From June 2000 through September 2001, the defendants raised over $71.6 million from approximately 30 investors.

4. Seghers controlled the Funds through Integral and Integral's general partner, Integral Management, LLC. Seghers made the investment decisions on behalf of the Funds. From June 2000 through September 2001, with the exception of a three month period, Seghers fraudulently caused the Funds to overstate to investors the value of their investments in the Funds by anywhere from 13% to 77% per month. Consequently, Seghers also misrepresented the Funds' rates of returns. Ultimately, Integral Hedging lost 90% of its value. Similar losses were sustained by Integral Arbitrage and Integral Equity.

5. Dickey marketed the Funds. Even after Dickey learned that there were problems regarding the valuation of the Funds' assets, he nevertheless continued to offer and sell interests in the Funds without disclosing the valuation problem to investors.

6. The defendants, by engaging in the conduct described in this Complaint, have violated the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c), and the antifraud provisions of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5. Additionally, Seghers violated the antifraud provisions of Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2)

and Dickey violated the broker-dealer registration provisions of Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1). The Commission seeks a permanent injunction prohibiting future such violations, disgorgement by Seghers and Dickey of their ill-gotten gains together with prejudgment interest thereon, and civil penalties.

THE DEFENDANTS

7. **Conrad P. Seghers** resides in Garland, Texas. Seghers was a co-founder and control person of Integral Investment Management, L.P. and Integral Management, LLC from July 1998 to May 2002, when a Texas state court appointed an administrator, who has since been appointed receiver, over these entities. *The Art Institute of Chicago v. Integral Hedging, L.P. et al.,* Cause No. 01-10623 (Dallas County). Integral Investment Management, L.P. was the general partner of the Funds and Integral Management, LLC was the general partner of Integral Investment Management, L.P. Through these entities, Seghers controlled the Funds.

8. **James R. Dickey** resides in Flower Mound, Texas. He was a co-founder and general partner of Integral Investment Management, L.P. responsible for marketing. He was also the president of Integral Management, LLC during the relevant period.

RELATED PARTIES

9. **Samer M. El Bizri ("Bizri")** resides in Los Angeles, California. Bizri has been the sole control person of Bizri Capital Partners, Inc. ("BCP") since its incorporation in 1997. Bizri was an unregistered investment adviser during the relevant period. In connection with their alleged involvement in the scheme described in this Complaint and pursuant to their offers of settlement, Bizri and BCP have been ordered by the Commission to cease and desist from committing or causing any violations and any future violations of the antifraud provisions of

Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act and to pay a $50,000 civil penalty. Bizri was also barred from association with any investment adviser for five years, and Bizri and BCP were barred for five years from acting in certain capacities in connection with any investment company. *In the Matter of Samer M. El Bizri and Bizri Capital Partners, Inc.*

10. **Integral Investment Management, L.P. ("Integral")**, fka Genesis Market Neutral Partners, L.P. ("GMNP"), is a Texas limited partnership formed in 1998 by Seghers, Dickey, and Bizri. Integral was the general partner of the Funds and was responsible for investing the Funds' assets. From July 1998 to May 2002, Seghers controlled Integral. Since May 2002, Integral has been under the control of a Texas state court-appointed administrator who, in September 2003, was appointed receiver over Integral.

11. **Integral Management, LLC**, fka Genesis Management, LLC, is a Texas limited liability company formed in 1998 by Seghers and Bizri. Integral Management is the general partner of Integral. From July 1998 to May 2002, Seghers controlled Integral Management. Since May 2002, Integral Management has been under the control of a Texas state court-appointed administrator who, in September 2003, was appointed receiver over Integral Management.

12. **Integral Hedging, L.P., Integral Arbitrage, L.P.** (fka Sum-it Investments, L.P.), and **Integral Equity, L.P.** (fka Genesis Market Neutral Partners Index Fund, L.P.) (collectively, the "Funds") are Texas limited partnerships formed in or about 1998. The Funds were hedge funds operated by Integral.

