

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION,**

Plaintiff,

v.

**VINCENT P. IANNAZZO and
MILTON P. STANSON,**

Defendants.

)
) **ECF Case**

)
) **No. 04-CV-02989 (MBM)**

)
) **First Amended
Complaint**

The Plaintiff, the United States Securities and Exchange Commission (the “SEC”), for its First Amended Complaint against Defendants Milton E. Stanson and Vincent P. Iannazzo (collectively, the “Defendants”), alleges as follows:

SUMMARY

1. From at least October 2000 through approximately April 2001, the Defendants engaged in a scheme to defraud and manipulate the public trading market for the stock issued by Emex Corporation (“Emex”). The purpose of Defendants’ scheme was to deceive the investing public as to the status of the energy technology being developed by Emex (an innovative gas-to-liquids (“GTL”) technology), the company’s natural resource exploration efforts, and the state of the company’s financial prospects and value, thereby artificially increasing the value of the company’s stock owned by the Defendants and the price at which the company could potentially sell stock to new investors. An increase in the company’s stock price would correspondingly increase the the company’s ability to

raise capital and also permit the release of shares owned by the Defendants that they had pledged as collateral for loans associated with Emex.

2. The Defendants carried out this scheme by, among other things, making and causing Emex to make materially false and/or misleading statements in press releases issued during the relevant period, on the company's Internet website, and in Emex's year 2000 Annual Report. The Defendants further omitted, and caused Emex to omit, material information from such public statements. These misrepresentations and omissions caused Emex's stock price to increase dramatically until certain of the Defendants' wrongful activities were discovered. At that point Emex's stock's value dropped precipitously.

3. Alternatively, in those instances, if any, where Defendants did not learn about the false and misleading public statements until after the statements had been released to the public, Defendants knew or were reckless in not knowing, once they learned of the statements, that the statements contained false and misleading material. Accordingly, Defendants had a duty to correct the statements, but failed to do so. These failures to correct were also fraudulent, and caused Emex's stock price to increase dramatically until certain of the Defendants' wrongful activities were discovered.

4. Ultimately, despite the Defendants' and Emex's claims, the company's GTL technology was never shown to be commercially viable and, to date, has not been commercially exploited in any manner. Rather, on December 31, 2002, Emex filed for Chapter 7 bankruptcy and all of its assets currently are in the process of liquidation.

5. As a result of the foregoing conduct, and as described in greater detail below, the Defendants directly or indirectly have engaged in transactions, acts, practices and courses

of business which constitute violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) [15 U.S.C. § 78j(b)], and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. In addition, the Defendants, directly or indirectly, have aided and abetted Emex’s violations of Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, and Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)], and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1].

JURISDICTION AND VENUE

6. The Court has jurisdiction over this action pursuant to Sections 21(d)(3), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and (e) and 78aa].
7. Venue properly lies in this District pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa] because certain acts or transactions constituting the violations occurred within this District.
8. In connection with the transactions, acts, practices, and courses of business alleged herein, Defendants, directly or indirectly, made use of the means and instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange.
9. Defendants, unless restrained and enjoined by this Court, will continue to engage in transactions, acts, practices, and courses of business as set forth in this Complaint or in similar illegal acts and practices. Thus, the Commission requests that the Court permanently enjoin Defendants from engaging in further violations of the securities laws, impose civil penalties upon them, and order them to pay disgorgement as well as prejudgment interest.

DEFENDANTS

10. Vincent P. Iannazzo is an individual who resides in Alpine, New Jersey. Iannazzo was a part owner of Emex and was a Director of the company from August 2000 until April 2002. He also chaired the Emex Executive Committee and referred to himself as Chairman of the Board. With his co-defendant Milton E. Stanson, he was responsible for the day-to-day operations of Emex. Although another individual, Walter Tyler, formally held the title of Emex president and CEO, Iannazzo was, in reality, the de facto president and CEO of Emex.

11. Milton E. Stanson is an individual who resides in New York, New York. Stanson was a part owner of Emex and was a Director, Vice President and Treasurer of the company from August 2000 until December 2002. With Iannazzo, Stanson was responsible for the day-to-day operations of Emex. Stanson formerly served as a Senior Vice President and Investment Account Executive at Gruntal & Co.

