

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Bighorn Wealth Fund, L.P., a Delaware limited partnership, and End of the Rainbow Partners, LLC., a Florida limited liability company,

Plaintiffs,

v.

Case No. 17-1568 -RBJ
Jury Demand

Estate of Michael Anderson a/k/a
Michael Frederick Guerra,
Carolyn Anderson, a Colorado resident
Seaoma Consulting Company, a Colorado corporation, and
Excalibur Fund Services, a Colorado Corporation,

Defendants,

Robert B. Casey, Sr.

Relief Defendant.

AMENDED COMPLAINT AND JURY DEMAND

For their Amended Complaint against the Defendants, Plaintiffs allege as follows:

I. SUMMARY

1. Plaintiffs are the Bighorn Wealth Fund and the End of Rainbow Partners, which are suing to recover misappropriated funds to be returned to the investors in those entities. Through false pretenses, Plaintiffs' investment funds, which exceeded \$13.8 million, were misappropriated into accounts under the control of Michael Anderson a/k/a Michael Frederick Guerra ("Michael Anderson") and Carolyn Anderson, his wife. Plaintiffs bring this suit alleging fraud in violations of

Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, control person liability under Section 20(a) of the Exchange Act, and various pendent state law claims for breach of fiduciary duties, intentional and negligent misrepresentation, aiding and abetting, civil conspiracy, civil theft, conversion, ~~and~~ breach of contract, and unjust enrichment.

2. The Defendants effected their fraudulent scheme through a web of interconnected sham companies and through multiple brokerage and bank accounts controlled by Michael and Carolyn Anderson.

3. The United States Securities & Exchange Commission (“SEC”) commenced an investigation into this matter in late January 2017. After receiving SEC subpoenas for the entities under their control and their personal accounts, Michael and Carolyn Anderson took steps to destroy trading records and client files on both office computers and Michael Anderson personal cell phone, the device he routinely used to conduct trading. Michael Anderson delayed production of documents to other persons and entities that also received subpoenas and failed to deliver documents that might have been responsive to the subpoenas. He also sent an empty Fed Ex package to the SEC in response to its subpoenas.

4. After the SEC commenced its investigation, Michael and Carolyn Anderson also took steps to cause trading losses in the Bighorn Wealth Fund as well as misappropriate the monies from the Bighorn Wealth Fund and End of Rainbow Partners.

5. More specifically, a substantial amount of the Bighorn Wealth Fund’s assets were placed in a trade in NUGT, which is the ticker symbol for Direxon Daily Gold

Miners Index Bull 3X Exchange Traded Fund (hereinafter “NUGT ETF”). Michael Anderson placed the trade and neglected his fiduciary duties to monitor it. Instead, he went on a cruise with Carolyn Anderson. That position had to be closed out after the death of Michael Anderson at a loss of \$2.4 million. Another \$1,010,000 million was transferred by Michael Anderson from the Fund’s brokerage account to its bank account at Centennial Bank & Trust, which Michael Anderson controlled and from which Michael Anderson misappropriated \$1,001,348.50 to purchase gold bars for which he personally accepted delivery, but are now missing. More than \$450,000 was also transferred from the accounts of Rainbow Partners into an account in the name of Seaoma Consulting Company (“Seaoma”), the company owned and controlled by Defendant Carolyn Anderson, and dissipated for personal expenses and mortgage payments. A further \$505,800 was moved by interbank transfers into a bank account in the name of Excalibur Fund Services (“Excalibur”) at Centennial Bank & Trust in Vail Colorado, which was controlled by Defendant Carolyn Anderson and from which funds have been misappropriated.

6. Michael and Carolyn Anderson were re-married on February 7, 2017, two weeks after the SEC commenced its investigation. Michael Anderson is now deceased.

7. Total losses to the Bighorn Wealth Fund are unknown at this time but approximate \$3.799 million.

8. Total losses to End of Rainbow Partners are unknown at this time but approximate \$2.979 million.

9. Plaintiffs request recovery of all funds lost or misappropriated by Michael and Carolyn Anderson, including the NUGT trade for \$2.4 million, recovery of assets (e.g., \$1 million in gold bars), and recovery of all other funds however misappropriated from accounts over which Michael and Carolyn Anderson exercised control, whether taken for alleged fees, living expenses, personal expenses, or entertainment expenses.

10. Plaintiffs also request other equitable relief, including a constructive trust over the funds held by Relief Defendant Robert B. Casey Sr., - the boyfriend of Carolyn Andersons' mother - needed to stop further movement and defalcation of funds or dissipation of assets belonging to Bighorn Wealth Fund investors and investors in End of Rainbow Partners.

II. PARTIES

11. **Bighorn Wealth Fund, L.P.** The Bighorn Wealth Fund (the "Wealth Fund" or "Fund") is a Delaware limited partnership, set up to preserve assets and grow capital. The agreement of limited partnership states that the business of the Wealth Fund is "the buying and selling of securities, consisting primarily of exchange traded funds ("ETFs"), and without limitation, stocks, options, warrants, and rights of U.S. and non-U.S. entities." The agreement of limited partnership further provides that the partnership will ordinarily invest in securities for short periods, even as little as a portion of one day. On information and belief, the partnership has eighteen (18) limited partners as investors, including End of the Rainbow Partners. The partnership agreement states that the general partner, Bighorn Wealth Partners, LLC, has delegated authority over the partnerships' trading and management of the

partnership portfolio to Bighorn Asset Management, the investment advisor. Under the asset-based fee agreement between BAM and the Wealth Fund, BAM agreed to manage all investments in accordance with the general investment objectives as disclosed in the Private Offering Memorandum and Agreement of Limited Partnership.

12. **End of Rainbow Partners.** On or about March 10, 2014, Carolyn Anderson, as general partner and registered agent, obtained a certificate of limited partnership for End of the Rainbow Partners (“Rainbow Partners”) as a Colorado Limited Liability Company (LLC), located at 2077 N. Frontage Road, Suite 106, Vail, Colorado. The purpose of Rainbow Partners was for the “financial and educational benefit” of its members. There were five (5) initial members, including Carolyn Anderson, who was also described in the Rainbow Partner’s Agreement as managing member with responsibility for day-to-day operations. Without authority of the other partners/members, on or about June 2, 2015 Michael Anderson changed the state of registration of Rainbow Partners from Colorado to Florida, but continued to list Carolyn Anderson as registered agent and as manager. While maintaining the same mailing address in Vail, Colorado of 2077 N. Frontage Road, but a different suite number of 104, now listed its business address as 2477 Stickney Point Road, Sarasota, Florida. The July 2016 statement for Rainbow Partners showed twenty-four (24) investors and showed an aggregate portfolio balance of \$10,431,211.60.

13. On or about October 20, 2016, Michael Anderson again refiled Rainbow Partner’s reinstatement of registration with the State of Florida, now listing himself

as manager and now using the business address of Bighorn Asset Management, at 225 Wall Street, Suite 220, Vail, Colorado. And, in or about January 2017, Michael Anderson drafted an entirely different form of agreement which, among other things, stated that its new purpose was only for the “educational benefit” of its members, stated that the total value of Rainbow Partners was \$25 million, required initial capital contributions of \$750,000, and stated that it will utilize the services of an “independent” third party administrator.

14. The original partnership agreement provided that if Michael Anderson’s trading prowess generated a certain percentage increase in trading profits or quarterly account values, twelve and one half percent (12.5%) would be “donated,” allegedly for use by the Foundation. The new and unauthorized agreement in January 2017, however, required a ten percent (10%) “donation” of profits if the value of the portfolio exceeded four percent (4%) at the end of each quarter. On information and belief, these purported “donations” were used to support the lavish life style of the Andersons, including five (5) cars (one Grand Cherokee Jeep and another Jaguar) that were leased in the name of Rainbow Partners and/or Rainbow Foundation.

15. Rainbow Partners also maintained a trading account at Fidelity Investment, which was opened in or about May 2013.

16. Rainbow Partners maintained a bank account at Centennial Bank & Trust in Vail, Colorado, through which funds at issue in this case flowed and checks were signed by Carolyn Anderson. It has a current balance of only \$2,500.

17. **Defendant Estate of Michael Anderson a/k/a Michael Frederick Guerra.**

Michael Anderson, whose real name is Michael Frederick Guerra, has a criminal history record (attempted rape and disorderly conduct). On February 7, 2017, Michael and Carolyn Anderson were remarried in Eagle County, Colorado. On February 7, 2017, Michael Anderson also had prepared and signed his last will, revoking all prior wills and codicils. On that same date, he also established a trust, with Carolyn Anderson as trustee, into which the rest and remainder of the property of his estate would pour over and be disposed of in accordance with that trust. On February 11, 2017, Michael and Carolyn Anderson left on an alleged “cruise,” but on information and belief, spent time house hunting in Fort Lauderdale. One week after returning from the “cruise” and advising that a large trade in the Wealth Fund was consistent with his trading model and showed upside potential, Michael Anderson died in Vail, Colorado on February 27, 2017 under suspicious circumstances. When the Vail Police arrived, they found several boxes in the house that had been packed.

18. **Defendant Carolyn Anderson.** Defendant Carolyn Anderson has maintained a continual relationship with Michael Anderson for the last ten (10) years and was actively involved with him in the business operations of the End of the Rainbow Foundation, End of the Rainbow Partners, the Wealth Fund, Seaoma, and Excalibur during that time. In fact, because of a purported non-compete clause in an alleged agreement from the sale of a previous hedge fund business Michael Anderson had owned, most everything (including bank and brokerage accounts, the house and cars) had to be in Carolyn’s name.

(a) Carolyn Anderson was previously married to Michael Anderson, whom she met in Fort, Lauderdale, Florida while selling real estate. She divorced him in 2009, on information and belief, knowing that he planned to start operations as an investment advisor in Wyoming without disclosing his prior criminal history. However, during the time period covered by this Complaint, she continued to be his companion and domestic partner, continually held themselves out as man and wife, and they were remarried in February 7, 2017, after the SEC commenced its investigation and right before his death.

(b) On or about September 2012, Defendant Carolyn Anderson bought the house in which they resided at 1460 Buffehr Creek Road, Vail, Colorado for \$766,000 on which she took out two mortgages. The deed on the house is in her name. She and Michael Anderson continued to live there through February 2017 when he died. For the period October 2016 through January 2017, she also maintained a post office box in Vail, Colorado: PO Box # 914, Vail, Colorado 8165 (Eagle County). For the period of at least June 2014 through March 2017, the mortgage on the Vail house was paid using the funds of Rainbow investors that were first passed through the Seaoma bank account in Vail, Colorado.

(c) Michael and Carolyn Anderson established the Rainbow Foundation, purportedly a charitable organization for abused women and to provide aid to families in Ecuador. Carolyn Anderson is the contact person for the Rainbow Foundation, and she is the managing member of Rainbow Partners, an investment club through which Michael and Carolyn Anderson planned to fund the rainbow Foundation. Carolyn Anderson signed distribution and other checks for Rainbow

Partners. Seaoma Consulting, which is her company, is listed as the registered agent of Excalibur Fund Services, the so-called third party administrator for the Wealth Fund and for Rainbow Partners, which, in turn, is listed as the registered agent for Seaoma Consulting.

(d) On a bankruptcy petition filed in April 2014, she listed herself as a sole proprietorship with no other individuals and no EIN number, describes the nature of her business from January 2007 to current as “professional market timer/day trader.”

(e) She also lists on her 2014 bankruptcy petition two other companies when describing her business: End of the Rainbow Foundation, and End of the Rainbow Partners.

(f) On April 15, 2014, just one (1) month after Rainbow Partners is set up and only one (1) day after Carolyn Anderson filed for bankruptcy, she set up Seaoma Consulting Company, with the same business address as Rainbow Partners.

(g) During spring or summer of 2014, Carolyn Anderson did securities trades on behalf of Rainbow Partners. In the summer of 2016, a summer intern was informed by Michael Anderson that, during the period of fall 2015 through spring 2016, Carolyn Anderson occupied a desk at BAM and, on information and belief, she was again doing trading at the BAM’s Wall Street office in Vail, Colorado.

(h) In 2015, when investors sought to depart from Rainbow - after learning of prior illegal and fraudulent conduct of Michael and Carolyn Anderson - Carolyn Anderson tried to persuade those investors not to exit and redeem out of Rainbow, claiming that Michael Anderson was “really good at what he does.”

(i) During summer of 2015, Carolyn assisted in the creation of and changes to the BAM website, which stated in bold face type under the section captioned **“CODE OF ETHICS”**:

“As a fiduciary, the company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- Honest and ethical conduct.
- Full, fair and accurate disclosure.
- Compliance with applicable rules and regulations.
- Reporting of any violation of the Code.
- Accountability.

(j) During the fall of 2015 and early winter of 2016, defendant Carolyn Anderson frequented the business office of BAM to assist with client paperwork, to inquire about whether more clients had been solicited, to migrate client accounts among broker-dealers that had become suspicious of the trading style being used, to supervise Joe St, John, the former president of BAM, and require him to report to her about the status of migration and funding of client accounts, to input into the BAM computer client information to create a client data base, and, on information and belief, to help issue monthly statements.

(k) She also had personal access to office and to the checking account of BAM, for which she wrote and signed checks on that account.

(l) In or about January or February 2016, Defendant Carolyn Anderson required Joe St. John to rehearse several times in her presence investor presentations, including one to be made in Naples, Florida, and she required him to make changes to tailor the presentation to suit her and Michael Anderson's needs.

(m) She sent emails from Excalibur to persons making inquiries about their accounts.

