

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 61688 / March 11, 2010**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 29173 / March 11, 2010**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3120 / March 11, 2010**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13543**

**In the Matter of**

**ROBERT JOHN HIPPLE,**

**Respondent.**

**ORDER MAKING FINDINGS AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-AND-  
DESIST ORDER PURSUANT TO SECTION 21C OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
SECTIONS 9(b) AND 9(f) OF THE INVESTMENT  
COMPANY ACT OF 1940, AND RULE 102(e)(1) OF  
THE COMMISSION'S RULES OF PRACTICE**

**I.**

On July 9, 2009, the Securities and Exchange Commission ("Commission") instituted public administrative and cease-and-desist proceedings pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act"), and Rule 102(e)(1) of the Commission's Rules of Practice against Robert John Hipple ("Hipple" or "Respondent").

**II.**

In connection with these proceedings, Respondent Hipple 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, Hipple consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 21C of the Securities Exchange Act of 1934, Sections 9(b) and 9(f) of the Investment Company Act of 1940, and Rule 102(e)(1) of the Commission's Rules of practice ("Order"), as set forth below.

### III.

On the basis of this Order and Hipple's Offer, the Commission finds<sup>1</sup> that:

#### A. SUMMARY

Robert Hipple, a lawyer and the former CEO and CFO of now-defunct business development company ("BDC")<sup>2</sup> iWorld Projects & Systems, Inc. ("iWorld"), overstated the value of iWorld's primary asset – its investment in several portfolio companies – in three consecutive quarterly filings in 2005. Hipple, who personally performed iWorld's accounting and financial reporting functions, also misled iWorld's auditors into believing that the company had independently evaluated the worth of its portfolio companies. As a result of his conduct, Hipple i) violated the antifraud provisions of the Exchange Act, filed false Sarbanes-Oxley executive certifications, misled iWorld's auditors, falsified books and records, and knowingly circumvented internal controls; ii) violated Section 57(a)(1) of the Investment Company Act; and iii) aided and abetted and caused iWorld's violations of the reporting, books and records, and internal controls provisions of the Exchange Act, and iWorld's violations of the BDC books and records provision of the Investment Company Act.

#### B. RESPONDENT

**Robert John Hipple**, age 64, resides in Cocoa, Florida. He is an attorney licensed in Florida and Georgia. Hipple and an associate controlled the management and operations of iWorld Projects and Systems, Inc. ("iWorld Florida"), a private Florida company, when it was acquired in early 2005 by iWorld Projects & Systems, Inc. ("iWorld"), a business development company. At the time, Hipple was the CEO of iWorld Florida. After the acquisition, Hipple formally became iWorld's CEO and remained in that position until he resigned in March 2006. He also acted as iWorld's principal financial officer.

#### C. RELEVANT ENTITIES

**iWorld Projects and Systems, Inc.** ("iWorld") is a BDC that, during all relevant periods, was incorporated in Nevada and headquartered in Addison, Texas. iWorld has not filed a periodic report with the Commission since it filed its third quarter 2005 Form 10-Q in November 2005. The Nevada Secretary of State revoked iWorld's corporate charter on January 1, 2006 for failure to pay franchise taxes. iWorld filed for voluntary Chapter 7 bankruptcy in May 2008. In March 2009, the bankruptcy court closed the case because iWorld had no assets.

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<sup>1</sup> 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.

<sup>2</sup> A BDC is a closed-end investment company authorized by Congress for the purpose of making capital more readily available to certain types of companies. Under the Investment Company Act, a closed-end company meeting certain eligibility criteria may elect to be regulated as a BDC by filing a notification with the Commission on Form N-54A. A company filing such a notification is regulated under Sections 55 through 65 of the Investment Company Act. These sections set forth rules governing the investments BDCs may make, transactions BDCs may enter into, and the governance of BDCs, as well as various other rules governing BDCs.

On August 14, 2009, the Commission, pursuant to Section 12(j) of the Exchange Act, revoked the registration of each class of iWorld's registered securities.

**iWorld Florida** was, prior to its acquisition by iWorld, a privately-held Florida corporation formed by Hipple in May 2004. iWorld Florida was dissolved on September 15, 2006.