FACTS

A. Other Relevant Entities and Individuals

12. Emex Corporation is a Nevada corporation with no established operating business. At all times relevant to this action, Emex was headquartered in New York City, and had two main subsidiaries, Blue Star Sustainable Technologies Corporation (“Blue Star”) and North Star Exploration, Inc. (“North Star”). Blue Star, whose operations were located in Arvada, Colorado, claimed to be focused on developing innovative technologies for exploiting energy resources, in particular natural gas, while North Star claimed to be focused on mining gold and other metals and minerals. Emex’s stock was registered with

the Commission pursuant to section 12(g) of the Securities Exchange Act of 1934 until the Commission revoked the registration in November 2004.

13. David H. Peipers was an individual who resided in New York, New York, who died in April 2005. He was a director of Emex from August 2000 at least through December 2002. During the time period at issue in this case, Peipers beneficially owned approximately 47.5% of Emex, and his family was primarily responsible for funding the company. Peipers was not involved in the daily operations of Emex.

14. Nicholas Vanderborgh is an individual who resides in Colorado. He is a scientist with a specialty in energy technology and served as President of Blue Star from August 2000 at least through December 2002. Prior to joining Emex, for more than 20 years Vanderborgh worked at Los Alamos National Laboratory.

15. Walter Tyler is an individual who resides in Colorado. He is a geological engineer who, at relevant times, held the title of president and chief executive officer of Emex Corp.

B. Background

16. Throughout the 1990's Stanson, Iannazzo and Peipers were mutually involved in numerous investments – ranging from gold mining to hybrid tree farming – none of which ultimately proved profitable. Throughout their various business arrangements their *modus operandi* was that Peipers and his family, primarily his grandmother, supplied the investment funds while Stanson and Iannazzo provided the so-called “sweat equity.” The investment funds consisted primarily of bank loans secured by collateral posted by Peipers’ grandmother. Indeed, by mid-2000, the Peipers family had provided

collateral for approximately \$26 million in bank loans for various of the parties' investments.

17. In the late 1990's Iannazzo and Stanson decided to invest in GTL technology. The goal of this technology was to convert natural gas into diesel fuel as well as other marketable petroleum products using an ecologically clean process. To that end Stanson offered a job to Vanderborgh, who at the time was a scientist at Los Alamos National Laboratory, and an expert in the technology. By the fall of 1999 Vanderborgh was working full-time for Blue Star with a small staff of scientists and engineers, all located in Arvada, Colorado.

18. In early 1999, Stanson, Iannazzo and Peipers decided to acquire a public vehicle into which they could place the assets of, and thereby create liquidity for, certain of their investments. To that end they identified and contacted Hawks Industries, Inc. ("Hawks"), which at the time was essentially a public "shell" corporation that traded on the Nasdaq SmallCap Market.

19. Thereafter, on August 15, 2000 the parties closed a transaction wherein Peipers and his family on the one hand, and Stanson and Iannazzo on the other, each acquired approximately 47.5% of Hawks via a reverse merger. The remaining 5% of Hawks would be publicly held. Immediately after the closing the new owners merged Blue Star into Hawks. In February 2001 Hawks's name was changed to Emex Corporation.

C. Stanson, Iannazzo and Peipers Pledge their Emex Shares

20. In the fall of 2000 Stanson, Iannazzo and Peipers took an additional \$4 million bank loan to fund the cash portion of the Hawks purchase price. While Peipers' grandmother again supplied the bank with collateral to secure that loan, due to the fact that the family

had lost a considerable amount of money in other ventures with Stanson and Iannazzo she required the three partners also to pledge their Emex shares to the bank as additional security (the “Pledged Shares”).