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THE FRAUDULENT SCHEME

A. The Defendants Offer And Sell Limited Partnership Interests In The Funds

13. In exchange for a monetary investment in one of the Funds, each investor received a limited partnership interest in the Fund that entitled the investor to a *pro rata* share of the Fund's profits and losses. Specifically:

a. **Integral Hedging, L.P.** offered and sold limited partnership interests from at least July 1999 through at least September 2001. From June 2000 through September 2001, Integral Hedging raised approximately $37.4 million from approximately 13 investors. Since August 2002, Integral Hedging has been controlled by the receiver.

b. **Integral Arbitrage, L.P.** offered and sold limited partnership interests from at least July 1999 through at least October 23, 2001. From June 2000 through September 2001, Integral Arbitrage raised approximately $33.9 million from approximately 21 investors. Since August 2002, Integral Arbitrage has been controlled by the receiver.

c. **Integral Equity, L.P.** offered and sold limited partnership interests from at least July 1998 through at least October 23, 2001. From June 2000 through September 2001, Integral Equity raised approximately $300,000 from one investor. Since September 2003, Integral Equity also has been controlled by the receiver.

14. The Funds' stated main investment objective was to "exploit market inefficiencies and price discrepancies" through arbitraged and hedged positions in various financial instruments. The offering documents for each of the Funds

stated that the Fund would invest in various investments, including securities such as equities, options, partnerships, investment funds and money market instruments, as well as other investments, such as futures, forward and swap contracts.

15. Each offering document represented that Integral had full discretion, consistent with the stated investment objectives, to invest that Fund's assets. Moreover, the offering documents stated that Integral was under no obligation to disclose the Funds' holdings or trades to the limited partners. Consistent with that representation, the monthly statements sent to the Funds' investors did not disclose the Funds' holdings. For Integral's services, the Funds paid Integral a quarterly management fee based on the Funds' net assets and a quarterly performance fee based on the Funds' net gains.

16. From at least July 1998 through at least October 23, 2001, Seghers and Dickey solicited high net worth investors and other investment funds in the United States and abroad to invest in the Funds. Seghers and Dickey met potential investors by attending conferences, mining personal contacts, and through Internet websites on which Integral reported its performance.

17. In mid-2000, Dickey and Seghers created an Internet website called integralinv.com to further their marketing efforts. Seghers and Dickey publicly offered limited partnership interests in the Funds through this website.

B. The Defendants Make Material Misrepresentations To Investors

1. The Defendants Fraudulently Overvalue Investors' Interests In The Funds

18. In late 1998, Seghers began transferring the Funds' assets to Bizri for investment. Bizri was to invest the assets pursuant to a hedging strategy that he had purportedly developed. In June 1999, Bizri opened an account under the name "Galileo Fund" at a Commission registered broker-dealer, Morgan Stanley

Dean Witter ("Morgan Stanley"), in order to invest the Funds' assets. Bizri was primarily responsible for trading this account. By June 2000, Seghers had transferred the vast majority of the Funds' assets to the Galileo Fund's account at Morgan Stanley.

19. In June 2000, Seghers hired a fund administrator, Olympia Capital Associates, L.P. ("Olympia"). From June 2000 through September 2001, Seghers provided Olympia with the purported values of the Funds' holdings each month in the form of spreadsheets called "Position Trackers." Seghers either knew or was severely reckless in not knowing that the purported values he provided to Olympia were false, that Olympia would use those purported values in preparing monthly account statements that would be distributed to investors in the Funds, and that Olympia would not independently verify those values in preparing the monthly statements. Olympia in fact did not verify the purported values provided by Seghers and explicitly stated to investors in each monthly statement that it had not verified the values which it provided to investors.

20. Olympia used the purported values provided by Seghers in determining each investor's ownership percentage of each Fund, each investor's share of expenses and net profits or losses, and the amounts of any investor redemptions. Olympia also used the values in reporting to the Funds' investors. Specifically, Olympia sent monthly and quarterly statements to the Funds' investors showing the purported value of, and the purported net earnings or losses from, their Fund investments.

