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FILED IN THE
UNITED STATES DISTRICT COURT
DISTRICT OF HAWAII

3 SEP 24 2013
at 3 o'clock and 40 min. M.
SUE BEITIA, CLERK

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13 UNITED STATES DISTRICT COURT

14 DISTRICT OF HAWAII

CV13 00486 SOM KSC

15 SECURITIES AND EXCHANGE
16 COMMISSION,

Case No.

17 Plaintiff,

COMPLAINT

18 v.

19 TROY LYNDON AND RONALD
20 ZAUCHA,

21 Defendants.

22 Plaintiff Securities and Exchange Commission ("SEC") alleges:

23 JURISDICTION AND VENUE

24 1. This Court has jurisdiction over this action pursuant to Sections 20(b),
25 20(d)(1) and 22(a) of the Securities Act of 1933 ("Securities Act"), 15 U.S.C. §§
26 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27(a) of
27 the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. §§ 78u(d)(1),
28 78u(d)(3)(A), 78u(e) & 78aa(a). Defendants have, directly or indirectly, made use
of the means or instrumentalities of interstate commerce, of the mails, or of the
facilities of a national securities exchange in connection with the transactions, acts,
practices and courses of business alleged in this Complaint.

1 of which Lighthouse then simply gave away to churches and religious
2 organizations. Lyndon then caused LBG to recognize the \$1.38 million as
3 revenue, even though Lighthouse had received at most, a few thousand dollars for
4 reselling some of LBG's product.

5 7. As a result of the purported sales to Lighthouse, LBG's revenues were
6 materially overstated in its quarterly reports on Form 10-Q filed with the SEC for
7 the second and third quarters of fiscal year 2011, and in its annual report on Form
8 10-K filed with the SEC for its fiscal year 2011 (which ended March 31, 2011).
9 LBG's quarterly and annual reports were also misleading because they did not
10 disclose that its transactions with Zaucha were related party transactions. Nor did
11 they disclose the sham, round-trip nature of the transactions, where LBG
12 essentially paid for its own revenue by paying Zaucha in stock and then having
13 most of his stock sale proceeds used to purchase LBG product through Zaucha's
14 company, Lighthouse.

15 8. Third, Zaucha kicked back approximately \$1 million more of his
16 stock sale proceeds to LBG, which payments were characterized in LBG's books
17 in a variety of ways, including as purported "loans" and "investments."

18 9. Lyndon permitted Zaucha to keep the remaining approximately \$1.28
19 million of his stock sales proceeds. Zaucha used these proceeds to purchase
20 condominiums in Maui and in Orange County, California, to pay his living
21 expenses, and to fund Lighthouse's operations.

22 10. By engaging in this conduct, Lyndon and Zaucha violated the
23 securities registration provisions of Sections 5(a) and 5(c) of the Securities Act, 15
24 U.S.C. §§ 77e(a) & 77(e)(c); the antifraud provisions of Section 17(a) of the
25 Securities Act, 15 U.S.C. § 77q(a); and the antifraud provisions of Section 10(b) of
26 the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §
27 240.10b-5. In the alternative, Lyndon violated Exchange Act Section 10(b) and
28 Rule 10b-5(b) as a control person of LBG.

1 11. Lyndon also violated the books and records and internal control
2 provisions of Section 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), and
3 Rule 13b2-1 thereunder, 17 C.F.R. § 240.13b2-1, the prohibition against making
4 misrepresentations to auditors, Rule 13b2-2, 17 C.F.R. § 240.13b2-2, and the
5 prohibition against falsely certifying SEC filings under SEC Rule 13a-14; and
6 aided and abetted the company's violations of the issuer reporting provisions of
7 Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1
8 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 & 240.13a-13.

9 12. The SEC seeks permanent injunctions prohibiting future violations,
10 disgorgement of ill-gotten gains together with prejudgment interest, civil penalties,
11 and penny stock bars against both Defendants, and an officer and director bar
12 against Lyndon.