(n) In the winter and spring of 2016, Carolyn Anderson occupied a desk in the BAM office where she assisted with trading and processed client paper work.

(o) After the SEC commenced its investigation and issued investigatory subpoenas *duces tecum* on or about January 18, 2017, Carolyn Anderson arranged for her mother's boyfriend to get preferential treatment over all other Rainbow investors by causing him to get back all of his principal invested in Rainbow Partners, plus extra funds, through a check issued in the amount of \$265,311 drawn on the Rainbow Partner's account at Centennial Bank & Trust in Vail, Colorado.

(p) After the death of Michael Anderson, while an SEC subpoenas was still outstanding, Defendant Carolyn Anderson deleted all data on Michael Anderson's mobile phone – data that reflected all trading activity and client information.

(q) After the death of Michael Anderson, Defendant Carolyn Anderson set up a trust called the "Frangipani Trust," with Carolyn Anderson, trustee, into which she transferred the Vail House. The Vail House was sold in August 2017 for net profit of \$492,769.82.

19. **Defendant Seaoma Consulting Company.** Seaoma Corporation, the company owned and operated by Defendant Carolyn Anderson, was first established in Florida on or about March 7, 2011, with Carolyn Anderson listed as the registered agent, but administratively dissolved in Florida on or about September 28, 2012. One month after Rainbow Partners is established and only one (1) day after Carolyn Anderson files for bankruptcy, she causes Seaoma Consulting Company (“Seaoma”) ~~was then~~ to be registered in Colorado on or about April 15, 2014 with its principal business address at 2077 N. Frontage Road West, Vail, Colorado, the same business address as Rainbow Partners. The registered agent for the Colorado entity is Rainbow Partners, and Carolyn Anderson is listed as the person who caused the filing of the registration. In addition, Seaoma owns forty percent (40%) Bighorn Holdings, the parent company of BAM, and Seaoma received checks for management fees earned by BAM. Further, Seaoma Consulting is the registered agent for Excalibur Fund Services.

20. **Defendant Excalibur Fund Services.** Excalibur Fund Services (“Excalibur”) is purportedly the “independent” third party administrator for both Rainbow Partners and the Wealth Fund.

(a) On or about August 25, 2016, Michael Anderson sent an email to all investors in Rainbow Partners announcing that, to take the responsibility “off [his] shoulders” and to provide performance verification through independent portfolio valuation services, he would now out-source this “burden” to Excalibur Fund Services, which he described as an “independent” third party administrator. He stated that the responsibilities of Excalibur would be to provide independent

portfolio valuation verification services, calculate monthly and quarterly net assets values, reconcile brokerage, bank and custodian accounts, assist outside auditors with preparation of year-end financials, and “liaise, as necessary, with investment managers, banks, custodians, auditors, and investors.”

(b) Within two (2) weeks, Michael Anderson provided the same notification to Wealth Fund investors. The Wealth Fund previously utilized Fund Associates as its third party administrator, which prepared monthly account statements for Wealth Fund investors. However, on or about September 13, 2016, claiming that Fund Associates took too long (“over 1 week and sometimes up to 2 weeks”) to complete monthly account statements, Michael Anderson sent an email to the Wealth Fund investors announcing “an excellent improvement to our reporting and reconciliation system” that was going to be implemented. He stated that he had signed a contract with Excalibur, which, according to Michael Anderson, had “promised” monthly statements within five (5) business days. Michael Anderson claimed that this change “will ensure better accuracy and transparency.”

(c) On information and belief, Excalibur is only a virtual office site, with an address listed as 8 The Dover Green, Dover, Delaware, which allows anyone to set up any type of company they wish. Michael Anderson never set up Excalibur until almost three (3) weeks after his email to investors in Rainbow Partners and three (3) days after his email to Wealth Fund investors by registering it as a new company with the Colorado Secretary of State, with its principal office at 1460 Buffehr Creek Road, unit G, Vail Colorado, the home address of the Andersons.

According to the Colorado Secretary of State filing, the registered agent for Excalibur is Seaoma Consulting, the company owned by his wife, Defendant Carolyn Anderson.

(d) Kya Andrews is purportedly the senior fund accountant for Excalibur, but on information and belief, she is a fictitious person.

(e) Excalibur also shared the personal P.O. Box of the Andersons.

(f) Carolyn Anderson sent emails from Excalibur to persons making inquiries about their accounts.

(g) An Excalibur bank account was used to register a new car in the name of Defendant Carolyn Anderson.

21. **Relief Defendant Robert B. Casey, Sr.** On information and belief, Robert B. Casey, Sr. (“Casey”) is the boyfriend of Carolyn Anderson’s mother. He resides in Florida. Casey invested \$250,000 in Rainbow Partners in 2014. During the time period covered by this complaint, Casey received payments from Defendant Michael and Carolyn Anderson. In addition, on or about January 26, 2017 – after the SEC investigatory subpoenas had been issued but before the collapse of the scheme and death of Michael Anderson – Casey received a check in the amount of \$265,311.92. In total, Casey received \$299,460 from his investment, \$49,460 more than he invested.

II. **NON- PARTIES**

22. **Bighorn Wealth Partners, LLC.** The general partner of the Wealth Fund is Bighorn Wealth Partners, LLC (“Wealth Partners”). The agreement of the Wealth Partners provides that the general partner may carry on any lawful business, whether or not for profit, “which shall at any time appear conducive to or expedient

for the protection or benefit of the Company and its assets.” More specifically, the general partner shall “invest in securities,” including the ability to form and operate private investment companies and to sell, exchange, or transfer securities of any person, domestic or foreign. The Wealth Partners had four (4) general partners. Michael Anderson held the controlling interest with 37.5% of the general partnership.

23. **Bighorn Asset Management.** Bighorn Asset Management (“BAM”) was formed in or about April 2015. Its main office was at 225 Wall Street, Vail, Colorado.

(a) Through BAM, Defendant Michael Anderson, as BAM’s chief analyst and head trader, provided investment advisory services (limited to trading and billing authority only) for the Wealth Fund and other funds.

(b) Rainbow Partner assets were not managed by BAM; they were managed separately and independently from BAM by Michael Anderson.

(c) BAM was wholly owned by Bighorn Holdings (“Holdings”), forty percent (40%) of which was owned by Defendant Carolyn Anderson through Seaoma Consulting to mask the prior misconduct of Michael Anderson.

(d) From May 1, 2015 through November 3, 2016, BAM was an investment advisor registered with the SEC. Once BAM had confirmation that there were no more separately managed individual accounts, on November 3, 2016 BAM withdrew its SEC registration and filed as an Exempt Reporting Advisor (“ERA”) and remained registered as an ERA until March 31, 2017 when its registration was withdrawn.

24. **End of the Rainbow Foundation.** In or about 2008, Defendant Michael and Carolyn Anderson first formed End of the Rainbow Foundation (“Rainbow Foundation”), purportedly a 501(c)(3) non-profit charitable foundation for the neglect, abuse and exploitation of women and children. An internet site states that the Andersons hoped to create opportunities for young people from Ecuador and their families to improve the quality of their lives through support for education, academics, and extra-curricular activities. It received its tax-exempt status from the IRS in 2013.

(a) January 2017 marketing literature states that Defendant Michael Anderson “serves as the CFO for the foundation and manages the cash flow needs for the foundation by implementing his proprietary investment model. As the returns from the foundation began to generate outside attention, Mr. Anderson decided the time was right to offer the strategy to other non-profit charitable foundations.”

(b) Michael Anderson earned fees trading stocks for contributors to the Foundation through Rainbow Partners, the investment club. The agreement of Rainbow Partners initially provided that twenty per cent (20%) of any trading profit at the end of each month would be donated to the Foundation. That agreement was amended on December 4, 2014 to provide that twelve and one half percent (12.5%) would be donated to the Foundation if the account value at the close of each month was more than one percent (1%) of the prior month’s account value. The agreement was further amended on or about May 5, 2016 to provide that if the investment club’s portfolio exceeded four percent (4%) in value at the each of each calendar

quarter, then twelve and one half percent (12.5%) would be donated to the Foundation. On information and belief, these “donations” were used by the Andersons to support their lavish life style in Vail, Colorado.

(c) An internet site for the Foundation shows Carolyn Anderson as the person to contact, and uses the office address of BAM at 225 Wall Street, Suite 220, Vail, Colorado. Carolyn was paid \$250,000 per year as a salary by Foundation.

(d) A bankruptcy petition filed by Carolyn Anderson in April 1 2014 listed a gift of \$100,000 made by her to the Foundation in August 2013.

(e) Two of the leased cars used by Michael and Carolyn Anderson were registered to the name of the Rainbow Foundation. A third car was leased under the name of Rainbow Partners.

25. **Joseph St. John.** Mr. St. John was the former president of BAM, the asset manager. However, during his tenure from summer 2015 through March 2016, Michael Anderson did not allow him to engage in any trading, though he was frequently on the business premises of BAM in Vail, Colorado. Instead, he was frequently pressed by Defendant Carolyn Anderson as to whether he was selling the BAM trading program to more and more client. His office duties were relegated to those of a clerk, and he was supervised by Defendant Carolyn Anderson, who insisted that he remain at BAM because Michael Anderson was really good at what he does, trading, and who pressured St. John to quickly get all the paper work done, with which Carolyn Anderson assisted, to transfer client accounts from Charles Schwab, which disliked and forbade Michael Anderson’s style of day trading, to TD Ameritrade, so that Michael Anderson would have access to those funds.

IV. VENUE & JURISDICTION

26. This court has jurisdiction over Plaintiff's claims under the Securities Exchange Act of 1934 pursuant to Section 27(a) of the that Act, 15 U.S.C. ¶78aa (a), and under 28 U.S.C. § 1331.

27. This court has supplemental jurisdiction over Plaintiff's common law claims pursuant to 28 U.S.C § 1367 because those claims are so related to the federal claims that they form part of the same case or controversy.

28. Venue is proper in this district pursuant to 28 U.S.C. § 1391 because defendants have been inhabitants, registered and maintain their principal place of business, and have transacted business in the District of Colorado.

V. FACTS

A. End of Rainbow Partners ("Rainbow Partners")

29. Rainbow Partners was an investment club used to finance and support the Rainbow Foundation. Michael and Carolyn Anderson used the auspices of Rainbow Foundation and its alleged eleemosynary purposes to solicit investors for Rainbow Partners. He offered them a tax deduction, and he obtained more investment money for stock trades on which he could earn fees. After funneling the money of Rainbow investors Seaoma's bank account, Michael and Carolyn Anderson He ultimately used the money for personal expenses, including expensive rental cars, an expensive private school for their children, utility and insurance bills, Nordstrom's,

Disney shopping, Costco, a cruise on Royal Caribbean Cruise Lines, and their home in Vail, Colorado.

30. As alleged in paragraph 18(g) above, during the summer months of 2014 Defendant Carolyn Anderson traded securities on behalf of Rainbow Partners. During the period fall 2015 through spring 2016, Carolyn Anderson was again doing trading at the BAM's Wall Street office in Vail, Colorado.

31. Initially, investors in Rainbow Partners were required to invest a minimum of \$25,000 into cash accounts. In or about June 2016, Michael Anderson ascertained a way to transfer IRA accounts to Midland as an alternative asset manager for further credit to Rainbow Partners. Several investors transferred their IRA accounts to Michael Anderson for him to manage. He was thus able to increase the number and types of accounts – as well as total dollar amounts for – accounts he could manage and in one account.

32. Michael Anderson advertised that he had generated performance data for Rainbow Partners back to January 2014. Since Rainbow Partners was not set up until March 2014, however, there could be no performance data regarding returns prior to that time.

33. The monthly account statement for April 2014 at Fidelity Investments for Rainbow Partners showed a beginning balance of \$700,000. Michael Anderson also set up an account at InterActive Brokers in to which he made deposits of \$100,000 on September 16, 2016 and \$600,000 on December 29, 2016.

34. From in or about September 2016, Michael and Carolyn Anderson caused Excalibur, a sham entity, to issue monthly account statements to each investor in

Rainbow Partners while showing an approximately accurate dollar figure for that person's account, overstated the dollar amount of that account on account statements of other limited partners; and, the schedule of members, used by Michael Anderson to market Rainbow Partners, overstated the total value of the entire portfolio. Such false monthly account statements include the following:

(a) The monthly account statement for Mr. Shawn Stuart, member # 2077010, shows he invested \$140,000 in Rainbow Partners. His monthly statement for July, August and September 2016 showed an account value that ranged from \$142,600 to \$145,000. However, the schedule of members as of October 31, 2016 and used by Michael Anderson to promote Rainbow Partners and demonstrate a much larger dollar amount of assets under management ("AUMs") showed Mr. Stuart's account as having a value of **\$1,469,713**.

(b) Similarly, Mr. Snowden Smith, member number #2077020, invested \$519,667. However, on the schedule of members used by Michael Anderson to promote Rainbow Partners to other investors, Michael Anderson showed Mr. Smiths' account as having a value of **\$5,143,997**.

(c) Further, for March through September 2016, Mr. Michael W. Stuart's statement, member number #2077015, shows an investment of \$500,000. However, the schedule of members prepared and issued by Michael Anderson showed Mr. Stuart's account as having a value of **\$3,841,416**.

(d) The account values for Mr. Shawn Stuart and Mr. Jeff Neher were also fabricated on each other's statements. On the March 2016 monthly statements, Mr. Stuart's account shows a value on his personal statements of \$140,000, but shows a

value of \$340,000 on Mr. Neher's statement. On the May/June 2016, monthly statements, Jeffrey Neher's investment on his personal statements shows \$250,000 but on Mr. Neher's total investment on Mr. Stuart's monthly statements is reported as \$3.1 million. Mrs. Paula Neher's personal statement shows her investment as \$500,000, but appears on Mr. Stuart's statement at \$2.5 million.

