INVESTMENT COMPANY ACT OF 1940
Release No. 19754 / September 30, 1993

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 491 / September 30, 1993

ADMINISTRATIVE PROCEEDING
File No. 3-8194

In the Matter of	:	ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS
DANIEL D. WESTON	:	

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest to institute public administrative proceedings, pursuant to Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Daniel D. Weston ("Weston" or "Respondent"). In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement to the Commission, which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or in which the Commission is a party, and without admitting or denying the findings set forth, herein, except that Respondent admits the jurisdiction of the Commission over him and over the subject matter of this proceeding, Respondent consents to the entry of the findings and remedial sanctions set forth below.

Accordingly, IT IS ORDERED that proceedings pursuant to Section 9(b) of the Investment Company Act be, and hereby are, instituted.

II.

On the basis of this Order Instituting Public Administrative Proceedings Pursuant to Section 9(b) of the Investment Company Act of 1940, Making Findings and Imposing Remedial Sanctions ("Order") and Respondent's Offer of Settlement, the Commission makes the following findings: 1/

A. THE RESPONDENT

Daniel D. Weston ("Weston"), 68 years old, resides in Westlake Village, California. From the Company's inception in 1969 through December 1990, Weston served as Chairman of the Board of Directors and President of CCRS. On February 12, 1993, the United States District Court for the Central District of California permanently enjoined Weston from future violations or aiding and abetting violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 13(a) of the Securities Exchange Act of 1934, and Rules 10b-5, 12b-20, 13a-1 and 13a-13 thereunder, and Section 34(b) of the Investment Company Act. Weston consented, without admitting or denying any of the allegations contained in the complaint, except as to jurisdiction which was admitted, to the entry of the final judgment of permanent injunction. Securities and Exchange Commission v. Corporate Capital Resources, Inc., et. al., Civil Action No. 92-7001 WJR (JRx).

B. OTHER ENTITY INVOLVED

Corporate Capital Resources, Inc. ("CCRS"), was incorporated in Delaware in 1969 and had its principal place of business in Westlake Village, California. CCRS is registered as a Business Development Company ("BDC") under the Investment Company Act; its securities are registered with the Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act").

C. CCRS' FALSE AND MISLEADING ASSET VALUATIONS

For the periods ended September 30, 1988, through March 31, 1990 ("the relevant period"), CCRS issued false and misleading financial statements that materially overstated the value of its holdings in various portfolio companies ("investee companies"). 2/ Each overvaluation was material to CCRS' financial

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1/ Any findings contained herein are solely for the purpose of these proceedings and are not binding on any person or entity named as a respondent in any other proceedings.

2/ In the same cause of action discussed above, the U.S. District Court for the Central District of California also

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statements. They resulted in overstatements of net asset value ranging from 7% to 92%. These materially false and misleading financial statements were contained in the Company's periodic filings with the Commission and were used to sell securities to the public.

During the relevant period, Weston served as a member of the Valuation Committee and was one of the individuals responsible for setting the valuations of the investee companies. The following describes his conduct and the resulting violations of the federal securities laws.

In at least fourteen instances CCRS improperly claimed ownership in investee companies and/or improperly valued these assets. In four of the fourteen instances, CCRS did not even own the investee company shares listed as assets. In an additional two instances, CCRS had breached its obligations under the acquisition contract and therefore had no legally enforceable claim of ownership of the subject shares. In another four instances, CCRS could not claim ownership rights under the acquisition contract because as of the close of the accounting period, the contracts were executory. Inclusion of these shares as "holdings" by CCRS was improper under Generally Accepted Accounting Principles.

Regardless of whether CCRS' claim of ownership in its various holdings was supportable, CCRS' valuation "methods" were improper under the applicable accounting literature and the requirements of the Investment Company Act. CCRS did not value its investee company shares at what it could realistically expect to realize upon their current sale. Instead, CCRS used retail indications of interest appearing in the National Quotation Bureau pink sheets as "market quotes," multiplied them times the number of shares purportedly held and applied a haircut.

The resulting valuations were flawed. First, the pink sheet indications of interest were not firm as to any quantity, let alone the millions of shares owned by CCRS. Second, the method wholly ignored the underlying financial condition and business prospects of the investee companies. Most were unprofitable and/or insolvent. CCRS' valuation implied that these companies had total market values running into the millions of dollars.

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permanently enjoined defendants CCRS, Lloyd Blonder, R. Marvin Mears and Morris Lerner from future violations or aiding and abetting violations of Section 17(a) of the Securities Act of 1933, Sections 10(b) and 13(a) of the Securities Exchange Act of 1934, and Rule 10b-5, 12b-20, 13a-1 and 13a-13 thereunder, and Section 34(b) of the Investment Company Act.

The valuations were also suspect because on numerous occasions, CCRS "acquired" a holding and days later claimed it had a value several times the cost.