21. From June through November 2000, Bizri held over 90% of the Funds' assets in the Galileo Fund's account at Morgan Stanley in cash or money market funds. There were no trades in this account from June 2000 until November 2000. On a monthly basis, from June through November 2000, Seghers caused Olympia to overstate to investors the value of their investments in the

Funds by material amounts of as much as approximately $8.5 million, or 38%, by providing Olympia with false values of the Funds' assets, which Olympia then used in calculating the Funds' month end values and reporting those values to investors, as set forth below:

Statement Date	False Value Seghers Provided To Olympia	Funds' Asset Value Reported To Investors	Funds' Actual Asset Value	Amount Seghers Overstated To Investors	Percent Over-stated
6/30/00	$31,053,474.00	$30,803,908.74	$22,334,733.83	$8,469,174.91	38%
7/31/00	$35,909,515.89	$35,798,145.28	$30,589,132.96	$5,209,012.32	17%
8/31/00	$39,916,107.20	$39,571,680.37	$34,252,256.61	$5,319,423.76	16%
9/30/00	$39,353,452.59	$39,324,430.97	$33,953,941.26	$5,370,489.71	16%
10/31/00	$35,652,460.45	$35,680,662.52	$29,885,476.69	$5,795,185.83	19%
11/30/00	$46,501,638.19	$46,448,585.52	$41,041,764.30	$5,406,821.22	13%

In the above chart, the "Statement Date" column sets forth the dates of the monthly statements Olympia sent to investors. The second column, "False Value Seghers Provided To Olympia," sets forth the Funds' collective purported value at month end as reported by Seghers to Olympia on spreadsheets Seghers' referred to as "Position Trackers," and as Seghers admits in his Sworn Response To Plaintiff's Statement Of Allegedly Undisputed Facts he filed with the Court on or about February 11, 2005. The third column, "Funds' Asset Value Reported to Investors," sets forth the Funds' month-end value calculated by Olympia using the false values provided by Seghers after Olympia calculated each investor's share of expenses and net profits or losses and the amounts of any investor redemptions. Olympia then calculated each investor's dollar interest in the fund and reported that amount to the investor in a monthly statement it sent to the investor. The fourth column, "Funds' Actual Asset Value" represents total month-end values of the Funds' assets. These funds and assets included the Funds' investments in one another and funds and assets held in the following accounts:

Galileo Fund's account at Morgan Stanley
Integral Hedging's account at Morgan Stanley
Integral Equity's account at Morgan Stanley
Integral Arbitrage's account at Morgan Stanley
Integral Equity's account at JB Oxford & Co.
Integral Hedging's account with Winchester Reserves Ltd. U.S. Dollar Money Market Fund, Winchester Fiduciary Services, Ltd., Hamilton , Bermuda ("Winchester)
Integral Arbitrage's account with Winchester
Integral Hedging's bank account at Comerica Bank - Texas (Dallas Branch)
GMNP's bank account at Comerica Bank - Texas (Dallas Branch)
GMNP's brokerage account at Comerica Bank - Texas (Dallas Branch)
Integral Equity's account at Dreyfus Brokerage Services
Bizri Capital Partners, Inc.'s account at Saul Stone & Co.
GMNP's account at National Discount Brokers
Bizri Capital Partners, Inc.'s account at Morgan Stanley

Because the Funds' actual assets were commingled, their combined value is determined on a monthly basis. The column "Amount Seghers Overstated To Investors" sets forth for each month the dollar difference between the aggregate value of the Funds as reported to investors (Column 3) and the actual value at month-end of the assets held by the Funds at brokerage firms and banks (Column 4). The final "Percent Overstated" column sets forth the amount Seghers overstated to investors (Column 5) divided by the Funds' Asset Value (Column 4).

22. For example, after June 30, 2000, Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $563,192; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $433,710; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $225,845. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of June 30, 2000, to

be overstated to investors by 38%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of June 30, 2000.

23. After July 31, 2000, Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $570,352; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $439,224; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $229,784. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of July 31, 2000, to be overstated to investors by 17%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of July 31, 2000.

24. After August 31, 2000, Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $578,078; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $445,174; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $334,505. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of August 31, 2000, to be overstated to investors by 16%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar

~~material overstatements of their investments as of August 31, 2000.~~

25. After September 30, 2000, Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $571,211; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $439,885; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $336,649. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of September 30, 2000, to be overstated to investors by 16%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of September 30, 2000.

