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12 **UNITED STATES DISTRICT COURT**
13 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**
14 **SOUTHERN DIVISION**
15

16 SECURITIES AND EXCHANGE
17 COMMISSION,

18 Plaintiff,

19 vs.

20 LAMBERT VANDER TUIG (a/k/a
LAMBERT VANDER TAG a/k/a DEAN L.
21 VANDER TAG a/k/a DEAN L.
VANDERTAG), THE CAROLINA
22 DEVELOPMENT COMPANY, INC. (a/k/a
THE CAROLINA COMPANY AT
23 PINEHURST, INC.), AND JONATHAN
CARMAN

24 Defendants.
25

Case No.

SACV 06-0172AHS (ANx)

COMPLAINT FOR
VIOLATIONS OF THE
FEDERAL SECURITIES
LAWS

1 Plaintiff Securities and Exchange Commission (“Commission”) alleges as
2 follows:

3 **JURISDICTION AND VENUE**

- 4 1. This Court has jurisdiction over this action pursuant to Sections
5 20(b), 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities
6 Act”), 15 U.S.C. §§ 77t(b), 77t(d)(1) and 77v(a), and Sections
7 21(d)(1) 21(d)(3)(A), 21(e) and 27 of the Securities Exchange Act of
8 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1), 78u(d)(3)(A), 78u(e)
9 and 78aa. Defendants have, directly or indirectly, made use of the
10 means or instrumentalities of interstate commerce, of the mails, or of
11 the facilities of a national securities exchange, in connection with the
12 transactions, acts, practices and courses of business alleged in this
13 Complaint.
- 14 2. Venue is proper in this district pursuant to Section 22(a) of the
15 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange
16 Act, 15 U.S.C. § 78aa, because certain of the transactions, acts,
17 practices and courses of conduct constituting violations of the federal
18 securities laws occurred within this district. Defendant Carolina
19 Development Company, Inc., and all of its sales agents, is
20 headquartered in Irvine, Orange County, California. Defendants
21 Lambert Vander Tuig and Jonathan Carman both reside in Orange
22 County, California.

23 **SUMMARY**

- 24 3. Since September 2004, defendants Lambert Vander Tuig (“Vander
25 Tuig) and Jonathan Carman (“Carman”) have raised at least \$30
26 million from numerous investors nationwide, including investors in
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1 the Central District of California, through the ongoing fraudulent sale
2 of unregistered shares in The Carolina Company Development
3 Company, Inc. ("Carolina Company").

4 4. Carolina Company purports to be a real estate development company
5 specializing in developing resort communities surrounding
6 prestigious golf courses. To induce individuals to invest, Vander
7 Tuig and Carman prepared and distributed fraudulent private
8 placement memoranda, fraudulent sales materials, and published a
9 website containing false statements.

10 5. Vander Tuig and Carman have overseen the operation of a boiler
11 room operation located in Orange County which solicits investors by
12 telephone.

13 6. Vander Tuig and Carman have also spoken to prospective investors
14 directly by answering questions from some investors.

15 7. The misrepresentations and omissions made by Defendants include:

16 (a) Carolina Company claims it will soon be going public and that
17 the stock will likely trade at many times the offering price,
18 while in reality, the Carolina Company has taken no steps to
19 register an offering of its stock;

20 (b) Defendants fail to disclose that the same stock being offered
21 through the boiler room operation is available to purchase
22 through the Pink Sheet quotation system at prices well below
23 the boiler room offering price;

24 (c) Defendants represent that shares purchased will be immediately
25 available for trading as soon as the company goes public, while
26 shares actually issued are restricted and cannot be sold for at
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1 least one year;

2 (d) Defendants represent that Carolina Company owns or is
3 developing a number of properties that it does not actually
4 own;

5 (e) Defendants represent that the number of outstanding shares is
6 substantially less than the number actually outstanding; and

7 (f) Defendants fail to disclose that Vander Tuig was previously
8 enjoining by this Court in a civil action brought by the
9 Commission and subsequently barred by the Commission from
10 association with any broker or dealer under the name Vander
11 Tuig.

12 8. Defendants solicit the purchase of securities in Carolina Company by
13 cold calling individuals from purchased lists. Carolina Company
14 sales agents have solicited thousands of prospective investors and, to
15 date, have obtained over one thousand investments from individuals
16 in the United States and Canada.

