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LOS ANGELES

BY: _____

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13 UNITED STATES DISTRICT COURT
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15 FOR THE CENTRAL DISTRICT OF CALIFORNIA
16
17 WESTERN DIVISION

18 SECURITIES AND EXCHANGE COMMISSION,

19 Plaintiff,

20 vs.

21 PATRICK L. ANTRIM, DAVID HUDSON III,
22 LORETTA ANTRIM and MICHAEL S.
23 WHITNEY,

24 Defendants.

Case No. SACV 98-535

GLT/EEK

COMPLAINT FOR SECURITIES LAW
VIOLATIONS

25 Plaintiff Securities and Exchange Commission (the "Commission")
26 alleges:

27 I. JURISDICTION

28 1. This Court has jurisdiction over this action pursuant to
Section 22(a) of the Securities Act of 1933 ("Securities Act") [15
U.S.C. § 77v(a)] and Sections 21(e) and 27 of the Securities
Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(e) and
78aa]. The defendants have, directly or indirectly, made use of the
means or instrumentalities of interstate commerce and/or of the
mails in connection with the securities transactions described in
this Complaint.

1 **II. SUMMARY**

2 2. This is an action for fraud in the offer and sale of
3 unregistered securities by defendants Patrick L. Antrim, David
4 Hudson III, Loretta Antrim and Michael S. Whitney (collectively
5 referred to herein as the "Defendants"). Between late 1995 and June
6 1997, the Defendants, through The Ostrich Group, Inc. ("Ostrich
7 Group"), raised approximately \$800,000 from 83 investors in several
8 states through the offer and sale of investment contracts for the
9 sale and boarding of ostrich breeder birds. The Defendants
10 represented that investor money would be used to purchase, board and
11 breed ostriches. However, they misused nearly all of the money.
12 Approximately \$532,000 was transferred to the Defendants and their
13 family members and more than \$250,000 was used for offering costs,
14 salaries and commissions and miscellaneous expenses, including car
15 repairs and dental bills. During the course of the offering no
16 ostrich services were provided and only two breeder birds were
17 purchased.

18 3. As a result of their conduct, the Defendants violated
19 Section 17(a) of the Securities Act, Sections 10(b) and 15(a)(1) of
20 the Exchange Act and Rule 10b-5 thereunder, and unless enjoined,
21 will continue to commit such violations. The Commission requests
22 that this Court permanently enjoin the Defendants from any further
23 violations of the securities laws and order the Defendants to
24 disgorge all benefits obtained by virtue of their illegal conduct,
25 together with prejudgment interest.

26 **III. THE DEFENDANTS**

27 4. Patrick L. Antrim ("P. Antrim") resides in Dana Point,
28 California. He is an officer, director and 50 percent shareholder

1 of Ostrich Group, and has never been registered with the Commission
2 as a broker or dealer or been associated with a registered broker or
3 dealer. In June 1993, the U.S. Postal Inspector issued a Cease and
4 Desist Order against P. Antrim prohibiting him from making
5 fraudulent representations regarding his ability to repair a
6 person's credit history. On December 17, 1996, the State of
7 California issued a Desist and Refrain Order against P. Antrim
8 prohibiting him from offering and selling unregistered securities
9 for the sale and boarding of ostriches.

10 5. David Hudson III ("Hudson") resides in Santa Ana,
11 California. Hudson is an officer, director and 50 percent
12 shareholder of Ostrich Group, and has never been registered with the
13 Commission as a broker or dealer or been associated with a
14 registered broker or dealer. On December 16, 1996, the State of
15 California issued a Desist and Refrain Order against Hudson
16 prohibiting him from offering and selling unregistered securities
17 for the sale and boarding of ostriches.

18 6. Loretta Antrim ("L. Antrim") resides in Irvine,
19 California. She is P. Antrim's mother and has represented herself
20 to be a Vice President of Ostrich Group. L. Antrim has never been
21 registered with the Commission as a broker or dealer or been
22 associated with a registered broker or dealer. L. Antrim was named
23 in both the U.S. Postal Inspector's Cease and Desist Order issued in
24 June 1993 and the California Desist and Refrain Order issued on
25 December 16, 1996.

26 7. Michael S. Whitney ("Whitney") resides in Mission Viejo,
27 California. Whitney is an Ostrich Group director and also served as
28 a consultant to Ostrich Group. Whitney has never been registered

1 with the Commission as a broker or dealer or been associated with a
2 registered broker or dealer.