21. In November 2000 Iannazzo and Peipers signed agreements pursuant to which Peipers would cause the bank to release Stanson and Iannazzo’s half of the Pledged Shares when certain conditions were met (the “Pledge Release Agreements”). Copies of the Pledge Release Agreements are attached hereto as Exhibit “A”. In essence, the Pledge Release Agreement provided that half of Stanson’s and Iannazzo’s shares would be released when the Pledged Shares’ market value reached \$250 million, and the remaining half would be released when the market value reached \$500 million. Pursuant to amendments executed by Peipers and Iannazzo, the Pledge Release Agreements were scheduled to expire at the end of 2001. Thus, after that date there would be no mechanism for release of the shares other than repayment of the \$4 million bank loan.

22. Shortly after Stanson and Iannazzo were required by Peipers’ family to pledge their Emex shares as security for bank loans, their relationship with Peipers began to deteriorate. Towards the end of 2000 the previously free-flowing stream of money from Peipers and his family was ending. Lacking that resource, the easiest way for Stanson and Iannazzo to obtain further investment funds was through hypothecation of their Emex shares, *i.e.*, by pledging their shares as collateral for additional loans.

23. In fact, this is exactly what they attempted to do. During the spring of 2001 Stanson and Iannazzo actively sought deals wherein they could use their shares to obtain additional loans. However, as long as their shares remained pledged as security for the outstanding \$4 million loan that funded in part the Hawks acquisition, there was no

chance that any such deal would come to fruition. The shares could only be released through operation of the Pledge Release Agreements, which would require an increase in Emex's share price. Given the fact that Emex's GTL technology was still in the developmental stage, and the Pledge Release Agreements were due to expire at the end of 2001, there was little chance that release of the Pledged Shares pursuant to the Pledge Release Agreements would be triggered through natural growth of the company.

D. The Scheme To Manipulate

24. Although Vanderborgh and his staff spent considerable effort attempting to develop Emex's GTL technology, Emex never successfully demonstrated its technology at any commercially viable production level. Rather, in the spring of 2001, Emex slowly was working toward completion of a two barrel-per-day GTL demonstration plant. As of mid-2001 Emex's experimental plant had run only intermittently for approximately one month before it failed. A year later, in 2002, Emex was still trying to demonstrate its two barrel-per-day test plant. Thus, as late as the fall of 2002, long after the events at issue in this case, Emex's technology remained at the developmental stage.

25. While Vanderborgh and his team were working toward building a two barrel-per-day experimental GTL plant, Stanson and Iannazzo were busy promoting Emex as an investment. Beginning in the fall of 2000 Stanson and Iannazzo sought to attract investors, and thus additional capital by implementing a plan to issue well-timed press releases touting Emex's purported accomplishments and future prospects.

26. Notwithstanding the fact that Emex had yet to successfully run its two barrel-per-day experimental plant, and thus did not have a product it could successfully market, in early 2001 Stanson and Iannazzo decided to seek financing to build a 2,500 barrel-per-

day commercial GTL plant consisting of five 500 barrel-per-day modules. To this end, Stanson asked an acquaintance of his at Credit Suisse First Boston (“CSFB”) to assist Emex in raising money for its proposed GTL plant.

27. Although representatives from CSFB met with Emex representatives including, among others, Iannazzo and Stanson on March 27, CSFB was neither interested in financing the Emex project, nor in attempting to raise money for Emex, and so informed the company. A CSFB broker, however, had previously provided Emex with a list of several small project finance firms, which might be interested in helping Emex, including Fieldstone, Inc (“Fieldstone”).

28. On March 27, 2001 Emex representatives, including Stanson and Iannazzo, met with representatives from Fieldstone.

29. During the March 27, 2001 meeting Fieldstone advised the Emex representatives that before it could hope to raise any capital for Emex, Emex would have to satisfy various conditions. Specifically, Emex would need to provide Fieldstone with copies of various contracts for the proposed plant, obtain market studies related to the pricing of the plant’s products, and an independent consultant’s report on future gas market prices. At the time of the Fieldstone meeting Emex had no contracts for the proposed plant and no market surveys. Indeed, Iannazzo knew, and Stanson either knew or was reckless in not knowing, that Emex was at least a year away from meeting the conditions set by Fieldstone.