17 9. The Defendants' solicitation has raised at least \$30 million dollars.

18 10. The Defendants have not limited the solicitation to purchase Carolina
19 Company stock to accredited investors.

20 11. The defendants, by engaging in the conduct described in this
21 Complaint, have violated the securities registration provisions of
22 Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. § 77e(a) and
23 (c). The defendants have also violated the antifraud provisions of
24 Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a) and Section
25 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5
26 thereunder, 17 C.F.R. § 240.10b-5. Vander Tuig and Carman have
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1 also sold shares to the public without registering as a broker or dealer
2 with the Commission in violation of Section 15(a) of the Exchange
3 Act, 15 U.S.C. § 78o(a). Vander Tuig is associated with a broker-
4 dealer in contravention of an order barring him from that association
5 in violation of Section 15(b)(6)(B) of the Exchange Act, 15 U.S.C. §
6 78o(b)(6)(B) without the consent of the Commission.

- 7 12. In view of the serious and ongoing nature of the violations, the
8 Commission is seeking emergency relief, including an ex parte
9 temporary restraining order, a preliminary injunction, orders freezing
10 the assets of each of the defendants, expediting discovery and
11 prohibiting each of the defendants from destroying documents, the
12 appointment of a receiver over Carolina Company and an order
13 requiring defendants to provide accountings. The Commission also
14 seeks permanent injunctions, disgorgement and civil penalties. The
15 Commission also requests that Vander Tuig and Carman be barred
16 from being officers or directors of a public company and barred from
17 participating in any offering of penny stock.

18 **THE DEFENDANTS**

- 19 13. **Lambert Vander Tuig** resides in Rancho Santa Margarita,
20 California. Vander Tuig founded, and is an officer/director of
21 Carolina Company. Vander Tuig uses numerous aliases in
22 connection with The Carolina Company, including Lambert Vander
23 Tag, Dean L. Vander Tag, Dean L. VanderTag and Dean L.
24 Vandertag. Vander Tuig was permanently enjoined from future
25 violations of Sections 5(a), 5(c), 17(a) of the Securities Act and
26 Section 10(b) of the Exchange Act and Rule 10b-5 thereunder on
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1 March 27, 2000. He was ordered to pay \$61,305 in disgorgement and
2 \$61,305 in civil penalties (SEC v. Vander Tuig, Civ. No. 99-7900
3 RAP [RCx], C.D.Cal. 2000), amounts which remain unpaid. In an
4 administrative proceeding related to that prior civil action, Vander
5 Tuig was barred by the Commission from association with any broker
6 or dealer on August 16, 2000.

7 14. **Jonathan Carman** resides in Aliso Viejo, California. He is the Vice
8 President of Carolina Company and supervises its operations and
9 sales efforts.

10 15. **The Carolina Development Company, Inc.**, is a Nevada corporation
11 headquartered in Irvine, California. The company holds itself out as a
12 real estate development company offering securities through a series
13 of private placement memoranda. The company's stock is available
14 for purchase in the Pink Sheet quotation system under the symbol
15 CACP. It is also known as the Carolina Company at Pinehurst, Inc.

16 STATEMENT OF FACTS

17 **CAROLINA COMPANY'S OFFERINGS OF STOCK**

18 16. Since September 2004, Vander Tuig and Carman have orchestrated a
19 fraudulent unregistered offering of Carolina Company common stock
20 at inflated prices. This offering has been made through the use of
21 material misrepresentations and omissions contained in various
22 private placement memoranda, on the Carolina Company website and
23 made verbally by sales agents acting at the direction of Vander Tuig
24 and Carman, as well as by Vander Tuig and Carman personally.

25 17. Carman and Vander Tuig prepared and reviewed the private
26 placement memoranda and are responsible for their content.