26. After October 31, 2000, Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $575,685; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $443,330; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $339,629. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of October 31, 2000, to be overstated to investors by 19%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of October 31, 2000.

27. After November 30, 2000, Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in

Integral Hedging was $580,649; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $447,153; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $342,802. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of November 30, 2000, to be overstated to investors by 13%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of November 30, 2000.

28. In addition to Ronald L. Smith and Yankee Multi-Manager Fund, L.P., the following entities and individuals invested in Integral Hedging during the period from at least July 1999 through September 2001:

Pinnacle Option Fund, LP
Joseph A. Umbach
Citifund, LLC
Freda Gail Stern
Richard H. Gibson
John (Jack) P. Clement IV
Suharca Investments, LP, c/o Cark Skibell
Mary Alice Murphy
Allen Gold Development Co.-Profit Sharing Pension Plan-UA 8191
John and Beverly Bruder
Allen Weiss
A Wall Street Fund
Paul W. Warlick
Stanton Smith
Steve Aspis
Jay Dunitz
Marci Polier Living Trust
Jeff Schoenbaum Revocable Trust
Chase Manhattan Private Bank c/o Mr. Berman
First Regional Bank, Custodian FBO William F. Wheeler, Jr. IRA # 9342

Three JW Partnership, c/o Gursey, Schneider and Co. - Jesse Grossman
Qualifier Fund, LP
Coy D. Jones
Susan M. Schoenbaum Revocable Trust
Banque Nationale de Paris (Suisse) S.A.
Charles O'Neil
Tamarac Diversified Arbitrage Fund, LLC
Saba Ltd., LP, Attn. Jack Youdai
Greentree Investors, Attn. Kelley Williams
Indpt. Trust Co., FBO Patricia Keesler Trust #51835
Edward I. Lee Trust, c/o Robert Freeman
ZCM Asset Holding Company (Bermuda, Ltd., c/o Zurich Capital Markets)
Nomali, Inc. Employees 401(k) Plan
Alpine Fund I, LLLP
ZCM Asset Holding Company LLC - Mistral
Harding University
Magnum Low Volatility Fund LP
The Art Institute of Chicago -- Pension
The Art Institute of Chicago -- Endowment
Sovereign Assets LLC
Alpine Absolute Return Fund LLP

29. In addition to Triester International Trading Corp., the following entities and individuals invested in Integral Arbitrage during the period from at least July 1998 through September 2001:

William F. Wheeler, Jr.
Alpine Fund I, LLLP
Bank of Texas, Trustee
American Charitable Management Corp.
Tamarac Diversified Arbitrage Fund, LLC
Coy D. Jones
Nomali, Inc. Employees 401k plan
Harding University
Saba Ltd., LP, Attn. Jack Youdai
Jeff Schoenbaum Revocable Trust
3R Limited - 3R Strategic Class PTG
Suma Equities I, LLC
Sumnicht Money Masters Fund
Alpine Absolute Return Fund, LLLP
Charles O'Neil

OceanEdge Fund LP
Valeria Rizzo
John & Linda Evans
VCAM Master Fund LP
GBB Properties
Art Institute of Chicago -- Endowment
Art Institute of Chicago -- Pension

30. The following entities and individuals invested in Integral Equity during the period from at least July 1998 through September 2001:

Chad A. Buxton
Robert Kinchen
Jeffry F. Schoenbaum Revocable Trust
Intac Independent Technical Analysis Center, Ltd.

31. At or near the end of 2000, investor Ronald L. Smith met with Seghers and Dickey. Seghers reported that Integral Hedging had earned approximately 10-12% for the year. After this representation and his receipt of the above false monthly statements, and based on continuing representations by Seghers and Dickey that positions in Integral Hedging were hedged to provide downside protection, on or about January 8, 2001, Smith invested another $500,000 in Integral Hedging.