30. Notwithstanding the fact that Emex would not be able to meet Fieldstone’s conditions, on April 4, 2001 Emex and Fieldstone executed a financing agreement pursuant to which Fieldstone agreed to use its diligent and good faith efforts to attempt to

raise up to \$100 million in non-recourse project financing for Emex in exchange for a non-refundable monthly retainer of \$20,000 and a success fee payable in the event capital was raised (the "Fieldstone Agreement"). A copy of the Fieldstone agreement is attached hereto as Exhibit "B". Ultimately, Emex neither satisfied the conditions necessary for Fieldstone to raise money. Fieldstone, for its part, never attempted to arrange any financing for Emex.

31. Emex, in fact, never sent Fieldstone any payments other than the first month's retainer. As a consequence, Emex was in default by the end of June 2001 and had already jeopardized what little chance it had of raising any funds under the Fieldstone agreement. This default was a material fact.

32. Iannazzo and Stanson knew, or were reckless in not knowing, that Emex had defaulted on the Fieldstone agreement.

33. Given Emex's earlier press releases and its Form 10-KSB touting the Fieldstone agreement, the company had a duty, and Iannazzo and Stanson specifically had a duty, to disclose Emex's default to the public. Emex, and Iannazzo and Stanson specifically, failed in that duty.

1. *Materially False and Misleading Press Releases In 2000*

34. Throughout the fall of 2000 Stanson and Iannazzo, who ran Emex's daily operations, were regularly informed by Vanderborgh via conversations, documents, and meetings that Emex's GTL technology still was in the developmental stage and was not yet commercially viable.

35. In addition, Stanson and Iannazzo were sent a report from Dr. Pedro van Meurs of Van Meurs & Associates Ltd., dated October 21, 2000 ("Van Meurs Report"), telling

them that their "cashflow and suggested economics" for the hoped-for, commercial-sized GTL plants were "excessively optimistic." Van Meurs was (and is) an internationally recognized oil and gas expert.

36. Notwithstanding this fact, in late 2000, Emex issued two press releases (together, the "Fall 2000 Releases") in which it made false and misleading statements regarding its proprietary GTL technology. The releases claimed, among other things, that Emex's technology was both superior to competing technologies and commercially viable. These statements were materially false and/or misleading.

37. Specifically, on October 20, 2000, Emex issued a press release titled *Hawks Industries Discusses Its Technology -- Makes Gas To Liquid Technology Economically Viable; One of the Most Efficient Gas Utilization Systems in the World*.

38. The title of the October 20 press release was materially false, and also failed to include additional material facts needed to prevent the release from misleading the public. Emex had not made the GTL technology "economically viable." To the contrary, on that date, only a bench-scale lab which produced only a few ounces of fuel per day – the fuel itself having never been tested in internal combustion engines – was operating.

39. The October 20 press release's claim that the Emex GTL technology was "one of the most efficient gas utilization systems in the world" was also false. The GTL technology was never efficient, and the company was never able to produce more than two barrels-per-day, and then only for limited time periods in 2001.

40. On November 15, 2000, Emex issued another press release titled *Hawks Industries Announces Revolutionary Advancement for Production of Clean Diesel Fuel* in which the company claimed that its technology would achieve substantial cost savings over

standard GTL processes and that initial shipments to end users were anticipated for the first quarter of 2001. Copies of each press release are attached hereto as Exhibits "C" and "D" respectively.

41. Stanson and Iannazzo drafted, reviewed and approved the Fall 2000 Releases prior to their publication and caused Emex to issue them.

42. In the alternative, even to the extent they did not draft, review and approve the Fall 2000 Releases, they each became aware of the releases, at a minimum, shortly after the releases were issued. Although both Stanson and Iannazzo had a duty to correct these false and misleading press releases, neither did so even though each knew or was reckless in not knowing that the press releases contained materially false and misleading information.

2. *Materially False and Misleading Public Statements in 2001*

43. On January 3, 2001, Emex issued a press release discussing the purported status of its mineral exploration in Alaska on lands belonging to a Native American corporation named Doyon Limited, Inc. A copy is attached as Exhibit Z hereto.