- 1 18. Carman and Vander Tuig prepared and reviewed the website and are
2 responsible for its content.
- 3 19. Operating out of a boiler room, Carolina Company sales agents have
4 offered and sold stock to investors nationwide and in Canada.
- 5 20. Vander Tuig and Carman provide sales scripts and verbal instructions
6 to the sales agents instructing the sales agents as to what to say to the
7 potential investors that they cold call.
- 8 21. Among the misrepresentations and omissions is the fact that investors
9 are not told that Carolina Company trades in the Pink Sheets.
10 Investors are being told that a public offering is imminent when, in
11 fact, Carolina Company stock can already be purchased in a public
12 market and no further offering or registration documents have been
13 filed with the Commission.
- 14 22. Investors are misled as to the actual number of shares outstanding.
- 15 23. Investors are misled by being told that the Carolina Company is
16 developing extensive golf course properties.
- 17 24. Investors are being misled in that Carolina Company owns far less
18 property than is represented to investors.
- 19 25. Investors are not told that Vander Tuig has been previously enjoined
20 from violating the federal securities laws. In order to conceal this
21 fact, Vander Tuig has changed his name in the offering documents to
22 "Vander Tag."
- 23 26. Solicitations first occurred through a private offering document dated
24 June 30, 2004.
- 25 27. There were several versions of the June 30, 2004 private offering
26 memorandum.
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- 1 28. One version of the June 30, 2004 private offering memorandum states
2 that 4,350,000 shares are offered at prices from \$1.50 to \$3.00.
- 3 29. Another version of the June 30, 2004 private offering memorandum
4 states that 3,850,000 shares are offered at prices from \$1.50 to \$4.00.
- 5 30. In December 2005, Carolina Company started distributing a new
6 private offering memorandum, dated November 15, 2005 which states
7 that shares are offered at prices of \$5.50 and \$7.50.
- 8 31. The November 15, 2005 private offering memorandum states that the
9 offering is for \$100,000,000 and a total of 14,787,879 shares are
10 being offered.
- 11 32. The November 15, 2005 private offering memorandum is currently
12 being distributed to prospective investors.
- 13 33. Carolina Company does not have a current registration statement filed
14 with the Commission.
- 15 34. Carolina Company did not register its shares with the Commission
16 and the sales of those securities discussed in this action were not
17 conducted under any exemption or exception from registration.
- 18 35. Carolina Company has not applied for registration of its shares with
19 the Commission for sale to the public.
- 20 36. During all or some of the relevant period during which Carolina
21 Company offered securities to the public, it was a penny stock.

22 **CAROLINA COMPANY OPERATED AN UNREGISTERED**
23 **BROKER DEALER**

- 24 37. As part of their efforts to solicit investments in Carolina Company
25 stock, the Defendants organized a boiler room.
- 26 38. Vander Tuig and Carman supervised the ongoing activities of the
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1 boiler room and the telemarketers' solicitation of investments in
2 Carolina Company.

3 39. The telemarketers were paid commissions for their sales of Carolina
4 Company stock, and their primary, if not sole, duties with Carolina
5 Company were to solicit purchases of Carolina Company stock.

6 40. Vander Tuig and Carman are not registered with the Commission as
7 brokers or dealers. In fact, Vander Tuig has been barred from
8 association with any broker or dealer.

9 41. Vander Tuig has not obtained authorization from the Commission to
10 associate with any broker or dealer.

11 **CAROLINA COMPANY'S MISREPRESENTATIONS REGARDING**
12 **THE OFFER AND SALE OF ITS STOCK**

13 42. Carolina Company, Vander Tuig and Carman have misrepresented
14 material facts or omitted to disclose material information to investors.

15 **False Statements Regarding Profits**

16 43. Defendants have distributed a false private placement memoranda
17 claiming that Carolina Company has profit margins of 50-60%, 100%
18 and 400%.

19 44. Defendants falsely represent to investors, through oral and written
20 statements that Carolina Company had made net profits of \$206,334
21 in 2002, \$716,671 in 2003 and \$1,525,647 in 2004.

22 45. Vander Tuig and Carman assisted in the preparation of the
23 Company's private placement memoranda and other sales materials
24 containing the net profits claim.

25 46. Vander Tuig and Carman knew, or were reckless in not knowing, that
26 these statements regarding the net profits of Carolina Company were
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1 false because they knew that the Carolina Company had never earned
2 any income, other than from the sale of its stock.

3 47. These misstatements regarding net profits would be material to a
4 reasonable investor.

5 **Carolina is Not About to Go Public**

6 48. Defendants falsely represent to investors that Carolina Company is
7 about to "go public" via an initial public offering in a letter to all
8 shareholders dated October 9, 2005.

9 49. In the October 9, 2005 letter, Vander Tuig falsely represented to
10 shareholders that "during the last week of September our legal
11 counsel initiated the filing process to begin trading."