32. On or about November 30, 2000, The Art Institute of Chicago -- Pension invested $5,000,000 and The Art Institute of Chicago -- Endowment invested $10,000,000 in Integral Hedging. On January 16, 2001, the Art Institute of Chicago -- Endowment invested an additional $16 million in Integral Hedging.

33. In January 2001, Bizri discovered what he believed to be significant errors by Morgan Stanley in the Galileo Fund's accounts. These errors included positions in the account at incorrect prices, unauthorized trades, duplicative trades and margin calculation errors.

34. At or before the end of March 2001, Bizri told Seghers that Morgan Stanley's errors in the Galileo Fund's account prevented him from valuing the

account. Despite this knowledge, Seghers continued to provide purported values of the Funds' assets to Olympia, who then provided statements containing these values to investors. The statements to investors contained the following misrepresentations as to the value of their investments:

Statement Date	False Value Seghers Provided To Olympia	Funds' Asset Value Reported To Investors	Funds' Actual Asset Value Calculated Using Reports By Brokers And Banks	Actual Asset Value (Correcting For Morgan Stanley's Errors)	Amount Seghers Overstated To Investors	Percent Overstated
3/31/01	$69,838,270.88	$69,837,817.94	$60,039,724.55	$47,234,137.05	$22,603,680.89	48%
4/30/01	$69,181,529.37	$69,181,990.53	$57,164,081.70	$47,499,831.70	$21,682,158.83	46%
5/31/01	$71,555,922.66	$71,555,919.52	$38,948,100.82	$48,103,600.82	$23,452,318.70	49%
6/30/01	$70,886,748.34	$70,886,740.54	$41,303,631.85	$50,780,381.85	$20,106,358.69	40%

The sources for the numbers in the above chart are the same as those for the chart in ¶ 21 with two exceptions. First, the fourth column includes funds and assets held in an Integral Equity account with Winchester, in addition to the accounts listed in ¶ 21. Second, the additional column in this chart, "Actual Asset Value (Correcting For Morgan Stanley's Errors)," was calculated using corrected statements provided by Morgan Stanley to the Commission on or about April 28 and 30, 2003. The "Amount Seghers Overstated To Investors" is the difference between the Funds' Asset Value Reported To Investors and the Actual Asset Value. The "Percent Overstated" column sets forth the Amount Seghers Overstated divided by the Actual Asset Value.

35. For example, after March 31, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $22,830,329; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its

investment in Integral Hedging was $4,955,945; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $1,066,850; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $443,235; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $453,089. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of March 31, 2001, to be overstated to investors by 48%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of March 31, 2001.

36. After April 30, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $22,801,746; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $4,949,740; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $1,065,514; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $442,680; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $457,311. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of April 30, 2001, to be overstated to investors by 46%, each of the above statements to investors presented a material

overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of April 30, 2001.

37. After May 31, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $23,273,335; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $5,052,111; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $1,087,551; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $451,836; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $463,975. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of May 31, 2001, to be overstated to investors by 49%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of May 31, 2001.

38. After June 30, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $22,708,059; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging

was $4,929,403; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $1,061,136; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $440,861; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $464,999. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of June 30, 2001, to be overstated to investors by 40%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of June 30, 2001.

39. Seghers falsely represented to Laurence Platoni, Vice President of Olympia, in a telephone conversation during the summer of 2001 that the losses attributable to the alleged Morgan Stanley errors were included in the values he provided to Olympia.

40. By the end of March 2001, Dickey was aware that there were errors in the Galileo Fund's account that prevented Bizri from valuing the account. Dickey nevertheless tried to convince Bizri to continue to value the Galileo Fund account. Dickey also continued to offer and sell interests in the Funds throughout the relevant period.

41. After March 2001, Dickey continued to receive monthly statements from Olympia purporting to reflect his personal holdings in Integral Hedging and Integral Arbitrage. Therefore, Dickey was aware that someone was continuing to value the Funds even though Bizri had told him that the Galileo Fund account could not be valued.

42. From March through mid-July 2001, the Funds, through their

investment in the Galileo Fund, suffered realized and unrealized losses of over $10.4 million, or approximately 20% of the Funds' total assets as of June 30, 2001, from the Galileo Fund's trading in Nasdaq 100 options.