13 THE DEFENDANTS

14 13. **Troy Lyndon** was the founder, chief executive officer, chief financial
15 officer and chairman of the board of LBG from at least 2008 to the present.
16 Lyndon resides in Honolulu, Hawaii. On March 30, 2012, Lyndon filed a Chapter
17 7 voluntary petition for bankruptcy; a discharge was granted by the bankruptcy
18 court on July 23, 2012. *In re Troy Alan Lyndon*, Case No. 12-00683-raf (Bankr. D.
19 Hawaii).

20 14. **Ronald Zaucha** purportedly was a consultant for LBG. He resides in
21 Maui, Hawaii. Zaucha held himself out, including to Lyndon, as a pastor who had
22 been involved since approximately 1995 or 1996 in conducting ministry in prisons.
23 Zaucha was originally introduced to Lyndon in approximately 2007 or 2008 as a
24 cash investor. As alleged below, on or about September 2, 2008, Zaucha became a
25 paid consultant to Left Behind Games.

26 RELATED ENTITIES

27 15. **Left Behind Games, Inc. d/b/a Inspired Media Entertainment** was
28 headquartered in Murrieta, California. It was founded by Lyndon on December 31,

1 2001, and incorporated in Delaware on August 22, 2002. LBG became a public
2 company on February 7, 2006. On January 17, 2011, LBG reincorporated in
3 Nevada. LBG's corporate status has since been revoked in Nevada and forfeited in
4 Delaware.

5 16. In its annual report on Form 10-K filed with the SEC for its fiscal year
6 ended March 31, 2011, LBG touted itself as "the only publicly-traded exclusive
7 publisher of Christian modern media" and "the world leader in the publication of
8 Christian video games and a Christian social network provider." Its trade names
9 included Inspired Media EntertainmentTM, LB Games®, Cloud 9 Games®, and
10 MyPraise®. Some of the games that LBG released were "LEFT BEHIND: Eternal
11 Forces," which LBG touted as "a PC real-time strategy game" which was "the
12 most widely distributed Christian PC game in the history of this new market
13 segment," and "Left Behind 3: Rise of the Antichrist," released for Christmas
14 2010. LBG also obtained an exclusive license to sell PC games featuring "Charlie
15 Church Mouse" to the Christian Booksellers Association market.

16 17. LBG's stock was registered with the SEC pursuant to Section 12(g) of
17 the Exchange Act, 15 U.S.C. § 78l(g). During the relevant period, LBG's stock
18 traded on the OTCQB exchange under the ticker symbol "LFBG."

19 18. LBG terminated all of its employees and closed its office at the end of
20 2011. Its most recent public filings with the SEC were Forms 8-K filed on July 5
21 and September 9, 2013, and a quarterly report on Form 10-Q for the period ended
22 September 30, 2011, filed November 21, 2011.

23 19. **Lighthouse Distributors, Inc.** is a California corporation formed by
24 Zaucha in December 2010. During the relevant period, Lighthouse purported to be
25 a wholesaler of Christian-themed video games. It purchased the majority (about
26 \$1.38 million) of its inventory from LBG. It ceased operations in January 2012,
27 shortly after LBG ceased its operations.

28 ///

THE FRAUDULENT SCHEME

1
2 20. Since its founding in 2001, LBG has never had a profitable year. In
3 2010 and 2011, LBG reported quarterly and annual net losses despite the fact that
4 the Defendants' scheme led to the overstatement of LBG's quarterly and annual
5 revenues during that time.

6 21. For its fiscal year ended March 31, 2010, LBG had restated net
7 revenues of \$115,363 and a net loss of \$21,327,855. For the year ended March 31,
8 2011, LBG reported net revenues of \$1,600,407, and a net loss of \$5,487,843. The
9 company's auditor accordingly qualified its audit report for LBG's fiscal year
10 ended March 31, 2011, explaining that the financial statements were prepared
11 "assuming the Company will continue as a going concern," but that the company's
12 significant operating losses and negative cash flows from operations "raise
13 substantial doubt about the company's ability to continue as a going concern."