(e) Total closing balances for all accounts are inconsistent and fabricated on several statements for the same date:

Date	Investor	Total Portfolio Balance
March 2016	Shawn Stuart	\$ 4,317,510.57
	Jeffrey Neher	\$13,287,568.74
April 2016	Shawn Stuart	\$4,345,929.16
	Jeffrey Neher	\$14,808,321.91
May/ June 2016	Shawn Stuart	\$,399,027.75
	Jeffrey Neher	\$14,999,682.18

35. Thus, the total dollar amount invested in Rainbow Partners is unknown. Some documents suggest a total of \$3.8 million. However, a July 2016 statement for Rainbow Partners showed twenty-four (24) investors and showed an aggregate portfolio balance of \$10,431,211.60. A later schedule of members, over the signature of Michael Anderson and dated as of October 31, 2016, shows a total portfolio value of \$29,295,530.99.

36. Kya Andrews, a fictitious person, answered all inquiries by investors regarding these monthly statements. Telephone calls were answered by a person with a female voice.

37. Michael Anderson also used different versions of the membership agreement when soliciting new investors which he did not disclose to existing members:

(a) Whereas the approved form of membership agreement stated that the purpose of Rainbow Partners, as an investment club, was to invest the club's assets in stocks, bonds and securities for the "financial and educational benefit" of the limited partners, the unapproved version used by Michael Anderson in January 2017 stated that the purpose of the partnership was for "**educational benefit** of the members."

(b) Whereas the authorized form of membership agreement required an initial contribution of \$25,000, a version used by Michael Anderson in January 2017 for the investment of William Cameron Lewis required an initial contribution of \$750,000.

(c) Whereas the aggregate portfolio value of Rainbow Partners was approximately \$3.8 million, Michael Anderson stated in the January 2017 version of the agreement that the total value of Rainbow Partners was **\$25 million**.

B. Bighorn Asset Management ("BAM").

38. Michael Anderson was the chief analyst and head trader of BAM, the asset manager for the Wealth Fund. He placed and monitored all trades. Michael Anderson established all relationships with broker-dealers and trust companies, including TD Ameritrade, Midland, Millennium, and Inter Active Brokers, the entity from which Michael Anderson ultimately misappropriated funds in January 2017.

39. Through Seaoma Consulting, he and Defendant Carolyn Anderson also controlled BAM and its bank accounts.

40. As alleged in paragraph 25 above, Michael Anderson did not allow Joseph St. John as president of BAM to transact any business in securities, instead relegating

his function of that of a clerk who worked at the direction and under the supervision of Defendant Carolyn Anderson.

C. Bighorn Wealth Fund (the “Wealth Fund” or “Fund”)

41. Defendant Michael Anderson a/k/a Guerra claimed that he needed to switch brokerage firms purportedly on the grounds that their trading platforms could not accommodate his day trading or his block trading. In reality, he switched brokerage firms so that he could more easily maneuver and transfer monies between broker-dealers and banks as he wished. As he had done with investor accounts in Rainbow Partners, after the Wealth Fund was established, he also solicited IRA accounts from Wealth Fund investors for Midland and pension accounts to Millennium, thereby increasing the number and types of accounts, and the total dollar of AUMs, on which he could earn management fees. Defendant Carolyn Anderson helped migrate client accounts from one broker to another and, as alleged in paragraph 18 (g) above, engaged in trading on behalf of the Fund.

D. Excalibur Fund Services (“Excalibur”)

42. *Rainbow Partners*. As alleged in paragraph 20(a) above, on or about August 25, 2016 Michael Anderson sent out an email announcing that he would be transferring the duties of the third party administrator to Excalibur, with an address of 8 The Dover Green, Delaware. The senior fund accountant was listed as Kya Andrews, who is believed to be non-existent and has failed to respond to emails sent by investors in Rainbow Partners.

43. *Wealth Fund*. As alleged in paragraph 20(b) above, on or about September 14, 2016 Michael Anderson also sent a similar email to Wealth Fund investors to

announce “an excellent improvement” to the Wealth Fund’s reporting and reconciliation system. The prior third party administrator, Fund Associates, was being replaced with Excalibur, which Michael Anderson falsely claimed was being done to “ensure better accuracy and transparency.”

44. Three (3) days later, on or about September 16, 2016, using the Delaware virtual office website, Michael Anderson set up Excalibur. The registered agent was listed as Seaoma Consulting, the company owned by his wife, Defendant Carolyn Anderson.

45. As alleged in described in paragraphs 60 and 62 below, \$497,000 was transferred from the Fund’s account at Centennial Bank & Trust by interbank transfers to Excalibur’s account at Centennial Bank & Trust, and another \$8,800 was paid in fees to Excalibur. Thus, Excalibur has either misappropriated or illegally received funds of \$505,800.

E. SEC Investigation

46. On or about January 18, 2017, the United States Securities and Exchange Commission (“SEC”) issued numerous subpoenas to several persons and entities associated with Michael Anderson, including BAM, the Fund’s asset manager.

47. The president of BAM contacted Michael Anderson about the need to supply all information requested by the SEC subpoena about trades, block trading and trade allocations; customer account statements; commissions and fees; the asset manager’s accounts at various brokerage firms and banks; and salaries, bonuses, commissions and finder’s fees. Michael Anderson initially promised to supply the information, but then began making excuses why he could not do so right away,

partially claiming that he was going on a cruise with his wife. BAM never received any documents. Nor did the SEC, to which Michael Anderson mailed some empty mailers.

48. The subpoenas to BAM also required production of all documents and communications regarding Rainbow Foundation and Rainbow Partners. When requested to provide them, Michael Anderson refused to provide any of those documents, claiming that he had received subpoenas for those records and he would take care of it. He never did.

49. The Wealth Fund and BAM also sought all information from Michael Anderson about Excalibur, the third party administrator. After several requests, on February 20, 2017, BAM received what it now believes to be a bogus email from Kya Andrews, stating that neither the president nor the chief compliance officer of BAM were authorized persons to obtain such information and directed them to contact Michael Anderson, “the Fund’s general partner,” even though Excalibur was the third party administrator of the Fund. The fake email directed them to contact Michael Anderson. Of course, the email was a ruse written by Michael Anderson and/or Defendant Carolyn Anderson, who had already refused to turn over any such records.

F. Theft and Commingling of The Fund’s and Rainbow Partner’s Money

1. The Anderson Bank Accounts

50. The Anderson maintained multiple accounts at Centennial Bank & Trust in Vail, Colorado, including accounts in the name of Skyler and Olivia Anderson, their children, Seaoma, and Excalibur.

51. The Seaoma bank account at Centennial Bank & Trust in Vail, Colorado was opened on April 16, 2014 with a check in the amount of \$9,667 drawn on the Rainbow Partner checking account and signed by Carolyn Anderson. Three accounts supply the funds to the Seaoma account: the principal one is the account of Rainbow Partners, another is one from one of her minor children, and account holder of the third is unknown at this time. Based on records available to date, Defendant Carolyn Anderson used the account of Seaoma, her company, to funnel money from Rainbow Partners for her personal use. For the period May 2014 through March 2017, over \$450,000 was funneled through the Seaoma account. At least \$160,000 was used to make mortgage payments on Anderson's Vail house; approximately \$31,500 was used to pay for Vail Mountain School, a private school for the Anderson children; and \$60,276 was dissipated during the period July 2016 through March 2017 for personal expenses, including energy and utility bills, lease payments on cars, car insurance, Nordstrom's, Costco, Disney shipping, and a cruise on Royal Caribbean Cruise Lines.

52. On or about September 26, 2016, Michael Anderson transferred \$1,000,000 from the account of Rainbow Partners at TD Ameritrade into the Wealth Fund's account at Interactive Brokers. The reason for the transfer is unknown.

53. With the SEC closing in on his conduct, Michael Anderson took steps to move money out of the Wealth Fund and Rainbow Partners into accounts he and his wife controlled.

54. On or about January 24, 2017, within one (1) week after the SEC investigatory subpoenas, Michael Anderson transferred \$1,010,000 from the Wealth

Fund's brokerage account at InterActive Brokers to the Wealth Fund's account at Centennial Bank & Trust in Vail, Colorado; and, on January 30, 2017, Michael Anderson transferred another \$200,000 from the Wealth Fund's account at Interactive Broker to the Wealth Fund's account at Centennial Bank & Trust in Vail, Colorado. The total amount transferred from the Wealth Fund's account at Interactive Brokers to the Fund's account at Centennial Bank & Trust, over which Michael Anderson had exclusive control, was \$1,210,000.

55. On or about January 27, 2017, by interbank transfer Michael Anderson moved \$100,000 from the account of Rainbow Partner at Centennial Bank & Trust into the Wealth Fund's account at that bank; and, on or about January 31, 2017, by interbank transfer he moved another \$50,000 from the account of Rainbow Partners to the Wealth Fund's account.

56. Michael Anderson and Defendant Carolyn Anderson then proceeded to misappropriate the money.

2. Gold Bars

57. Using the \$1,010,000 Michael Anderson had wired on January 24, 2017 from the Wealth Fund's account at InterActive Brokers into the Wealth Fund's bank at Centennial Bank & Trust in Vail, Colorado, the next day, on or about January 25, 2017, Michael Anderson transferred \$1,001,348.50 of that money to Goldline in Los Angeles, California to purchase bars of gold.

58. On February 6, 2017, Dunbar Armored Global Logistics delivered the gold (weighing 53 pounds) to the Wealth Fund at BAM's office address at 225 Wall Street,

in Vail, Colorado. Michael Anderson signed his name on the receipt for it and took personal delivery.

59. The gold bars have disappeared.

3. Funds Transferred to Excalibur

60. From the Wealth Fund's account at Centennial Bank & Trust, Defendant Michael Anderson effected interbank transfers to the account of Excalibur at Centennial Bank & Trust as follows:

<u>Date</u>	<u>Amount</u>
January 24, 2017	\$50,000
January 27, 2017	\$97,000
January 27, 2017	\$100,000
January 31, 2017	\$200,000
<u>January 31, 2107</u>	<u>\$50,000</u>
Total	\$497,000

61. On information and belief, \$357,551.50 was money belonging to the Wealth Fund, and the balance of \$139,448.50 was transferred into the Excalibur account at Centennial by interbank transfer from Rainbow Partner's account at Centennial Bank & Trust.

4. Management and Administrator Fees Paid

62. For the relevant period, Michael Anderson and Defendant Carolyn Anderson received fees for managing the Wealth Fund of approximately \$40,900 as well as \$8,800 in fees for Excalibur, as third party administrator of the Wealth Fund.

63. Michael Anderson and Defendant Carolyn Anderson also took \$88,000 in management fees for managing Rainbow Partners.

G. The Re-Marriage and Cruise.

64. On or about February 7, 2017, after the money had been stolen and commingled, Michael and Carolyn Anderson remarried.

65. On or about February 11, 2017, the newly wedded Andersons allegedly traveled to Fort Lauderdale for a cruise. On information and belief, the Andersons also looked for a house while in Fort Lauderdale.

H. NUGT Trade.

66. On or about February 6, 2017, the day before the Anderson's marriage, Defendant Michael Anderson placed a \$8.986 million trade in NUGT - *i.e.*, 700,000 shares at \$12.837 - with a sell order at \$16 per share, a 24.5% increase in price, but no stop loss order on the downside. Michael and Defendant Carolyn Anderson then went on their alleged cruise. He failed to monitor the trade while on the supposed cruise and did not unwind the trade when he returned.

67. On or about February 17, 2017, while the Andersons were away on their cruise, the president and chief compliance officer of BAM discovered the NUGT trade in the system, at which time inquiries were immediately sent to Michael Anderson to explain the trade, which was 90% of the Wealth Fund's total assets. Michael Anderson reported on February 20, 2017 that the NUGT trade was showing significant upside potential on his trading model and should remain.

68. When Defendant Michael Anderson failed thereafter for almost one week to respond to further inquiries about the NUGT trade, Plaintiff sent an agent to Vail, Colorado on February 27, 2017 to locate him. That agent reported back that Michael Anderson might have died that same day, February 27, 2017.

69. After they learned that Michael Anderson died, the NUGT position was sold. The Fund incurred a loss of \$2.346 million. Total Fund assets reported for February 28, 2107 had dropped to \$7.314 million.

I. The BAM Office in Vail, Colorado

70. Two days after the death of Michael Anderson, the president of BAM and its chief compliance officer, both of whom lived in Florida, traveled to Vail, Colorado to inspect BAM's offices, to retrieve and preserve all documents, and learn all they could.

71. Since only Michael and Carolyn Anderson knew the security code to the front door of the office, they set off the alarm so that the Vail Police would be notified and come to assist. They photographed the premises on entry.

72. After entering, they discovered that the hard drives on the computers used for trading had been removed. Client files were also missing. Other documents were found in the shredder.

73. Among the papers on the desk, in addition to the receipt from Dunbar for delivery of the gold (paragraph 58 above), the Vail Police also found a piece of paper on which Michael Anderson had written:

“Money from IB to Bighorn”
“Get mail for Excalibur”
“Set up gold storage”
“Move money eotrp to BWF”
“Figure spot gold price”

J. Death of Michael Anderson

74. On or about February 27, 2017, Michael Anderson was discovered in his garage, apparently having died of carbon monoxide affixation.

