

**UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

**TRUE NORTH FINANCE CORPORATION, f/k/a
CS FINANCING CORPORATION, CAPITAL
SOLUTIONS MONTHLY INCOME FUND, LP, f/k/a
HENNESSEY FINANCIAL MONTHLY INCOME
FUND, LP, CAPITAL SOLUTIONS DISTRIBUTORS,
LLC, CAPITAL SOLUTIONS MANAGEMENT, LP,
TRANSACTIONAL FINANCE FUND
MANAGEMENT, LLC, TODD A. DUCKSON,
MICHAEL W. BOZORA, TIMOTHY R.
REDPATH, and OWEN MARK WILLIAMS,**

Defendants.

Civil Action No:

COMPLAINT

1. Plaintiff, the United States Securities and Exchange Commission (“SEC” or “Commission”), brings this action against True North Finance Corporation, f/k/a CS Financing Corporation (“True North”), Capital Solutions Monthly Income Fund, LP, f/k/a Hennessey Financial Monthly Income Fund, LP, (“Fund”), Capital Solutions Distributors, LLC (“CSD”), Capital Solutions Management, LP (“CSM”), Transactional Finance Fund Management, LLC (“Transactional Finance”), Todd A. Duckson (“Duckson”), Michael W. Bozora (“Bozora”), Timothy R. Redpath (“Redpath”), and Owen Mark Williams (“Williams”), and alleges for its complaint against them as follows:

SUMMARY OF ALLEGATIONS

2. This case involves fraud in the offer and sale of interests in the Fund, which is an unregistered investment pool, or hedge fund. It also involves an accounting fraud at True North, a SEC-registered real estate finance company based in Minneapolis that acquired the Fund in June 2009.

3. The offering fraud involving the Fund was perpetrated by Defendants Bozora, Redpath, Duckson, Transactional Finance, CSM, and CSD. During January 2005 to August 2009, the Fund raised approximately \$74 million from approximately 450 investors from across the United States, including investors residing in Minnesota. The Fund raised approximately \$21.6 million of this amount from March 2008 through August 2009, the period of the fraud.

4. During most of the relevant period, the Fund's sole business was to make mezzanine real estate loans to a single borrower, Hennessey Financial, LLC and/or Hennessey Financial Note Holdings LLC (collectively, "Hennessey Financial"), a Minnesota real estate lender. A mezzanine real estate loan is a loan in which the lender's security interest in the real estate collateralizing the loan is subordinate to a more senior lender.

5. In late 2007, Hennessey Financial started having severe financial difficulties.

6. In March 2008, Hennessey Financial's borrowers, which were affiliates of Hennessey Financial, defaulted, and Hennessey Financial foreclosed upon them.

7. Due to the default of its borrowers, Hennessey Financial itself defaulted on its obligations to the Fund in May 2008. Shortly thereafter, the Fund foreclosed on Hennessey Financial's real estate interests.

8. As a result of the May 2008 default by Hennessey Financial -- which was the Fund's sole borrower -- the Fund had no meaningful income-producing investments as of May 2008. Consequently, the Fund began mostly paying existing investors out of proceeds raised from new investors, because the Fund had very little income relative to its obligations.

9. In March 2008, Duckson, who was the Fund's outside counsel at the time, participated in drafting a new private placement memoranda ("PPM"), which was an offering document used to offer and sell investments in the Fund.

10. The March 2008 PPM misled investors by stating that Hennessey Financial's strategy had returned over 21% annually by making mezzanine loans to affiliated borrowers, while omitting to state that as of the date of the PPM, Hennessey Financial's investment strategy had failed and its borrowers had defaulted. The PPM did not mention Hennessey Financial's financial difficulties, other than to make a vague reference to "voluntarily surrendered collateral" that backed Hennessey Financial's loans.

11. During the period May 2008 through October 2008, Bozora and Redpath, who owned and controlled the Fund's distributor, CSD, and its investment adviser, CSM, made several written and oral representations to investors that were materially misleading because they claimed the Fund was enjoying success and weathering disruptions in the credit and real estate markets. During this period, Bozora and Redpath failed to make

any meaningful disclosure of Hennessey Financial's default on its obligations to the Fund, the Fund's subsequent foreclosure, and its loss of any significant investment income.

12. In November 2008, Duckson, through his firm, Transactional Finance, took over as investment adviser for the Fund from CSM, while Bozora, Redpath, and CSD remained as the Fund's distributor. During the period November 2008 through August 2009, Bozora, Redpath, Duckson, and their entities made some disclosure to investors and others about the default by Hennessey Financial and foreclosure by the Fund. Despite making some disclosure, however, Bozora, Redpath, and Duckson misleadingly stated that the Fund would use proceeds raised from investors primarily to make real estate loans and other investments. In fact, the default by Hennessey Financial and the Fund's foreclosure on Hennessey Financial's assets required the Fund to use most of the money it raised to pay senior lenders on the properties the Fund had acquired and to make interest payments to existing Fund investors.

