

SEC NEWS DIGEST

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COMMISSION ANNOUNCEMENTS

SEC GRANTS EXTENSION OF TIME ON NASDAQ'S EXCHANGE REGISTRATION APPLICATION

On November 14, the Securities and Exchange Commission announced that it granted The Nasdaq Stock Market's request for an extension of time for the Commission to act on Nasdaq's application to register as a stock exchange, which was due to expire on November 14, 2001. Nasdaq requested an additional indefinite period of time in order to address the issues raised by the staff and in the 46 comment letters received to date. Annette L. Nazareth, Director of the Division of Market Regulation, stated: "Substantial progress has been made on the Nasdaq application. We are working closely with Nasdaq and hope to resolve the outstanding issues as expeditiously as possible." (Press Rel. 2001-135)

SEC ORDERS THREE COMPANIES TO CEASE MAKING FALSE ANTI-TERRORISM CLAIMS

The Securities and Exchange Commission announced today that it has ordered three publicly-traded companies to cease committing fraud in connection with their issuance of false press releases that sought to exploit the public's anxiety over bio terrorism.

In each case, the company consented to the order without admitting or denying the Commission's findings. The Commission found that two companies, Disease Sciences, Inc., of Boca Raton, Florida, and The Classica Group, Inc., of Lakewood, New Jersey, each had misrepresented that they had technologies capable of killing anthrax in mail and packages. In fact, neither company had a technology that had been tested or otherwise shown to be effective or economical for that purpose.

The Commission further found that a third company, R-Tec Technologies, Inc., of Flanders, New Jersey, had falsely claimed that it had "developed and patented" a "Chemical and Biological Alarm and Neutralization Defense system," or "C-BAND," which the company described as the "first mechanically operated system designed to protect civilians in every day life from biological and chemical terrorism attacks."

The Commission found, among other things, that R-Tec Technologies has not currently developed such a system, holds no patent on the C-BAND, and no prototype of the C-BAND has ever been tested.

“The conduct that led to these enforcement actions is reprehensible,” said SEC Enforcement Division Director, Stephen M. Cutler. “Any effort to profit by spreading false information that plays on people’s fear is unconscionable. Today’s enforcement actions make clear that the Commission will act in ‘real-time’ to sanction such conduct.”

The Commission’s Orders found that:

On October 16 and 17, 2001, **Disease Sciences** issued press releases concerning a purported remedy - High Pressure Pulse processing - for anthrax contamination of food, water and mail. Disease Sciences’ press releases, however, omitted to state that High Pressure Pulse had not been tested for, or shown to be practical or economical for the uses suggested in the Disease Sciences October 16 press release; and that Disease Sciences did not yet have a license to use High Pressure Pulse for any of the uses suggested in the October 16 press release.

On October 11 and 12, 2001, **Classica Group** issued press releases concerning the use of microwave technology to kill anthrax in packages and mail. The Classica Group press releases omitted to state that its microwave technology had not been tested for or shown to be practical, economical, or effective for killing anthrax in packages or in mail.

On September 24, 2001, **R-Tec Technologies** issued a press release that claimed that it had “developed and patented” a “Chemical and Biological Alarm and Neutralization Defense system,” or “C-BAND,” which the company described as the “first mechanically operated system designed to protect civilians in every day life from biological and chemical terrorism attacks.” The true facts were otherwise. For example, as R-Tec Technologies acknowledged in a November 7, 2001 press release: (i) a prototype of C-BAND has never been tested; (ii) R-Tec Technologies does not have any immediate plans for the production of C-BAND, and does not know if the system will ever be commercially available; (iii) R-Tec Technologies did not create any of the technologies it proposes to use in C-BAND; and (iv) R-Tec Technologies does not hold any patent for C-BAND.

The Orders issued today by the Commission order respondents to cease and desist from committing or causing any violation and any future violation of Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act), and Rule 10b-5 promulgated under the Exchange Act.

For further information, contact Linda Chatman Thomsen at (202) 942-4501 concerning Disease Sciences and Classica Group and Barry W. Rashkover at (646) 428-1856 concerning R-Tec Technologies. (Press Rel. 2001-136)

RULES AND RELATED MATTERS

PROPOSED AMENDMENTS ON CUSTODY OF INVESTMENT COMPANY ASSETS WITH U.S. SECURITIES DEPOSITORIES

The Commission today issued a release proposing amendments to Rule 17f-4 under the Investment Company Act. Rule 17f-4 permits registered investment companies (funds) to maintain assets with U.S. securities depositories. The proposed amendments are designed to update and simplify the rule in response to changes in business practices and commercial law that have occurred since the rule was adopted in 1978. If adopted, the amendments also would eliminate unnecessary restrictions in the rule, to reduce compliance burdens on funds without jeopardizing investor protections.