75. When representatives of the Vail Police Department were called to the house where Michael Anderson died, they observed that boxes had been packed.

76. When the Vail Police later obtained a search warrant for the house, the Trade Station computers, known from pictures to have been located in the kitchen of the house and used to trade stocks, were gone.

77. After the death of Michael Anderson, Defendant Carolyn Anderson deleted all trading and client information from his mobile telephone.

K. Anderson House in Vail, Colorado

78. The house in Vail Colorado at 1460 Buffehr Creek Road, Unit G, which the Andersons occupied during the conduct alleged in this Complaint, was purchased in the name of Carolyn Anderson in September 2012 for \$1,095,000, though as noted in paragraph 18(b) above, she stated in her bankruptcy petition that it was purchased for \$766,000. That petition also reported that she had taken out two mortgages totaling \$845,000.

79. On information and belief, ill-gotten gains and proceeds belonging to the Wealth Fund and/or Rainbow Partners were used to pay down the mortgages.

80. After the death of Michael Anderson, Defendant Carolyn Anderson set up a protective trust, called the Frangipani Trust, into which she planed to place the house with her as trustee.

81. The house in Vail Colorado was sold for a net profit of \$492,369.82, which have been deposited into the court's registry.

82. Defendant Carolyn Anderson has ~~emptied the house and~~ moved elsewhere. Her current residence is unknown.

VI. CLAIMS FOR RELIEF

COUNT I

**Violation of Section 10(b) of the Securities Exchange Act of 1934
and Rule 10b-5 Thereunder
In Connection With
Bighorn Wealth Fund**

**By
Estate of Michael Anderson a/k/a Michael Fredrick Guerra,
Carolyn Anderson, Seaoma Consulting and Excalibur**

83. Plaintiffs repeat and re-allege paragraphs 1 through 74 82 as if fully set forth herein.

84. Defendant Michael Anderson owed fiduciary duties to the limited partners in the Wealth Fund as investors and to his other general partners. As the chief analyst and managing general partner through his controlling interest in BAM, the investment advisor, he owed to the limited partners in the Wealth Fund as investors a fundamental obligation to act in their best interest. He owed them the duties of undivided loyalty and utmost good faith, the duty to avoid conflicts of interest, and the duty to avoid misleading them as clients and disclose to them all material information. He breached these duties.

85. Under state law, he also owed duties of care and loyalty to the limited partners of the Wealth Fund to hold property of the partnership as a trustee and to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law. He also breached those duties.

86. To his other general partners, he also owed a fiduciary duty, including the duty of care and loyalty. He also was required to exercise his duties consistent with the obligation of good faith and fair dealing. As with his duty to limited partners,

Michael Anderson breached this duty to his other general partners. He purposely withheld information from the other managing partners of BAM so as to inhibit the performance of the their duties.

Fraudulent Devices, Schemes and Artifices to Defraud, and Fraudulent Acts, Practices and Courses of Business That Operated as a Fraud

87. Michel Anderson and Carolyn Anderson engaged in various devices, schemes and artifices to defraud, as well as acts, practices and courses of business that operated or would operate as a fraud or deceit on the investors in the Wealth Fund.

88. As described above, including in paragraphs 1-2, 5, 18, 19-20, 24, 29, 31, 41, 45, 50 - 63 and 78-82, Michael and Carolyn Anderson misappropriated and commingled the monies of the Wealth Fund and Rainbow Partners by using various brokerage and bank accounts of the Wealth Fund and Rainbow Partners to commingle funds to mask money transfers.

89. As alleged in paragraphs 18(c) and 20 above, Michael and Carolyn Anderson established Excalibur in or about September 2016, which was a sham company, incorporated under the auspices of Rainbow Partners, and for which Carolyn Anderson's company, Seaoma, was the registered agent. Defendants Michael and Carolyn Anderson failed to inform the Wealth Fund's investors that Excalibur was a sham operated by them , used to register a car in Carolyn Anderson's name, and used to funnel money into a bank account, which, on information and belief, they used to finance personal expenses.

90. To hide Michael Anderson's ownership and control of BAM, Defendant Michael and Carolyn Anderson gave Seaoma Consulting, Carolyn Anderson's company, a forty percent (40%) controlling stake in BAM.

91. As described in paragraphs 5, 66-69 above, through Michael Anderson's fraudulent trading the Fund incurred a loss of \$2.346 million on the NUGT trade.

92. As described in paragraphs 5, 57-59 above, Michael Anderson had no authority to purchase the gold bars, and had no authority to abscond with gold and secret it away. It was theft of investor money.

93. As alleged in paragraph 18(b), 51 and 78-82 above, for the period in or about April 2014 through at least March 2017, the mortgage on the Anderson's Vail house was paid with Rainbow money that passed through the bank account of Seaoma Consulting, a sham company owned by Defendant Carolyn Anderson.

94. As described in paragraphs 5, 20, 45, and 60-63 above, Michael Anderson, as part of his fraudulent devices, artifices and schemes, as well as his fraudulent acts, practices and courses of business transferred \$497,000 from the Fund's account at Centennial Bank & Trust to the account of Excalibur, the company for which he was manager and his wife was the registered agent. The money cannot be traced further. Plaintiffs have been informed that there is only \$2,500 remaining in the Excalibur account. This transfer of money was another theft of Fund money by Michael Anderson and Defendant Carolyn Anderson.

95. As stated in paragraphs 62 and 63 above, Michael paid himself and Defendant Carolyn Anderson management fees and fees for the sham role Excalibur played as third party administrator.

96. After the SEC investigation commenced, as alleged in paragraphs 3, 4, 5, 18(p), 46-49, 72, and 77 above Michael and Carolyn Anderson sought to cover up

the fraud by deleting computer information, mobile phone information, and client records.

False and Misleading Statements

97. Michael Anderson used a false and misleading document called the “Bighorn Strategy” to market the Wealth Fund. He falsely claimed that Bighorn’s “autoregressive integrated moving average” (“ARIMA”) trading model generated an unusually high success rate on executed trades and claimed that “we employ a rules based risk management protocol that includes but is not limited to deploying a *small* percentage of the overall portfolio on new trades and strict stop loss orders.”

(Emphasis added). The NUGT trade was anything but what Michael Anderson represented: it was not small, there were no stop loss orders to protect the downside, and if there were any risk-based protocols, they were ignored.

98. A power point presentation, or “slide deck,” used by Michael Anderson to promote the Wealth Fund touted its ARIMA trading model and claimed that Excalibur was an “independent 3rd party administrator that handles all portfolio valuation verification.” This statement was false because Excalibur was not independent since it was owned by and the alter ego of Michael and Carolyn Anderson. And it did not provide independent portfolio value verification, because the figures were made up. It was a sham.

99. Michael Anderson also created performance data for the Wealth Fund that included false and misleading performance data allegedly created for and generated by Rainbow Partners. More specifically, Defendant Michael Anderson created a power point presentation – the “slide deck” – for investors that included

performance data back to January 2014 – two and one-half years before the Wealth Fund even began, and three (3) months before Rainbow Partners came into existence. This data was materially false and misleading. Although Defendant Anderson claimed it to be based on performance data from Rainbow Partners, it did not accurately report the actual performance of Rainbow Partners.

100. In order to retain Wealth Fund investors and prevent requests for reimbursement and withdrawals, Michael Anderson failed to tell the Fund's investors about the theft and misappropriation of funds, the improper and outsized NUGT trade, the purchase of gold bars, and the real owners of Excalibur.

101. As described in paragraphs 20, 34-36, and 42-44 above, Michael and Carolyn Anderson caused to be issued by Excalibur false monthly statements to investors of the Wealth Fund.

102. These statements and omissions were materially false and misleading. There is a substantial likelihood that a reasonable investor would want to know such information; it would alter the total mix of information presented to investors.

103. The Wealth Fund's investors relied to their detriment on the conduct and statements of Michael and Carolyn Anderson. The Wealth Fund and its investors are presumed to have relied on the omissions because there is a substantial likelihood that a reasonable investors would have considered the omitted information important in deciding to invest or withdraw his or her funds.

104. The fraudulent practices and false and misleading statements alleged herein occurred in connection with the purchase and sale of securities.

105. But for the conduct, misrepresentations and omissions, investors would not have invested in the Wealth Fund or would have withdrawn their money from the Wealth Fund.

106. The fraudulent conduct, misrepresentation and/or omissions were a foreseeable and proximate cause of the losses experienced by the Wealth Fund and its investors. The frauds perpetrated by Defendants induced the transactions by Plaintiffs' investors, and the losses suffered by Plaintiffs' would not have occurred absent Defendants' fraudulent conduct, misrepresentation and/or or omissions.

107. Michael and Carolyn Anderson both individually and through the other entity defendants, Seaoma and Excalibur, acted not only recklessly but also with intent to deceive and defraud the Wealth Fund and its investors. The facts as alleged in this Complaint demonstrate intentional, reckless, willful, conscious and purposeful misbehavior. Michael Anderson's behavior represents an extreme departure from the standards of ordinary care and falls woefully short of the duties imposed on him as an investment adviser and a general partner of the Wealth Fund. He had access to information and possessed knowledge of information and conduct contradicting his own statements and failed in his duty not only as general partner and head trader but also as the "independent third party administrator" to monitor trades, maintain (and not destroy) accurate books and records, and verify values of each investors and the Wealth Fund's overall portfolio. Carolyn Anderson also acted with recklessness by issuing false and misleading monthly account statements and by using Excalibur to funnel money for personal expenses.

108. Michael and Carolyn Anderson had motive to engage in the fraud alleged herein. They lived a lavish life style in Vail, Colorado. The SEC was also closing in on his fraudulent conduct that was about to be brought to light. They needed to quickly take steps to move funds from the Fund's account at various brokers, including InterActive Brokers, into accounts over which they exercised control. ~~led~~ He also needed to create a secure (and secret) investment in gold bars that could be transported wherever they went, did not require monitoring or appreciably fluctuate while in safekeeping or hiding, and could be turned into cash when needed. Through their control of BAM, the asset manager, Bighorn Holdings, the parent company, which Carolyn Anderson controlled through Seaoma, and Excalibur, the company that provided portfolio and account values and for which Carolyn Anderson's other company was the registered agent, Michael and Carolyn Anderson had the opportunity to effectuate the fraud at all necessary levels alleged herein. Through their misappropriation of funds and payment of fees, Michael and Carolyn Anderson, and their two companies, Seaoma and Excalibur, thus benefited in a concrete way from the fraud alleged in this Complaint.

109. Plaintiff Wealth Fund incurred damages of at least \$3.745 million.

110. Accordingly, Michael Anderson, Carolyn Anderson, Seaoma and Excalibur violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder.

COUNT II

Violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 Thereunder

**In Connection With
Rainbow Foundation and Rainbow Partners
Against
Estate of Michael Anderson a/k/a Michael Fredrick Guerra,
Carolyn Anderson, Seaoma Consulting and Excalibur**

111. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

112. Defendant Carolyn Anderson and Michael Anderson owed fiduciary duties of loyalty and care to the members of Rainbow Partners as investors, which they breached. As an investment advisor to the investment club, under the federal securities laws Michael Anderson owed to the limited partners of Rainbow Partners a fundamental obligation to act in their best interest. He owed to them the duties of undivided loyalty and utmost good faith, the duty to avoid conflicts of interest, and the duty to avoid misleading them and disclose to them all material information.

113. Defendant Carolyn Anderson and Michael Anderson, as managing members, owed fiduciary duties of loyalty and care under statutory and common law to the other members of Rainbow Partners as investors. The duty of loyalty required both of them to hold and account for the assets, profit and benefits of Rainbow Partners as trustees for the other members. The duty of care required them to conduct the activities and affairs of Rainbow Partners in such a manner to refrain from engaging in grossly negligent or reckless conduct, willful or intentional misconduct, or a knowing violation of law. When exercising the duty of care and loyalty, they were required to discharge their duties and obligations under state law and under the operating agreement and to exercise any rights consistently with the obligation

of good faith and fair dealing. Michael Anderson and Defendant Carolyn Anderson breached these duties.

Fraudulent Devices, Schemes and Artifices to Defraud, and Fraudulent Acts, Practices and Courses of Business That Operated as a Fraud

114. Michel Anderson and Defendant Carolyn Anderson engaged in various devices, schemes and artifices to defraud, as well as acts, practices and courses of business that operated or would operate as a fraud or deceit on the investors in the Rainbow Partners and Rainbow Foundation.

115. As alleged in paragraph 18(c), 24, and 29, Michael and Carolyn Anderson created the Rainbow Foundation as the vehicle for attracting investor funds. However, the Rainbow Foundation was a fiction and scam. Michael Anderson and Carolyn Anderson purportedly used Rainbow Partners, an investment club, to support the Foundation's alleged eleemosynary purposes.

116. As alleged in paragraph 18(j), 25 and 31, 38, 40-41 above, during late 2015 and early 2016, Carolyn Anderson affirmatively helped Michael Anderson close out and transfer client accounts and funds from Charles Schwab, which disliked and then forbade the day- trading style of Michael Anderson, to TD Ameritrade. As alleged in paragraph 25 and 41 above, Defendant Carolyn Anderson not only assisted with the paper work to effectuate the transfers, but pressured Joe St. John to act quickly to effectuate client transfers so as to get their money out of Charles Schwab and into TD Ameritrade where Michael Anderson would have access to it.

