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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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