## **D. FACTS**

### **1. Hipple Postures iWorld Florida for Acquisition by iWorld as BDC**

a. Shortly after forming iWorld Florida in May 2004, Hipple and others caused it to acquire two small private companies in the project management services industry: Applied Management Concepts, Inc. ("AMC") and Process Integrity, Inc. ("PII") (together, "the subsidiaries"). iWorld Florida acquired the subsidiaries for a total of \$285,000 in working capital payments, \$200,000 in assumed liabilities, and 1.1 million shares of iWorld Florida common stock. This stock was not publicly traded and had no readily ascertainable market value.

b. When iWorld Florida acquired the subsidiaries, AMC had no operations, while PII had only limited revenues from sales of its only product, a piece of project management software. Specifically, during the six months before the acquisition, PII had total revenues of \$89,000 and was not profitable. Hipple knew these facts at the time.

c. Notwithstanding the subsidiaries' poor performance and negligible operations, Hipple accepted and adopted the financial forecasts presented to him. According to those forecasts, AMC and PII would generate \$2.4 million in revenue in the six-month period after their acquisition by iWorld Florida, and would generate in 2005 a total of \$5.5 million in revenue. Hipple had no objective information in his possession to support these forecasts.

d. In December 2004, Hipple initiated and directed a series of transactions to form iWorld. He first obtained two public, blank-check shell companies, Silesia Enterprises, Inc. ("Silesia") and Organic Solutions, Inc. ("Organic"). He then caused Silesia to file a Form N-54 election to become a BDC.

e. Hipple then directed and caused Silesia's merger into Organic. Among other things, Hipple caused Organic to issue convertible preferred shares to four of his designees, including his wife and a college-aged employee of one of his business partners. Hipple oversaw the conversion of the designee's preferred shares into common shares – which gave them control over Organic – and the voting of those shares to approve actions related to merging Organic with Silesia, with Organic as the surviving corporation. At the conclusion of these transactions, Hipple effectively controlled the post-merger company (a BDC), which, as part of the merger, changed its name to iWorld. Hipple thereafter obtained a new CUSIP number and trading symbol for iWorld's common shares so they could be publicly traded.

2. **Hipple Causes iWorld to Acquire iWorld Florida and Prepares False Filings Overstating iWorld Florida's Value**

a. On February 25, 2005, iWorld filed a current report on Form 8-K announcing that it had agreed to acquire iWorld Florida through a merger. Hipple drafted the filing and caused it to be filed. The Form 8-K stated that the transaction was “valued at \$10 million, based on the number of shares issued, the market price of the shares, and the assets and businesses acquired.” It then described iWorld Florida and the subsidiaries’ business, concluding that “combined revenues from [iWorld Florida’s] subsidiaries . . . for 2005 are expected to be in the range of \$25 to \$30 million, provided sufficient working capital is obtained.”

b. The purported \$10 million valuation was materially false and misleading. Among other things, the Form 8-K failed to disclose that Hipple controlled both iWorld and iWorld Florida at the time of their merger. Consequently, and contrary to the Form 8-K’s description of the transaction, the merger did not involve arms-length negotiation and was in fact a related-party transaction. Furthermore, the Form 8-K failed to disclose that, because Hipple controlled both sides of the transaction, he was able to reverse-engineer the number of shares exchanged between iWorld and iWorld Florida to lend legitimacy to the \$10 million figure. In addition, there was no disclosure that iWorld Florida’s sole asset – its investments in the subsidiaries – had been acquired during the summer of 2004 for only \$285,000 cash, \$200,000 in assumed liabilities, and 1.1 million shares of iWorld Florida’s non-public stock – consideration that was worth, at best, only a fraction of \$10 million.

c. The Form 8-K’s representations about the subsidiaries’ prospects were also materially false and misleading, since they were wholly speculative and unsupported. As noted above, at the time iWorld Florida acquired them in the summer of 2004, PII and AMC had generated meager revenues over the preceding six months. Their performance after their acquisition by iWorld Florida was no better; indeed, as Hipple knew from internal company reports he received, PII and AMC consistently fell far short of their forecasted performance. Accordingly, Hipple knew or recklessly disregarded that the Form 8-K’s assertions of subsidiary revenues of \$25 million to \$30 million were baseless.

3. **Hipple Prepares and Certifies iWorld’s False Quarterly Filings**

a. After iWorld acquired iWorld Florida, Hipple became iWorld’s Chairman, CEO and CFO and performed the company’s accounting and financial reporting functions. In this capacity, he maintained iWorld’s books and records, was responsible for its system of internal controls, and drafted and filed with the Commission its periodic reports.

b. In 2005, iWorld filed three quarterly reports on Forms 10-Q: on May 20, 2005, August 12, 2005 and November 15, 2005. Hipple prepared, signed and certified each of the filings.

c. Each of these quarterly reports contained financial statements and other disclosures representing that the subsidiaries (AMC and PII) – including two additional start-up

operating companies iWorld had acquired – were valued at \$10 million. These subsidiaries – which the quarterly reports referred to as “portfolio companies” – comprised, as reported in the quarterly reports, approximately 96% of iWorld’s total assets.