117. As alleged in paragraphs 31 and 41 above and in furtherance of their scheme, Michael Anderson devised a method to transfer IRA accounts into Rainbow Partners

through Midland as an alternative asset manager. Through this devise, scheme, act, practice and course of business, Michael Anderson was able to enlarge his customer base and size of assets of management (“AUMs”) in Rainbow Partners, which, in turn, provided him and Defendant Carolyn Anderson with the means to continue their lavish life style.

118. As alleged above, including paragraphs 1-2, 5, 18-20, 24, 29, 31, 41, 45, 50-63 and 78-82 and in furtherance of their scheme, Michael Anderson and Defendant Carolyn Anderson also misappropriated funds belonging to Rainbow Partners and commingled them with monies belonging to the Wealth Fund. Monies of Rainbow investors were transferred into several accounts at Centennial Bank & Trust in Vail, Colorado, the principal one of which was the account of Seaoma, a sham company, through which Defendant Carolyn Anderson financed the Vail house (as alleged in paragraph 18(b) above) and personal expenses (as alleged in paragraph 29 above).

119. As alleged in paragraph 16 and 18(c) above, Defendant Carolyn Anderson signed checks to Rainbow investors.

120. As stated in paragraph 52 above and in furtherance of their scheme, on or about September 26, 2016, Michael Anderson transferred \$1, 000,000 from the Rainbow Partner’s account at TD Ameritrade to the Wealth Fund’s account at InterActive Brokers. The transfer was not authorized and was done in breach of the fiduciary duties Michael Anderson and Carolyn Anderson owed as managers of Rainbow Partners to the other members.

121. As alleged in paragraphs 18(c), 20, 34-36, 42-44 and 49 above and in furtherance of their scheme, Michael Anderson and Defendant Carolyn Anderson

also created Excalibur, in or about September 2016, allegedly as the “independent” third party administrator of Rainbow Partners to verify valuations, under the auspices of Rainbow Partners, and for which Carolyn Anderson’s company, Seaoma, was the registered agent, but which in reality was an entity they controlled and through which they perpetrated their fraud and was a sham. As alleged in paragraphs 20(d), 36, and 42 above, Michael and Carolyn Anderson purportedly employed and represented on monthly statements that Kya Andrews was a real person when she was a fiction.

122. As alleged in paragraphs 5, 20, 45, and 60-63 above and in furtherance of their scheme, Michael Anderson and Defendant Carolyn Anderson also misappropriated Rainbow Partner money by transferring it into the account of Excalibur, over which they exercised exclusive control.

False and Misleading Statements

123. Michael Anderson issued several pieces of marketing material about Rainbow Partners that contained false and misleading statements, including performance data and monthly account statements.

124. Michael Anderson contrived fictitious performance data for Rainbow Partners, including both before and after it was established.

125. As described in paragraphs 18, 20, 34-36, 42-44 above, Michael Anderson and Defendant Carolyn Anderson, through Excalibur, issued false monthly account statements to the members of Rainbow Partners.

126. As alleged in paragraph 35 above, the monthly statement for Rainbow Partners for July 2016 also materially overstated the aggregate portfolio value of Rainbow Partners.

127. As alleged in paragraph 37 (b) above, on or about January 6, 2017 Michael Anderson, without authority from other members and in breach of the operating agreement, issued and induced an investor Will Cameron Lewis to sign an entirely new agreement, requiring initial capital contributions of \$750,000, claiming the total value of the Rainbow Partners was \$25 million, and claiming that the third party administrator would perform independent accounting of all calculations and monthly account statements.

128. In order to retain Rainbow members as investors and prevent requests by them for reimbursement and withdrawals, Michael and Carolyn Anderson failed to tell them about the theft and misappropriation of funds through bank accounts they controlled at Centennial Bank & Trust, the true aggregate values in their combined accounts, and the real owners and sham nature of Excalibur, for which Carolyn Anderson's company, Seaoma, was the registered agent.

129. The information on the BAM website became false and misleading. As alleged in paragraph 18 (i) above, Defendant Carolyn Anderson participated in the creation of that website and allowed the information to remain on the website even though it was false and misleading.

130. These statements and omissions were materially false and misleading. There is a substantial likelihood that a reasonable investor would want to know such

information; it would alter the total mix of information presented to him or her as a member of Rainbow Partners.

131. Members of Rainbow Partners relied to their detriment on the conduct and statements of Michael Anderson and Defendant Carolyn Anderson. Members of Rainbow Partners are presumed to have relied on the omissions because there is a substantial likelihood that a reasonable investor would have considered the omitted information important in deciding to invest or withdraw his or her funds.

132. Michael Anderson and Defendant Carolyn Anderson engaged in the fraudulent devises, schemes, acts, practices and course of business as well as made the false and misleading statements alleged herein in connection with the purchase and sale of securities.

133. But for the fraudulent conduct, misrepresentations and omissions, members would not have invested in Rainbow Partners or would have withdrawn their money from it.

134. The fraudulent conduct, misrepresentation and/or or omissions were a foreseeable and proximate cause of the losses experienced by members of Rainbow Partners. The frauds perpetrated by Defendants induced the transactions by Rainbow investors, and the losses suffered by members of Rainbow Partners would not have occurred absent Defendants' fraudulent conduct, misrepresentation and/or or omissions.

135. Michael Anderson and Defendant Carolyn Anderson both individually and through the other entity defendants, Seaoma and Excalibur, acted not only recklessly but also with intent to deceive and defraud the members of Rainbow

Partners. The facts as alleged in this Complaint demonstrate intentional, reckless, willful, conscious and purposeful misbehavior. Michael and Carolyn Anderson deceived Rainbow investors as to the true purpose behind raising funds for the Rainbow Foundation. Instead, they fed their own greed to the detriment of their investors. Michael Anderson's behavior also represents an extreme departure from the standards of ordinary care and falls woefully short of the duties imposed on him as an investment adviser, and the conduct of Defendant Carolyn Anderson similarly falls woefully short of the duties imposed on her as the managing member of Rainbow Partners. Through Defendant Carolyn Anderson's sham company, Seaoma, they stole money of Rainbow investors to finance their home mortgage and pay personal expenditures. They both had access to had knowledge of information – or otherwise ignored information they had and ignoring that information it obviously would mislead investors –that contradicts their behavior and indicates that they failed as owners of the “independent third party administrator” to monitor trades, maintain (and not destroy) accurate books and records, and verify values of each member as well as Rainbow Partner's overall portfolio. Their conduct, individually and through their sham companies, Seaoma and Excalibur, thus demonstrates an extreme departure from the standards of ordinary care.

136. Michael and Carolyn Anderson had motive to engage in the fraud alleged herein. They lived a lavish life style in Vail, Colorado, which had to be financed. By January 2017, the SEC was also closing in on their fraudulent conduct that was about to be brought to light. They needed to act quickly and take steps to move more funds from Rainbow's account at various brokers, including TD Ameritrade,

into accounts they controlled. They also needed to create a secure (and secret) investment in gold bars that could be transported wherever they went, did not require monitoring or appreciably fluctuate while in safekeeping or hiding, and could be turned into cash when needed. Through their control of Rainbow, Seaoma, and Excalibur, the latter two sham companies they controlled, they had the means and opportunity to effectuate and mask all levels of the fraud alleged herein. As alleged in paragraphs 18(b), 29, 45, 51, 78-79, 81, 107 and 108 above, Michael Anderson and Defendant Carolyn Anderson, and through them, Seaoma and Excalibur, thus benefited in a concrete way from the fraud alleged in this Complaint. Even after the death of Michael Anderson, Defendant Carolyn Anderson sought to place their home in a protective Frangipani trust, as alleged in paragraph 18(q) and 80-82, even though Rainbow investor money had been used to pay the mortgage.

137. Plaintiffs, as members of Rainbow Partners, have incurred damages of at least \$2.979 million.

138. Accordingly, Michael Anderson, Carolyn Anderson, Seaoma Consulting and Excalibur violated Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5, 17 C.F.R. § 240.10b-5, promulgated thereunder.

COUNT III

CONTROLLING PERSON LIABILITY

**Violation of Section 20(a) of the Securities Exchange Act of 1934
Against
Estate of Michael Anderson a/k/a Michael Guerra,
And
Defendant Carolyn Anderson**

139. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

140. Michael and Carolyn Anderson controlled all of the entities involved in this case, including Rainbow Foundation, Rainbow Partners, Wealth Fund, BAM, Seaoma, and Excalibur and had the ability to direct the actions of each entity.

141. Michael Anderson controlled Wealth Partners. As one of the managing members, he held thirty seven and one-half percent (37.5%) of Wealth Partners' voting power and "sharing ratio," defined to mean the measure of the equity owner's economic interest. He was also the chief analyst and head trader for the Wealth Fund. He was the general partner who lived in Vail, Colorado where he traded the Fund's assets. Further, through Seaoma Consulting, Defendant Carolyn Anderson's sham company, Michael and Carolyn Anderson ~~he~~ controlled 40% of BAM, the investment advisor. Further, through Excalibur, another sham entity, Michael and Carolyn Anderson maintained exclusive control over the Wealth Fund's accounts and those of its limited partners. Finally, ~~he~~ Michael Anderson had exclusive trading authority over the Wealth Fund's brokerage account and had signature authority over the Wealth Fund's bank account at Centennial Bank & Trust. As alleged in paragraph 18(k), Carolyn Anderson also signed checks on behalf of the BAM account at Centennial Bank & Trust.

142. Michael Anderson and Defendant Carolyn Anderson also controlled Rainbow Partners and Excalibur, its third party administrator. Carolyn Anderson was the registered agent and managing member of Rainbow Partners, an investment vehicle the defendants used for their own purposes, including payment of personal

expenses. They disregarded the formal entity structure. She sent emails and letters to new members of Rainbow Partners acknowledging receipt of investment funds. She wrote and signed checks on the bank account of Rainbow Partners at Centennial Bank & Trust.

143. As alleged in paragraph 23(c) above, Carolyn Anderson also controlled Seaoma, which controlled BAM, to mask Michael Anderson's prior misconduct. She also controlled Excalibur, another sham entity, through Seaoma Consulting, which served as the registered agent for Excalibur. On information and belief, from their home in Vail, Colorado, which was the business address of Excalibur, Michael and Carolyn Anderson issued monthly account statements on which Michael Anderson was designated as managing member. They used the name of Kya Andrews, a fictitious person. They disregarded the formal entity structure of both Seaoma and Excalibur.

144. Seaoma and Excalibur committed violations of the securities laws. As alleged in paragraphs 19, 23 (c), 29, 90, 93, 118, 121, and 128 above, Seaoma served as an ownership front of BAM behind which Michael and Carolyn Anderson hid Michael Andersons' past misconduct, served as the conduit through which funds of Rainbow investors were misappropriated and used for personal expenditures, and acted as an alter ego for Michael and Carolyn Anderson for Excalibur , also a sham entity.

145. As alleged in paragraphs 18(c), 20, 34-36, 42-45, 49, 59-62, 89, 101., 121, 125 -26, 128 and 136 above, Excalibur also committed violations of the securities laws by portraying itself as a real, independent third party administrator that would provide independent portfolio valuation verification services, calculate monthly

and quarterly net assets-values, reconcile brokerage, bank and custodian accounts, assist outside auditors with preparation of year-end financials, and “liaise, as necessary, with investment managers, banks, custodians, auditors, and investors.” In addition, it committed violations of the securities laws by issuing false and misleading monthly account statements and taking service fees for which it was not entitled. Further, it committed violations by misappropriating investor funds.

146. Michael Anderson was a culpable participant in those violations because, together with Carolyn Anderson, he devised the scheme by which he and Carolyn Andersons masked his past misconduct, caused the issuance of false monthly account statements, caused the misappropriation of funds of Rainbow and Wealth Fund investors, placed the NUGT trade and ignored his fiduciary duties by going on a cruise, and deleted trading information and shredded client documents after the SEC commenced its investigation and issued investigatory subpoenas. Michael Anderson therefore acted purposefully, intentionally and recklessly.

147. Carolyn Anderson was Michael Anderson’s spouse and domestic partner. As alleged in paragraphs 18(j) and (n)) above, she also frequented the BAM office where trading occurred, in which she participated as alleged in paragraphs 18(g) and 30 above, and she helped complete client records to migrate accounts from one brokerage house to another to ensure Michael Anderson has access as quickly as possible to client funds. Michael and Carolyn Anderson also maintained a trading system in their home. Carolyn Anderson responded to inquiries on behalf of Excalibur from investors – either from the BAM office or her home, business address of Excalibur. She used the Seaoma bank account as the means to misappropriate

funds of Rainbow investors for personal use. By virtue of her ongoing relationship with Michael Anderson, she knew or should have known that Michael Anderson was engaged in fraud. As alleged in this complaint, there were numerous red flags (prior business operations, changing residences, money, cars, expensive home, private school for their children, migrating of clients accounts, with which she participated, controlling ownership of BAM, and third party administration, among others) that would cause any reasonable person to ask questions, increase her level of scrutiny, and seek independent verification, rather than blindly ignore and participate in and endorse her husband's conduct as the person who was "really good at what he does." Thus, by participating in and/or ignoring Michael Anderson's frauds, defalcations, misrepresentations and omissions, Defendant Carolyn Anderson acted intentionally, purposefully and recklessly. Further, by failing to perform her fiduciary duties as managing member of Rainbow Partners and by failing to perform her duties as an independent third party administrator, she breached the duties she owed to members of Rainbow Partners and thus acted recklessly.

148. Accordingly, Michael Anderson and Defendant Carolyn Anderson violated Section 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78t(a).