13. In the part of this case involving accounting fraud, True North and its Chief Financial Officer ("CFO"), Williams, overstated True North's revenue by as much as 99% in True North's filings with the Commission in 2008 and 2009. Williams caused True North to improperly recognize revenue on interest from borrowers where Williams knew that the borrowers were not paying True North and that the borrowers' impaired financial condition meant that collection was not reasonably assured.

14. Duckson currently is True North's Chief Executive Officer ("CEO"). Bozora formerly was True North's President, and Redpath formerly was its CEO. Redpath currently is True North's Vice-President of Finance.

15. Through the activities alleged in this Complaint, the Defendants, directly or indirectly, have engaged in transactions, acts, practices or courses of business which constitute violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)] and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. 9 78j(b)] and Rule 10b-5 [17 C.F.R. § 9240.10b-5] promulgated thereunder, or, in the alternative, Duckson, Bozora, Redpath, CSD, CSM, and Transactional Finance aided and abetted the Fund’s violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

16. Additionally, Defendant True North, directly or indirectly, has engaged in transactions, acts, practices or courses of business which constitute violations of Sections 13(b)(2)(A), 13(b)(2)(B), and 15(d) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

17. Additionally, Defendant Williams, directly or indirectly, has engaged in transactions, acts, practices, and courses of business which constitute violations of Section 13(b)(5) of the Exchange Act and Rules 15d-14, 13b2-1, and 13b2-2 thereunder and which constitute aiding and abetting of True North’s violations of Sections 13(b)(2)(A), 13(b)(2)(B), and 15(d) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

18. The SEC brings this action to restrain and enjoin such transactions, acts, practices and courses of business pursuant to Sections 21(d) and 20(e) of the Exchange Act [15 U.S.C. § 78u(d) and § 78aa] and Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)].

19. The SEC seeks permanent injunctive relief against the Defendants to enjoin them from future violations of the federal securities laws, disgorgement of ill-gotten gains plus prejudgment interest thereon against the Defendants, the imposition of civil penalties against the Defendants, and officer-director bars against Defendants Duckson, Bozora, Redpath, and Williams.

JURISDICTION

20. The Commission brings this action pursuant to the authority conferred by Section 20(b) of the Securities Act [15 U.S.C. § 77t(b)] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)], seeking to restrain and enjoin permanently the Defendants from engaging in the acts, practices, transactions and courses of business alleged herein, and for such other equitable relief as may be appropriate or necessary for the benefit of investors.

21. The Commission also seeks a final judgment ordering the Defendants to disgorge their ill-gotten gains and pay prejudgment interest thereon, and ordering the Defendants to pay civil money penalties pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

22. The Commission also seeks officer-director bars against certain of the Defendants pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

23. This Court has jurisdiction over this action, and venue lies in this District, pursuant to Sections 20(d) and 22(a) of the Securities Act [15 U.S.C. §§ 77t(d) and 77v(a)], and Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§78u(d) and 78aa]. The Defendants, directly or indirectly, singly or in concert, have made use of the means or instruments of transportation or communication in, and the means or instrumentalities

of, interstate commerce, or of the mails, in connection with the transactions, acts, practices, and courses of business alleged herein. Some of these transactions, acts, practices and courses of business occurred in the District of Minnesota, where each of the Defendants transacted business during the relevant period. Defendant Duckson is a resident of this district, and True North's, Transactional Finance's, and the Fund's offices are also located within this district.

24. Defendants have, directly and indirectly, made, and are making, use of the mails, and of the means and instrumentalities of interstate commerce, in connection with the transactions, acts, practices and courses of business alleged in this Complaint.

25. There is a reasonable likelihood that Defendants will, unless enjoined, continue to engage in the transactions, acts, practices and courses of business set forth in this Complaint, and transactions, acts, practices and courses of business of similar purport and object.

THE DEFENDANTS

26. **Capital Solutions Monthly Income Fund, L.P.**, f/k/a/ Hennessey Financial Monthly Income Fund, L.P., is a Delaware limited partnership based in Minneapolis, Minnesota. The Fund operates as an unregistered investment pool, and is not registered with the SEC in any capacity.

27. **Transactional Finance Fund Management, LLC** is a Minnesota limited liability company located in Minneapolis, Minnesota. During all relevant times, it was owned and controlled by Duckson. From approximately November 2008 to the present, it has served as the investment adviser to the Fund.