3 **IV. RELATED ENTITY**

4 8. The Ostrich Group, Inc. is a Nevada corporation which was
5 incorporated in September 1996 and located in Irvine, California.
6 Prior to its incorporation, it was a partnership owned and operated
7 by P. Antrim and Hudson. Ostrich Group has never been registered
8 with the Commission as a broker or dealer.

9 **V. THE FRAUDULENT SCHEME**

10 **A. The Security**

11 9. In late 1995, Ostrich Group began offering investment
12 contracts for the sale and boarding of ostrich breeder birds to the
13 public. Ostrich Group offered and sold ostrich breeder pairs for
14 \$4,980 and ostrich breeder trios for \$7,500. Ostrich Group
15 represented that the ostriches it sold were "high quality,
16 guaranteed production birds."

17 10. As part of the investment, investors were required to sign
18 a one-year boarding agreement and bill of sale which required that
19 the investors' ostriches be kept at Ostrich Group's "ranch location"
20 and provided that Ostrich Group would board and maintain the
21 ostriches for a monthly fee of \$30 per bird. The boarding agreement
22 also provided that Ostrich Group would board and maintain any chicks
23 produced by investor-owned ostriches in return for 50 percent of the
24 chicks produced by these investor-owned ostriches. These boarding
25 agreements were prepared by P. Antrim and were signed by either P.
26 Antrim, Hudson or L. Antrim on behalf of Ostrich Group. In
27 connection with each investment, P. Antrim prepared and signed a
28 "Certificate of Ownership" purportedly identifying the ostriches

1 purchased by the investor, the sex of the birds, the country of
2 origin, and the registration numbers of the birds.

3 **B. The Offer And Sale Of The Security**

4 11. Ostrich Group solicited investors in several states
5 through radio and newspaper advertisements and infomercials.
6 Ostrich Group also purchased lead lists and directed its sales
7 agents to call and solicit the persons on these lists. Finally, the
8 investment was also promoted over the Internet. P. Antrim and
9 Hudson prepared all of the sales and Internet materials.

10 12. P. Antrim and Hudson supervised all of the Ostrich Group
11 sales agents and told them what representations to make to potential
12 investors. All of the Defendants spoke with potential investors and
13 sold the ostrich investments to investors.

14 13. Ostrich Group's offering materials emphasized the returns
15 investors would receive from the purchase of these investment
16 contracts. In particular, they highlighted an investor's ability to
17 make large profits from the sale of ostrich offspring to meat
18 processing plants. The materials included a chart of projected
19 income showing that an investment in an ostrich breeder pair could
20 yield a return of \$480,920 after eight years. The offering
21 materials also claimed that the ostrich industry would allow
22 investors to build "a tremendous future income for [their] heirs"
23 and that investors' ostrich operations would be "generating
24 substantial cash-flow revenues in a very short while."

25 14. Ostrich Group marketed its investment contract as
26 completely passive. It offered and sold ostrich breeder birds
27 together with boarding agreements, stating that "you own - we board,
28 sit back and watch your empire grow" and that the investment was "a

1 certified legitimate, tax deductible livestock investment - 100%
2 passive." Ostrich Group represented in its offering materials and
3 orally to investors that it would do all the work necessary to
4 market and sell investors' chicks in order to produce profits for
5 investors.

6 15. Additionally, Ostrich Group represented to each investor
7 that the investor was purchasing breeder birds and guaranteed that
8 each female ostrich breeder owned by the investor would "produce a
9 minimum of 20 eggs each full breeding season for not less than five
10 years, provided ostriches [were] boarded at The Ostrich Group's
11 facility." P. Antrim and Hudson directed Ostrich Group sales agents
12 to tell investors that if an investor's ostriches did not produce 20
13 eggs pursuant to this guarantee, Ostrich Group would give the
14 investor up to 20 ostrich eggs from its own supply.

15 16. P. Antrim and Hudson directed the offer and sale of the
16 investments through Ostrich Group. They prepared all of the
17 offering materials and other documents sent by Ostrich Group to
18 investors and controlled all aspects of Ostrich Group's business
19 throughout the period it operated. Both P. Antrim and Hudson,
20 however, knew that Ostrich Group had not purchased any ostriches and
21 was not providing any ostrich services.

22 17. Whitney participated in all aspects of Ostrich Group's
23 business. Moreover, between November 1996 and March 1997, Whitney
24 directed investors to send boarding fees to "The Whitney Group"
25 which was a name under which Whitney conducted business. During
26 that period, Whitney collected \$25,939 in "boarding fees" even
27 though he knew Ostrich Group had neither purchased nor boarded
28 ostriches. Whitney spent these funds on his own personal expenses.