COUNT IV
BREACH OF FIDUCIARY DUTIES
In Connection With Bighorn Wealth Fund
Against
Estate of Michael Anderson a/k/a Michael Guerra

149. Plaintiffs repeat and re-allege paragraphs 1 through 82, 84-86 and 112-113 as if fully set forth herein.

150. Michael Anderson owed several duties as investment advisor and as general partner.

(a) As alleged in paragraphs 84 through 86 above, Michael Anderson had a fundamental obligation as an investment advisor to Wealth Fund investors under the federal securities laws to act in their best interests. He owed them the duties of undivided loyalty and utmost good faith, the duty to avoid conflicts of interest, and the duty to avoid misleading them as clients and to disclose to them all material information. He breached these duties.

(b) He also owed express and implied duties of care and loyalty to Wealth Fund investors under state statutory and common law to hold property of the partnership and the membership as a trustee and to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law. Given the special relationship between Michael Anderson and investors in the Wealth Fund, these investors placed their trust and confidence in him to manage their investments as a fiduciary and trustee, and he accepted that trust. But, as alleged in this Complaint, he breached those duties.

(c) Further, he also owed express and implied fiduciary duties to his fellow general partners in the Wealth Fund, including the duty of care and loyalty. He was required to exercise his duties consistent with the obligation of good faith and fair dealing. Given the special relationship between Michael Anderson and his other general partners, his other general partners in Wealth Partners placed their

trust and confidence in his honesty and integrity to handle the affairs of Wealth Partners and the Wealth Fund, and he accepted that trust. But, as alleged in this Complaint, Michael Anderson breached this duty to his other general partners.

151. Defendant Michael Anderson breached his fiduciary duties to the Wealth Fund investors and to the other general partners by engaging in the illegal acts alleged in this Complaint, including unauthorized withdrawal and transfer of funds, commingling of funds, and obstructing justice by destroying computer hard drives and shredding documents and by refusing to turnover documents requested by SEC subpoenas.

152. In addition, Michael Anderson breached his fiduciary duties to Wealth Fund investors by putting on a trade in NUGT for 90 % of the Fund's assets, and then failing to monitor that trade for the benefit of Fund investors.

153. Michael Anderson further breached these fiduciary duties by allowing Carolyn Anderson, both during the summer of 2014 (at the office of End of Rainbow) and then again during the period of fall 2015 through spring 2016 (at the BAM office on Wall Street) to engage in trading activity, as alleged in paragraph 18(g) above.

154. Michael Anderson further breached these duties by causing to be issued through brokerage houses false monthly account statements for the Wealth Fund.

155. As alleged in paragraphs 105 and 106 above, these several breaches of duty by Michael Anderson were the foreseeable and proximate cause of the losses to Plaintiff Wealth Fund.

156. As alleged in paragraphs 109 above, Plaintiff Wealth Fund has suffered injury for which it seeks damages, including rescissionary, compensatory, and punitive damages.

COUNT V
BREACH OF FIDUCIARY DUTIES
In Connection With Rainbow Partners And Rainbow Foundation
Against
Estate of Michael Anderson a/k/a Michael Guerra, and Carolyn Anderson

157. Plaintiffs repeat and re-allege paragraphs 1 through 82, and 112-113 as if fully set forth herein.

158. As alleged in paragraphs 112 and 113 above, Michael Anderson owed express and implied fiduciary duties to members of Rainbow Partners as an investment advisor and as the *de facto* managing member of Rainbow Partners. Given the special relationship between Michael Anderson and members of Rainbow Partners, the members placed their trust and confidence in him to manage their money carefully, honestly and truthfully, and he accepted that trust.

159. As alleged in paragraphs 113 above, Defendant Carolyn Anderson also owed fiduciary duties to members of Rainbow Partners as the *de jure* managing member. Given the special relationship of Excalibur, as the third party administrator, to members of Rainbow Partners, those members placed their trust and confidence in Defendant Carolyn Anderson to carry out those duties in good faith by, among other things, correctly reporting accurate individual and aggregate account values.

160. As alleged in Count II above, Michael and Carolyn Anderson breached ~~his~~ their fiduciary duties to members of Rainbow Partners by misappropriating funds,

inflating individual and aggregate account values, charging and collecting management and service fees to which they were not entitled, and falsely communicating the need to establish Excalibur as an independent third party administrator. Michael Anderson further breached his fiduciary duties by promising to produce and then failing to produce trading records and other documents requested by the SEC subpoena and then by obstructing justice by destroying those records.

161. As alleged in paragraphs 37(b) and 127, on or about January 6, 2017 Michael Anderson, without authority from other members and in breach of the operating agreement, issued and had a new investor, Will Cameron Lewis, sign an entirely new agreement, requiring an initial capital contributions of \$750,000, claiming the total value of the Rainbow Partners was \$25 million, and claiming that the third party administrator would perform independent accounting of all calculations and monthly account statements.

162. Defendant Carolyn Anderson breached her fiduciary duties to members of Rainbow Partners by issuing or causing to be issued false monthly account statements through Excalibur and by misappropriating money belonging to Rainbow Partners into bank accounts over which she exercised control and had signature authority.

163. As alleged in paragraphs 133 and 134 above, the consequences of the conduct of Michael Anderson and Defendant Carolyn Anderson in breach of their fiduciary duties were both reasonably foreseeable and the proximate cause of Plaintiff Rainbow Partner's injury. But for the misrepresentations and omissions by

Michael Anderson and Defendant Carolyn Anderson, members of Plaintiff Rainbow Partners would never have entrusted their investment funds to them.

164. As alleged in paragraph 137 above, Plaintiff Rainbow Partners has suffered injury for which it seeks damages, including rescissionary, compensatory, and punitive damages.

COUNT VI
Aiding and Abetting Breach of Fiduciary Duty
Against
Carolyn Anderson

165. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

166. As alleged in paragraphs 84-86 and 112-13 above, Michael Anderson was subject to several express and implied fiduciary duties.

167. As alleged in Count IV (paragraphs 84-86) and Count V (paragraphs 112-13) above, Michael Anderson breached those duties to investors in the Wealth Fund and Rainbow Partners.

168. Defendant Carolyn Anderson had knowledge of the fraudulent conduct and misrepresentations and omissions of Michael Anderson to ~~in~~ Rainbow Partners and the Wealth Fund:

(a) *Rainbow Partners*. Through her ownership and control of Seaoma, through her various positions at and joint control with Michael Anderson of Rainbow Partners and Excalibur, and through her intimate relationship with Michael Anderson, Defendant Carolyn Anderson knew about investments coming into Rainbow Partners; knew about and participated in trading and supervised book

keeping by frequenting the offices of BAM and through her 40% control of BAM through Seaoma, her company; knew about the false and misleading monthly account statements issued by Excalibur; knew about misappropriated funds being transferred into the bank accounts at Centennial Bank & Trust for both Rainbow Partners and Excalibur; enjoyed the benefits of a lavish life style in Vail, Colorado based on ill-gotten gains and misappropriated funds; on information and belief, knew about the purchase of gold bars that were shipped to and received by Michael Anderson, just before their alleged "cruise" by traveling to Florida where they looked for housing to which they planned to flee; and, through the fictitious Kya Andrews, knew about Michael Anderson's obstruction of justice of the SEC subpoenas by failing to respond to and destroying relevant documents. She therefore knew about, or consciously ignored and avoided knowledge of, these matters and Michael Anderson's many breaches of his fiduciary duties.

(b) *Wealth Fund*. Defendant Carolyn Anderson also knew about the fraud being perpetrated by Michael Anderson on investors in the Wealth Fund through her relationship with Michael Anderson and her knowledge of trading that occurred both in the offices of BAM and by means of the Trade Station computer located in the kitchen of their house; her 40% control of BAM, the asset manager, through Seaoma, her company; the issuance of false monthly account statements by Excalibur; her knowledge, or failure to ascertain, that Kya Andrews was not a real person employed at Excalibur as the senior accountant; and monies of the Wealth Fund transferred into the account of Excalibur at Centennial Bank & Trust over

which she possessed control and exercised signature authority of funds that far exceeded the monthly \$1,700 administrative fee Excalibur earned.

(c) As alleged in paragraph 18 (a) above, Carolyn Anderson divorced Michael Anderson in 2009, on information and belief, knowing that he planned to start operations as an investment advisor in Wyoming without disclosing his prior criminal history.

169. Defendant Carolyn Anderson affirmatively, passively and/or silently substantially assisted Michael Anderson in carrying out his fraudulent schemes in the following ways:

(a) As alleged in paragraphs 18 (g), 30 and 41 above, Carolyn Anderson engaged in securities trading on behalf of Rainbow in 2014 and 2016.

(b) As alleged above, including paragraphs 18(j), 25, 31 and 41, during late 2015 and early 2016, Carolyn Anderson affirmatively helped Michael Anderson close out and transfer client accounts and funds from Charles Schwab, which disliked and then forbade the day- trading style of Michael Anderson, to TD Ameritrade. As alleged above, including paragraph 25 above, Defendant Carolyn Anderson not only assisted with the paper work to effectuate the transfers, but pressured Joe St. John to act quickly to effectuate client transfers so as to get their money out of Charles Schwab and into TD Ameritrade where Michael Anderson would have access to it.

(c) She affirmatively assisted Michael Anderson by responding to investors who invested money in Rainbow Partners, by agreeing to act as registered agent and managing member of Rainbow Partners, by acting as registered agent for

Excalibur, by sending emails from Excalibur to persons making inquiries about accounts, by issuing and signing checks to investors of Rainbow Partners, by issuing and signing checks for BAM, and by signing checks for fees to Excalibur;

(d) She also passively assisted Michael Anderson by issuing false and misleading monthly account statements for Rainbow Partners, by accepting payment of fees as an independent third party administrative allegedly for services provided by Excalibur, and living a lavish life style in Vail, Colorado either while knowing or without questioning where that money came from;

(e) She remained silent, though she had a duty to act, when Excalibur issued false and misleading monthly account statements, when Michael Anderson misappropriated investors funds into bank accounts under her control at Centennial Bank & Trust, and when Michael Anderson purchased and received the gold bars; and

(f) She indulged the fiction that Kya Andrews was a real person responsible for issuance of monthly account statements for Rainbow Partner and the Wealth Fund.

(g) As alleged in paragraph 18(p) and 77 above, Carolyn Anderson deleted trading and client information from Michael Anderson's cell phone after his death.

170. But for her substantial assistance, Michael Anderson's frauds, scheme, misrepresentations and omissions may have been detected sooner or even stopped, and funds belonging to Plaintiffs may not have been misappropriated and gone.

171. Therefore, Defendant Carolyn Anderson aided and abetted the numerous breaches of fiduciary duties by Michael Anderson.

COUNT VII
INTENTIONAL MISREPRESENTATION
Against

Estate of Michael Anderson a/k/a Michael Guerra, Carolyn Anderson, Seaoma Consulting and Excalibur

172. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

173. Defendants Michael Anderson a/k/a Guerra, Carolyn Anderson, Seaoma Consulting and Excalibur engaged in fraudulent misrepresentation and concealments.

174. As alleged in Counts I and II above, Defendant Michael Anderson and Carolyn Anderson, personally and through Seaoma and Excalibur, their sham entities, engaged in intentional fraudulent misrepresentations to the Wealth Fund and Rainbow Partner investors by misstating:

(a) The true monthly account values of investors in, as well as the true monthly and annual performance and returns for, Rainbow Partners and the Wealth Fund, through Excalibur;

(b) The movement of money from one brokerage account to another, as alleged in paragraphs 2, 18(j), 25, 31, 41, and 147;

(c) The mismanagement, misappropriation and unauthorized use of monies in various brokerage and bank accounts, including Seaoma;

(d) Michael Anderson's ~~His~~ trading activity in the NUGT trade, as alleged in paragraphs 5, 9, 66-69, 91, 97, 100, and 152;

(e) Without authority from other members and in breach of the operating agreement, as alleged in paragraphs 37 (b) and 127 above on or about January 6, 2017 Michael Anderson issued and had a new investor, Will Cameron Lewis sign, an entirely new agreement, requiring an initial capital contributions of \$750,000, claiming the total value of the Rainbow Partners was \$25 million, and claiming that the third party administrator would perform independent accounting of all calculations and monthly account statements, and

(f) Michael and Carolyn Anderson's entitlement to management and service fees.

175. Defendants Michael and Carolyn Anderson also engaged in intentional fraudulent omissions and concealments regarding the Wealth Fund by concealing:

- (a) His true identify, and background, including his criminal conduct,
- (b) His prior fraud in Wyoming,
- (c) The defalcation of funds belonging to investors in the Wealth Fund,
- (d) The true identity of and control over Excalibur, the so-called independent third party administrator of the Wealth Fund, and its fictitious employee, and

(e) His purchase and receipt of gold bars.

176. As the controlling general partner and investment advisor to the Wealth Fund, Michael Anderson had a duty to disclose this information both to the investors and to the other general partners.

177. As alleged in Count II of this Complaint, Michael and Carolyn Anderson engaged in omissions and concealments to Rainbow Partners, including

- (a) His prior fraud in Wyoming,
- (b) The true performance data for transactions,
- (b) Values of individual member accounts and the aggregate portfolio of value of Rainbow Partners in the monthly statements and investor agreements,
- (c) True identity and control of Excalibur, as the so-called independent third party administrator for Rainbow Partners, and its fictitious employee,
- (d) Defalcation of funds, and
- (e) Purchase and receipt of gold bars

178. As controlling member of and the investment advisor for Rainbow Partners, Michael Anderson had a duty to disclose this information both to the other members. As general partner (from March 2014 through June 2015) and then as manager (June to October 2015), Carolyn Anderson also had a duty to disclose the above information to other members.

