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6 Attorneys for THOMAS A.  
7 SEAMAN, RECEIVER

8 UNITED STATES DISTRICT COURT  
9 CENTRAL DISTRICT OF CALIFORNIA, SOUTHERN DIVISION

11 SECURITIES AND EXCHANGE  
12 COMMISSION,

13 Plaintiff,

14 v.

15 LAMBERT VANDER TUIG  
(a/k/a/ LAMBERT VANDER TAG  
16 a/k/a DEAN I. VANDER TAG),  
THE CAROLINA DEVELOPMENT  
17 COMPANY, INC. (a/k/a THE  
CAROLINA COMPANY AT  
18 PINEHURST, inc.), AND  
JONATHAN CARMAN,

19 Defendants.  
20

Case No. SACV06-172  
AHS(ANx)

**DECLARATION OF  
THOMAS A. SEAMAN**

[Complaint Filed: February  
16, 2006]

Hearing Date: February 27,  
2006

Hearing Time: 3:00 p.m.

1 I, Thomas A. Seaman, declare as follows:

2  
3 1. I am over 18 years of age. I am a  
4 Chartered Financial Analyst and the principal and sole  
5 shareholder of Thomas Seaman Company, which provides  
6 business management in civil matters that require a  
7 neutral third party to serve as receiver, referee,  
8 provisional director or administrator. I was appointed  
9 Receiver of The Carolina Development Company, Inc. and  
10 related entities (collectively, "Carolina Company") on  
11 February 16, 2006, parties to this action. If called as  
12 a witness I could and would competently testify to the  
13 facts stated in this declaration.

14 Initial Takeover

15 2. Immediately following my appointment I took  
16 possession of the Carolina Company by causing the locks  
17 to be changed to the premises located at 8001 Irvine  
18 Center Drive, Irvine, California.

19 3. Accompanying me on this takeover of the  
20 Carolina Company were information technology consultants  
21 whose job was to eliminate all external access to the  
22 Carolina Company computers, conduct an orderly shut down  
23 of the computers, shut down their telephone system and  
24 preserve voicemails, disable the website and email  
25 system, and make a digital image of all computers.

26 4. Concurrently with these efforts, I met with  
27 representatives of the California Department of Justice  
28 who executed a search warrant on February 16, 2006. I

1 also met with the Defendants who gave me a brief  
2 overview of some Carolina Company assets and pending  
3 escrow transactions.

4           5. I also retained the law firm Sheppard,  
5 Mullin, Richter and Hampton LLP to represent me in this  
6 matter. My counsel joined me at the Carolina Company  
7 offices for initial review of books & records. These  
8 records included the books and records located at the  
9 Carolina Company's Irvine office, not already seized by  
10 the California Department of Justice. It also included  
11 a review of certain books and records taken into the  
12 custody of the California Department of Justice and  
13 entrusted to my custody and care. I then began my  
14 review of these books and records, including bank  
15 statements, cancelled checks, correspondence and escrow  
16 files.

17           6. On the basis of my review of these books  
18 and records, I made certain preliminary conclusions as  
19 to how much was raised by the Carolina Company from  
20 investors and how this money was spent, which is  
21 discussed in further detail below. Additionally, I  
22 developed a preliminary plan of action for marshalling  
23 and preserving the assets of the Carolina Company in  
24 accordance with the order appointing me as receiver.

25           7. Financial Records and Taxes. I am informed  
26 the Carolina Company has never filed tax returns and did  
27 not maintain financial statements. All employees of the  
28 Carolina Company were paid as independent contractors,

1 thus evading payroll tax withholding requirements. The  
2 higher-paid employees were paid through corporations or  
3 other entities set up to receive compensation from  
4 Carolina Company, and all employees were deemed  
5 independent contractors.

6           8. It is also apparent the individual  
7 defendant Lambert Vander Tuig was using the company bank  
8 account as if it were his personal bank account. A  
9 cursory review of bank statements and cancelled checks  
10 reflects voluminous payments for blatantly obvious  
11 personal expenses, such as Hawaiian vacations, electric,  
12 gas and water bills at Mr. Vander Tuig's personal  
13 residence, medical bills, church donations, swimming  
14 pool service and other personal maintenance expenses,  
15 Orange County property tax bills (none of the Carolina  
16 Company's real estate holdings are in Orange County),  
17 and restaurants, among others. Indeed the checking  
18 account statements chronicle an extravagant lifestyle.