12 50. Defendants have not told investors that during the period Carolina
13 Company stock has been sold by the boiler room sales agents,
14 Carolina Company stock has been quoted in the "Pink Sheets" at a
15 price of between \$.001 and \$1.75 per share.

16 51. The current price of Carolina Company stock is 10 cents per share.

17 52. Defendants have not told investors that the stock trades in the name
18 of "The Carolina Company at Pinehurst," and that the stock offered
19 through the private placement memoranda described above is
20 available for substantially less on the open market than the price
21 offered through the boiler room.

22 53. Defendants have directed sales agents to falsely represent that the
23 stock which is quoted in the Pink Sheets is a different stock from the
24 one offered through the private placement memoranda.

25 54. The certificates received by the purchasers of stock through the boiler
26 room operation are for "Carolina Company at Pinehurst."

1 55. At the time of sale, defendants have directed sales agents to falsely
2 inform investors that shares issued to them through the private
3 placement memoranda will be freely tradable as soon as Carolina
4 Company goes public.

5 56. Investors received share certificates that have a restrictive legend
6 placed upon them which states that the stock cannot be sold for one
7 year.

8 57. Defendants have directed sales agents to falsely tell investors that
9 these restricted certificates will be replaced with unrestricted
10 certificates.

11 58. Defendants have not told investors that, even if Carolina Company
12 were to go public, their shares would be restricted pursuant to Rule
13 144 under the Securities Act and could not be sold for a minimum of
14 one year.

15 59. Defendants knew, or were reckless in not knowing, that the stock was
16 quoted in the Pink Sheets, that the price quoted in the open market
17 was substantially less than the stock sold through the boiler room and
18 that the stock sold through the boiler room was restricted.

19 60. Defendants knew, or were reckless in not knowing, that the Carolina
20 Company had not taken the necessary steps to file a registration
21 statement with the Commission because they knew, for example, that
22 the Carolina Company had not prepared financial statements or had
23 retained an independent auditor to audit the Company's financial
24 statements.

25 61. The misrepresentations regarding Carolina Company's share price
26 and the restricted nature of its stock would be material to a reasonable
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1 investor.

2 62. The misrepresentation that Carolina Company was about to go public
3 would be material to a reasonable investor.

4 **Misrepresentations Regarding Property Ownership**

5 63. Defendants have made misrepresentations about properties that
6 Carolina Company owns.

7 64. Defendants have distributed private placement memoranda and sales
8 materials to investors that claim that Carolina Company had
9 purchased two "Championship Golf Course communities" located in
10 Pinehurst, North Carolina Company. This statement is misleading.

11 65. Defendants have purchased some lots in the two golf course
12 communities, but have not purchased the communities in their
13 entirety. Defendants have distributed sales materials that falsely
14 represent that Carolina Company has real property in seven different
15 developments valued at over \$200 million in equity.

16 66. Defendants falsely represented in early 2005 that Carolina Company
17 had acquired a 771-acre development in Texas and that the company
18 held \$22 million in equity in this development. This development
19 was known as Celina Bridges.

20 67. Carolina Company did not acquire an ownership interest in the Celina
21 Bridges property until November 2005, long after the representations
22 had been made.

23 68. Defendants paid \$23.5 million for the Celina Bridges property,
24 obtaining a bank loan for \$22 million of the purchase price.

25 69. Carolina Company also signed a promissory note for \$1.5 million for
26 the purchase of the Celina Bridges property.

- 1 70. Therefore, Carolina Company has little or no equity in the Celina
2 Bridges property.
- 3 71. Defendants have also falsely represented that Carolina Company
4 owns additional properties in which it actually holds no interest.
- 5 72. These properties include a development known as River Bend, in
6 Texas.
- 7 73. As of December 2005, Carolina Company did not own any property
8 located in the River Bend development.
- 9 74. The sole Carolina Company interest in River Bend, Texas was a
10 contract for the purchase of a 249-acre parcel that was scheduled to
11 close in January 2006 and a 52-acre parcel set to close April 1, 2006.
12 In October 2005, Vander Tuig sent a letter to investors asserting that
13 Carolina Company has acquired a \$100 million property located in
14 Sacramento, California, known as McHenry Ranch.”
- 15 75. Information on the Carolina Company website also states that the
16 McHenry Ranch property was acquired on September 29, 2005.
- 17 76. This statement is false. All that occurred on September 28, 2005 was
18 an option to purchase the McHenry Ranch property executed by a
19 third party controlled by Carolina Company.
- 20 77. Defendants prepared and distributed false “appraisal valuations”
21 regarding Carolina Company’s real property holdings to prospective
22 investors as part of Carolina Company’s sales materials.
- 23 78. The most current appraisal valuation document sent to prospective
24 investors claims that the Carolina Company has seven different
25 developments with a total appraised value of \$259.3 million, with the
26 Carolina Company holding \$200.3 million in equity in those

1 properties.