44. On January 5, Mr. James Mery, vice president of Doyon Limited, Inc., wrote a letter to Emex, with a copy to Defendant Iannazzo, stating that the January 3 press release was "particularly windy" and that it contained "hype." A copy of this letter is attached as Exhibit Y hereto.

45. In addition, Vanderborgh continued to inform Iannazzo and Stanson through the year 2001, via conversations, documents, and meetings that Emex's GTL technology still was in the developmental stage. Moreover, Vanderborgh never represented that the GTL technology was economically viable.

46. On February 20, 2001, Emex issued another press release. This press release included statements that the company was "completing plans to scale up the plant for commercial production by 2002," and that Emex was "the largest mineral developer in Alaska." A copy of this press release is attached as Exhibit X.

47. The foregoing statements in the February 20 Emex press release were materially false and misleading. The press release also failed to include additional material facts needed to prevent the release from misleading the public.

48. Specifically, there were no plans to commence commercial GTL production by 2002, nor any basis for the statement that Emex could do so; as Iannazzo and Stanson both knew or were reckless in not knowing, the company's technology remained in the experimental stage.

49. The statement that Emex was the largest mineral developer in Alaska was also materially false. Emex had never, and would never, develop any mineral claims. It did nothing but explore. Iannazzo and Stanson both knew, or were reckless in not knowing, that the claims about the state of Emex's mineral exploration in the February 20 press release were false.

50. Iannazzo and Stanson drafted, reviewed and approved the February 20, 2001 press release prior to publication and caused Emex to issue the release, and each knew or was reckless in not knowing that the above described statements were false and misleading.

51. In the alternative, even to the extent they did not draft, review and approve the February 20 release, they each became aware of the release, at a minimum, shortly after the release was issued. Although both Stanson and Iannazzo each had a duty to correct the false and misleading press release, neither did so even though each knew or was

reckless in not knowing that the press release contained materially false and misleading information.

52. In early spring of 2001, Emex issued three more press releases, on April 3, April 9 and April 24 respectively, in which it made materially false and misleading statements regarding its GTL technology, its financing agreement with Fieldstone, and the state of its mineral exploration and purported "development" (together, the "April 2001 Releases"). Copies of these press releases are attached hereto as Exhibits "E", "F" and "G" respectively.

53. Specifically, on April 3, 2001, the day before the Fieldstone Agreement was executed, Emex issued a press release titled *Emex Corp. Plans to Build Natural Gas Synthesis Plant, Negotiating \$100 Million Financing*. The text of the April 3 release guaranteed that Emex "will build" a 2500 barrel-per-day GTL plant, stated that Emex's "technology's greatest strength is its versatility," and further alleged that the company had "developed the means to take natural gas and produce several revenue streams, which will put Emex on the map in a diverse array of markets...."

54. Emex's claims in the April 3 release, however, were materially false and misleading, lacked a reasonable basis, and also failed to include additional material facts needed to prevent the release from misleading the public. The claim that Emex "will build" a commercial GTL plant lacked a reasonable basis in fact. As Stanson and Iannazzo well knew, the company's technology was still in the developmental stages and had never produced a single penny in revenues. Moreover, Emex had no concrete revenue prospects, no ready markets, and no contracts to sell its purported products, and therefore had no basis for stating that it had "revenue streams" which "will put Emex on

the map." Not even engineering plans or permitting efforts had been completed. Finally, funding had always been a problem for Emex, and lack of funding, as Iannazzo and Stanson knew, had slowed even the experimental development of the GTL technology.

55. Stanson and Iannazzo drafted, reviewed and approved the April 3, 2001 press release prior to publication and caused Emex to issue the release, and each knew or was reckless in not knowing that the release contained the false and misleading statements described above.

56. In the alternative, even to the extent they did not draft, review and approve the April 3 release, Iannazzo and Stanson each became aware of the release, at a minimum, shortly after it was issued. Although Stanson and Iannazzo each had a duty to correct this materially false and misleading press release, neither did so even though each knew or was reckless in not knowing that the press release contained materially false and misleading information.

