

FILED
U.S. DISTRICT COURT
DISTRICT OF COLORADO
2000 SEP 28 AM 10:59

JAMES R. MANSPEAKER
CLERK

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No.

00-B-1921

DEP. CLK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- v. -

LEAH INDUSTRIES, INC., BIRTE BOOCK and
IRWIN BOOCK

Defendants.

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges the following against defendants Leah Industries, Inc. ("Leah"), Birte Boock ("B. Boock"), and Irwin Boock ("I. Boock"):

SUMMARY

1. During 1998, Leah, a corporation publicly traded on the Over-the-Counter Bulletin Board ("OTCBB"), made various material misrepresentations regarding its relationships with prominent international accounting firms.
2. Specifically, on or about December 10, 1998, B. Boock, Leah's Chief Executive Officer ("CEO"), and I. Boock, a controlling person of Leah, directed Leah to issue a press

release stating that Leah had engaged Deloitte & Touche (“D&T”) to serve as its auditor. On December 23, 1998, Leah issued a follow-up press release reporting earnings for the first nine months of 1998. This release further stated that D&T concurred with Leah’s reporting of earnings and with its decision to report such a conservative financial picture for its investors. These representations were false. D&T never served as Leah’s auditor.

3. Earlier in 1998, B. Boock had made a similar misrepresentation regarding PriceWaterhouseCoopers (“PWC”). During an investor conference call on August 20, 1998, B. Boock informed investors that the Moscow office of “Coopers” was conducting an audit of Leah’s books, and B. Boock expected Leah to be listed on the American Stock Exchange by the end of 1998 because by then, the “Coopers” audit of Leah would be completed. These statements were false. PWC never served as Leah’s auditor.

4. While Leah was disseminating this materially false information, I. Boock sold approximately 537,500 shares of Leah stock and obtained approximately \$319,050 in proceeds from these sales. Leah sold approximately 56,000 shares of Leah stock and obtained approximately \$30,724 in proceeds from these sales.

STATUTES AND RULES ALLEGED TO HAVE BEEN VIOLATED

5. Leah, directly or indirectly, has engaged, and unless enjoined will continue to engage, in violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5, 17 C.F.R. § 240.10b-5.

6. B. Boock, directly or indirectly, has engaged, and unless enjoined will continue to engage, in violations 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, 17 C.F.R. § 240.10b-5.

7. I. Boock, directly or indirectly, has engaged, and unless enjoined will continue to engage, in violations 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, 17 C.F.R. § 240.10b-5.

JURISDICTION AND VENUE

8. The Commission brings this action pursuant to authority conferred upon it by Sections 20(b) and 20(d) of the Securities Act, 15 U.S.C. §§ 77t(b) and 77t(d), and Sections 21(d) and 21(e) of the Exchange Act, 15 U.S.C. §§ 78(u)(d) and 78(u)(e), seeking to permanently enjoin the Defendants from engaging in the wrongful conduct alleged in this Complaint. The Commission also seeks a final judgment ordering Leah and I. Boock to disgorge their ill-gotten gains and to pay prejudgment interest thereon, and ordering I. Boock and B. Boock to pay civil money penalties.

9. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Sections 21(e) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(e) and 78aa.

10. Venue lies in this Court pursuant to Section 22(a) of the Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C. § 78aa. Certain of the transactions, acts, practices and courses of business occurred within the District of Colorado. For instance, Leah is a corporation incorporated in Colorado.

11. Defendants, directly and indirectly, singly and in concert, have made use of the means and instrumentalities of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails in connection with the transactions, acts, practices and courses of business alleged in this Complaint. These actions include, among other things, using the telephone to transmit materially misleading information concerning Leah.

THE DEFENDANTS

12. Leah is a Colorado corporation with its headquarters in Toronto, Ontario, Canada. Leah purports to be a producer of oil, as well as oil and gas equipment.

13. B. Boock was, at the time of the violations alleged herein, Leah's Chairperson of the Board and CEO. She is approximately 54 years old and resides in Toronto, Ontario, Canada.

14. I. Boock is B. Boock's husband. During 1998 and early 1999, I. Boock functioned as a controlling person of Leah. I. Boock is approximately 48 years old and resides in Toronto, Ontario, Canada.

FACTS

Leah Made Material Misrepresentations Concerning Its Relationship With D&T

The December 10, 1998 Press Release

15. On December 10, 1998, Leah issued a press release which stated, in relevant part, "Leah is also pleased to announce that it has engaged the international accounting firm of Deloitte and Touche (CIS) to perform an audit on its year end financial statements (December 31, 1998) and to assist Leah in accounting and other management services as the company continues to grow."

