

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60238 / July 2, 2009

INVESTMENT COMPANY ACT OF 1940
Release No. 28809 / July 2, 2009

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3005 / July 2, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13537

In the Matter of

DAVID LLOYD PELLs,

Respondent.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 9(f) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(f) of the Investment Company Act of 1940 (“Company Act”) against David Lloyd Pells (“Pells” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934 and Section 9(f) of the Investment Company Act of 1940, Making Findings and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

RESPONDENT

1. David L. Pells, age 58, served in 2004 as president of a private Florida corporation called iWorld Projects & Systems, Inc. ("iWorld Florida"), and President and COO of iWorld Projects & Systems, Inc. ("iWorld") during 2005. During that time, Pells was also on iWorld's board and served as the chairman of its investment committee. He became iWorld's CEO after the prior CEO resigned and remained in that position until February 2008.

OTHER RELEVANT ENTITY

2. iWorld is a now-defunct closed-end management investment company that elected in December 2004 to be regulated as a business development company ("BDC") under Section 54 of the Company Act. iWorld has not filed periodic reports with the Commission since its third quarter 2005 Form 10-Q in November 2005. Its corporate charter was revoked by the Nevada Secretary of State on January 1, 2006 due to failure to pay franchise taxes. iWorld was in a voluntary Chapter 7 bankruptcy proceeding, but that case was closed because iWorld had no assets. iWorld's common stock is registered under Section 12(g) of the Exchange Act and is listed for quotation on the Pink OTC Markets.

FACTS

3. In May 2004, a business associate of Pells' formed iWorld Florida, a private Florida corporation. The business associate became iWorld Florida's CEO ("iWorld Florida's CEO") and Pells became the company's president and COO. iWorld Florida's CEO envisioned iWorld Florida as a holding company that would acquire operating companies and then be acquired by or merged with a publicly-traded company.

4. During the summer and fall of 2004, iWorld Florida purchased two operating companies in exchange for \$285,000 in working capital payments, \$200,000 in assumed liabilities, and 1.1 million shares of iWorld Florida common stock, which was not publicly traded. iWorld Florida did not obtain independent valuations of these operating companies or their assets.

5. iWorld Florida's CEO introduced Pells to the concept of a BDC and advocated it as a suitable vehicle for iWorld Florida's business. During late 2004, iWorld Florida's CEO orchestrated a series of transactions, including reverse mergers with public shell companies, that resulted in iWorld's creation as a publicly-traded BDC. Pells was unaware of the full extent to which iWorld Florida's CEO controlled iWorld's formation process.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

6. Shortly after iWorld's formation, it acquired iWorld Florida in a transaction that made iWorld Florida and its subsidiaries the sole portfolio companies of iWorld. As a result of that transaction, iWorld Florida's CEO became the CEO and CFO of iWorld and Pells became its president and COO.

7. Pursuant to Company Act Section 2(a)(41), a BDC's board of directors must determine in good faith the fair value of the BDC's portfolio securities for which market quotations are not readily available.² Under generally accepted accounting principles, the fair value of such securities is "the amount at which they could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale."³ Because there were no market quotations for the portfolio companies' shares, iWorld's board was required to determine in good faith the fair value of those shares each quarter when it prepared its quarterly reports under the Exchange Act.

8. iWorld's board did not conduct the requisite good-faith fair valuation of its portfolio companies. iWorld filed quarterly reports with the Commission on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005, each of which included the financial statements purporting to value iWorld's portfolio companies at \$10 million and forecasting portfolio company revenues in the tens of millions of dollars for 2005 and 2006. iWorld's second and third quarter filings further stated that the "the Company's Investment Committee [has] determine[ed] that the portfolio investments should be valued at \$10 million."

9. iWorld's investment committee had not conducted any valuation of iWorld's portfolio companies and iWorld did not have written records showing the companies were worth the stated \$10 million value. In fact, the portfolio companies had been purchased for much less than \$10 million, were losing money at the time they were purchased, and continued to rapidly lose money and repeatedly fall far short of projected revenues or earnings. Consequently, the representations that the portfolio companies were worth \$10 million, that they were expected to produce millions in revenues, and that iWorld had conducted the requisite valuation were all materially misleading.

10. Pells was aware that iWorld's portfolio companies were losing money. Although Pells did not sign iWorld's public filings or certify them pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, he reviewed them and certified them pursuant to Sarbanes-Oxley Act Section 906.

² See Section 59 of the Company Act (applying Section 2 of the Act, among others, to a BDC to the same extent as if it were a registered closed-end fund).

³ *AICPA Audit and Accounting Guide: Investment Companies*, Section 2.36. See also, Regulation S-X, Rule 1-01(a), under which Section 404.03.b.iv of the Commission's Codification of Financial Reporting Releases is made applicable to BDCs. Section 404.03.b.iv states, "As a general principle, the current 'fair value' of an issue of securities being valued by the Board of Directors would appear to be the amount which the owner might reasonably expect to receive for them upon their current sale." It further states, "To comply with Section 2(a)(41) of the Investment Company Act, it is incumbent upon the board of directors to satisfy themselves that all appropriate factors relevant to the value of securities for which market quotations are not readily available have been considered and to determine the method of arriving at the fair value of each such security."

11. By April 2006, iWorld's portfolio companies had effectively ceased operations, and iWorld had no revenues, significant assets or employees. At that point, Pells became iWorld's CEO and sole officer and he remained in that position until February 2008. During that period, the company failed to devise and maintain a system of internal accounting controls, and failed to make and keep books and records required of a BDC, including, among other things, ledgers of assets and liabilities. iWorld has not made required periodic reports on Forms 10-Q or 10-K since November 15, 2005, when it filed its third quarter 2005 Form 10-Q.

VIOLATIONS

12. As a result of Pells' foregoing conduct, iWorld violated and Pells caused iWorld's violations of Section 13(a) of the Exchange Act and Rules 13a-1, 13a-13 and 12b-20 thereunder, which require every issuer of a security registered pursuant to Section 12 of the Exchange Act file with the Commission information, documents, and annual and quarterly reports as the Commission may require, and mandate that periodic reports contain such further material information as may be necessary to make the required statements not misleading.

13. iWorld violated and Pells also caused iWorld's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, which require reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets, and require all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles.

14. Section 31(a) of the Company Act, made applicable to BDCs by Company Act Section 64, requires a BDC to make and keep current certain books and records as the Commission may require pursuant to rule and regulation. Rule 31a-1 under the Company Act sets forth the records a BDC must keep including, among other things, ledgers of all assets, liabilities, reserve capital, income and expense accounts reflecting account balances on each day, and corporate documents such as minutes from meetings of the BDC's shareholders and board of directors. iWorld violated and Pells also caused iWorld's violations of Section 31(a) of the Company Act and Rule 31a-1 thereunder.

VI.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Pells' Offer. Accordingly, pursuant to Section 21C of the Exchange Act and Section 9(f) of the Company Act it is hereby ORDERED that:

Respondent cease and desist from causing any violations and any future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 13a-1, 13a-13 and 12b-20 thereunder, and Section 31(a) of the Company Act and Rule 31a-1 thereunder.

By the Commission.

Elizabeth M. Murphy
Secretary