43. In late June 2001, Dickey met in Dallas, Texas at the office of Integral Hedging with Christoph E. Umscheid, a portfolio manager for Yankee Multi-Manager Fund, LP, a diversified fund which had invested $400,000 in Integral Hedging. Even though Dickey knew that errors prevented proper valuation of the Galileo Fund's account, he falsely represented to Umscheid that Integral Hedging's assets were valued based on the previous day's closing price, and that every position was hedged. Dickey further falsely represented that all of the trading was done "in-house," even though the trader, Bizri, was not, in fact, an Integral Hedging employee.

44. In July 2001, Seghers and Bizri transferred the Funds' assets in the Galileo Fund account to a second broker-dealer, Spear, Leeds & Kellogg ("Spear Leeds"). Bizri also opened a second account in the name of Galileo Fund Domestic, L.P. at Spear Leeds. Bizri traded in the Galileo Fund and Galileo Fund Domestic accounts at Spear Leeds pursuant to Seghers' instructions until sometime in September 2001, when he stopped trading in the accounts. From mid-July through September 2001, the accounts at Spear Leeds lost over $10.2 million, or approximately 22% of the Funds' total assets as of September 30, 2001. Seghers nevertheless continued to provide false valuations to Olympia, who consequently provided monthly statements to investors which falsely represented the following:

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Statement Date	False Value Seghers Provided To Olympia	Funds' Asset Value Reported To Investors	Funds' Actual Asset Value	Amount Seghers Overstated To Investors	Percent Overstated
7/31/01	$72,432,788.48	$72,523,134.47	$49,401,727.37	$23,121,407.10	47%
8/31/01	$60,561,568.90	$60,659,263.15	$34,230,438.92	$26,428,824.23	77%
9/30/01	$73,904,864.05	$73,852,329.40	$46,718,114.57	$27,134,214.83	58%

The sources for the numbers in the above chart are the same as those for the charts in ¶¶ 21 & 34 except that the fourth column includes funds and assets held in accounts at Spear Leeds in the names of Galileo Fund, Galileo Fund Domestic and Integral Equity and the Funds' investments in Insbridge, Inc., in addition to the accounts listed in ¶¶ 21 & 34 above.

45. For example, after July 31, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $22,519,624; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $4,888,498; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $1,052,331; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $437,203; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $466,137. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of July 31, 2001, to be overstated to investors by 47%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of

their investments as of July 31, 2001.

46. After August 31, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $21,963,531; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $4,767,782; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging was $1,026,345; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $426,406 and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $466,106. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of August 31, 2001, to be overstated to investors by 77%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of August 31, 2001.

47. After September 30, 2001, Olympia mailed to The Art Institute of Chicago -- Endowment and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $18,237,162; Olympia mailed to The Art Institute of Chicago -- Pension and its investment advisor, Kennedy Capital Advisors, Inc., a statement representing that as of that date the value of its investment in Integral Hedging was $3,958,873; Olympia mailed to investor Ronald L. Smith a statement representing that as of that date the value of his investment in Integral Hedging

was $852,214; Olympia mailed to investor Yankee Multi-Manager Fund, L.P. a statement representing that as of that date the value of its investment in Integral Hedging was $354,062; Olympia mailed to The Art Institute of Chicago -- Endowment a statement representing that as of that date the value of its investment in Integral Arbitrage was $19,682,907; Olympia mailed to The Art Institute of Chicago -- Pension a statement representing that as of that date the value of its investment in Integral Arbitrage was $2,480,363; and Olympia mailed to investor Triester International Trading Corp. a statement representing that the value of its investment in Integral Arbitrage was $458,407. Because Seghers, through Olympia, caused the aggregate amount of the Funds' assets as of September 30, 2001, to be overstated to investors by 58%, each of the above statements to investors presented a material overstatement of the value of their investment. The other investors in each of the three Funds received statements containing similar material overstatements of their investments as of September 30, 2001.

