

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

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 Lloyd Blonder ("Blonder" 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, Making Findings and Imposing Remedial Sanctions ("Order") and Respondent's Offer of Settlement, the Commission makes the following findings: 1/

A. THE RESPONDENT

Lloyd Blonder, 54 years old, is a resident of Agoura Hills, California. During the period September 30, 1988 to March 31, 1990 ("the relevant period"), Blonder was a director of Corporate Capital Resources, Inc. and served on its Valuation Committee. On April 23, 1993, the United States District Court for the Central District of California permanently enjoined Blonder 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. Blonder 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.

B. ENTITY INVOLVED

1. 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"). From the Company's inception through December 1990, Daniel Weston served as Chairman of the Board of Directors and President of CCRS.

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.

C. CCRS' FALSE AND MISLEADING ASSET VALUATIONS

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

overvaluation was material and 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, Blonder served as a director and Valuation Committee member of CCRS and was one of the individuals responsible for setting the valuations of the investee companies.

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' valuations implied that these companies had total market values running into the millions of dollars. The valuations were also suspect because on numerous occasions, CCRS "acquired" a holding and days later claimed it had a value several times cost.

2/ The U.S. District Court for the Central District of California permanently enjoined defendants CCRS, Daniel Weston, 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.

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.

In practice, Weston had sole control over the valuation of CCRS' portfolio. 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. The Valuation Committee did not review any documents such as contracts, pricing information or financial statements of the investee companies. With only one exception, the Valuation Committee routinely approved the Valuation Sheets prepared by Weston. These were then sent to each individual member of the Board of Directors for approval.

E. THE ROLE OF THE RESPONDENT

CCRS' registration statement and periodic reports held Blonder out as a Valuation Committee member who was responsible for substantially participating in the valuation process. He completely failed to do so. There were no regular meetings of the Valuation Committee, nor did CCRS or Weston supply any documents to aid in the Valuation Committee's determination of the fair value of CCRS' holdings in the investee companies. ^{3/} The Valuation Committee did not conduct any independent research to determine if the valuations Weston assigned to the holdings in individual investee companies were in fact fair and reasonable. Blonder never dissented from a valuation supplied to the Valuation Committee. Without exception, he merely approved whatever valuations Weston recommended. He then signed CCRS' filings.

Blonder knew that the narrative disclosure contained in CCRS' periodic filings was false and misleading. He knew that the Valuation Sheets contained essentially only the number of shares owned, the acquisition date and the cost. He knew that CCRS' periodic reports listed specific factors which were to be considered in valuing its securities, and that he had not considered these factors. For example, Blonder knew that he had not reviewed the financial statements of the portfolio companies. He knew that he was not examining "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." He knew that there was no inquiry made as to "the price and extent of public trading in similar securities of the issuer or comparable companies," as stated in CCRS' periodic reports and registration statement. He knew that he never asked for or reviewed "special reports prepared by analysts" or "information as to any transactions or offers with respect to the security," as further described in CCRS' filings with the Commission and in fact, that he did not even meet to discuss the valuations prepared by Weston.

Blonder also knew that the valuation figures were insupportable. Even with the limited information contained in the Valuation Sheets, Blonder knew that CCRS was acquiring holdings on one day and then valuing them at huge multiples days later. Nonetheless, Blonder approved the quarterly valuations which appeared in the Forms 10-Q, signed CCRS' reports on Form 10-K filed with the Commission and signed the registration statement used to sell CCRS' shares to the public.

^{3/} From time to time, Blonder received contracts relating to the acquisition of an investee company's shares but generally he approved Weston's proposed valuations based only on the Valuation Sheets.

In view of the foregoing, Respondent willfully:

1. aided and abetted CCRS' violation of Section 17(a) of the Securities Act of 1933;
2. aided and abetted CCRS' violations of Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder;
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. aided and abetted CCRS' violations of 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.

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