19           9. Moreover, it appears from the Carolina  
20 Company's accounts payable records that approximately  
21 \$183,000 was spent leasing private planes. In addition,  
22 in December 2005, Mr. Vander Tuig made a \$50,000 down  
23 payment for an airplane which cost \$1.7 million. I  
24 terminated the escrow for said airplane and the funds  
25 have been returned to me. The preliminary accounting of  
26 the source and uses of funds below more specifically  
27 quantifies these inappropriate disbursements.

28

1           10. Commission Structure. It appears from the  
2 Carolina Company's records, that it was paying a  
3 commission of between 5-25% to its sales people, not  
4 including additional commissions to the group sales  
5 manager directing the sales person and in some cases an  
6 additional 10% going to Mid Tex Survey, an entity  
7 controlled by Mr. Vander Tuig and his wife. Referral  
8 fees were also paid in some instances. It appears the  
9 Carolina Company has paid sales commissions totaling  
10 \$9.962 million since  
11 February 2002.

12           11. Potential TRO violations. Certain agents  
13 of the Carolina Company have not respected this Court's  
14 Temporary Restraining Order. On three occasions,  
15 Carolina Company's website provider has turned the  
16 Carolina Company website back on. The second time, the  
17 Carolina Company actually changed the content on the  
18 site and referenced this lawsuit pending against it. It  
19 also accused the Securities and Exchange Commission (the  
20 "Commission") of making false statements about the  
21 Carolina Company and encouraging investors to contact  
22 the Commission and local newspapers to express their  
23 satisfaction with their investment in the Carolina  
24 Company. A true and correct copy of printouts dated  
25 February 26, 2006 of the altered Carolina Company  
26 website is attached hereto as Exhibit A. Additionally,  
27 sales people and others have attempted to gain access to  
28

1 the Carolina Company offices on at least two occasions.  
2 They were successful once.

3           12. Dividends and Return of Principal. My  
4 review of the bank records indicates that some investors  
5 were receiving "dividends" from the Carolina Company.  
6 Since the Carolina Company, however, had not realized  
7 any returns on its purported investments, these payments  
8 could not be dividends, nor should have they been  
9 characterized as such. They were simply the payment of  
10 other investor funds. Further, many investors received  
11 their original investment back, which can have the  
12 effect of giving an imprimatur of legitimacy to the  
13 investment fraud.

14           13. Investor Communications. Carolina Company  
15 appears to have between 500-1000 investors. In order to  
16 keep investors informed and to collect addresses and  
17 assemble an investor database, I established a telephone  
18 line specifically for this matter. The number is 949-  
19 222-0305. I also established a website to maintain  
20 investors informed: [www.carolinareceivership.com](http://www.carolinareceivership.com).

21           Preliminary Forensic Accounting.

22           14. As previously stated, the Carolina Company  
23 did not maintain financial statements. By examining the  
24 Carolina Company's bank statements, cancelled checks,  
25 and checking account register, however I was able to  
26 prepare a preliminary accounting of how much money was  
27 raised by investors and how that money was spent. The  
28 review covers the time period beginning from the

1 apparent inception of the Carolina Company on or around  
2 February 1, 2002 through January 2006. A summary of  
3 this preliminary accounting follows:

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<b>Preliminary Estimate</b>	<b>(In \$</b>
<b>Sources and Uses of Funds</b>	<b>millions)</b>
<u>Sources:</u>	
Investor Funds	49.375
<u>Uses:</u>	
To Defendants	4.410
On behalf of Vander Tuig	1.664
Commissions and payroll	9.962
Dividends	0.412
Return of principal	1.379
Office operating expenses, selling expenses	1.149
Land Purchases, escrow deposits and debt service, and expenses of owing land	22.977
Development Expenses	0.593
Legal Fees and other professional fees	0.504
Unidentified	1.874
Total Disbursements	44.924
Ending Balance to Receiver	4.451

1           15. As shown above, the Carolina Company, their  
2 spouses and family members, as well as entities  
3 affiliated with them, namely Mid Tex Survey in the case  
4 of Mr. Vander Tuig, and JDC Development and DC Property  
5 Management in the case of individual defendant Jonathan  
6 Carman, collectively received \$4.41 million of investor  
7 funds. In addition to these amounts as discussed  
8 previously above, Mr. Vander Tuig used the company bank  
9 account as his personal account, taking another \$1.664  
10 million of investor funds for his personal use. The  
11 commission and payroll numbers above do not include  
12 amounts paid to Mr. Vander Tuig and Mr. Carman, or their  
13 affiliates purportedly for investments.

14           16. Ignoring these amounts, the commissions of  
15 \$9.962 million represent over 20% of the amount raised  
16 from investors.