48. On or about September 4, 2001, Dickey falsely represented in a letter to Kristine Freitas, an audit manager employed by Deloitte & Touche LLP, the auditor for The Art Institute of Chicago, that there were no transaction results in Integral Hedging that had not been reported to The Art Institute and that no events had occurred subsequent to June 30, 2001, that would require a change in The Art Institute's financial statements, notwithstanding that Dickey knew that the erroneous broker-dealer account statements from Morgan Stanley prevented correct valuation of The Art Institute's investment.

2. <u>Seghers Makes False Representations Regarding Integral Arbitrage</u>

49. In June or July 2001, Seghers falsely told Kennedy Capital Advisers, Inc., the investment adviser to The Art Institute of Chicago, that Morgan Stanley's errors related only to Integral Hedging and had no impact on Integral Arbitrage.

50. Seghers' representation was false because as of December 31, 2000,

approximately 92% of Integral Arbitrage's assets were held in the Galileo Fund's account at Morgan Stanley, the account in which the errors occurred.

51. Subsequently, on or about September 4, 2001, based on Seghers' representation, The Art Institute of Chicago Endowment invested $20 million and the Art Institute of Chicago Pension Plan invested $2.5 million in Integral Arbitrage.

52. In addition, in September 2001, Seghers represented to at least one other potential investor, Christopher A. Zook, by e-mail that none of the broker-dealer's errors affected Integral Arbitrage. This statement was also materially false because a majority of Integral Arbitrage's assets were invested in the Galileo Fund account at Morgan Stanley.

3. The Defendants Falsely Represent That The Funds Have A "Prime Broker"

53. In 2000 and early 2001, each of the Funds' offering documents stated that Morgan Stanley, a prominent broker-dealer, was the Funds' "prime broker." In mid-2001, the Funds' offering documents stated that another prominent broker-dealer, Spear Leeds, was the Funds' prime broker.

54. In a prime brokerage relationship, the "prime broker" is a broker-dealer that clears and finances the customer trades executed by one or more other broker-dealers ("executing brokers") at the behest of the customer. The customer maintains its funds and securities in an account with the prime broker, and orders placed with the executing broker are effected through an account with the executing broker in the name of the prime broker for the benefit of the customer. In addition to core services, prime brokers may also provide a variety of other services, including capital introduction, customized reporting, risk management, advisory services, fund administration, valuation, and research.

55. Contrary to the representations in the offering documents, however, the Funds never had prime brokerage relationships with any brokerage firm which

provided any of the above services to the Funds. Rather, each of the Funds had a retail brokerage account with Morgan Stanley, and later Integral Equity had a retail brokerage account with Spear Leeds.

C. <u>Seghers And Dickey Profited From The Fraud</u>

56. Seghers received a percentage of all management fees and performance fees received by Integral as compensation for management and advisory services and for marketing efforts. For the period June 2000 through December 2001, Seghers received $952,895 in investor funds.

57. Dickey received a percentage of the management fees and performance fees only for investors to whom he successfully marketed the Funds. For the period June 2000 through December 2001, Dickey received $85,052 in investor funds.

D. <u>The Funds Collapse</u>

58. By letter dated October 23, 2001, Integral admitted to investors that Integral Hedging had likely lost over 90% of its value and suspended withdrawals. However, the letter falsely asserted that the losses were partly a result of events surrounding the World Trade Center tragedy on September 11, 2001. Olympia reported similar losses to investors on account statements for Integral Equity and Integral Hedging for the month ending September 30, 2001. Although Integral Arbitrage incurred similar losses, such losses were not reported to investors.

<u>FIRST CLAIM FOR RELIEF</u>

UNREGISTERED OFFER AND SALE OF SECURITIES

Violations of Sections 5(a) and 5(c) of the Securities Act
(Against Seghers and Dickey)

59. The Commission realleges and incorporates by reference ¶¶ 1 through 58 above.

60. Defendants Seghers and Dickey, and each of them, by engaging in the conduct described above, directly or indirectly, made use of means or instruments

of transportation or communication in interstate commerce or of the mails, to offer to sell or to sell securities, or to carry or cause such securities to be carried through the mails or in interstate commerce for the purpose of sale or for delivery after sale.