57. On April 9, 2001, a few days after Emex signed the Fieldstone Agreement, the company issued a press release titled *Emex Corp. Accepts Proposal for Syndication of \$100 Million in Project Financing to Build Commercial Unit*. The first two paragraphs of that release provided as follows:

Emex Corp. (NASDAQ: EMEX) has accepted a proposal from a financial institution to arrange syndication of \$100 million in project financing to build the first of a series of commercial plants utilizing the firm's proprietary gas technologies, which will produce clean-burning diesel fuel, high-quality waxes, electricity, thermal energy, specialty chemicals and water. The deal was arranged through the efforts of Credit Suisse First Boston, and is contingent on feasibility studies and due diligence.

"This is a major milestone for the company. Our technology's potential has attracted significant capital, despite a relatively poor market

environment,” said Walter W. Tyler, EMEX CEO. “The time is right to develop a plant that can not only make clean burning fuels, specialty chemicals and industrial waxes, but can also generate surplus electricity, heat and water.”

58. The April 9, 2001 press release was materially false and misleading, and failed to include additional material facts needed to prevent the release from misleading the public. First, although the text of the release again implied that Emex’s GTL technology was commercially viable, the technology was still only in the developmental stage and never had been demonstrated to be viable on any commercial scale. Second, Emex misrepresented the nature of its financing agreement by implying that a \$100 million financing already had been obtained when, in fact, Fieldstone had not yet even attempted to raise any money for the company, and there was little chance that any money would in fact be raised under the agreement because of the many conditions Emex needed to first meet. The April 9 release was also misleading because it did not mention Fieldstone by name, and referred to it as a "financial institution" from which Emex accepted its financing proposal. Rather, the press release was purposefully worded in a false light that would lead an objective reader to think that CSFB, a much larger and well-known financier, was the "financial institution" from which Emex accepted the proposal. Next, instead of truthfully stating that the financing was non-recourse, the release averred that Emex instead backed its assets with its technologies, leading to the conclusion that the financing would be asset backed, or "recourse" financing. In addition, the April 9 press release reiterated the false claims about "developing significant precious metal projects," when the company had never gone beyond the exploration stage with any of these alleged "projects."

59. Stanson and Iannazzo drafted, reviewed and approved the April 9, 2001 press release prior to publication and caused Emex to issue the release, and each knew or was reckless in not knowing that the release contained the false and misleading statements described above.

60. In the alternative, even to the extent they did not draft, review and approve the April 9 release, Iannazzo and Stanson each became aware of the release, at a minimum, shortly after it was issued. Although Stanson and Iannazzo each had a duty to correct this false and misleading press release, neither did so even though each knew or was reckless in not knowing that the press release contained materially false and misleading information.

61. Emex continued its string of materially false and misleading public statements when, on April 24, 2001, Emex issued a press release titled "*Emex Corp. Hosts Scientific Community at Gas Synthesis Plant; Facility Tour Is Offshoot of DOE International Energy Conference in Boulder.*" The assertion that Emex was hosting a DOE conference was materially false; the energy conference was not run or sponsored by the federal government. The press release also again falsely implied that Fieldstone had assembled a consortium of investors to fund construction of the Emex 2500 barrel-per-day GTL plant, when in fact, it had not even commenced work because Emex had not fulfilled the many conditions precedent to that work. Finally, the press release falsely reiterated that Emex was "developing significant precious metal projects."

62. Dr. Vanderborgh, who hosted the actual tour, was not asked to review any drafts of that press release before it was issued. After the release was published, Dr. Vanderborgh obtained a copy, read it and promptly contacted Emex headquarters in New York. He

spoke to Stanson, informing Stanson that the press release was incorrect. Specifically, Dr. Vanderborgh told Stanson that the DOE had not held any energy conference in Boulder, and that attendees were from a private conference. Stanson responded with "it's close enough," and refused to correct the materially false and misleading release.

63. Stanson and Iannazzo drafted, reviewed and approved the April 24, 2001 press release prior to publication and caused Emex to issue the release, and each knew or was reckless in not knowing that the release contained the false and misleading statements described above.