d. The reported \$10 million valuation was materially false and misleading. As described above, iWorld’s initial valuation of the subsidiaries at \$10 million was itself false and misleading since it was not the product of arms-length negotiation, was far in excess of what iWorld Florida had paid to acquire the subsidiaries roughly six months earlier, and was unsupported by the subsidiaries’ poor financial performance. None of these circumstances had changed by the time Hipple prepared and filed the quarterly reports. To the contrary, he had continually received information, including reports from the subsidiaries, demonstrating that their performance was deteriorating. For instance, by the time iWorld filed the first quarter Form 10-Q on May 20, 2005, Hipple knew from internal reports that all of the subsidiaries had continued to fall far short of internal projections, with some subsidiaries producing no revenues whatsoever. He also knew that iWorld’s working capital – which was critical to the subsidiaries’ survival – was rapidly diminishing. From these facts alone (which were not publicly disclosed), Hipple knew or recklessly disregarded that the subsidiaries’ reported valuation was grossly overstated.

e. By the time iWorld filed its second quarter Form 10-Q on August 12, 2005, Hipple knew from internal reports the additional fact that, not only were the subsidiaries far below their financial projections, they were in fact deeply unprofitable. Indeed, only PII still had operations by August 2005, due in part to the fact that iWorld had exhausted its working capital, on which the subsidiaries depended. As iWorld’s CEO and CFO, Hipple knew the subsidiaries were dependent on iWorld for working capital and that, without working capital, the subsidiaries would cease operations.

f. By the time iWorld filed its third quarter Form 10-Q on November 15, 2005, Hipple knew that meaningful subsidiary operations had ceased and that there was no prospect of iWorld’s reviving them, since iWorld itself had no cash. Moreover, by December 2005, Hipple learned that PII’s president had previously pledged PII’s sole asset – rights to its software product – to a third party as security for a loan to PII to make payroll.

g. Hipple never revealed the subsidiaries’ dire circumstances in iWorld’s 2005 quarterly filings. To the contrary, each of the filings repeated the \$10 million valuation, which the second and third quarter filings amplified by asserting that “the Company’s Investment Committee [has] determine[d] that the portfolio investments should be valued at \$10 million.” This was false: iWorld’s investment committee never considered the valuation of the subsidiaries. Moreover, each of the quarterly filings represented that the subsidiaries were projected to earn tens of millions of dollars of revenue through the end of 2006. In view of the circumstances described above – including the subsidiaries’ continuous unprofitability and the depletion of iWorld’s working capital – these representations were completely unfounded and, consequently, were materially false and misleading.

h. Even after learning that PII’s president had pledged PII’s software to secure a loan to PII, Hipple made no effort to amend iWorld’s third quarter Form 10-Q.

4. **Hipple Materially Misleads iWorld's Auditor**

a. As a BDC, iWorld was required under Section 2(a)(41) of the Investment Company Act (which applies to BDCs pursuant to Section 59 of that Act) to determine in good faith the fair value of the securities of its portfolio companies, since market quotations for those securities were not readily available. iWorld never made a good faith determination, either when it acquired iWorld Florida and its subsidiaries, or thereafter. Hipple knew, or was reckless in not knowing, that no such determination had been made.

b. Hipple, however, told iWorld's auditor – in connection with the auditor's review of iWorld's first quarter 2005 Form 10-Q – that an "independent investment board" had approved the \$10 million valuation. Hipple knew, or was reckless in not knowing, that this statement was false.

5. **Civil Penalty**

Respondent has submitted sworn Statements of Financial Condition, dated October 2, 2009 and October 9, 2009, and other evidence, and has asserted his inability to pay a civil penalty.

**E. VIOLATIONS**

1. Based on the foregoing, the Commission finds that Respondent Hipple willfully violated:

a. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities;

b. Section 34(b) of the Investment Company Act, made applicable to BDCs through Section 59 of the Investment Company Act, which provides, among other things, that in any registration statement, application, report, account, record, or other document filed or transmitted by iWorld pursuant to the Investment Company Act or kept by iWorld pursuant to Section 31(a) of the Investment Company Act, it shall be unlawful for any person so filing, transmitting or keeping any such document to make any untrue statement of material fact or to omit to state therein any fact necessary in order to prevent the statements made therein, in the light of the circumstances under which they were made, from being materially misleading;