14 22. Lyndon caused LBG to disclose in its Form 10-K for the year ended
15 March 31, 2011, that "one customer accounted for 88% of net sales." The Form
16 10-K further disclosed that \$1,385,649 of LBG's recorded revenues were from
17 Lighthouse, a company "owned by Consultant #1," who was Zaucha. However,
18 the Form 10-K also represented that "These sales transactions were not related to
19 the original consulting agreements and were not contemplated at the time the
20 consulting agreements were entered into." This representation was both false and
21 material, as set forth below.

A. Zaucha's "Consulting" Arrangement with LBG

1. The Consulting Agreements

22
23
24 23. Between September 2008 and September 30, 2010, Lyndon caused
25 LBG to allegedly hire Zaucha to act as a "consultant" for LBG. Lyndon negotiated
26 three consulting agreements with Zaucha. Each of these agreements specifically
27 provided that Zaucha would or could be compensated with shares of LBG common
28 stock. This term was a critical component of the Defendants' fraudulent scheme.

1 24. The terms of each of these consulting agreements were set forth in
2 LBG's March 31, 2011, Form 10-K, except that Zaucha was not identified by
3 name. Instead, he was referred to as "Consultant # 1."

4 25. The first of the three consulting agreements was dated September 2,
5 2008. It was a one-year agreement, and under the terms of the agreement, Zaucha
6 would receive an aggregate of 8,500,000 shares of LBG common stock in
7 exchange for his consulting services. In or about April 2009, Lyndon caused LBG
8 to add a "First Addendum" to the agreement, which provided that Zaucha would
9 also receive \$10,000 per month for services rendered and an additional 20,000,000
10 shares of LBG common stock. The First Addendum also provided that Zaucha had
11 the right to convert, by no later than March 31, 2010, the monies owed under the
12 amended consulting agreement into shares of LBG common stock at a rate of
13 \$0.005 per share. LBG later added a "Second Addendum" whereby the conversion
14 rate was reduced to \$0.001 per share. A later "Third Addendum" provided that in
15 the event Zaucha sold LBG common stock at a rate exceeding 10,000,000 shares
16 per thirty day calendar period, he would pay LBG an "early-sell fee" for each
17 period of \$100,000, or an amount equally agreed upon by LBG and Zaucha.

18 26. The second consulting agreement was dated July 23, 2009. Lyndon
19 caused LBG to replace the initial 2008 consulting agreement with this new
20 agreement, which was automatically renewable every six months. Under this new
21 agreement, Zaucha was to earn a sales commission for selling LBG products, but
22 not less than \$40,000 per month, in exchange for services rendered. This
23 agreement further stated that if LBG did not pay Zaucha as scheduled, Zaucha
24 could choose to accept such monies owed to him at a later date or to convert such
25 amounts owed into LBG common stock at a rate of \$0.001 per share, in Zaucha's
26 sole discretion.

27 27. Finally, on April 7, 2010, Lyndon caused LBG to replace the 2009
28 consulting agreement with a new automatically renewable six month agreement.

1 Under this consulting agreement, Zaucha was to earn \$10,000 per month in
2 consideration for services rendered. This agreement further stated that in the event
3 that LBG did not pay Zaucha as scheduled, each such amount due would become a
4 stock purchase transaction with an effective date equal to the day of any such
5 missed payment, and that Zaucha was purchasing shares at a rate of \$0.0001 per
6 share.

7 **2. Zaucha Performed Few, If Any, Consulting Services**

8 28. Each of the consulting agreements was vague as to the services
9 Zaucha would provide. The initial 2008 agreement states that Zaucha “has certain
10 [unspecified] experience in the marketing of our products to others.” The second
11 2009 agreement states that Zaucha has “certain [unspecified] experience in
12 business and marketing,” and that LBG is “desirous of having Consultant oversee
13 its church focused calling Rep team.” The third 2010 agreement states that “Ron
14 Zaucha Consulting” “has certain [unspecified] experience in marketing and
15 business related to non-profit corps,” and that LBG “is desirous of having RZC
16 provide certain such consulting services.”