16. The information described in ¶¶ 2 and 15 above was false and misleading because Leah never engaged D&T to perform an audit, and D&T never provided any audit services for Leah.

17. B. Boock and I. Boock directed Leah to issue the misleading press release described in ¶¶ 2 and 15 above. On or before December 10, 1998, Leah's Secretary drafted the press release at the direction of I. Boock and B. Boock. On or before December 10, 1998, I. Boock sent Leah's Secretary a letter containing information to be used in the press release which stated, in relevant part, "Deloitte is in the process of the year end audit...." On or before December 10, 1998, B. Boock edited the press release and then approved its release.

The December 23, 1998 Press Release

18. On December 23, 1998, Leah issued a second press release concerning D&T. This press release announced purported earnings for Leah for the first nine months of 1998, and stated that the earnings "reflects the company's decision, along with their auditors,

Deloitte and Touche (CIS), to incur all the charges connected with the acquisition of SibMach [a Russian oil company] as well as other one time write-offs and write-downs....” The press release added, “[o]ur auditors, Deloitte and Touche concur with our decision to report the most conservative financial picture as we can for our investors....”

19. The information described in ¶ 18 above was false and misleading because D&T never served as Leah’s auditor and never concurred with any of Leah’s financial reporting decisions.

20. B. Boock and I. Boock directed Leah to issue the misleading information described in ¶ 18 above. On or before December 23, 1998, Leah’s Secretary drafted the December 23, 1998 press release at the direction of I. Boock and B. Boock. On or about December 22, 1998, I. Boock provided Leah’s Secretary with earnings information so that Leah’s Secretary could draft a press release. On or about December 22, 1998, B. Boock authorized Leah’s Secretary to disseminate this press release. B. Boock indicated her approval of the press release by writing, “Great. OK BB” on the final draft of the press release.

I. Boock Made Other Misrepresentations To Investors

21. On March 12, 1999, the Commission announced that it was suspending trading in the stock of Leah because of questions about the accuracy of information that Leah was disseminating, including information regarding Leah’s relationship with a national auditing firm.

22. On March 15, 1999, I. Boock reassured a Leah investor who was concerned about the trading suspension that D&T was, in fact, Leah’s auditor and that D&T had been impressed with Leah’s overseas operations.

23. On approximately March 18 and March 25, 1999, I. Boock informed another investor that D&T was Leah's auditor, D&T was working on an audit of Leah, and that D&T was impressed with Leah's operations in the former Soviet Union.

Leah Had Previously Made Material Misrepresentations Concerning Its Relationship With PWC

24. On August 20, 1998, Leah issued a press release stating, in relevant part, that its operations "remain extremely strong and that it sees no reason for the recent decline in the price of its stock." The press release announced that Leah's management would host a conference call later that same day, and gave instructions on how to participate.

25. Later on August 20, 1998, B. Boock hosted a conference call, during which she informed Leah investors that "Coopers" was conducting an audit of Leah. Specifically, B. Boock stated near the beginning of the call, "[w]e have engaged the largest accounting firm in the world to complete our audit.... There's a very real shortage of trained accountants in Russia and this slows the audit process. However, I might point out that we have staff accountants who are familiar with Western accounting and who are busy translating and restating Western numbers from Russian."

26. Later, during this conference call, in response to a question about how an investor could verify that "Coopers" was conducting an audit of Leah, B. Boock responded, "Well, you could contact Coopers in Moscow." In response to another question about where the audit was occurring geographically, B. Boock stated "It's predominately in Russia—If you've got Coopers in one place you have them all over."

27. The representations described in ¶¶ 3, 25 and 26 above were false and misleading, because Leah never engaged PWC to serve as its auditor, and PWC never conducted an audit of Leah.

Leah and I. Boock Obtained Ill-Gotten Gains

28. As a result of selling Leah securities while engaged in the fraudulent activities described in ¶¶ 2, 3, and 15-27 above, Leah and I. Boock obtained ill-gotten gains.

29. Between August 21, 1998 and March 11, 1999, I. Boock sold approximately 537,500 shares of Leah stock and obtained approximately \$319,050 in proceeds from these sales.

30. Between August 21, 1998 and March 11, 1999, Leah sold approximately 56,000 shares of Leah stock and obtained approximately \$30,724 in proceeds from these sales.