The Commission requests comments on the proposed amendments, including relevant data on costs and benefits of the amendments or any alternatives to the amendments. Comments on the proposed amendments to Rule 17f-4 must be submitted to the Commission by January 31, 2002. (Rel. IC-25266; File No. S7-22-01)

ENFORCEMENT PROCEEDINGS

ORDER INSTITUTING CEASE AND DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING A CEASE AND DESIST ORDER

On November 15, the Commission instituted public cease and desist proceedings, pursuant to Section 21C of the Securities and Exchange Act of 1934 (Exchange Act), against R-Tec Technologies, Inc. (R-Tec Technologies or Respondent), for its issuance of two false press releases that claim, among other things, that Respondent has developed a device to protect civilians from biological and chemical terrorism attacks. In fact, Respondent's device is at most an embryonic, unpatented, and untested concept that might never achieve commercial viability or even work. Without admitting or denying the Commission's findings, R-Tec Technologies has consented to an Order that R-Tec Technologies cease and desist from committing or causing any violation and any future violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Named in the Order is R-Tec Technologies, Inc., a Flanders, New Jersey, company, whose shares of common stock are quoted on the Over-the-Counter Bulletin Board. The Commission finds that, on September 24, 2001, R-Tec Technologies issued a press release that claimed, among other things, that R-Tec Technologies had "developed and patented the first mechanically operated system designed to protect civilians in every day life from biological and chemical terrorism attacks." The press release further stated that this system, which R-Tec Technologies had named the "Chemical & Biological Alarm &

Neutralization Defense system,” or “C-BAND system,” had “been in development for several years, but ha[d] only recently been elevated to the topic of interest by Government leaders,” that C-BAND “ha[d] been engineered to be an inexpensive but extremely effective method of alerting citizens that a biological or chemical agent has been released,” and that “once the system detects a harmful bio or chem-agent the C-BAND unit sets in motion a series of events that are designed to isolate and neutralize the harmful agents” by dispersing “an extremely safe but effective neutralizing and sanitizing agent.” On October 30, 2001, R-Tec Technologies issued a second press release that acknowledged that no patent on C-BAND existed, but maintained, among other things, that the company had “developed a biological and chemical detection system specifically designed for civilian use,” and that “the system includes several significant components on which the Company currently holds patents and upon which patents are pending.” These press releases contained misrepresentations or omissions of material fact in that, as R-Tec Technologies acknowledged in a November 7, 2001 press release: a prototype of the C-BAND system has never been tested; R-Tec Technologies does not have any immediate plans for the production of the C-BAND system, and does not know when or if the system will ever be commercially available; the C-BAND system has been in development only since August 2001, not “for several years;” R-Tec Technologies did not create any of the technologies it proposes to use in the C-BAND system; the proposed components of the C-BAND system are manufactured by other companies; R-Tec Technologies does not hold any patent for the C-BAND system; and R-Tec Technologies has not received any commitments from any government officials or agencies concerning the C-BAND system.

The Commission further finds that Respondent committed or caused the violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated under the Exchange Act. In its consent, R-Tec Technologies has agreed to issuance of an Order requiring Respondent to cease and desist from committing or causing a violation and any future violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. (Rel. 34-45055; File No. 3-10637)

PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 INSTITUTED AGAINST DISEASE SCIENCES, INC.

The Commission announced that cease and desist proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) were instituted today against Disease Sciences, Inc. The Commission Order finds that the company had issued materially misleading press releases in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Simultaneously with the institution of these proceedings, the Commission accepted the offer of settlement of Disease Sciences in which the company consented, without admitting or denying the Commission’s findings, to the issuance of the Order which directs the company to cease and desist from committing or causing any violation and any future violation of Section 10(b) and Rule 10b-5.

The Commission's Order finds that on October 16 and 17, 2001, Disease Sciences, headquartered in Boca Raton, Florida, issued press releases concerning the use of High Pressure Pulse processing to kill anthrax in food, water and mail. Disease Sciences' press releases, however, omitted to state that High Pressure Pulse processing had not been tested for or shown to be practical or economical for the uses suggested in the Disease Sciences October 16 press release; and Disease Sciences did not yet have a license to use High Pressure Pulse processing for any of the uses suggested in the October 16 press release. The Commission's Order finds that Disease Sciences knew, or was reckless in not knowing, that the statements in the press releases were false and misleading at the time they were made. Accordingly, the Commission's Order finds that Disease Sciences violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. (Rel. 34-45056; File No. 3-10638)

PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 INSTITUTED AGAINST THE CLASSICA GROUP, INC.