179. The misrepresentations and concealments described and alleged herein were material because any reasonable person would attach importance to each and every one of them.

180. Defendants Michael Anderson a/k/a Guerra, Carolyn Anderson, Seaoma and Excalibur knew that each one of the misrepresentations and concealments alleged herein was false, and they intended the Wealth Fund's investors as well as the other general partners of the Fund to rely on them to their detriment. They also knew that the misrepresentations and concealments alleged herein regarding Rainbow

Partners were false and intended for members of Rainbow Partners to rely on them to their detriment.

181. Each of the Wealth Fund's investors and the Wealth Fund's other general partners, as well as members of Rainbow Partners, reasonably and justifiably relied on the representations by Michael and Carolyn Anderson and conduct of Michael Anderson regarding who he was and his past experience, his trading ability and levels of returns he had produced in the past and could produce in the future, his reasons for switching accounts between brokerage firms, his honesty in handling investor funds truthfully and in good faith, the reasons for their use of Excalibur, as the Fund's third party administrator, their creation and issuance of monthly account statements for investors, and his trading strategy for the NUGT trade.

182. It was foreseeable to Michael and Carolyn Anderson, Seaoma and Excalibur that each one and collectively all of these misrepresentations and concealments would cause loss to the Fund's investors. But for their misrepresentations and concealments, the Fund's general partners would not have established the Fund and let him manage and trade for it, and none of the Fund's limited partners would have invested in the Wealth Fund. Nor would members of Rainbow Partners have invested in that investment club and permitted him to trade their investment funds, including IRAs and pensions plans.

183. The misrepresentations and concealments of Michael and Carolyn Anderson, Seaomoa and Excalibur proximately caused the harm suffered by the Fund's limited partners and its other general partners and by members of Rainbow Partners.

Michael and Carolyn Anderson's, Seaoma's and Excalibur's fraudulent statements

and conduct form the causal link to the harm suffered by investors in the Wealth Fund and Rainbow Partners because any reasonable investor who was led to believe in the truth of these misrepresentations and concealments would perceive the risk of loss to his or her investment less likely and more remote. However, the losses suffered by the Wealth Fund and Rainbow Partners were squarely within the zone of risk Michael and Carolyn Anderson, Seoama and Excalibur created but sought to conceal and downplay by their untrue and fraudulent statements and their fraudulent conduct.

184. As alleged in paragraphs 109 and 137 above, Plaintiffs have suffered injury for which they seek damages, including rescissionary, compensatory, and punitive damages.

COUNT VIII
NEGLIGENT MISREPRESENTATION

By
Estate of Michael Anderson a/k/a Michael Guerra, Carolyn Anderson, Seaoma Consulting and Excalibur

185. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

186. As alleged in Counts I, II, IV and V above, Michael and Carolyn Anderson owed duties to investors of the Wealth Fund and Rainbow Partners.

187. Defendant Michael Anderson gave false information to Plaintiffs, including who he was and his criminal history background, the sham nature of Rainbow Foundation and Rainbow Partners, the reason to transfer IRA monies into accounts under his control, the reasons why he could not redeem certain Rainbow investors,

the need for closure and transfer of client accounts from one brokerage firm to another, the reason for Seaoma's 40% ownership of BAM, the information on the BAM website, false performance information in the "slide deck" used for investor presentations, the monthly account statements issued by Excalibur, the fictitious employee of Excalibur (Kya Andrews), misappropriation of funds from brokerage and bank account of Rainbow Partners and the Wealth Fund, the use of Rainbow funds to purchase gold bars, the existence of and failure to respond SEC investigatory subpoenas, the deletion of trading information from computers in the BAM office and shredding of client account information, and the NUGT trade.

188. The information Michael provided to Plaintiffs was done in the course and scope of his investment advisory business for Rainbow and the Wealth Fund

189. The false information was given to the Plaintiffs to guide them in handling and guiding their investment decisions.

190. Defendant Michael Anderson was negligent in handling and communicating the information, because, among other reasons, he owed duties to the Plaintiffs which duties he breached in several respects. He knew or should have known that his conduct, representations and omissions would cause injury to Plaintiffs.

191. Defendant Michael Anderson provided the false information with the intent and knowing that Plaintiffs would rely on that information in making their investment decisions.

192. Plaintiff investors relied on the information provided by Michael Anderson to their detriment.

193. As alleged in paragraphs 93-94, 118-119, 144, and 163- 164 above, the negligent conduct of Michael Anderson was the proximate cause of the injuries suffered by Plaintiffs. It was foreseeable, and it was within the zone or risk created by Michael Anderson.

194. As alleged in paragraphs 109 and 137 above, Plaintiffs have suffered injury for which they seek damages, including rescissionary, compensatory, and punitive damages.

COUNT IX
AIDING AND ABETTING OF INTENTIONAL AND NEGLIGENT
MISREPRESENTATIONS
Against
Carolyn Anderson, Seaoma Consulting and Excalibur

195. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

196. As alleged in Counts VII and VIII above, Michael Anderson made intentional and negligent misrepresentations and omissions.

197. As alleged in paragraphs 1-2, 5, 12-13, 16-25, 30 -31, 34-36, 39-45, 50-63, 77 and 80 above, Defendant Carolyn Anderson had actual knowledge of the intentional and negligent misrepresentations of Michael Anderson with whom her business affairs, including those of Seaoma and Excalibur, and personal life had been inextricably intertwined for at least ten (10) years. As sham entities under her control, Seaoma and Excalibur also knew of these intentional and negligent misrepresentations.

(a) Defendant Carolyn Anderson signed the checks for BAM; owned 40% of Bighorn Holdings, the parent of BAM, through her consulting company, Seaoma; she is the registered agent of Excalibur, the third party administrator for Rainbow Partners and the Wealth Fund, through which false monthly account statements were issued, and she responded to inquiries from investors in Rainbow Partners.

(b) As alleged in paragraph 20 (j) and 25 above, during part of the time period from summer 2015 to March 2016 that Joe St. John was president of BAM, Michael Anderson told Defendant Carolyn Anderson to supervise Mr. St. John at the offices of BAM in Vail, Colorado to make sure he did not engage in trades and instead relegated his duties to the ministerial functions of a clerk. She also assisted in the closure and transfer of client accounts and funds.

(c) Further, she is listed as the managing member of End of the Rainbow Partnership on that company's operating agreement. During the time period that Rainbow Partners was registered as a Colorado limited partnership, she was listed as both the general partner and the registered agent of Rainbow Partners. Even after the Rainbow Partners was re-registered in Florida, she continued to be the registered agent. Further, from at least July 2016 through January 2017, Defendant Carolyn Anderson signed checks to investors in the Rainbow Partners drawn from Rainbow's bank account at Centennial Bank & Trust.

(d) The computer equipment for Trade Station was set up in and used from the kitchen of the Anderson's home in Vail, Colorado.

(e) As alleged in paragraph 20(p) above, after the death of Michael Anderson, Defendant Carolyn Anderson deleted all trading and client information

from Michael Anderson's mobile phone, even though an SEC subpoena was outstanding requiring production of that information.

(f) Therefore, Defendant Carolyn Anderson knew about the fraudulent and negligent conduct alleged herein.

198. As alleged above, including paragraphs 2, 12, 16, 18-20, 21, 23(c), 24, 25, 29-31, 34-36, 39, 42-45 and 49 above, Defendant Carolyn Anderson, personally and through Seaoma and Excalibur, substantially assisted in the fraudulent and negligent conduct by Michael Anderson as alleged herein. As stated in paragraph 18(d) above, Carolyn Anderson has described herself as a professional market timer and day trader, and alleged in paragraph 18(g), she engaged in trading for Rainbow.

BAM

199. Defendant Carolyn Anderson permitted Michael Anderson to hide his true identity by assuming a 40% controlling interest in BAM through Seaoma, her company, which, as the alter ego of Carolyn Anderson, itself thereby substantially assisted the fraud.

Bighorn Wealth Fund

200. Defendant Carolyn Anderson substantially assisted in the misrepresentations of Michael Anderson regarding the Wealth Fund in the following ways, among others:

(a) Assisted in creation of the Wealth Fund by receiving funds in an account at Centennial Bank & Trust, an account that she controlled;

(b) In or about July 2016, when BAM was in the process of migrating all of its separately managed accounts client accounts from TD Ameritrade to Trade

Station, an on-line broker-dealer trading platform for access to multiple asset classes, Carolyn Anderson helped prepare these client applications.

End of Rainbow Partners

201. As alleged in paragraphs 12, 16, 18 -20, 24, 29, and 34-36 above, Defendant Carolyn Anderson substantially assisted in the misrepresentations of Michael Anderson regarding Rainbow Partners in the following ways, among others:

(a) As alleged in paragraph 18(e) above, she has listed on her 2014 bankruptcy petition two other companies when describing her business: the Rainbow Foundation, and Rainbow Partners.

(b) When the Rainbow partners was set up, Defendant Carolyn Anderson was listed as the general partner and registered agent.

(c) Signed disbursement checks drawn on Centennial Bank & Trust paid to Rainbow Partners.

(d) Helped cause the issuance of false monthly account statements by and responded to inquiries on behalf of Excalibur;

(e) Traded securities with monies of Rainbow investors;

(f) Helped create a website, which portrayed a code of ethics they did not comply with ;

(g) Assisted with the closing and transfer of client accounts from one brokerage firm to another;

(h) Tried to persuade investors not to leave Rainbow Partners;

(i) Deleted from Michael Anderson's mobile phone, after his death, all trading and client information, even though an SEC subpoena was outstanding for such information;

(j) In March 2017, when a member/investor in Rainbow Partners contacted Trade Station to find out the current status and dollar amount at Trade Station of the account for Rainbow Partner, that member was told that Carolyn Anderson's name was on the account and she would have to give her approval before Trade Station could provide that information.

Excalibur

202. Defendant Carolyn Anderson and Excalibur substantially assisted in the misrepresentations of Michael Anderson regarding both the Wealth Fund and Rainbow Partners in the following ways, among others:

(a) Using Seaoma Consulting, her company, as registered agent for Excalibur;

(b) Causing the issuance of false and misleading monthly account statements;

(c) As alleged in paragraphs 60 and 62 above, Excalibur has either misappropriated or illegally received funds of \$505,800.

(d) Remaining silent and masking the true existence or identify of Kya Andrews, who incorporated Excalibur, who was the contact person for the false monthly account statements of investors in the Wealth Fund and Rainbow Partners, and who diverted inquiries for records to respond to the SEC subpoena to Michael Anderson.

203. Therefore, Defendant Carolyn Anderson aided and abetted Michael Anderson's intentional and negligent misrepresentations and omissions.

COUNT X
NEGLIGENT MISREPRESENTATION
Against
Carolyn Anderson, Seaoma and Excalibur

204. Plaintiffs repeat and re-allege paragraphs 1 through 82 above as if fully set forth herein.

205. As alleged in Counts V above, Defendant Carolyn Anderson owed duties to investors of the Wealth Fund and Rainbow Partners.

206. As alleged in Counts VII, VIII and IX above, Defendant Carolyn Anderson, Seaoma and Excalibur provided or caused to be provided false information to Plaintiffs, including the background of Michael Anderson, the prior frauds in which the Michael and Carolyn Anderson had been engaged, the sham nature of the Rainbow Foundation and Rainbow Partners, the sham nature of Seaoma and Excalibur, false monthly account statements, and the misappropriation of investor funds in Rainbow into personal and company accounts they controlled.

207. Defendant Carolyn Anderson provided such information in the course and scope of the business of Rainbow Foundation, Rainbow Partners, Seaoma Consulting and Excalibur.

208. Defendant Carolyn Anderson, personally and through Seaoma nad Excalibur, provided the above information to Plaintiffs to induce them to invest in Rainbow and the Wealth Fund, to remain invested and, through Excalibur, purportedly acting

as an independent third party administrator, “to provide independent portfolio valuation verification services, calculate monthly and quarterly net assets values, reconcile brokerage, bank and custodian accounts, assist outside auditors with preparation of year-end financials, and “liaise, as necessary, with investment managers, banks, custodians, auditors, and investors,” as alleged in paragraph 20 above.

209. ~~As alleged in this Complaint,~~ Defendant Carolyn Anderson, Seaoma and Excalibur were negligent in obtaining or communicating the above false information to Plaintiffs. Defendants Carolyn Anderson, Seaoma and Excalibur knew or should have known that the business activities of Rainbow was suspect and that the funds that flowed in and out of her Seaoma bank account were not legitimate. Defendant Carolyn Anderson and Excalibur also knew or should have known that the information being provided by Excalibur – for which her company, Seaoma, was the registered agent and for which Excalibur was paid fees, as alleged in paragraph 20, 45, and 60-62 above - were occurring from her home; based on the information available to them, they knew or should have known that the dollar amounts in the monthly statements issued by Excalibur as well as other information that was supposed to be provided were incorrect; and, Carolyn Anderson, and thus Excalibur, knew or should have known that there was no person by the name of Kya Andrews who acted as senior fund consultant. Further, in breaching her duties, directly and/or indirectly through aiding and abetting. Carolyn Anderson knew or should have known that her conduct, representations and omissions would cause injury to Plaintiffs.

210. Defendant Carolyn Anderson, Seaoma and Excalibur provided this information knowing and intending that Plaintiffs would rely on it.

211. Plaintiffs, in fact, relied on the information provided by Carolyn Anderson, Seaoma and Excalibur.

212. As alleged in paragraphs 109 and 137 above, Plaintiffs have suffered injury for which they seek damages, including rescissionary, compensatory, and punitive damages.