c. Rule 13a-14 under the Exchange Act, which required Hipple, as iWorld's principal executive and financial officer, to certify in each quarterly and annual report filed or submitted by iWorld under Section 13(a) of the Exchange Act, that: (1) he had reviewed the report; and (2) based on his knowledge, the report did not contain any untrue statement of material fact, or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;

d. Section 13(b)(5) of the Exchange Act, which provides that no person shall knowingly falsify any book, record, or account of an issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, or is required to file reports pursuant to Section 15(d) of the Exchange Act, or knowingly circumvent the registrant's system of internal accounting controls;

e. Rule 13b2-1 under the Exchange Act, which provides that no person shall, directly or indirectly, falsify or cause to be falsified any book, record, or account subject to Section 13(b)(2)(A) of the Exchange Act;

f. Rule 13b2-2(a) under the Exchange Act, which prohibits an officer or director of an issuer from, directly or indirectly: (1) making, or causing to be made, a materially false or misleading statement; or (2) omitting, or causing to be omitted, a statement of a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading to an accountant in connection with a required audit, or the preparation or filing of a required document or report;

g. Section 57(a)(1) of the Investment Company Act, which prohibits persons "related" to a BDC, as defined in Section 57(b) of the Investment Company Act, from acting as principal knowingly selling to the BDC any securities in another company unless at least one of two conditions applies. The first condition is that the sale involves solely securities of which the buyer is the issuer. *See* Section 57(a)(1)(A). The second is that the sale involves solely securities of which the seller is the issuer and which are part of a general offering to the holders of a class of its securities. *See* Section 57(a)(1)(B). Section 57(b)(2) defines a "related person of a BDC," in pertinent part, as any person directly or indirectly "controlling" a BDC. Section (2)(a)(9) of the Investment Company Act, in turn, defines "control" as "the power to exercise a controlling influence over the management or policies of a company." Hipple controlled iWorld when he sold, as a principal, his iWorld Florida shares to iWorld in iWorld's acquisition of iWorld Florida. Hipple's sale of his shares did not satisfy either of the two conditions set forth in Section 57(a)(1)(A) or (B). Thus, Hipple violated Section 57(a)(1);

2. Based on the foregoing, the Commission finds that Respondent Hipple willfully aided and abetted and caused iWorld's violations of:

a. Section 13(a) of the Exchange Act and Rules 13a-11, 13a-13, and 12b-20 thereunder, which required iWorld to file information and documents as prescribed by the Commission, including current and quarterly reports, and to include in those reports any material information as may be necessary to make the required statements in those reports not misleading in light of the circumstances under which the statements were made;

b. Section 13(b)(2)(A) of the Exchange Act, which required iWorld, as a reporting company, to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected its transactions and dispositions of its assets;

c. Section 13(b)(2)(B) of the Exchange Act which required iWorld, as a reporting company, to devise and maintain a system of internal accounting controls sufficient to

provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles; and

d. Section 31(a) of the Investment Company Act made applicable to BDCs by Section 64 of the Investment Company Act, and Rule 31a-1 thereunder, which required iWorld to make and keep certain books and records, 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 shareholder and board meetings.

#### IV.

In view of the forgoing, the Commission deems it necessary and appropriate in the public interest to impose the sanctions agreed to in Respondent Hipple's Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Hipple shall cease and desist from committing or causing any violations and any future violations of Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1, 13b2-2, and 13a-14 thereunder, and Sections 34(b) and 57(a) of the Investment Company Act, and from causing any violations of and any future violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-11, and 13a-13 thereunder and Section 31(a) of the Investment Company Act and Rule 31a-1 thereunder;

B. Pursuant to Section 21C(f) of the Exchange Act, Hipple is prohibited, for a period of five years, from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, or that is required to file reports pursuant to Section 15(d) of the Exchange Act;

C. Pursuant to Section 9(b) of the Investment Company Act, Respondent Hipple is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, with the right to reapply for association after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission;

D. Pursuant to Rule 102(e)(1)(iii) of the Commission's Rules of Practice, Hipple is denied the privilege of appearing or practicing before the Commission as an accountant;

E. The Division of Enforcement ("Division") may, at any time following the entry of this Order, petition the Commission to: (1) reopen this matter to consider whether Respondent provided accurate and complete financial information at the time such representations were made; and (2) seek an order directing payment of the maximum civil penalty allowable under the law. No other issue shall be considered in connection with this petition other than whether the financial information provided by Respondent was fraudulent, misleading, inaccurate, or incomplete in any material respect. Respondent may not, by way of defense to any such petition:



(1) contest the findings in this Order; (2) assert that payment of a penalty should not be ordered; (3) contest the imposition of the maximum penalty allowable under the law; or (4) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense; and

F. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy  
Secretary