17 29. In fact, Lyndon understood that Zaucha had experience as a pastor
18 and in running prison ministries, rather than having experience in marketing.

19 30. In addition, both the 2009 and 2010 agreements vaguely state that
20 Zaucha will perform “any and all services necessary to build our independent rep
21 network in which these independent reps use the phone to contact Pastors in an
22 effort to offer our products.”

23 31. LBG had no “network” of independent representatives calling
24 potential purchasers of its products. Rather, at most, it had five or six staff who,
25 for a period of nine to twelve months, called churches asking them to purchase
26 products from LBG.

27 32. Although Zaucha may have helped author a script for LBG staff to use
28 in communicating with pastors, and may have called some pastors himself, LBG

1 identified the churches to contact from a free database independently maintained
2 by Purpose Driven Life. In fact, rather than spending time building a network of
3 independent representatives, Zaucha spent time in LBG's offices running staff
4 meetings and providing informal counseling services to employees.

5 33. During the period Zaucha was purportedly contracted to perform
6 marketing services for LBG, LBG in fact employed another person as its director
7 of outreach and sales. For most of the period from May 2006 through about April
8 2009, this individual was director of outreach and sales and reported directly to
9 Lyndon. He was responsible for obtaining agreements with major retailers,
10 including Wal-Mart, to sell LBG products. LBG laid off the director of outreach
11 and sales in April 2009, although he continued to perform services on a consulting
12 basis for the company until Lyndon rehired him in about August 2010, specifically
13 to deal with Wal-Mart and other major retailers.

14 34. LBG's director of outreach and sales first met Zaucha in 2010; he was
15 unaware that Zaucha was providing consulting services to LBG, and Zaucha
16 provided him with no assistance in marketing and selling LBG products.

17 35. Zaucha never submitted invoices describing services provided to
18 LBG, even though Lyndon asked that other consultants to do so, including LBG's
19 director of outreach and sales when he was employed as a consultant.

20 **B. Zaucha's Kick-Backs of Stock Sale Proceeds to LBG**

21 36. The "consulting" arrangement between Zaucha and LBG was, in fact
22 a sham. The true purpose of the arrangement was to enable Zaucha to sell millions
23 of unregistered shares of LBG common stock, and then kick back a portion of his
24 stock proceeds to LBG, which was in need of substantial additional funds. Zaucha
25 also kept portions of the proceeds of the sales, in amounts determined by Lyndon.
26 Finally, Lyndon, who was a signatory on all LBG bank accounts, simply treated
27 corporate accounts as his own, withdrawing funds for his personal use.

28 37. For the period from October 23, 2008, to September 20, 2011, Zaucha

1 received approximately 1.9 billion shares of LBG common stock, including as
2 compensation for services he purportedly provided under the consulting
3 agreements.

4 38. Lyndon approved and authorized all issuances of shares to Zaucha.

5 39. To enable Zaucha to obtain shares, Lyndon would execute on behalf
6 of LBG a convertible promissory note, which represented that Zaucha was owed
7 certain monies, which Zaucha would also execute as "acknowledged and agreed
8 to." To obtain the shares in lieu of the monies owed by LBG under the promissory
9 note, Zaucha executed either a "notice of debt conversion" or a "notice of
10 conversion to common stock," seeking to convert to LBG shares cash he was
11 purportedly entitled to under the Convertible Promissory Note.

12 **1. Zaucha's False Seller Representations for the Restricted Shares**

13 40. Under the terms of the Zaucha consulting agreements, the shares
14 received by Zaucha were restricted shares that could not be sold pursuant to SEC
15 Rule 144, 17 C.F.R. § 230.144, until a six month holding period expired.
16 Otherwise, sale of the shares would constitute an unregistered offer and sale in
17 violation of Section 5 of the Securities Act.