28. **Capital Solutions Distributors, LLC**, is a Delaware limited liability

company located in Corte Madera, California. During all relevant times, it was owned and controlled by Bozora and Redpath. From approximately January 2005 through August 2009, it served as the distributor of the Fund.

29. **Capital Solutions Management, LP**, is a Delaware limited partnership located in Corte Madera, California. During all relevant times, it was owned and controlled by Bozora and Redpath. From approximately 2006 through November 2007, and May 2008 through October 2008, it served as the investment adviser to the Fund.

30. **True North Finance Corporation**, f/k/a CS Financing Corporation, is a Delaware corporation headquartered in Minneapolis. From November 2006 to November 2008, it issued notes registered with the SEC. It filed a Form S-1 registration statement in late 2009 and two subsequent amendments in early 2010 for the issuance of \$89,870,000 in notes. This Form S-1 is currently pending, but it is not effective.

31. **Todd A. Duckson**, age 44, is a resident of Prior Lake, Minnesota. Since June 2009, he has been the CEO of True North, and, as stated above, during all relevant times he has owned and controlled Transactional Finance. Previously, he was a partner in the Minneapolis office of a national law firm, and, as such, served as outside counsel to True North and the Fund.

32. **Michael W. Bozora**, age 60, is a resident of Belvedere, California. As stated above, during all relevant times, along with Redpath he owned and controlled CSD and CSM, the Fund's distributor and investment adviser, respectively. Additionally, from approximately November 2006 through June 2009, he was President of True North.

33. **Timothy R. Redpath**, age 53, is a resident of Mill Valley, California. As stated above, during all relevant times, along with Bozora he owned and controlled

CSD and CSM, the Fund's distributor and investment adviser, respectively. Additionally from approximately November 2006 through June 2009, he was CEO of True North, and he currently is Vice-Chairman of True North.

34. **Owen Mark Williams**, age 53, is a resident of Saratoga, California.

From approximately 2005 to the present, he has been the CFO of True North.

FACTS

A. Bozora and Redpath Launch the Fund

35. In approximately 2004, Bozora and Redpath launched the Fund.

36. Through offering documents that included a PPM, the Fund offered limited partners a 12% annual fixed return. This return was generated by interest payments from Hennessey Financial on loans made by the Fund. Hennessey Financial, in turn, generated income by making mezzanine loans to real estate developers, most of which were affiliated with Hennessey Financial. The Fund required limited partners to lock up their investment in the Fund for four years.

37. The Fund limited partnership interests constitute securities under the federal securities laws.

38. From January 2005 through August 2009, CSD acted as distributor of the Fund and, through Bozora and Redpath, it spearheaded raising money for the Fund from new investors.

B. Hennessey Financial Collapses, and the Fund Forecloses on Hennessey Financial's Assets

39. By late 2007, Hennessey Financial encountered financial distress.

40. By March 2008, Hennessey Financial, based on the advice of Duckson – who was serving as outside counsel to both Hennessey Financial and the Fund -- caused

Hennessey Financial to foreclose on the real estate companies that borrowed from Hennessey Financial.

41. By April 2008, Bozora and Redpath learned that Hennessey Financial might default on its payment obligations to the Fund

42. In May 2008, Hennessey Financial defaulted on its obligations to the Fund.

43. Bozora, Redpath, and Duckson became aware of Hennessey Financial's default in or about May 2008.

44. In approximately May 2008, Bozora, Redpath, and Duckson received a letter dated May 14, 2008 from Hennessey Financial's President. The letter stated in pertinent part:

It is with the greatest remorse that I write this letter to inform you of our deteriorating financial condition. The extreme reality of our situation is grave. The real estate market is experiencing the worst downturn in my lifetime. Foreclosures and bankruptcies (both personal and business) are at an all-time high. Due to these extreme conditions, I have had to take extreme actions. I am discouraged, sad, angry and very frustrated at these events during the last 18 months to say the least Despite our best efforts, and after exhausting all of my personal assets including my personal residence, we cannot survive these current market conditions or continue to make monthly payments to our investors.

45. In June 2008, the Fund foreclosed on the real estate owned or controlled by Hennessey Financial, placing the Fund in control of the collateral. However, unaffiliated lenders already held more senior debt obligations on this real estate.

46. After the foreclosure, in early summer 2008, Bozora and Redpath, with the help of Duckson as outside counsel, attempted to run the real estate projects that previously had been run Hennessey Financial and/or its affiliates.

47. In approximately the fall of 2008, Bozora and Redpath asked Duckson to become the Fund's investment adviser.

48. Duckson agreed, and in approximately November 2008, Duckson's company, Transactional Finance, became the investment adviser to the Fund. At that point, Duckson announced to the law firm at which he was a partner that he was leaving the firm, though he remained a partner there through approximately January 1, 2009.