The Commission announced that cease and desist proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 (Exchange Act) were instituted today against The Classica Group, Inc. The Commission Order finds that the company issued materially misleading press releases in violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Simultaneously with the institution of these proceedings, the Commission accepted the offer of settlement of The Classica Group in which the company consented, without admitting or denying the Commission's findings, to the issuance of the Order which directs the company to cease and desist from committing or causing any violation and any future violation of Section 10(b) and Rule 10b-5.

The Commission's Order finds that on October 11 and 12, 2001, The Classica Group, headquartered in Lakewood, New Jersey, issued press releases concerning the use of microwave technology to kill anthrax in packages and mail. The Classica Group press releases omitted to state, however, that its microwave technology had not been tested for or shown to be practical, economical, or effective for killing anthrax in packages or in mail. The Commission's Order finds that The Classica Group knew, or was reckless in not knowing, that the statements in the press releases were false and misleading at the time they were made. Accordingly, the Commission's Order finds that The Classica Group violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. (Rel. 34-45057; File No. 3-10639)

COMMISSION OBTAINS EMERGENCY RELIEF AGAINST REPEAT VIOLATOR IN FRAUDULENT OIL AND GAS SCHEME

The Commission announced that on November 14 the Honorable Gary A. Feess, United States District Judge for the Central District of California, issued a temporary restraining order halting an ongoing \$1 million securities fraud by Texon Energy Corporation (Texon); Lonestar Petroleum Corporation (Lonestar); James E. Hammonds (Hammonds), age 60 of Inglewood, California and a recidivist securities violator; and

Barry V. Reed (Reed), age 56 of Las Vegas, Nevada. The Court: (1) granted the Commission's application for a temporary restraining order and receiver; (2) froze the assets of the defendants; (3) prohibited the destruction of documents by the defendants; (4) ordered accountings from the defendants; and (5) granted expedited discovery. A hearing on whether a preliminary injunction should be issued against the defendants is scheduled for November 21, 2001.

The Commission's complaint, filed yesterday, alleges that since 1998, the defendants have raised over \$1 million from investors, purportedly for investments in oil and gas wells, and promising investors a monthly dividend equal to 12% per year. In fact, the defendants are operating a Ponzi-like scheme in which they are making payments to existing investors with the money that they raise from new investors. As part of the defendants' sales pitch in September and October 2001, the defendants have tried to capitalize on the September 11th tragedy by telling elderly investors, that because of "the War," the demand and price of oil would increase and Texon is in a "good position" to benefit from all of this because it purchases domestic oil and gas wells.

Hammonds is the vice president of Lonestar and in some documents is identified as the vice president of Texon. In 1994, the Commission enjoined him for his part in a similar oil and gas fraud in which investors were also falsely promised a 12% return (SEC v. Southern California Securities, Inc., et al., CV-94-6156-HLH, C.D. Cal.; LR-14794). In 1996, he was barred from the securities industry (In the Matter of Raymond Charles Gross and James Eugene Hammonds, Exchange Act Release No. 34-36802).

The Commission obtained an order temporarily restraining the defendants from committing securities fraud in violation of Section 17(a) of the Securities Act of 1933 (Securities Act), Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act) and Rule 10b-5 thereunder. The Court's order also temporarily restrains the defendants from committing violations of the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act. In addition to the interim relief granted today, the Commission seeks a final judgment against the defendants enjoining them from future violations of the foregoing securities registration and antifraud provisions, and ordering the defendants to disgorge all ill-gotten gains, and assessing civil penalties against them. [SEC v. Texon Energy Corporation, et al., Civil Action No. CV-01-09706-LGB (MANx) (C.D. Cal.)] (LR-17231)

INVESTMENT COMPANY ACT RELEASES

WNC HOUSING TAX CREDIT FUND VI, L.P., SERIES 9 AND SERIES 10, AND WNC & ASSOCIATES, INC.

An order has been issued on an application filed by WNC Housing Tax Credit Fund VI, L.P., Series 9 and Series 10 (Series), and WNC & Associates, Inc. under Sections 6(c)
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and 6(e) of the Investment Company Act exempting each Series from all provisions of the Act, except Sections 37 through 53 of the Act and the rules under those sections. The order permits each Series to invest in limited partnerships that engage in the ownership and operation of apartment complexes for low and moderate income persons. (Rel. IC-25261 – November 13)

SELF-REGULATORY ORGANIZATIONS

WITHDRAWAL GRANTED

An order has been issued granting the application of DrugMax, Inc. to withdraw its Common Shares, \$.001 par value, from listing and registration on the Boston Stock Exchange, effective November 14, 2001. (Rel. 34-45051)

SECURITIES ACT REGISTRATIONS

The following registration statements have been filed with the SEC under the Securities Act of 1933. The reported information appears as follows: Form, Name, Address and Phone Number (if available) of the issuer of the security; Title and the number and/or face amount of the securities being offered; Name of the managing underwriter or depositor (if applicable); File number and date filed; Assigned Branch; and a designation if the statement is a New Issue.