18 41. Lyndon knew that there was a six month holding period under Rule
19 144. Part of Lyndon's and Zaucha's fraudulent scheme was intended to
20 circumvent that holding period to enable Zaucha to sell the stock more quickly.

21 42. Specifically, Lyndon caused faxes to be sent to LBG's stock transfer
22 agent asking that she issue "New Restricted Stock Certificates" to Zaucha for
23 specified numbers of shares, with the instruction: "Note: hold for 144 paperwork to
24 remove legend." The faxes further set forth a false "BOD" or beneficial ownership
25 date, of six months before the date the fax instructed the transfer agent to date the
26 certificate.

27 43. The "144 paperwork to remove legend" consisted of an opinion letter
28 by LBG counsel. To obtain that letter, Zaucha completed a "Seller's

1 Representation Letter” for a “NON-AFFILIATE.” [Emphasis original.] In the
2 letter, Zaucha represented that:

3 Neither the undersigned, nor any person or entity listed below,
4 presently is, or in the prior three months has been, an
5 “Affiliate[”] of the Company as that term is used in paragraph
6 (a) of Rule 144 (i.e., a person or entity that directly, or
 indirectly through one or more intermediaries, controls or is
 controlled by, or is under common control with, the Company).

7 44. Zaucha also represented that he was not a “promoter” of the issuer.
8 Zaucha further represented that the stock “has been owned and fully paid for by the
9 undersigned in excess of one (1) year.”

10 45. Based on these representations, between approximately November 9,
11 2009, and June 14, 2011, LBG’s counsel issued at least 20 opinion letters and a
12 lawyer recommended by Lyndon issued five additional opinion letters, addressed
13 to the transfer agent opining that the LBG shares issued to Zaucha in each instance
14 were permitted to be sold by Zaucha without registration, in accordance with the
15 provisions of Rule 144.

16 46. Zaucha’s representations in the Seller’s Representation Letters were
17 false. Zaucha in fact was an “affiliate” because he was controlled by Lyndon, as
18 was LBG. In particular, as alleged below, Zaucha had virtually no source of funds
19 or income other than from the sale of LBG shares, and insufficient assets to finance
20 Lighthouse’s game purchases from LBG. Zaucha followed Lyndon’s detailed
21 instructions regarding selling his stock, as well as Lyndon’s instructions regarding
22 how to divide up the proceeds between LBG and himself. In particular, Zaucha
23 kicked back a large percentage of the proceeds he received from sales of his LBG
24 stock to LBG, which was in need of cash, some of which Lyndon appropriated for
25 his own personal use.

26 47. Upon receiving the opinion letters from LBG’s counsel, the transfer
27 agent removed the restrictive legends from Zaucha’s shares and sent the shares for
28 deposit to his brokerage accounts. Zaucha then sold the shares into the market.

1 **2. Zaucha Kicks Back Sale Proceeds to LBG**

2 48. Zaucha opened accounts at six different brokerage firms, sold a total
3 of over 1.7 billion unregistered shares into the market pursuant to this scheme, and
4 received over \$4.6 million in proceeds as follows:

5 Dates of sales	6 Brokerage Firm	7 Total shares	8 Total proceeds
9 Aug. 4, 2009 - 10 Dec. 4, 2009	11 Scottrade, 12 Inc.	13 39,667,330	14 \$1,050,432
15 Nov. 18, 2009 - 16 Sept. 22, 2011	17 Raymond 18 James 19 Financial 20 Services, Inc.	21 84,010,000	22 \$579,310
23 March 23, 2010 - 24 June 30, 2011	25 Legend 26 Securities, 27 Inc.	28 926,910,981	29 \$2,009,479
30 March 23, 2010 - 31 July 30, 2010	32 National 33 Securities 34 Corp.	35 154,976,840	36 \$303,515
37 Sept. 17, 2010 - 38 Oct. 10, 2011	39 Scottsdale 40 Capital 41 Advisors	42 449,005,000	43 \$211,490
44 Oct. 7, 2010 - 45 April 7, 2011	46 Vanguard 47 Brokerage 48 Services	49 86,388,889	50 \$466,565
51	52 Totals	53 1,740,959,040	54 \$4,620,791