17           17. The preliminary accounting also shows that  
18 \$22.977 was spent acquiring land, making escrow deposits  
19 on the purchase of land, service debt used to finance  
20 the purchase of land and for expenses ancillary to the  
21 ownership of the land such as real property taxes. This  
22 amount represents approximately 40% of the amount raised  
23 from investors. Based on this low percentage of funds  
24 that were actually productively employed to create  
25 future returns, the amount invested in land would need  
26 to increase by 150% before investors would break even,  
27 let alone achieve a return on their investment.

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1           18. Moreover, the effective 60% drag on  
2 investor funds was creating a cash crunch which was  
3 preventing the company from concluding sales  
4 transactions. Indeed, the day the Receiver was  
5 appointed, Vander Tuig represented, and the Receiver has  
6 confirmed, the Company was due to make an additional  
7 escrow deposit of \$5 million on the Galileo project at  
8 Lake Las Vegas. Yet there was only \$4.4 million in the  
9 bank. Additional evidence of the cash crunch was the  
10 fact that the Company had made an earnest money deposit  
11 of \$1,000,000 on a project know as River Bend in Denton  
12 County, Texas. The money became non-refundable on  
13 January 31, 2006. In order to keep the transaction  
14 alive the company authorized the seller to withdraw  
15 \$350,000 from the escrow account and to allow the  
16 purchase price to increase by \$1,000 per day. The  
17 Company has essentially put \$1,000,000 of investor funds  
18 at risk because it was skimming 60%. The Receiver has  
19 settled this matter for the remaining \$650,000 held in  
20 escrow which will be released to the Receiver shortly.  
21 The Receiver believes that this was the appropriate  
22 course of action in that he was able to able to avoid  
23 litigation with the seller which may or may not have  
24 been successful and preserve the \$650,000 which could  
25 conceivably have been lost if the Receiver was not  
26 successful in his litigation to recover the deposit.

27           19. Finally, the cash crunch forced the  
28 Company's to enter into onerous loans for the purchase

1 of property. The loan to value ratio on the Celina  
2 Bridges property exceeds 75% and the interest rate on  
3 the first trust deed is 10.75% while the second trust  
4 deed is at 11.1%. It appears to me from my preliminary  
5 review of the Company files, that the Company used a  
6 high degree of leverage in its land purchases.

7           20. Potential Sources of Recovery. I am in the  
8 process of marshalling, preserving and liquidating the  
9 assets of the Carolina Company in accordance with the  
10 order appointing me as receiver. Since my appointment  
11 ten days ago, I have taken possession of \$5,991,936.88.  
12 This amount is comprised of in cash on hand in the  
13 Company's frozen bank account in the amount  
14 \$4,451,100.58, \$1,500,986.30 from the escrow account for  
15 a property commonly known as the Lakes of Birds Fort in  
16 Texas, and \$39,850.00 from the aforementioned escrow for  
17 the purchase of an airplane. I also expect to receive  
18 \$650,000 from the aforementioned Carolina Company's  
19 interest in another escrow known as River Bend in Denton  
20 County, Texas. I have made disbursements of \$202,107.92  
21 for debt service on the Celina Bridges land in Texas  
22 which it appears has equity of at least \$11.5 million.  
23 I am currently holding funds in the amount  
24 \$5,789,758.96. I have identified several other escrows  
25 and am evaluating the Carolina Company's rights and  
26 interests in same.

27           21. Further, there are other matters in which  
28 the Carolina Company has ownership interests in real

1 property, as well as interests in partnerships and  
2 engineering rights, which I identified and am attempting  
3 to preserve and recover.

4           22. The Carolina Company owns a property  
5 commonly known as Celina Bridges, which appears to be  
6 worth approximately \$40 million. The Carolina Company  
7 owes \$23.5 million on the property and I am keeping the  
8 notes current in order to preserve the equity pending a  
9 sale of the asset.

10           23. Aside from preserving and/or liquidating  
11 the Carolina Company's ownership or other interests in  
12 real properties, I am investigating recipients of the  
13 Carolina Company funds and attempting to identify  
14 recipients of ill-gotten gains to seek disgorgement of  
15 these amounts and their timely return to the Carolina  
16 Company.

17           24. Finally, I am evaluating potential claims  
18 against professionals, officers and directors of the  
19 Carolina Company.

20           I declare under penalty of perjury under the  
21 laws of the State of California and the United States of  
22 America that the foregoing is true and correct, and that  
23 this Declaration was executed this \_\_\_\_ day of February  
24 2006 at Irvine, California.

25 \_\_\_\_\_  
26 THOMAS A. SEAMAN  
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