64. In the alternative, even to the extent they did not draft, review and approve the April 24 release, Iannazzo and Stanson each became aware of the release, at a minimum, shortly after it was issued. Although Stanson and Iannazzo each had a duty to correct this false and misleading press release, neither did so even though each knew or was reckless in not knowing that the press release contained materially false and misleading information.

3. *Materially False or Misleading Year 2000 Annual Report*

65. On April 17, 2001, Emex filed its year 2000 Form 10-KSB with the Commission. The Form 10-KSB was misleading because it failed to disclose that Iannazzo and Stanson ran the company's day-to-day operations. Instead, it implied that Walter Tyler, who held the title of president and CEO, ran the company's day-to-day operations. In reality, Iannazzo and Stanson, and not Tyler, made all the chief day-to-day management decisions, including what bills to pay, what key personnel to hire and fire, how monies would be apportioned under company budgets, and, of course, when to issue press releases and what the press releases would say.

66. Emex's Form 10-KSB also falsely implied that Emex had a commercially viable technology, and that the company either had or imminently would have sufficient funds to build a commercial plant utilizing that technology.

67. Furthermore, the Form 10-KSB avers that Iannazzo obtained a Bachelor's degree and had attended law school in California. The statement that Iannazzo had earned a Bachelor's degree in college was itself false. Iannazzo never received a degree. A copy of Emex's Annual Report is attached hereto as Exhibit "H".

68. Iannazzo and Stanson each signed the Form 10-KSB.

69. Iannazzo and Stanson knew or were reckless in not knowing that the Form 10-KSB omitted material facts about their participation in management and that it falsely implied that Walter Tyler ran the day-to-day operations of the company.

70. Furthermore, Iannazzo knew or was reckless in not knowing that the Form 10-KSB falsely stated that Iannazzo held a college degree, when in fact he did not.

4. *False and Misleading Internet Postings on the Emex Website*

71. As of April 1, 2001, Emex had also posted materially false and misleading information on its Internet web page, located at www.emexcorp.com. Portions of this website are attached as Exhibit W hereto.

72. The website made numerous false and misleading statements, including but not limited to, the assertion that Emex's technologies brought "flexible, efficient and economic solutions for the production of energy, fuels and high-grade products"; that Emex was "a developer of natural resources, including minerals, metals, oil and gas"; that Emex had a "Partners Division"; that "years of development" had produced the "Blue Star Tripgen Plants" which Emex was "introducing"; and that the company had a "Blue

Star Integrated Home Energy System," which the website implied was ready for commercial sale and use.

73. Each of the foregoing statements on the Emex website was materially false or misleading. Emex had not developed "flexible, efficient and economic" GTL technology. Emex was not a developer of minerals, metals or oil, and its natural gas "development" was limited to small monetary contributions on two marginally producing natural gas wells. Emex did not have a "Partners Division." Emex did not have a GTL technology which was ready for sale, either in the form of a "Tripgen Plant" or an "Integrated Home Energy System."

74. Iannazzo and Stanson authorized the foregoing false and misleading statements to be placed and/or maintained on the Emex website, and each knew or was reckless in not knowing that the statements were false and misleading.

75. In the alternative, even if Iannazzo and Stanson did not authorize the false and misleading statements to be posted and maintained on the Emex website, they each knew or were reckless in not knowing that the false and misleading statements had been placed on the website. Although each had a duty to correct the false and misleading statements, each failed in this duty.

E. The Scheme Comes Undone

76. As a result of the false and misleading public announcements detailed above, Emex stock climbed from \$4.63 on February 20, 2001, to over \$13 per share in late March 2001, to \$29.26 on May 22, 2001.

77. On April 17, 2001, within a week of their scheme having successfully raised the price of Emex's shares to \$11.00, the trigger price for the release of half of their Pledged

Shares under the Pledge Release Agreements, Stanson and Iannazzo sent Peipers a letter asserting that the conditions for release of half of their Pledged Shares had been satisfied and requesting that Peipers cause those shares to be released. Iannazzo drafted the letter and Stanson signed it. A copy of that letter is attached hereto as Exhibit "I".