55 49. The sales were made pursuant to instructions from Lyndon, often in
56 emails regarding the prices at which to sell the shares. Similarly, Lyndon
57 instructed Zaucha by email how much of the proceeds each of them would
58 personally receive. Lyndon even instructed Zaucha – sometimes in response to
Zaucha’s email requests for instructions – to open accounts with specific brokers,

1 and the responses he should provide to brokerage firm questionnaires.

2 50. Purportedly pursuant to the “early-sell fee” provision in Addendum 3
3 to the 2008 consulting agreement, and pursuant to instructions from Lyndon,
4 between September 28, 2009 and June 29, 2010, Zaucha kicked back to LBG
5 \$871,169.

6 3. Lyndon’s False Representations to LBG’s New Auditor

7 51. On January 19, 2011, the Public Company Accounting Oversight
8 Board (“PCAOB”) permanently revoked the registration of LBG’s then-auditor.
9 LBG engaged a new auditor shortly thereafter.

10 52. The new auditor determined that LBG had failed to recognize the fair
11 value of the share-based awards for its consultant arrangements, including the
12 arrangement with Zaucha, and had therefore understated its general and
13 administrative expenses in its financial statements.

14 53. As a result, on February 22, 2011, LBG restated its quarterly financial
15 statements for the quarterly periods ended June 2009 through September 2010.
16 LBG also restated its annual financial statement for the year ended March 31,
17 2010, in its Form 10-K for the year ended March 31, 2011.

18 54. On or about March 25, 2011, the independent directors of LBG also
19 sent a letter to the SEC, pursuant to Section 10A of the Exchange Act, 15 U.S.C. §
20 78j-1, stating that the \$871,169 in “proceeds provided back to the company” may
21 have constituted a violation of the securities registration provisions of Section 5 of
22 the Securities Act, 15 U.S.C. § 77e, and that the company was investigating the
23 matter.

24 55. Lyndon did not disclose to the new auditors the true nature of the
25 consulting arrangement with Zaucha. For example, he did not disclose that Zaucha
26 had provided few or no services to LBG, or that the main purpose of the purported
27 consulting arrangement was to enable Zaucha to sell unregistered LBG stock into
28 the market and to kick back the proceeds to LBG, as alleged above.

1 56. This scheme also remained undisclosed to the public, including in
2 LBG's restated financial statements and amended Forms 10-Q and 10-K.

3 **C. LBG's Sham Sales to Lighthouse**

4 **1. Zaucha Uses His Stock Sale Proceeds to Make Sham Purchases**

5 57. Zaucha made his final "early-sell fee" or "penalty" payment to LBG
6 in June 2010. Lyndon and Zaucha then came up with a new scheme to generate
7 purported revenue for LBG that involved Zaucha forming a company that would
8 "purchase" LBG product using the proceeds of Zaucha's stock sales.

9 58. In December 2010, Zaucha formed Lighthouse, which was
10 purportedly in the business of purchasing and distributing Christian video games.
11 Lighthouse and LBG were located in the same building.

12 59. LBG and Lighthouse entered into a distribution and license
13 agreement, retroactively effective to July 1, 2010. Under that agreement, LBG
14 appointed Lighthouse as LBG's nonexclusive distributor and agreed to provide
15 Lighthouse a 65% discount off LBG's retail prices, or LBG's best comparable
16 distribution price, whichever was higher.