D. CCRS' FALSE AND MISLEADING NARRATIVE DISCLOSURE REGARDING THE VALUATION PROCESS

CCRS' periodic filings with the Commission were also false and misleading with respect to the narrative description of the valuation process. CCRS' "Portfolio Evaluation Policy" ("Valuation Policy") was adopted by the Company's Board of Directors and was contained in all of CCRS' filings with the Commission during the relevant period. CCRS' Valuation Policy called for the Company's Board of Directors to periodically value the Company's portfolio but noted that, in making its determinations, the Board could act on recommendations submitted by its Valuation Committee.

With regard to restricted securities, the Valuation Policy stated that valuations will be set "in such manner as reflects their fair value in the opinion of the Board of Directors acting in good faith." Several specific factors for determining fair value of restricted and freely-trading securities were identified. CCRS failed to follow its stated Valuation Policy.

Although CCRS' periodic filings set forth an elaborate and thoughtful method for valuing its portfolio, in practice, this valuation policy was all but ignored. In effect, CCRS' valuation process consisted of Weston setting the valuations of CCRS' holdings.

E. THE ROLE OF THE RESPONDENT

During the relevant period, Weston served as a Valuation Committee member as well as Chairman of the Board of Directors and CCRS' President. Acting alone, Weston drafted and interpreted CCRS' Valuation Policy.

On a quarterly basis, Weston would prepare an individual "Investee Company Valuation Review" ("Valuation Sheet") for each investee company. The Valuation Sheets indicated the number of shares CCRS owned, acquisition date, cost of acquisition, the purported "market quote" as of the last day of the quarter, stated fair value and the stated method used in arriving at the stated fair value. In theory, the Valuation Sheets were to be discussed at meetings of the Valuation Committee.

There was little discussion, however, among the Valuation Committee members regarding CCRS' valuations of investee company securities. The Valuation Committee did not hold any regular meetings or conduct any independent research to determine if the valuations Weston assigned to the holdings in individual investee

companies were in fact fair and reasonable. They did not review any documents such as pricing information or financial statements of the investee companies. They did not consider any of the other supposed criteria listed in CCRS' periodic reports. They did not examine "the proportion of the issuer's securities which are held by [CCRS] and the ability of [CCRS] to dispose of large blocks of securities in an orderly manner." They did not inquire as to the "price and extent of public trading in similar securities of the issuer or comparable companies." They did not ask for or review "special reports prepared by analysts" or "information as to any transactions or offers with respect to the security." They did not even meet to discuss the valuations prepared by Weston.

With only one exception, the Valuation Committee routinely approved the Valuation Sheets prepared by Weston. These were then sent to the remaining members of the Board of Directors for approval.

The remaining directors did not have any knowledge as to how the Valuation Committee valued CCRS' portfolio and no role in the valuation of CCRS' portfolio other than to approve the Valuation Committee's recommendations. They did not attend regular meetings held by the Board of Directors. They did not conduct any valuation inquiry and were not familiar with the method used in valuing investee companies in CCRS' portfolio. They did not review, nor did they ask to review, contracts, pricing information, stock certificates, or financial statements of the underlying investee companies. They did not consider the valuation criteria they claimed to be reviewing as outlined in CCRS' periodic reports with the Commission. Without exception, the Board of Directors routinely approved whatever Weston, as a member of the Valuation Committee, recommended and then signed CCRS' filings.

Weston knew that CCRS was listing investee company shares as assets even though no consideration had passed from CCRS to the investee companies. He knew that CCRS had listed as assets certain investee company shares when CCRS had previously breached the acquisition agreement. He knew that CCRS had also listed as assets, investee company shares in which the Company could not claim ownership rights because the acquisition contracts were executory. He knew that CCRS did not value its investee company shares at what it could realistically expect to realize upon their current sale. In fact, Weston knew that CCRS valued investee companies at amounts exceeding twenty times cost just days after they were acquired. He also knew that CCRS did not value its portfolio using the method set out in its periodic filings since he drafted CCRS' Valuation Policy.

Weston read and approved the draft filings, signed CCRS' reports as President and filed them with the Commission. He

signed the Forms N-2, 10-Ks, 10-Qs and amendments thereto.

In view of the foregoing, Respondent willfully:

1. violated Section 17(a) of the Securities Act of 1933;

2. violated Section 10(b) of the Securities and Exchange Act of 1934;

3. aided and abetted CCRS' violations of Section 13(a) of the Securities and Exchange Act of 1934 and Rules 12b-20, 13a-1 and 13a-13 thereunder; and

4. violated Section 34(b) of the Investment Company Act of 1940.

III.

Based upon the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions specified in the Respondent's Offer of Settlement.

Accordingly, IT IS HEREBY ORDERED that Respondent be, and he hereby is, barred from association with any broker, dealer, municipal securities dealer, investment adviser or investment company.

By the Commission.

Jonathan G. Katz
Secretary

INVESTMENT COMPANY ACT OF 1940
Release No. 19755 /September 30, 1993

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 492 /September 30, 1993

ADMINISTRATIVE PROCEEDING
File No. 3-8195

In the Matter of	:	ORDER INSTITUTING PUBLIC ADMINISTRATIVE PROCEEDINGS PURSUANT TO SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS
LLOYD BLONDER	:	

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest to institute public administrative proceedings, pursuant to Section 9(b) of the