78. On May 23, 2001 Dow Jones published an article titled *In the Money: CSFB Denies Lending Link with EMEX*. A copy of the article is attached hereto as Exhibit "J". The article noted that Emex's stock had "skyrocketed more than 180% since the company announced in early April that it accepted a \$100 million project financing proposal that, according to the announcement, appeared to have been arranged by Credit Suisse First Boston." The story went on to state that CSFB had denied that it had signed any such deal with Emex and then questioned whether Emex had in fact raised any capital.

79. Trading in Emex stock was halted the day the Dow Jones story was published. When trading re-opened on May 30, 2001, Emex's stock price closed at \$16.98, a drop of 42% from its closing price on May 22, 2001. By the first week of June 2001 the stock price had dropped into the single digits, and from there continued to slide. Emex filed for Chapter 7 bankruptcy on December 31, 2002. In November 2004, the SEC revoked Emex's stock registration.

FIRST CLAIM

(Violations of 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])

80. Paragraphs 1 through 75 above are realleged and incorporated by reference herein.

81. As set forth more fully above, Defendants, directly or indirectly, by use of the means or instrumentalities of interstate commerce, or by the use of the mails and of the

facilities of a national securities exchange, knowingly and recklessly, in connection with the purchase or sale of securities, have: a) employed devices, schemes, or artifices to defraud; b) have made untrue statements of material facts or omitted material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and c) have engaged in acts, practices, or courses of business which operate or would operate as a fraud or deceit upon any person.

82. By reason of the foregoing, Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

SECOND CLAIM

(Aiding and Abetting Violations of 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])

83. Paragraphs 1 through 78 above are realleged and incorporated by reference herein.

84. By engaging in the conduct described above, Defendants knowingly and substantially aided and abetted Emex's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

THIRD CLAIM

(Aiding & Abetting Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-1 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-1])

85. Paragraphs 1 through 81 above are realleged and incorporated by reference herein.

86. By engaging in the conduct described above, Defendants knowingly and substantially caused Emex to file with the SEC a false and misleading annual report on Form 10-KSB.

87. By reason of the foregoing, Defendants aided and abetted Emex's violations of Section 13(a) of the Exchange Act, and Rules 12b-20 and 13a-1 thereunder.

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter an Order:

- A. Permanently enjoining Defendants from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, as well as from aiding and abetting future violations of Section 10(b) of the Exchange Act and Rule 10b-5;
- B. Permanently enjoining Defendants from aiding and abetting future violations of Sections 13(a) of the Exchange Act and Rules 12b-20 and 13a-1 thereunder;
- C. Directing Defendants to pay civil penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)];
- D. Pursuant to Section 21(d)(2) [15 U.S.C. § 78u(d)(2)] of the Exchange Act barring Defendants from serving as officers or directors of any public company;
- E. Requiring Defendants to disgorge any profits and gains realized as a result of their illegal conduct, with prejudgment interest; and

F. Granting such further relief as this Court may deem just and appropriate.

Dated: January 26, 2006.

SECURITIES AND EXCHANGE
COMMISSION,

By its Counsel

A handwritten signature in black ink, appearing to read "Donald N. Dowie", written over a horizontal line.

Donald N. Dowie (DD3576)
Securities and Exchange Commission
100 F Street NE
MS-4631
Washington, D.C. 20549
Telephone: (202) 551-4471
Facsimile: (202) 772-9245

CERTIFICATE OF SERVICE

I, Donald Dowie, hereby certify that on this 26th day of January, 2006, I caused copies of the foregoing **FIRST AMENDED COMPLAINT** to be served on the following, via First Class Mail:

Lawrence D. Ross, Esq.
Bressler, Amery & Ross, P.C.
17 State Street
New York, NY 10004

William J. Davis
Scheichet & Davis, P.C.
767 – 3d Ave., 24th Floor
New York, NY 10017



Donald N. Dowie (DD3576)
Securities and Exchange Commission
100 F Street NE
MS-4631
Washington, D.C. 20549
Telephone: (202) 551-4471
Facsimile: (202) 772-9245