1 **VI. MISREPRESENTATIONS AND OMISSIONS OF MATERIAL FACTS**

2 **A. Ostrich Group Misused Investor Funds**

3 18. From late 1995 to June 1997, Ostrich Group raised
4 approximately \$800,000 from the sale of investment contracts for
5 approximately 247 ostriches to 83 investors. P. Antrim, Hudson and
6 L. Antrim controlled the disposition of the funds raised by Ostrich
7 Group and signed various agreements, including bills of sale and
8 boarding agreements, on behalf of Ostrich Group with investors.
9 Investors in Ostrich Group were told that the funds raised in the
10 offering would be used by Ostrich Group to purchase, board and breed
11 ostriches. However, all of the Defendants misused nearly all of the
12 investor funds and purchased only two breeder ostriches.

13 19. Ostrich Group received approximately \$800,000 from
14 investors and used the funds as follows:

- 15 a) \$532,000 to the Defendants and to P. Antrim's wife
16 and children;
- 17 b) \$174,000 for offering costs;
- 18 c) \$75,000 for miscellaneous expenses, including, for
19 example, Internet services, car repairs, dental bills
20 and other expenses;
- 21 d) \$41,000 for salaries and commissions paid to Ostrich
22 Group employees and sales agents other than the
23 Defendants;
- 24 e) \$30,000 for business expenses including attorney and
25 accountant's fees, telephone and postage services,
26 office supplies and bank fees; and
- 27 f) \$13,743 for the purchase of 20 ostrich chicks in

28 *

1 November 1996 and two breeder ostriches in June 1997,
2 including boarding fees for these birds.

3 B. Ostrich Group Did Not Own Ostriches Or Provide Ostrich
4 Services

5 20. Ostrich Group collected investor funds from the purported
6 sale of approximately 247 breeder ostriches during its offering of
7 the ostrich investment program. However, Ostrich Group did not
8 purchase any breeder ostriches until the end of its offering, when
9 it purchased two breeder ostriches in June 1997.

10 21. All of the Defendants also made false representations to
11 investors about Ostrich Group's ability to provide boarding services
12 for its investors' birds, a key element of Ostrich Group's ostrich
13 investment program. Contrary to the representations made by all of
14 the Defendants, Ostrich Group did not own any ranch facilities and
15 did not have any agreements with any ranch facilities for the
16 boarding and care of investor ostriches except for two ostrich
17 breeders and 20 ostrich chicks purchased by Ostrich Group on behalf
18 of three investors.

19 22. All of the Defendants represented that Ostrich Group would
20 provide all services necessary to care for the investors' birds and
21 offspring and sell the offspring for the profit of the investors.
22 However, Ostrich Group did not have any contracts with any entities
23 to provide ostrich services. Additionally, Ostrich Group did not
24 conduct any breeding or other ostrich services and therefore could
25 not perform on its guarantee to its investors of 20 eggs per female
26 breeder per year.

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1 FIRST CLAIM

2 FRAUD IN THE OFFER OR SALE OF SECURITIES

3 Section 17(a) of the Securities Act

4 [15 U.S.C. §77q(a)]

5 (Against All Defendants)

6 23. Paragraphs 2 through 22 of this Complaint are realleged
7 and incorporated herein by reference.

8 24. The Defendants, and each of them, by engaging in the
9 conduct described in Paragraphs 2 through 22 above, directly or
10 indirectly, in the offer or sale of securities, by the use of means
11 or instruments of transportation or communication in interstate
12 commerce or by the use of the mails:

- 13 a) with scienter, employed devices, schemes, or
14 artifices to defraud;
- 15 b) obtained money or property by means of untrue
16 statements of material fact or by omitting to state
17 material facts necessary in order to make the
18 statements made, in the light of the circumstances
19 under which they were made, not misleading; or
- 20 c) engaged in transactions, practices, or courses of
21 business which operated or would operate as a fraud
22 or deceit upon the purchasers of such securities.

23 25. By reason of the foregoing, the Defendants, and each of
24 them, violated Section 17(a) of the Securities Act.

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III.

Order the Defendants to disgorge all benefits derived from the activities complained of herein and to pay prejudgment interest thereon.

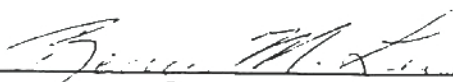
IV.

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.

V.

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

DATED: June 23, 1998



Renee M. Lee
Attorney for Plaintiff
Securities and Exchange Commission