49. In February 2009, Duckson caused the Fund to offer "Series I Preferred Notes" ("Fund Notes") to investors to raise additional capital. The Fund offered purchasers of the Fund Notes a 10% fixed annual return and a priority over limited partners in the event of a dissolution or liquidation of the Fund. The Fund required existing limited partners to make an additional 30% investment in the Fund to convert their limited partnership interests into interests in the Fund Notes.

50. The Fund Notes constitute securities under the federal securities laws.

C. Bozora, Redpath, Duckson and their Entities Make Material Misrepresentations and Omissions About the Fund

51. Throughout 2008 and into early 2009, Bozora, Redpath, and their entities, CSD and CSM, and Duckson and his entity, Transactional Finance, made a number of materially false and/or misleading statements and/or material omissions about the Fund orally and in various written documents.

52. Bozora, Redpath, Duckson, and their entities made these false and/or misleading statements and/or material omissions to brokers who were involved in selling

the Fund to the brokers' customers. These brokers recommended the Fund to customers after receiving some of these statements, and customers relied on these recommendations. Further, Bozora, Redpath, Duckson and their entities made these statements directly to some investors.

53. For example, in March 2008, Duckson participated in drafting a new PPM for the Fund. The Fund used this PPM to offer and sell limited partnership interests in the Fund from approximately March 2008 through November 2008.

54. The March 2008 PPM stated that from 2000-06, Hennessey Financial had produced audited annual returns of 21.4% by making mezzanine loans to affiliated borrowers. It also stated that "Voluntarily Surrendered Collateral" backed the Fund's loans to Hennessey Financial. The March 2008 PPM was materially misleading because, as Duckson knew, Hennessey Financial's investment strategy had already failed after defaults by its borrowers, which the March 2008 PPM did not disclose. Hennessey Financial did not obtain the collateral backing its loans through a "voluntary" surrender, but rather through foreclosure after its borrowers' defaults.

55. In May and October 2008, Bozora, Redpath, CSD, and CSM participated in drafting written update letters on the Fund and provided them to Fund investors and to brokers involved in selling limited partnership interests in the Fund.

56. The May 2008 Fund Update described "a host of significant financial and political events" that had recently taken place, such as the collapse of Bear Stearns, other banking issues, issues with residential mortgages, and general market dislocation, but stated that "[t]hese changes in the credit markets are creating higher demand for non traditional lenders like the Fund."

57. Similarly, the October 2008 Fund Update, signed by Bozora, discussed recent disruptions in the credit markets that had occurred, such as the collapse of Lehman Brothers, but stated that “[t]his tightening by traditional lenders creates an extraordinary opportunity for the Fund to bring fresh capital selectively to markets which are currently underserved.” Further, it stated that “[i]t is important to note that as of the end of 2008 the Fund will have completed four (4) full years of paying 12% per year on invested capital.”

58. These May 2008 and October 2008 Fund Updates were materially misleading because they suggested that the Fund was well-positioned to take advantage of opportunities afforded by the declining economy and struggling real estate market, while they omitted to state that the Fund’s sole borrower had defaulted and the Fund had no meaningful investment income. The Fund was only able to pay interest to existing investors by raising money from new investors. Bozora, Redpath, CSD, and CSM knew these facts.

59. In November 2008 and February 2009, Duckson and Transactional Finance participated in drafting new PPMs for the Fund. The Fund used the November 2008 PPM to offer and sell limited partnership interests in the Fund from approximately November 2008 through February 2009. The Fund used the February 2009 PPM to offer and sell Fund Notes from approximately February 2009 through August 2009.

60. These PPMs stated that the Fund would use proceeds raised from investors primarily to make real estate loans and make other investments. The PPMs also provided a relatively brief discussion of the Fund’s foreclosure on Hennessey Financial’s assets, buried in the middle of the PPMs. The PPMs attached the Fund’s unaudited 2007

financial statements, which included a footnote on “subsequent events” stating that in May 2008 Hennessey Financial had “failed to meet certain economic covenants and all loans became non-performing.”

61. The November 2008 and February 2009 PPMs were materially misleading because they omitted to state that, as Duckson and Transactional Finance knew, the defaults and resulting foreclosure by the Fund on Hennessey Financial’s assets meant that the Fund first had to use its assets to satisfy more senior debt obligations on real estate that Fund had acquired through foreclosure before using any assets to make new investments. The PPMs also failed to disclose facts sufficient to alert investors to the improbability that the offering proceeds would be sufficient to make new investments. Further, the placement of a brief discussion of the foreclosure in the middle of the PPMs and in a footnote to the Fund’s unaudited financial statements obscured the fact of the foreclosure and its significance.

