

‘Left Behind’ Video Game Creator Faces US SEC Fraud Charges

The creator of a video game based on the popular Christian Left Behind novel series and his friend have been charged with scheming to inflate the company’s revenue by nearly 1,300 percent, U.S. regulators announced Wednesday.

Left Behind Games Inc Chief Executive and Chief Financial Officer Troy Lyndon issued nearly 2 billion shares to his friend Ronald Zaucha, purportedly as compensation for consulting services, the Securities and Exchange Commission’s complaint alleges.

The real reason for issuing the stock was so Zaucha could sell millions of unregistered shares in the marketplace and then kick back the proceeds and use other “sham purchases” to help bolster the struggling company’s books, the SEC said.

The SEC’s lawsuit was filed late on Tuesday in a federal court in Hawaii, where Lyndon and Zaucha both reside. The SEC suspended the company’s stock Wednesday.

The complaint charges both men with fraud, and the SEC said its probe is continuing.

The charges come roughly two weeks after the company announced in an SEC filing that its public accountant Malone Bailey had resigned after previously expressing “substantial doubt” about the company’s ability to continue.

Last year, in March 2012, Lyndon filed a voluntary petition for Chapter 7 bankruptcy, the SEC said.

Lyndon, of Honolulu, said he only learned of the charges early Wednesday morning after a press inquiry from Reuters and

that he believes the government is discriminating against him.

"I'm just a video game guy. If any violation occurred, it would never have been intentional—and certainly, never fraudulent. My attorney told me that any person that earned shares could use them for any purpose," he said.

"For more than two years, I've asked SEC to explain how and if I have violated any rule, so that I could self-report it. As I see it, the government has systematically and intentionally conspired to dismantle Left Behind Games and the facts are both true and hard to believe—worthy of a Ron Howard film or John Grisham novel."

A more detailed statement from Lyndon can be found at .

Efforts to reach Zaucha were unsuccessful.

According to the SEC's allegations, Lyndon and Zaucha made a "last ditch" effort to save the struggling company in 2009.

After issuing 1.7 billion shares in stock, the SEC said Zaucha sold most of it for \$4.6 million, roughly \$3.3 million of which was later kicked back to the company in a variety of ways.

One such example, the SEC said, was when in December 2010 Zaucha formed a company and used the stock sale proceeds to buy \$ million in obsolete Left Behind Games inventory.

Zaucha's company then gave most of the products away to churches and religious groups, while Left Behind went on to recognize the transaction as revenue.

The SEC also said Zaucha never truly performed any real consulting services to the company, and he was also allowed to keep more than \$1 million of the stock sale proceeds that he used for personal expenses, including buying property in California and Hawaii.

According to his online biography, Lyndon was the “original team lead developer” of the first 3-D versions of the John Madden Football video game, among others.

Reuters could not immediately independently verify those details.

He started working on development of religious video games in 2002, and took Left Behind Games public in 2006, he says.

“Although government regulations have resulted in the loss of nearly 50 percent of America’s public companies over the past 15 years, Left Behind Games continues to operate and has products in more than 500 retail locations throughout the USA,” he wrote on his website.

Reporting by Sarah N. Lynch; editing by Andrew Hay

© 2013 Thomson Reuters. All rights reserved.