2 79. These figures are also conveyed verbally to prospective investors in
3 the cold calling solicitation program directed by Vander Tuig and
4 Carman.

5 80. These statements are false. As noted above, the Carolina Company
6 does not own much land, and other real property that it claims it owns
7 is actually either under contract or option.

8 81. Defendants knew, or were reckless in not knowing, that the Company
9 did not own as much property as it claimed in sales information, the
10 private placement memoranda and the appraisal reports because
11 Defendants were responsible for the purchase of those properties.

12 82. Information regarding the ownership and value of the real properties
13 Carolina Company claimed to own would be material to a reasonable
14 investor.

15 **False Information Regarding Book Value and Outstanding Shares**

16 83. Defendants distribute false information regarding the "book value" of
17 Carolina Company shares regarding the number of shares outstanding
18 and the value of the assets of Carolina Company.

19 84. Defendants distribute false information regarding the number of
20 shares outstanding. Defendants claim that there are fewer shares
21 outstanding than are listed on the books of Carolina Company's
22 transfer agent.

23 85. The November 15, 2005 private placement memorandum states that
24 the company has 30,829,117 shares outstanding.

25 86. This representation is false. As of September 2004, the company had
26 over 68 million shares outstanding. As of January 31, 2006,

1 according to Carolina Company's transfer agent records, the
2 Company has more than 101 million shares outstanding.

3 87. The private placement memoranda distributed through November
4 2005 represented that Carolina Company had 5,471,121 shares
5 outstanding and 80,000,000 shares authorized.

6 88. This statement is false. During the time period of distribution,
7 Carolina Company had 100,000,000 shares authorized, not
8 80,000,000.

9 89. By September 1, 2004, Carolina Company had at least 68,657,674
10 outstanding shares.

11 90. The private placement memorandum dated November 15, 2005 states
12 that Carolina Company has 30,829,117 shares outstanding and that
13 100,000,000 shares were authorized.

14 91. That statement is false. In December, 2005 Carolina Company had at
15 least 100,682,069 shares outstanding.

16 92. In December 2005, Carolina Company authorized an increase in
17 authorized shares from 100,000,000 shares to 200,000,000 shares.
18 The November 15, 2005 private offering memorandum has not been
19 revised to reflect these share totals.

20 93. The June 30, 2004, private placement memorandum states that
21 Carolina Company's offering is for 4,350,000 shares of common
22 stock at prices ranging from \$1.50 to \$3.00 for a total offering price
23 of \$10,150,000.

24 94. From September 2004 through December 2005, Carolina Company
25 issued over 32 million shares of common stock. Conservatively, the
26 Company raised over \$32,000,000 pursuant to this offering, not
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1 personal income greater than \$200,000 during the previous two years,
2 or joint annual income greater than \$300,000 during the previous two
3 years.

4 102. Carolina sold its stock to unaccredited investors.

5 103. The Defendants knew, or were reckless in not knowing, that the
6 offering was unregistered because they filed a Form D, which notifies
7 the Commission of a claim to an exemption from the registration
8 provisions of the federal securities laws.

9 104. A reasonable investor would find it material that Carolina's stock was
10 being sold to unaccredited investors and did not qualify for an
11 exemption from registration.

12 **Concealing Vander Tuig's Identity**

13 105. Carolina Company's private placement memoranda, its sales
14 materials and all other company information variously list the
15 president of the company as Lambert Vander Tag, Dean L. Vander
16 Tag, Dean L. VanderTag and Dean L. Vandertag.

17 106. Defendants have not told investors that the real name of Carolina
18 Company's president is Lambert Vander Tuig.

19 107. Vander Tuig has told sales representatives that he is the same
20 individual as Lambert Vander Tag. He has acknowledged that he was
21 enjoined by the Commission in a prior federal civil action, but that he
22 had resolved the matter and paid a fine. This statement is false.