62. In February 2009, Duckson and Transactional Finance participated in drafting another update letter on the Fund and provided it to Fund investors and brokers involved in selling the Fund. The February 2009 Fund Update, signed by Duckson on behalf of Transactional Finance, disclosed – approximately 8 months after the fact -- that “a voluntary foreclosure process with Hennessey Financial, LLC to acquire all its assets” had occurred in 2008, and this was a “beneficial” change for the Fund. The February 2009 Fund Update was materially misleading because the foreclosure was not “voluntary,” but rather was the result of Hennessey Financial’s default. The foreclosure process was not a “beneficial” change, as it meant that the Fund no longer had any investment income and that the Fund had to use Fund assets to satisfy more senior debt

obligations on real estate that Fund had acquired through foreclosure, rather than use assets to make new investments.

63. Also in February 2009, in connection with offering the Fund Notes, Bozora, Redpath, and CSD participated in drafting a question and answer sheet for investments in the Fund Notes, which they provided to Fund investors. The question and answer sheet stated, among other things, that the current imbalance in the U.S. real estate market” has resulted in “unprecedented” and “immediate opportunities” for the Fund to lend money or purchase existing loans, and “the Fund is offering the SERIES I PREFERRED NOTES to aggressively raise capital and make as many investments as possible during this short term period.” The question and answer sheet was materially misleading because it suggested that the primary purpose of raising money through the Fund Notes was to enable the Fund to make new investments, when in fact the primary purpose was to allow the Fund to satisfy its debt obligations to the senior lenders on the real estate that the Fund had acquired through foreclosure. Bozora, Redpath, and CSD knew these facts.

D. Williams Causes True North to Misstate Its Revenues

64. While Bozora and Redpath were involved with the Fund, they also ran True North, which previously was named CS Financing Corporation.

65. Williams served as True North’s CFO on a contract basis while also employed as a shareholder at a San Jose, California accounting firm. During all relevant times, Williams prepared True North’s financial statements filed with the SEC.

66. True North issued a note (the “CS Financing Note”) from November 2006 through approximately November 2008.

67. Investors in the CS Financing Note received a fixed 10% annual return and were required to lock up their investment for a five-year period.

68. Generally Accepted Accounting Principles (“GAAP”), state that revenue should not be recognized until it is realized or realizable and earned. Revenue is realizable only if collectability is reasonably assured. Companies that issue securities to the public, such as True North, are required to follow GAAP.

69. During all relevant times, True North’s financial statements contained the following statement regarding the company’s revenue recognition policies, which Williams participated in drafting: “Company does not accrue interest income on loans once they are determined to be impaired. A loan is impaired when based on current information and events, it is probable that Company will be unable to collect all amounts due according to the contractual terms of the loan agreement or when the payment of interest is 90 days past due.”

70. True North overstated its revenue on the only two investments it ever made.

71. True North’s first investments occurred in April and June 2007, when True North purchased a total of \$2.5 million in unsecured notes issued by Assured Financial (“Assured”), which was a real estate lender affiliated with Hennessey Financial.

72. By January 2008, Assured encountered severe financial difficulties.

73. In January, True North agreed with Assured to defer collection of payment of interest on the notes throughout 2008. In July 2008, Assured formally notified True North that Assured’s senior lender was foreclosing on Assured’s collateral and that

Assured might not have sufficient proceeds to repay True North. In the third quarter of 2008, True North charged off all of the value of the Assured notes and ceased recognizing revenue from Assured.

74. Williams learned in approximately January 2008 that Assured was having cash flow difficulties and therefore could not stay current on its interest obligations to True North.

75. During 2008, Williams caused True North to record approximately \$312,000 in revenue from Assured in its public filings with the Commission, reflecting recognition of revenue during the first and second quarters of 2008. This total reflected revenue approximately 56% of True North's 2008 revenues.

76. True North's recognition of revenue on its loan to Assured was improper under GAAP. As Williams knew, by January 2008 Assured's poor financial condition had caused True North to agree with Assured to defer interest payments to True North for all of 2008. As Williams knew, by July 2008 – before True North had completed its second quarter 2008 financial statements -- Assured had formally notified True North that Assured's senior lender was foreclosing on Assured's collateral and that Assured might not have sufficient proceeds to repay True North. Under these circumstances, collectability was not reasonably assured.

77. Moreover, as Williams knew, as of at least the second quarter of 2008, payment of interest from Assured was 90 days past due based on True North's original agreements with Assured, meaning that recognizing revenue conflicted with True North's own revenue recognition policy. Therefore, Williams' causing of True North to recognize revenue from Assured rendered True North's revenue recognition policy

materially misleading.

78. True North's second investments occurred during 2008, when True North provided a line of credit to Real Equity Solutions ("RES"), a Marin County, California real estate lender.