61. No registration statement has been filed with the Commission or has been in effect with respect to the offerings alleged herein.

62. By engaging in the conduct described above, each of the defendants violated, and unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) & 77e(c).

SECOND CLAIM FOR RELIEF

FRAUD IN THE OFFER OR SALE OF SECURITIES

Violations of Section 17(a) of the Securities Act (Against Seghers and Dickey)

63. The Commission realleges and incorporates by reference ¶¶ 1 through 58 above.

64. Defendants Seghers and Dickey, and each of them, by engaging in the conduct described above, directly or indirectly, in the offer or sale of securities by the use of means or instruments of transportation or communication in interstate commerce or by use of the mails:

a. with scienter, employed devices, schemes, or artifices to defraud;

b. obtained money or property by means of untrue statements of a material fact or by omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

c. engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

65. By engaging in the conduct described above, each of the defendants violated, and unless restrained and enjoined will continue to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

THIRD CLAIM FOR RELIEF

FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder (Against Seghers and Dickey)

66. The Commission realleges and incorporates by reference ¶¶ 1 through 58 above.

67. Defendants Seghers and Dickey, and each of them, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

a. employed devices, schemes, or artifices to defraud;

b. made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

c. engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

68. By engaging in the conduct described above, each of the defendants violated, and unless restrained and enjoined will continue to violate, Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

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FOURTH CLAIM FOR RELIEF

FRAUD BY AN INVESTMENT ADVISER

Violations of Section 206(1) and 206(2) of the Advisers Act (Against Seghers)

69. The Commission realleges and incorporates by reference ¶¶ 1 through 58 above.

70. Defendant Seghers, by engaging in the conduct described above, directly or indirectly, by use of the mails or means or instrumentalities of interstate commerce:

a. with scienter, employed devices, schemes, or artifices to defraud clients or prospective clients;

b. engaged in transactions, practices, or courses of business which operated as a fraud or deceit upon clients or prospective clients.

71. By engaging in the conduct described above, defendant Seghers violated, and unless restrained and enjoined will continue to violate, Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) & 80b-6(2).

FIFTH CLAIM FOR RELIEF

VIOLATIONS OF THE BROKER-DEALER REGISTRATION PROVISIONS

Violations of Section 15(a)(1) of the Exchange Act (Against Dickey)

72. The Commission realleges and incorporates by reference ¶¶ 1 through 58 above.

73. Defendant Dickey, by engaging in the conduct described above, directly or indirectly, made use of the mails or means or instrumentalities of interstate commerce to effect transactions in, or to induce or attempt to induce the purchase or sale of securities, without being registered as a broker or dealer in accordance with Section 15(b) of the Exchange Act, 15 U.S.C. § 78o(b).

74. By engaging in the conduct described above, defendant Dickey violated, ~~and unless restrained and enjoined will continue to violate,~~ Section 15(a)(1) of the Exchange Act, 15 U.S.C. § 78o(a)(1).

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court:

I.

Issue findings of fact and conclusions of law that the defendants committed the alleged violations.

II.

Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d), permanently enjoining each defendant and his agents, servants, employees and attorneys, and those persons in active concert or participation with any of them, who receive actual notice of the order by personal service or otherwise, and each of them, from violating Sections 5(a), 5(c) and 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder; enjoining Seghers from violating Sections 206(1) and 206(2) of the Advisers Act; and enjoining Dickey from violating Section 15(a)(1) of the Exchange Act.

III.

Order defendants Seghers and Dickey to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

IV.

Order defendants Seghers and Dickey to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), Section 21(d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3), and additionally order defendant Seghers to pay civil penalties under Section 209(e) of the Advisers Act, 15 U.S.C. § 80b-9(e)(1).

V.

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VI.

Grant such other and further relief as this Court may determine to be just and necessary.

DATED: March 7, 2005

Respectfully submitted,

By: ________________________

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CERTIFICATE OF SERVICE

I certify that I caused to be transmitted a copy of **PLAINTIFF'S FIRST AMENDED COMPLAINT** by U.S. Mail to the following counsel of record on March 7, 2005:

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