COUNT XI
Civil Conspiracy
Against
Estate of Michael Anderson a/k/a Michael Guerra, and Carolyn Anderson,
Seaoma and Excalibur

213. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

214. Michael Anderson and Defendant Carolyn Anderson, and through them, Seaoma and Excalibur, agreed with each other to conspire against Plaintiffs when they:

- (a) Formed a number of affiliated corporations, foundations, partnerships, and limited liability companies, some of which were shams,
- (b) Set up brokerage and bank accounts over which they exercised control,
- (c) Issued through Excalibur false and misleading account statements,
- (d) Paid themselves management and third party administration fees,
- (e) Misappropriated funds of Rainbow and Wealth Fund investors;

(f) Used ill-gotten gains to finance their lavish life style in Vail, Colorado.

215. As alleged in this Complaint, Michael Anderson and Defendants Carolyn Anderson, Seaoma and Excalibur engaged in a number of unlawful acts, including:

(a) Issuing false and misleading monthly account statements;

(b) Misappropriating investor funds from accounts at TD Ameritrade and InterActive Brokers and commingling those funds with other accounts – including BAM, Rainbow Partners and Excalibur – at Centennial Bank & Trust over which they exercised control;

(c) Removing and destroying computer hard drives and records regarding trading, client accounts, fees earned and paid, payment of expenses allegedly legitimately incurred by Rainbow Partners (e.g., car lease payments);

(d) Purchasing \$1,001,348.50 worth of gold bars with investor funds.

216. Michael Anderson and Defendant Carolyn Anderson, and through them, Seaoma and Excalibur, also engaged in a number of lawful acts by unlawful means, including:

(a) Soliciting investors, but using false performance data and falsely stating the amount of AUMs in Rainbow Partners;

(b) As alleged in paragraphs 31 and 41 above, soliciting IRA money to be custodied by Midland as alternative asset managers, but then using those funds to further their fraud in Rainbow Partners; ~~and~~

(c) Placing a trade in NUGT, but exceeding prudent concentration limits and failing in breach of fiduciary duties to monitor and close out the NUGT trade before the Wealth Fund incurred a \$2.4 million loss; and

(d) Holding a 40% interest in BAM through Seaoma.

217. Michael Anderson and Defendant Carolyn Anderson, and through them, Seaoma and Excalibur, engaged in the following overt acts to further their conspiracy:

(a) On or about September 26, 2016, Michael Anderson transferred \$1,000,000 from the account of Rainbow Partners at TD Ameritrade into the Wealth Fund's account at Interactive Brokers.

(b) On or about January 25, 2017, Michael Anderson transferred \$1,001,348.50 to Goldline in Los Angeles, California to purchase bars of gold.

(c) On or about January 27, 2017, Michael Anderson transferred \$1,010,000 from the Wealth Fund's brokerage account at InterActive Brokers to the Wealth Fund's account at Centennial Bank & Trust in Vail, Colorado; and, on January 30, 2017, Michael Anderson transferred another \$200,000 from the Fund's account at Interactive Broker to the Wealth Fund's account at Centennial Bank & Trust in Vail, Colorado. The total amount transferred from the Wealth Fund's account at Interactive Brokers to the Wealth Fund's account at Centennial Bank & Trust was \$1,210,000.

(d) As alleged in paragraphs 60 and 62 above, Excalibur has either misappropriated or illegally received funds of \$505,800.

(e) For the relevant period, Michael Anderson and Defendant Carolyn Anderson received management fees of approximately \$40,900 as well as \$8,800 in fees for Excalibur, as third party administrator of the Fund.

(f) Michael Anderson and Carolyn Anderson removed the Trade Station from their home, through which Michael Anderson engaged in stock trades, so that its whereabouts are unknown.

(g) From June 2014 through June 2016, at least \$160,090 of funds belonging to Rainbow investors were transferred into the Seaoma bank account for payment of the mortgage on the Vail house.

(h) Additional funds exceeding \$325,000 were transferred into the Seaoma bank account for payment of personal and entertainment expenses.

218. As a result of the conspiracy effectuated by Michael Anderson and Defendant Carolyn Anderson, Plaintiffs have suffered injury for which they seek damages, including rescissionary, compensatory, and punitive damages.

COUNT XII
CIVIL THEFT, C.R.S § 18-4-405
Against
All Defendants

219. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

220. As alleged in paragraphs 1-2, 5, 16, 18-20, 24, 29, 31, 41, 45, 50- 63, 78-82 and Counts I, II and XI above, Carolyn and Michael Anderson, Seaoma and Excalibur knowingly obtained or exercised control over Plaintiffs' funds without authorization.

221. The various acts of thefts included:

(a) As described in paragraphs 55 and 218 (a)-(c) above, the transfer of more than \$1 million in September 2016 from an account of Rainbow Partners at TD

Ameritrade and sent to a Wealth Fund account at Interactive Brokers, which ultimately was then used to purchase gold bars. Michael Anderson had no authority to purchase the gold, and he and Carolyn Anderson had no authority to abscond with the gold and secret it away.

(b) As described in paragraphs 18 (b), 29 and 50-51 above, Michael and Carolyn Anderson took money of Rainbow Investors, passed it through Carolyn Anderson's Seaoma account at Centennial Bank & Trust and used the funds to make mortgage payments on their house and for personal expenses and entertainment;

(c) As alleged in paragraphs 18 (k), 19, 62 -63, 95, 160, and 215 and 218 (d) above, Defendant Michael and Carolyn Anderson paid themselves and companies they controlled management and service fees to which they were not entitled.

(d) On information and belief, other investor funds have been funneled through the Excalibur account at Centennial Bank & Trust, the amount of which is not yet known;

(e) On information and belief, investor funds have been funneled through the bank accounts of the Anderson's children (Olivia and Skyler), the amount of which is not yet known.

222. As alleged in paragraphs 1-2, 5, 16, 18-20, 24, 29, 31, 41, 45, 50-63, and 78-82, as well as Counts I, II and XI above, by converting investor funds for their personal use, Carolyn and Michael Anderson, Seaoma and Excalibur intended to permanently deprive the Plaintiffs of their use, enjoyment or benefit of their funds.

223. Plaintiffs have been unable to make a made a demand on Michael Anderson and Carolyn Anderson to return the funds that were misappropriated. Michael Anderson is deceased and his will has not been admitted to probate, though the probate court has been notified of Plaintiffs' claims. Carolyn Anderson's whereabouts were previously unknown. A demand for repayment has been made on Carolyn Anderson, Michael Anderson's estate (for which she has been nominated administrator), Seaoma and Excalibur through her counsel.

224. Misappropriation and theft of the funds by the Defendants have caused Plaintiffs damages in an amount to be shown at trial.

COUNT XIII
CONVERSION
Against
All Defendants

225. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

226. As alleged in Count XII above, the Defendants, without authority, exercised dominion and ownership over Plaintiffs' funds.

227. As alleged in paragraph 18(b), 29 and 223 above, Carolyn and Michael Anderson, and through them, Seaoma and Excalibur, intended to permanently deprive the Plaintiffs of their use, enjoyment or benefit of their funds by making unauthorized transfers, commingling and converting investor funds for their personal and corporate use.

228. Because of the injury suffered by Plaintiffs and as stated in paragraph 224 above, Plaintiffs tried but were previously unable to notify either Defendant Michael

Anderson or Carolyn Anderson for the return the funds that were misappropriated. However, a demand for repayment has been made on Carolyn Anderson and the other defendants through her counsel.

COUNT XIV
BREACH OF CONTRACT
Against
Estate of Michael Anderson a/k/a Michael Guerra
And
Carolyn Anderson

229. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

230. Michael Anderson and Defendant Carolyn Anderson breached a number of agreements to which they were parties, including the limited partnership agreement for the Wealth Fund, the membership agreement for Rainbow Partners, and the third party administration agreement of Excalibur.

Breach of BH Wealth Fund Limited Partnership Agreement

231. As stated in paragraph 11 above, the limited partnership agreement for the Wealth Fund provided that the “primary investment objective Partnership is preservation of assets and growth of capital.” By misappropriating and comingling funds of investors in the Wealth Fund, Michael Anderson breached the partnership agreement.

232. In addition, the agreement of limited partnership provided that the partnership will ordinarily invest in securities for short periods, even as little as a portion of one day. Michael Anderson violated the partnership agreement by placing an overly concentrated trade in NUGT and for longer than the short period

contemplated by the partnership agreement and by failing to monitor that trade to preserve assets.

233. Further, Michael Anderson also violated the implied covenant of good faith and fair dealing as regards both the other limited partners and the other general partners.

234. Further, the partnership agreement required Michael Anderson, as the designated general partner, to cause the Wealth Fund to keep complete and accurate books of account. Michael Anderson violated that provision in the partnership agreement when he removed hard drives from computers and destroyed the books and records of the Wealth Fund.

Breach of Operating Agreement for Rainbow Partners

235. As stated in paragraph 12 above, ¶ the limited liability company agreement of Rainbow Partners stated that the only purpose of Rainbow Partners shall be to invest assets in securities of the financial and educational benefit of its members. By misappropriating investor funds for his and Defendant Carolyn Anderson's personal use, Michael Anderson breached the Rainbow Partner's agreement.

236. The agreement also provided that Defendant Carolyn Anderson was responsible for the day-to-day operations of the Rainbow Partners, as alleged in paragraph 12 above. The agreement further provided that no member, including the managing member, shall "do any act detrimental to the interests of the limited liability company" or "which would make it impossible to carry on the business or affairs of the limited liability company." By permitting the fraudulent conduct, misrepresentations and omissions alleged in this Complaint to occur, Defendant

Carolyn Anderson, as managing member, breached the operating agreement for Rainbow Partners.

237. Without authority from other members and in breach of the operating agreement, on or about January 6, 2017 Michael Anderson issued and had a new investor, Will Cameron Lewis, sign an entirely new agreement, requiring initial capital contributions of \$750,000, claiming the total value of the Rainbow Partners was \$25 million, and claiming that the third party administrator would perform independent accounting of all calculations and monthly account statements. In doing so, Michael Anderson breached the operating agreement of Rainbow Partners.

238. Accordingly, Plaintiffs have suffered injury for which they seek damages, including rescissionary, compensatory, and punitive damages.

**COUNT XV
UNJUST ENRICHMENT**

By

**Defendants Estate of Michael Anderson a/k/a Michael Frederick Guerra,
Carolyn Anderson, Seaoma and Excalibur**

239. Plaintiffs repeat and re-allege paragraphs 1 through 82 as if fully set forth herein.

240. Each and everyone of the Defendants knowingly benefited from the misappropriations of Plaintiffs' funds, which they used to make mortgage payments, cover personal expenses (rental cars, credit cards, mortgage payments, utility bills, travel, etc), pay themselves fees, or purchase gold bars.

241. Each and everyone of the Defendants benefited at Plaintiffs' expense. Plaintiffs' investment proceeded were squandered on the personal expenses of Defendants, misappropriated to pay themselves management and service fees,

misappropriated and stolen to purchase other assets (e.g., gold bars), or lost from improper trading securities (e.g., trading by Carolyn Anderson as well as the NUGT trade).

242. Allowing each and everyone of the Defendants to retain the benefit from the squandering, illegitimate fees, misappropriation and theft of investor funds under the circumstances alleged in this complaint would be highly unjust.

243. Accordingly, Plaintiffs seeks restitution of all monies by which each and everyone of the Defendants were unjustly enriched.

COUNT XV
UNJUST ENRICHMENT
By
Relief Defendant
Robert B. Casey, Sr.

244. Plaintiffs repeat and re-allege paragraphs 10 and 21 as if fully set forth herein.

245. In or about April 2014, Relief Defendant Robert B. Casey, Sr. (“Casey”) invested \$200,000 in Rainbow Partners. Later, he invested another \$50,000. Relief Defendant Casey thus invested a total of \$250,000 in Rainbow Partners.

246. In January 26, 2017 – after the SEC investigative subpoenas had been issued and while the funds of other Rainbow investors were unavailable to them – Relief Defendant Casey, who is the boyfriend of Carolyn Andersons’ mother, received a check in the amount of \$265,311.92, drawn on Centennial Bank & Trust, an amount that exceeded the total amount of his investment in Rainbow Partners.

247. Relief Defendant Casey received a total of \$299,460 for his investment of \$250,000.

248. Relief Defendant Casey benefited to the detriment of the other Rainbow investors, by not only receiving \$49,460 more than he invested, but also by getting his entire principal of \$250,00 return to him.

249. Relief Defendant knew that he was being singled out for special preferential treatment because of his special relationship with Carolyn Anderson's mother.

250. Allowing Relief Defendant Casey to retain the benefit not only of the entire return of his principal, but also profit in the amount of \$49,460 would be highly unjust when other Rainbow investors have not received their funds back, may never to do, and had at least \$1 million in their funds stolen to buy gold bars.

251. Accordingly, Relief Defendant should be required to return the all funds he received, and the Court should impose a constructive trust over those funds.

PRAYER FOR RELIEF

For his prayer for relief, Plaintiff seeks:

- A. Rescission damages, or in the alternative, actual loss or compensatory damages;
- B. Punitive damages and/statutory damages authorized by law;
- C. An accounting by all Defendants of use of funds of Plaintiffs;
- D. Constructive Trust;
- E. Pre-Judgment attachment;
- F. Pre-Judgment Interest;
- G. Costs and Attorneys Fees;
- H. Post- Judgment Interest; and
- I. Such other relief as the Court deems fair, just and equitable.

Dated: October 19, 2017

s/TV Sjoblom

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