79. RES borrowed a total of approximately \$2.069 million from True North, which RES then lent to two borrowers to finance the construction of a single-family home in Marin County (the "Marin County loan") and two single-family homes in San Francisco (the "San Francisco loan").

80. In May 2008, RES informed Williams and True North that the borrower of the San Francisco loan had misappropriated the borrowings from RES and caused other defaults.

81. Additionally, in November 2008, RES sent a notice of default to the borrower on the Marin County loan based on payment and other defaults.

82. As a result of the defaults by its borrowers, during 2008 RES did not pay True North any principal or interest on its borrowings from True North.

83. In August 2008, True North agreed to defer collection of principal and interest from RES, and True North and RES extended this agreement several times in 2009.

84. During 2008, True North recorded approximately \$213,000 in revenue from RES in its public filings with the Commission. This total reflected approximately 38% of True North's 2008 revenues. Additionally, True North recorded approximately \$76,000 in revenue from RES in its first quarter 2009 Form 10-Q. This total reflected an overstatement of revenue by approximately 99%.

85. True North's recognition of revenue on its loan to RES was improper under GAAP. As Williams knew, in May 2008, RES informed True North that RES' borrower on the San Francisco loan had misappropriated loan proceeds and caused other defaults. Further, in November 2008, RES served a notice of default on the borrower of the Marin County loan based on various defaults. As a result, RES did not repay True North any amounts until late 2009. Under these circumstances, collectability was not reasonably assured.

86. Moreover, as Williams knew, payment of interest from RES was more than 90 days past due, meaning that recognizing revenue conflicted with True North's own revenue recognition policy. Therefore, Williams' causing of True North to recognize revenue from RES rendered True North's revenue recognition policy materially misleading.

87. In addition, Williams caused True North to make untimely disclosures about material events concerning True North's loans to RES. For example, True North disclosed in financial statements filed with its third quarter 2008 Form 10-Q that RES had informed True North in May 2008 that the San Francisco loan was non-performing. Because Williams and True North learned this information during the second quarter of 2008, SEC rules required that True North disclose this information in its second quarter 2008 Form 10-Q, but it did not. Likewise, True North disclosed in its financial statements filed with its first quarter 2009 Form 10-Q that in August 2008, True North agreed to defer collection of principal and interest from RES. Because Williams and True North knew this information during the third quarter of 2008, SEC rules required that True North disclose this information in its True North's third quarter 2008 Form 10-

Q, but True North did not.

E. Bozora Makes Unsuitable Investment Recommendations to Invest in the CS Financing Note

88. As discussed above, True North's only two investments failed, and it also used over half the proceeds raised from the sale of the CS Financing Note for non-investment purposes. As a result, True North did not have any meaningful investment income during 2008.

89. As of late 2008, True North did not have any viable prospects for meaningful investment income going forward. Meanwhile, in 2008, it owed 10% annual interest payments on approximately \$8-\$10 million of CS Financing Notes, or approximately \$800,000-\$1 million in annual interest, and it had various other expenses. Bozora knew these facts.

90. Meanwhile, in late 2008, at least three Fund limited partners whose four-year lockup periods in the Fund were expiring asked Bozora for his advice about whether and to what extent they should rollover their investments in the Fund. Bozora had longstanding relationships with these three investors. Bozora had acted as their broker for many years when he was affiliated with large brokerage firms, and they considered him to be a close and trusted adviser. Their only knowledge about the Fund or True North came from Bozora. One of the three investors was an elderly woman in poor health.

91. Bozora advised these investors that they should redeem a substantial portion of their investments in the Fund and use those proceeds to purchase the CS Financing Note. These investors followed his advice, investing approximately \$1.5

million in aggregate in the CS Financing Note in late 2008. These investors were not seeking a high-risk investment.

92. Shortly after Bozora recommended that these investors purchase the CS Financing Note, True North began disclosing in filings with the Commission that it might have to discontinue its business if it did not raise additional capital.

93. The CS Financing Note that Bozora recommended that these investors purchase in late 2008 was unsuitable for these investors.

F. True North Merges With the Fund, and True North Files a Registration Statement to Offer New Notes to the Public

94. On June 30, 2009, Duckson caused True North to merge with the Fund. In the merger, True North acquired the Fund's general partner and distributed preferred stock in True North to all the Fund's remaining limited partners in complete liquidation of their capital accounts. As a result, the Fund became a subsidiary of True North. True North has reported that it executed a Quit Claim Bill of Sale relinquishing its interests in the Fund on June 30, 2010.

95. As stated above, True North filed a Form S-1 registration statement in late 2009 and two subsequent amendments in early 2010. The Form S-1 seeks registration for the issuance of \$89,870,000 in notes. The Form S-1 is currently pending, but it is not effective.