Registration statements may be obtained in person or by writing to the Commission's Public Reference Branch at 450 Fifth Street, N.W., Washington, D.C. 20549 or at the following e-mail box address: <publicinfo@sec.gov>. In most cases, this information is also available on the Commission's website: <www.sec.gov>.

S-8 APPLIED IMAGING CORP, 2380 WALSH AVE BLDG B, SANTA CLARA, CA 95051
(408) 562-0250 - 950,000 (\$2,147,000) COMMON STOCK. (FILE 333-72970 -
NOV. 08) (BR. 5)

S-8 SUBURBAN PROPANE PARTNERS LP, P O BOX 206, 240 ROUTE 10 WEST,
WIPPANY,
NJ 07981 (973) 887-5300 - 530,729 (\$14,462,365) COMMON STOCK. (FILE
333-72972 - NOV. 08) (BR. 2)

S-8 MYRIAD GENETICS INC, 320 WAKARA WAY, SALT LAKE CITY, UT 84108 -
2,000,000 (\$91,320,000) COMMON STOCK. (FILE 333-72978 - NOV. 08) (BR.
1)

S-8 EXCELON CORP, 25 MALL RD, BURLINGTON, MA 01803 (617) 674-5000 -
4,500,000 (\$2,475,000) COMMON STOCK. (FILE 333-72980 - NOV. 08) (BR.
3)

S-4 TRANSCONTINENTAL GAS PIPE LINE CORP, 2800 POST OAK BLVD, P O BOX
1396,
HOUSTON, TX 77251 (713) 215-2000 - 300,000,000 (\$300,000,000)
STRAIGHT BONDS. (FILE 333-72982 - NOV. 08) (BR. 2)

S-4 AMERIGAS PARTNERS LP, 460 N GULPH RD, BOX 965, VALLEY FORGE, PA
19482
(610) 337-7000 - 60,200,000 (\$260,000,000) STRAIGHT BONDS. (FILE
333-72986 - NOV. 08) (BR. 2)

S-8 ALKERMES INC, 64 SIDNEY ST, CAMBRIDGE, MA 02139 (617) 494-0171 -
2,500,000 (\$63,350,000) COMMON STOCK. (FILE 333-72988 - NOV. 08) (BR.
1)

S-8 F2 BROADCAST NETWORK INC, 5495 MARION ST, DENVER, CO 80216
(303) 382-1500 - 184,104 (\$9,951,545) COMMON STOCK. (FILE 333-72994 -
NOV. 08) (BR. 5)

S-8 VERTICAL COMPUTER SYSTEMS INC, 6336 WILSHIRE BLVD, LOS ANGELES, CA
90048
(323) 658-4211 - 20,223,458 (\$623,981.51) COMMON STOCK. (FILE 333-
72996 -
NOV. 08) (BR. 9)

S-8 TELESERVICES INTERNET GROUP INC, 100 SECOND AVE SOUTH, STE 1000,
ST PETERSBURG, FL 33701 (727) 895-4410 - 30,000,000 (\$8,400,000)
COMMON STOCK. (FILE 333-73006 - NOV. 08) (BR. 8)

S-8 LOGICVISION INC, 101 METRO DRIVE 3RD FL, SAN JOSE, CA 95110
(408) 453-0146 - 250,000 (\$2,362,500) COMMON STOCK. (FILE 333-73008 -
NOV. 08) (BR. 3)

S-3 WHITE MOUNTAINS INSURANCE GROUP LTD, 80 SOUTH MAIN STREET, HANOVER,
NH
03755 (603) 643-1567 (FILE 333-73012 - NOV. 08) (BR. 1)

S-2 METROPOLITAN MORTGAGE & SECURITIES CO INC, 601 W. 1ST AVENUE,
DEPT 115000, SPOKANE, WA 99201 (509) 838-3111 - 6,000,000
(\$150,000,000)
PREFERRED STOCK. (FILE 333-73018 - NOV. 08) (BR. 7)

S-4 HEARX LTD, 1250 NORTHPOINT PARKWAY, WEST PALM BEACH, FL 33407
(561) 478-8770 - 19,000,000 (\$12,350,000) STRAIGHT BONDS. (FILE 333-
73022
- NOV. 08) (BR. 2)

S-3 LUMENON INNOVATIVE LIGHTWAVE TECHNOLOGY INC, 8851 TRANS CANADA
HIGHWAY,
VILLAGE SAINT LAURENT QC CANA, (514) 331-3738 - 5,843,988 (\$2,834,334)
COMMON STOCK. (FILE 333-73024 - NOV. 08) (BR. 6)