FIRST CLAIM FOR RELIEF

**Violations of Section 17(a) of the Securities Act and Section
10(b) of the Exchange Act, and Rule 10b-5 Thereunder
(Against Leah)
(Violations of Antifraud Provisions)**

31. The Commission realleges and incorporates paragraphs 1 through 30 by reference as if fully set forth herein.

32. Leah, directly and indirectly, singly and in concert, by use of the means or instruments of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in the offer or sale, and in connection with the purchase or sale of Leah securities: (a) employed devices, schemes and artifices to defraud; (b) obtained money by means of, and otherwise made, untrue statements of material fact, and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operated as a fraud or deceit upon other persons, including purchasers of Leah's securities.

33. Leah knew or was reckless in not knowing that each of the representations described in ¶¶ 2, 3, 15, 18, 22, 23, 25 and 26 were false and misleading.

34. The misrepresentations set forth in ¶¶ 2, 3, 15, 18, 22, 23, 25 and 26 were material.

35. By reason of the foregoing, Leah violated and, unless restrained and enjoined, will

again violate, 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, 17 C.F.R. § 240.10b-5.

SECOND CLAIM FOR RELIEF

**Violations of Section 17(a) of the Securities Act and Section
10(b) of the Exchange Act, and Rule 10b-5 Thereunder
(Against B. Boock)
(Violations of Antifraud Provisions)**

36. The Commission realleges and incorporates paragraphs 1 through 30 by reference as if fully set forth herein.

37. B. Boock, directly and indirectly, singly and in concert, by use of the means or instruments of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in the offer or sale, and in connection with the purchase or sale of Leah securities: (a) employed devices, schemes and artifices to defraud; (b) obtained money by means of, and otherwise made, untrue statements of material fact, and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operated as a fraud or deceit upon other persons, including purchasers of Leah's securities.

38. B. Boock knew or was reckless in not knowing that each of the representations described in ¶¶ 2, 3, 15, 18, 25, and 26 were false and misleading.

39. The misrepresentations set forth in ¶¶ 2, 3, 15, 18, 25, and 26 were material.

40. By reason of the foregoing, B. Boock violated and, unless restrained and enjoined, will again violate, 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, 17 C.F.R. § 240.10b-5.

THIRD CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act, and Rule 10b-5 Thereunder (Against I. Boock) (Violations of Antifraud Provisions)

41. The Commission realleges and incorporates paragraphs 1 through 30 by reference as if fully set forth herein.

42. I. Boock, directly and indirectly, singly and in concert, by use of the means or instruments of transportation or communication in, or the instrumentalities of, interstate commerce, or of the mails, in the offer or sale, and in connection with the purchase or sale of Leah securities: (a) employed devices, schemes and artifices to defraud; (b) obtained money by means of, and otherwise made, untrue statements of material fact, and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices and courses of business which operated as a fraud or deceit upon other persons, including purchasers of Leah's securities.

43. I. Boock knew or was reckless in not knowing that each of the representations described in ¶¶ 2, 3, 15, 18, 22, 23, 25 and 26 were false and misleading.

44. The misrepresentations set forth in ¶¶ 2, 3, 15, 18, 22, 23, 25 and 26 were material.

45. By reason of the foregoing, I. Boock violated and, unless restrained and enjoined, will again violate, 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, 17 C.F.R. § 240.10b-5.

PRAYER FOR RELIEF

WHEREFORE, plaintiff Commission respectfully requests that this Court issue:

I.

A Final Judgment permanently restraining and enjoining Defendants, their officers, agents, servants, employees, attorneys, 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 future violations 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, 17 C.F.R. § 240.10b-5.

II.

A Final Judgment requiring I. Boock and Leah to disgorge their ill-gotten gains from the fraudulent conduct alleged in this Complaint, and to pay prejudgment interest thereon.

III.

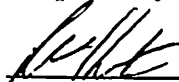
A Final Judgment imposing against I. Boock and B. Boock civil monetary penalties pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d), for the violations alleged herein.

IV.

An Order or Final Judgment granting such other and further relief as the Court deems appropriate.

Dated: September 21, 2000
New York, New York

Respectfully Submitted,



ROBERT KNUTS

Attorney For Plaintiff

U.S. SECURITIES AND EXCHANGE
COMMISSION

Seven World Trade Center -- 13th Floor
New York, New York 10048-1102
(212) 748-8192

Of Counsel:

Edwin H. Nordlinger
Wayne M. Carlin
Kay Lackey
A.J. Bosco
Christopher Buckley