96. Williams caused True North's registration statement to contain accounting misstatements, including revenue from True North's year-end 2008, which was misstated by 95%. The registration statement also includes unaudited financial statements for the first three quarters of 2009, containing True North's first quarter of 2009, which was

misstated by 99%, and revenue from True North's second and third quarters of 2009, which contained misstated revenue that reflected accrued but unpaid interest from RES.

COUNT I

Violations of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 [17 C.F.R. 240.10b-5] thereunder (All Defendants)

97. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 96 above.

98. By virtue of the conduct alleged herein, the Defendants, directly or indirectly, singly or in concert with others, by use of the means or instrumentality of interstate commerce, or by the use of the mails, or of the facilities of a national securities exchange, in connection with the purchase or sale of securities, knowingly or recklessly, have: (a) employed devices, schemes and artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make statements made, in the light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices and courses of business which operated or would have operated as a fraud or deceit upon purchasers of securities and upon other persons.

99. The Defendants knew or were reckless in not knowing of the activities described herein.

100. By reason of the foregoing, the Defendants each violated, and unless enjoined will likely again violate, Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

COUNT II (in the alternative)

Aiding and Abetting Violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)]

**and Rule 10b-5 thereunder [17 C.F.R. 240.10b-5]
(Bozora, Redpath, Duckson, CSD, CSM, and Transactional Finance)**

101. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 63 and 99 through 100 above

102. As alleged above, the Fund committed primary violations of the Section 10(b) of the Exchange Act and Rule 10b-5 thereunder in connection with the offer and sale of investments in the Fund.

103. By reason of the foregoing and pursuant to Section 20 of the Exchange Act [15 U.S.C. § 78t], Bozora, Redpath, Duckson, CSD, CSM, and Transactional Finance, each aided and abetted, and are therefore liable for, the primary violations committed by the Fund of Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], because each of these Defendants knowingly or recklessly provided substantial assistance to such entities' violations of these provisions. Unless enjoined, these Defendants will likely again aid and abet violations of these provisions.

COUNT III

**Violations of Section 17(a)(1), (2) and (3) of the Securities Act
[15 U.S.C. § 77q(a)(1), (2) and (3)]
(All Defendants)**

104. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 96 above.

105. The Defendants, directly or indirectly, singly or in concert with others, in the offer and sale of securities, by use of the means and instruments of transportation and communication in interstate commerce and by use of the mails, knowingly or recklessly, have: (a) employed devices, schemes or artifices to defraud; (b) obtained money or

property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in transactions, practices or courses of business which operate or would operate as a fraud or deceit upon the purchaser.

106. The Defendants knew or were reckless in not knowing of the activities described herein.

107. By reason of the foregoing, the Defendants have each violated, and unless enjoined will likely again violate, Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(1), § 77q(a)(2) and § 77q(a)(3)].

COUNT IV

Violations of Section 13(b)(5) of the Exchange Act and Exchange Act Rule 13b2-1 [15 U.S.C. § 78m(b)(5) and 17 C.F.R. § 240.13b2-1] (Williams)

108. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 34 and 64 through 96 above.

109. Defendant Williams circumvented or failed to implement a system of internal accounting controls and, directly or indirectly, falsified or caused to be falsified, books, records or accounts subject to Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

110. By reason of the foregoing, Defendant Williams violated, and unless enjoined will likely again violate, Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Exchange Act Rule 13b2-1 [17 C.F.R. § 240.13b2-1].

COUNT V

Violations of Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2] (Williams)

111. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 34 and 64 through 96 above.

112. Defendant Williams, directly or indirectly, (i) made, or caused to be made, materially false or misleading statements or (ii) omitted to state, or caused others to omit or state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, to an accountant in connection with an audit, review or examination of financial statements or the preparation or filing of a document or report required to be filed with the Commission.

113. By reason of the foregoing, Williams violated, and unless enjoined will likely again violate, Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2]

COUNT VI

Violations of Exchange Act Rule 15d-14 [17 C.F.R. § 240.15d-14] (Williams)

114. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 34 and 64 through 96 above.

115. As the Chief Financial Officer of True North, Williams was required to, and did, certify True North's annual report on Form 10-K for 2008 and its quarterly reports on Forms 10-Q for its 2008 fiscal quarters and the first quarter of 2009. Among other things, Williams certified that: (a) the reports did not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made not misleading; and (b) the financial statements and other financial information included in

the report fairly presented in all material respects True North's financial condition, results of operations, and cash flows. These certifications were materially false.

116. By reason of the foregoing, Williams violated, and unless enjoined will likely again violate, Exchange Act Rule 15d-14 [17 C.F.R. § 240.15d-14].

