

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 26, 2006**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12433**

**In the Matter of**

**CONRAD P. SEGHERS,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
203(f) OF THE INVESTMENT ADVISERS  
ACT OF 1940 AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Conrad P. Seghers (“Respondent” or “Seghers”).

**II.**

After an investigation, the Division of Enforcement alleges that:

**A.     RESPONDENT**

1.       Seghers, age 38, resides in Garland, Texas. From June 2000 through September 2001, Seghers was acting as an unregistered investment adviser. He offered and sold interests in three hedge funds, Integral Equity, L.P., Integral Hedging, L.P. and Integral Arbitrage L.P. (collectively the “Funds”). He controlled the Funds through their general partner, Integral Investment Management, L.P. (“Integral”), which he co-founded and controlled, and Integral’s general partner, Integral Management, LLC, which he also founded and controlled.

**B.     ENTRY OF THE INJUNCTION**

2.       On September 14, 2006, a final judgment was entered against Seghers, permanently enjoining him from future violations of Sections 17(a) of the Securities Act of 1933, Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections

206(1) and 206(2) of the Advisers Act, in the civil action entitled Securities and Exchange Commission v. Conrad P. Seghers, et al., Civil Action Number 3:04-CV-1320-K, in the United States District Court for the Northern District of Texas.

3. On March 1, 2006, following trial, a jury returned a verdict in the Commission's favor, finding that Seghers had violated the above antifraud provisions. Subsequently, on September 14, 2006, the Court issued a Memorandum Opinion and Order in support of the above final judgment making findings of fact concerning the relief sought by the Commission and then awarded by the Court. The Court found, among other things, that from June 6, 2001, to September 30, 2001, Seghers caused overstatements of the Funds' value to investors of 47%-72%. The Court further found that Seghers acted knowingly or with extreme recklessness in making these misrepresentations.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

For the Commission, by its Secretary, pursuant to delegated authority.

Nancy M. Morris  
Secretary