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**STATE OF CALIFORNIA**  
**BUSINESS, TRANSPORTATION AND HOUSING AGENCY**  
**DEPARTMENT OF CORPORATIONS**

**TO:** Theodore Swain  
First Fidelity Assurance Corporation  
La Honda Project, Incorporated  
SoCal Development Fund, LLC  
Southwest Development Fund, Phase 1 (Series A) LLC  
Southwest Development Fund, Phase 1 (Series B) LLC  
Southwest Development Fund, Phase 1 (Series C) LLC  
333 South Juniper Street  
Escondido, CA 92025

**DESIST AND REFRAIN ORDER**  
**(For violations of section 25401 of the Corporations Code)**

The California Corporations Commissioner finds that:

1. Theodore Swain, a.k.a. Ted Swain (“Swain”), is and was at all relevant times the principal of First Fidelity Assurance Corporation (“First Fidelity), a California corporation located at 333 South Juniper Street, Escondido California, 92052. Swain and First Fidelity serve as the manager and issuer of each of the “investment mortgage certificate” offerings mentioned below.
2. La Honda Project, Incorporated (“La Honda”), is a California corporation located at 333 South Juniper Street, Escondido, California, 92052. Swain, First Fidelity and La Honda offered and sold “investment mortgage certificates” which were purportedly secured by a deed of trust on real estate. Swain, First Fidelity and La Honda sought to raise \$2,000,000. The minimum investment was \$10,000 per investor. Swain, First Fidelity and La Honda purported to actually raise \$1,934,000.
3. SoCal Development Fund, LLC (“SoCal”), is a California limited liability company located at 333 South Juniper Street, Escondido, California, 92052. Swain, First Fidelity and SoCal offered and sold “investment mortgage certificates” which were purportedly secured

1 by a deed of trust on real estate. Swain, First Fidelity and SoCal sought to raise up to  
2 \$15,000,000 in this project. The minimum investment was \$10,000 per investor. Swain, First  
3 Fidelity and SoCal purported to actually raise \$2,635,260.

4 4. Southwest Development Fund, Phase 1 (Series A) LLC ("Southwest A"), is a  
5 California limited liability company located at 333 South Juniper Street, Escondido,  
6 California, 92052. Swain, First Fidelity and Southwest A offered and sold "investment  
7 mortgage certificates" which were purportedly secured by a deed of trust on real estate.  
8 Swain, First Fidelity and Southwest A sought to raise up to \$5,000,000 in this project. The  
9 minimum investment was \$10,000 per investor. Swain, First Fidelity and Southwest A  
10 purported to actually raise \$300,000.

11 5. Southwest Development Fund, Phase 1 (Series B) LLC ("Southwest B"), is a  
12 California limited liability company located at 333 South Juniper Street, Escondido,  
13 California, 92052. Swain, First Fidelity and Southwest B offered and sold "investment  
14 mortgage certificates" which were purportedly secured by a deed of trust on real estate.  
15 Swain, First Fidelity and Southwest B sought to raise up to \$5,000,000 in this project. The  
16 minimum investment was \$10,000 per investor. Swain, First Fidelity and Southwest B  
17 purported to actually raise \$467,640.

18 6. Southwest Development Fund, Phase 1 (Series C) LLC ("Southwest C"), is a  
19 California limited liability company located at 333 South Juniper Street, Escondido,  
20 California, 92052. Swain, First Fidelity and Southwest C offered and sold "investment  
21 mortgage certificates" which were purportedly secured by a deed of trust on real estate.  
22 Swain, First Fidelity and Southwest C sought to raise up to \$5,000,000 in this project. The  
23 minimum investment was \$10,000 per investor. Swain, First Fidelity and Southwest C  
24 purported to actually raise \$40,000.

25 7. Neither Swain, First Fidelity, La Honda, SoCal, Southwest A, Southwest B nor  
26 Southwest C disclosed in any of its offering materials to investors that the Commissioner of  
27 Corporations had issued a Desist and Refrain order against Swain in 1985 for the  
28 unqualified offer or sale of securities.

1 8. Neither Swain, First Fidelity, La Honda, SoCal, Southwest A, Southwest B nor  
2 Southwest C disclosed in any of its offering materials to investors that Swain had been  
3 convicted and sentenced to four years in state prison in 1991 in San Bernardino County  
4 Superior Court for felony grand theft charges relating to an investment Swain offered and  
5 sold that purportedly was secured by a deed of trust on real property.

6 9. Neither Swain, First Fidelity, La Honda, SoCal, Southwest A, Southwest B nor  
7 Southwest C disclosed in any of its offering materials to investors that Swain had been  
8 convicted and sentenced to five years in state prison in 1991 in Orange County Superior  
9 Court for felony grand theft charges relating to an investment Swain offered and sold that  
10 purportedly was secured by a deed of trust on real property.

11 10. Neither Swain, First Fidelity, La Honda, SoCal, Southwest A, Southwest B nor  
12 Southwest C disclosed in any of its offering materials to investors that since 1985 Swain has  
13 been a defendant or cross-defendant in no less than 17 civil matters and has had no less  
14 than 10 matters involving creditors including the State of California and the United States  
15 Internal Revenue Service.

16 The "investment mortgage certificates" referred to above are securities under  
17 California Corporations Code section 25019 in the form of investment contracts. The  
18 omissions referred to above are "material" within the meaning of section 25401 of the  
19 California Corporations Code.

20 Based on the foregoing findings, the California Corporations Commissioner is of the  
21 opinion that the "investment mortgage certificates" offered and sold by Swain, First Fidelity,  
22 SoCal, La Honda, Southwest A, Southwest B and Southwest C are securities in the form of  
23 investment contacts and were offered and sold by means of oral or written communication,  
24 included an untrue statement of material fact or omitted to state a material fact necessary in  
25 order to make the statements made, in light of the circumstances in which they were made,  
26 not misleading, in violation of section 25401 of the Corporate Securities Law of 1968.

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1 Pursuant to Section 25532 of the Corporate Securities Law of 1968: Theodore Swain;  
2 First Fidelity Assurance Corporation; La Honda Project, Incorporated; SoCal Development  
3 Fund, LLC; Southwest Development Fund, Phase 1 (Series A) LLC; Southwest  
4 Development Fund, Phase 1 (Series B) LLC; and Southwest Development Fund, Phase 1  
5 (Series C) LLC, are hereby ordered to desist and refrain from offering or selling any security  
6 in the State of California by means of any written or oral communication which includes an  
7 untrue statement of material fact or omits to state a material fact necessary in order to make  
8 the statements, in light of the circumstances in which they were made, not misleading.  
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11 This Order is necessary, in the public interest, for the protection of investors and  
12 consistent with the purposes, policies, and provisions of the Corporate Securities Law of  
13 1968.

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15 Dated: March 6, 2006  
16 Los Angeles, California

17 WAYNE STRUMFER  
18 Acting California Corporations Commissioner

19 By: \_\_\_\_\_  
20 ALAN S. WEINGER  
21 Acting Deputy Commissioner  
22 Enforcement Division  
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