COUNT VII

Violations of Exchange Act Section 15(d) [15 U.S.C. § 78o(d)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1], and 13a-13 [17 C.F.R. § 240.13a-13] (True North)

117. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 34 and 64 through 96 above.

118. Section 15(d) of the Exchange Act and Rules 13a-1 and 13a-13 thereunder require issuers of certain registered securities, such as True North, to file with the Commission factually accurate annual and quarterly reports (Form 10-K and Form 10-Q). Rule 12b-20 further provides that, in addition to the information expressly required to be included in a statement or report, there shall be added such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they were made, not misleading.

119. By reason of the foregoing, True North violated, and unless enjoined will likely again violate, Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] and Exchange Act Rules 12b-20, 13a-1, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13].

COUNT VIII

Aiding and Abetting Violations of Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1], and 13a-13 [17 C.F.R. § 240.13a-13]

(Williams)

120. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 34, 64 through 96, and 118 through 119 above.

121. As alleged above, True North committed primary violations of Section 15(d) of the Exchange Act and Rules 12b-20, 13a-1, and 13a-13 thereunder.

122. By reason of the foregoing and pursuant to Section 20 of the Exchange Act [15 U.S.C. § 78t], Williams aided and abetted, and is therefore liable for, the primary violations committed by True North of Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] and Exchange Act Rules 12b-20, 13a-1, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13] because Williams knowingly or recklessly provided substantial assistance to True North's violations of these provisions. Unless enjoined, Williams will likely again aid and abet violations of these provisions.

COUNT IX

**Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act
[15 U.S.C. §§ 78m(b)(2)(A) and (b)(2)(B)]
(True North)**

123. The SEC realleges and incorporates by reference the allegations set forth in paragraphs 1 through 34 and 64 through 96 above.

124. Section 13(b)(2)(A) of the Exchange Act requires issuers to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the issuer's assets. Section 13(b)(2)(B) of the Exchange Act requires issuers to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that, among other things, transactions

are recorded as necessary to permit the preparation of financial statements in conformity with GAAP and to maintain accountability for the issuer's assets.

125. By reason of the foregoing Defendant True North violated, and unless enjoined will likely again violate, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and (b)(2)(B)].

COUNT X

Aiding and Abetting Violations of Section 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)] (Williams)

126. The SEC realleges and incorporates by reference the allegations set forth in paragraph 1 through 34, 64 through 96, and 124 through 125 above.

127. As alleged above, True North committed primary violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

128. By reason of the foregoing and pursuant to Section 20 of the Exchange Act [15 U.S.C. § 78t], Williams aided and abetted, and is therefore liable for, the primary violations committed by True North of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)] because Williams knowingly or recklessly provided substantial assistance to True North's violations of these provisions. Unless enjoined, Williams will likely again aid and abet violations of these provisions.

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I. (Declaratory Judgment)

Issue findings of fact and conclusions of law that Defendants committed the violations charged and alleged herein and enter judgment against each of them.

II.
(Injunctive Relief)

Grant an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 17(a) of the Securities Act [15 U.S.C. § 77o(a)]; and Section 10(b) of the Exchange Act [15 U.S.C. § 78j] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder.

As to Defendants True North and Williams only, grant an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendants True North and Williams, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(b)(2)(A) and (b)(2)(B)] and 15(d) of the Exchange Act [15 U.S.C. § 78o(d)] and Rules 12b-20, 13a-1, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, and 240.13a-13] thereunder.

As to Defendant Williams only, grant an Order of Permanent Injunction, in a form consistent with Rule 65(d) of the Federal Rules of Civil Procedure, permanently restraining and enjoining Defendant Williams, his, agents, servants, employees, attorneys and those persons in active concert or participation with them who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in the transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rules 13b2-1 [17 C.F.R. § 240.13b2-1], 13b2-2 [17 C.F.R. § 240.13b2-2], and 15d-14 [17 C.F.R. § 240.15d-14] thereunder.

III.
[Disgorgement of Ill-Gotten Gains]

Issue an Order requiring all Defendants to disgorge the ill-gotten gains that they received as a result of their wrongful conduct (including any losses they avoided by virtue of their unlawful conduct), including prejudgment interest.

IV.
[Civil Penalties]

Issue an Order imposing appropriate civil penalties upon the Defendants pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)] and Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)].

V.
[Officer-Director Bars]

As to Defendants Bozora, Redpath, Duckson, and Williams only, issue an order imposing officer-director bars pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

VI.
[Retention of Equitable Jurisdiction]

Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

VII.
[Other Relief]

Grant such orders for further relief the Court deems appropriate.

Respectfully submitted,

/s/ Eric M. Phillips _____

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Dated: September 21, 2010