23 108. Vander Tuig has concealed his true name in order to conceal his past
24 history of securities violations.

25 109. Defendants have not told investors that Vander Tuig was enjoined in
26 a prior civil action or that he has failed to pay the disgorgement and
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1 civil penalty imposed in that action.

2 110. Defendants have not told investors that Vander Tuig was barred from
3 association with a broker or dealer by the Commission.

4 111. Defendants knew, or were reckless in not knowing, the true name of
5 Vander Tuig because they took great pains to hide Vander Tuig's real
6 name from investors.

7 112. Vander Tuig's identity, his prior securities laws violations and his
8 sanctions would be material to a reasonable investor.

9 **FIRST CLAIM FOR RELIEF**

10 **UNREGISTERED OFFER AND SALE OF SECURITIES**

11 **Violations of Sections 5(a) and 5(c) of the Securities Act**

12 **(Against All Defendants)**

13 113. The Commission realleges and incorporates by reference ¶¶ 1 through
14 112 above.

15 114. Defendants Vander Tuig, Carman and Carolina Company, and each
16 of them, by engaging in the conduct described above, directly or
17 indirectly, made use of the means or instruments of transportation or
18 communication in interstate commerce or of the mails, to offer to sell
19 or to sell securities, or to carry or cause such securities to be carried
20 through the mails or interstate commerce for the purpose of sale or for
21 delivery after sale.

22 115. No registration statement has been filed with the Commission or has
23 been in effect with respect to any of the offerings alleged herein.

24 116. By engaging in the conduct described above, each of the defendants
25 violated, and unless restrained and enjoined will continue to violate,
26 Sections 5(a) and 59(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and
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1 77e(c).

2 **SECOND CLAIM FOR RELIEF**

3 **FRAUD IN THE OFFER OR SALE OF SECURITIES**

4 **Violations of Section 17(a) of the Securities Act**

5 **(Against All Defendants)**

6 117. The Commission realleges and incorporates by reference ¶¶ 1 through
7 112 above.

8 118. Defendants Vander Tuig, Carman and Carolina Company, and each
9 of them, by engaging in the conduct described above, directly or
10 indirectly, in the offer or sale of securities by the use of means or
11 instruments of transportation or communication in interstate
12 commerce or by use of the mails:

13 (a) with scienter, employed devices, schemes or artifices to
14 defraud;

15 (b) obtained money or property by means of untrue
16 statements of a material fact or by omitting to state a
17 material fact necessary in order to make the statements
18 made, in light of the circumstances under which they
19 were made, not misleading; or

20 (c) engaged in transactions, practices, or courses of business
21 which operated or would operate as a fraud or deceit
22 upon the purchaser.

23 119. By engaging in the conducted described above, each of the
24 defendants violated, and unless restrained and enjoined will continue
25 to violate, Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).
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THIRD CLAIM FOR RELIEF
FRAUD IN CONNECTION WITH THE
PURCHASE OR SALE OF SECURITIES

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Violations of Section 10(b) of the Exchange Act
and Rule 10b-5 thereunder
(Against All Defendants)

120. The Commission realleges and incorporates by reference ¶¶ 1 through 112 above.

121. Defendants Vander Tuig, Carman and Carolina Company, and each of them, by engaging in the conduct described above, directly or indirectly, in connection with the purchase or sale of a security, by the use of means or instrumentalities of interstate commerce, of the mails, or of the facilities of a national securities exchange, with scienter:

1. Employed devices, schemes, or artifices to defraud;
2. Made untrue statements of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
3. Engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon other persons.

122. By engaging in the conduct described above, each of the defendants violated, and unless restrained and enjoined will continue to 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.

1 **FOURTH CLAIM FOR RELIEF**

2 **OFFER AND SALE OF SECURITIES BY UNREGISTERED**
3 **BROKER OR DEALER**

4 **Violations of Section 15(a) of the Exchange Act**
5 **(Against Vander Tuig and Carman)**

6 123. The Commission realleges and incorporates by reference ¶¶ 1 through
7 112 above.

8 124. Defendants Vander Tuig and Carman, and each of them, directly or
9 indirectly, made use of the mails or any means or instrumentality of
10 interstate commerce to effect transactions in, or induced or attempted
11 to induce the purchase or sale of Carolina Company securities without
12 being registered as a broker with the Securities and Exchange
13 Commission or associated with a Commission-registered broker.

14 125. By reason of the foregoing, Vander Tuig and Carman, violated and
15 unless restrained and enjoined will continue to violate, Section 15(a)
16 of the Exchange Act, 15 U.S.C. § 78o(a).

17 **FIFTH CLAIM FOR RELIEF**

18 **UNLAWFUL ASSOCIATION WITH A BROKER DEALER**

19 **Violations of Section 15(b)(6)(B) of the Exchange Act**
20 **(Against Vander Tuig)**

21 126. The Commission realleges and incorporates by reference ¶¶ 1 through
22 112 above.

23 127. Defendant Vander Tuig has become a broker in contravention of an
24 order barring him from association with any broker or dealer without
25 the consent of the Commission.

26 128. By reason of the foregoing, Vander Tuig violated, and unless

1 restrained and enjoined will continue to violate Section 15(b)(6)(B)
2 of the Exchange Act, 15 U.S.C. § 78o(b)(6)(B).

3 **PRAYER FOR RELIEF**

4 WHEREFORE, the Commission requests that the Court:

5 **I.**

6 Issue findings of fact and conclusions of law that the defendants committed
7 the alleged violations.

8 **II.**

9 Issue orders, in a form consistent with Fed.R.Civ.P. 65(d) temporarily,
10 preliminarily and permanently enjoining each defendant and their officers, agents,
11 servants, employees and attorneys, and those persons in active concert or
12 participation with any of them, who receive actual notice of the order by personal
13 service or otherwise, and each of them, from violating Sections 5(a), 5(c), and
14 17(a) of the Securities Act, and Sections 10(b) of the Exchange Act and Rule 10b-
15 5 thereunder.

16 **III.**

17 Issue orders, in a form consistent with Fed.R.Civ.P. 65(d) temporarily,
18 preliminarily and permanently enjoining Vander Tuig and Carman, and their
19 officers, agents, servants, employees and attorneys, and those persons in active
20 concert or participation with any of them, who receive actual notice of the order by
21 personal service or otherwise, and each of them, from violating Sections 15 (a) of
22 the Exchange Act.

23 **IV.**

24 Issue an order, in a form consistent with Fed.R.Civ.P. 65(d) temporarily,
25 preliminarily and permanently enjoining Van Tuig from violating Section 15
26 (b)(6)(B).

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V.

Issue in a form consistent with Fed.R.Civ.P. 65, a temporary restraining order and a preliminary injunction freezing the assets of each of the defendants and prohibiting each of the defendants from destroying documents; appointing a receiver over defendant Caroling Company, as well as all other entities directly or indirectly controlled by Vander Tuig or Carman which have received investor funds, accelerating discovery and ordering accountings.

VI.

Order each defendant to disgorge all ill-gotten gains from their illegal conduct, together with prejudgment interest thereon.

VII.

Order each defendant to pay civil penalties under Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21 (d)(3) of the Exchange Act, 15 U.S.C. § 78u(d)(3).

VIII.

Bar Defendants Vander Tuig and Carman from serving as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act, as amended [15 U.S.C. § 78o(d)].

IX.

Bar Defendants Vander Tuig and Carman from participating in any offering of penny stock pursuant to Section 20(g) of the Securities Act [15 U.S.C. § 78u(d)(6)].

X.

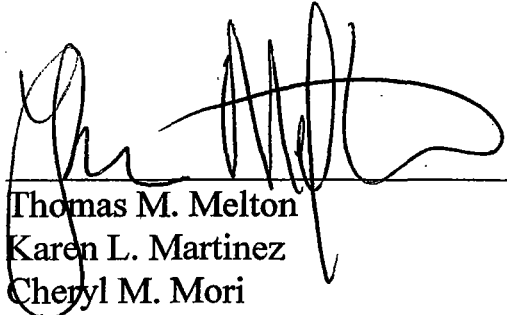
Retain jurisdiction of this action in accordance with the principles of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable

1 application or motion for additional relief with the jurisdiction of this court.

2 **XI.**

3 Grant such other and further relief as this Court may determine to be just
4 and necessary.

5 DATED: February 16, 2006

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8 Thomas M. Melton
9 Karen L. Martinez
10 Cheryl M. Mori
11 Attorneys for Plaintiff
12 Securities and Exchange Commission
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