17 60. Originally, on January 13, 2011, Lyndon transmitted an unsigned
18 revised draft of the distribution agreement "made verbally between the parties on
19 July 1, 2010, and formalized herein on September 7, 2010," by email to various
20 LBG and Lighthouse personnel, including Zaucha. Although that draft agreement
21 included a signature line for Zaucha, , Lyndon sent an email to a Lighthouse
22 employee on February 8, 2011, instructing her to sign the attached agreement "per
23 Ron [Zaucha]." Zaucha also called her and instructed her to sign the agreement.
24 The employee signed the agreement on behalf of Lighthouse as its "General
25 Manager." Zaucha's name and connection with Lighthouse are nowhere
26 mentioned in the Agreement.

27 61. Pursuant to this distribution agreement, LBG sold its older products to
28 Lighthouse at heavily discounted prices. Under the agreement, LBG was

1 supposedly "shipping" the product to Lighthouse, even though both companies
2 were in the same building.

3 62. Lighthouse's primary source of funds to purchase LBG's products
4 was the proceeds of Zaucha's sales of LBG stock that he received as compensation
5 for his purported consulting work.

6 63. Lighthouse became LBG's largest customer. As set forth above, in
7 the year ended March 31, 2011, Lighthouse's approximately \$1.38 million in
8 purchases constituted over 86% of LBG's \$1,600,407 in net revenues. As touted
9 by LBG in its Form 10-K, LBG's 2011 revenues were an increase of \$1,485,044
10 (1,287%) over its prior year's restated revenues of \$115,363.

11 64. The sales by LBG to Lighthouse lacked economic substance, and
12 were essentially circular, sham transactions in which Zaucha sold the shares LBG
13 had previously issued to him for providing few or no consulting services, and then
14 used a portion of the proceeds to purchase for \$1.38 million virtually valueless
15 LBG inventory, which he then caused Lighthouse mostly to give away.

16 **2. LBG Recognized Revenue Differently from Sales to Lighthouse**

17 65. LBG recognized revenue from its sales to Lighthouse differently
18 from its sales to other distributors. Specifically, Lighthouse paid cash for all of the
19 games it purchased from LBG and had no right of return. This permitted LBG to
20 recognize revenue from its sales to Lighthouse immediately.

21 66. However, for its other distributors, including large retailers, LBG used
22 the "sell-through" method of revenue recognition. Under that method, revenue
23 recognition was deferred until the distributor re-sold the LBG products to the end
24 customer.

25 67. Rather than re-selling the LBG products, in most instances, pursuant
26 to its first year marketing plan, Lighthouse distributed LBG video games for free in
27 a purported attempt to interest potential customers in purchasing LBG products.
28 Lyndon was aware of this fact.

1 68. In fact, Lighthouse may have sold as few as \$1,000 to \$5,000 worth of
2 LBG product in 2011. That Lighthouse was giving away older LBG product for
3 free was not disclosed in LBG's financial statements or its Forms 10-Q, 10-Q/A or
4 10-K.

5 69. If LBG had recognized revenue from sales to Lighthouse using a
6 "sell-through" method, as it did for its sales to major retailers, the vast majority of
7 the \$1.6 million in revenue LBG reported in its March 31, 2011, Form 10-K would
8 have never been recognized because Lighthouse received little or no revenue from
9 its subsequent sales of LBG products.

10 **D. Lyndon's and Zaucha's Lies to LBG's Auditor**

11 70. In furtherance of their fraudulent scheme, Lyndon and Zaucha made
12 several material misrepresentations and omissions of material fact to LBG's
13 auditors during the course of their audit of LBG's financial statements for the fiscal
14 year ended March 31, 2011.

15 71. In particular, Lyndon attempted to conceal Zaucha's relationship with
16 LBG and Lighthouse. As alleged above, in February 2011, Lyndon attempted to
17 conceal Zaucha's relationship with Lighthouse by scheming with Zaucha to
18 instruct the Lighthouse employee to sign the backdated distribution agreement on
19 Lighthouse's behalf. Moreover, Lyndon did not mention Zaucha's involvement
20 with Lighthouse when describing LBG to its auditors in a January 26, 2011 memo
21 to the audit partner. For example, the list of "[e]xclusive contractor staff" included
22 in that memo did not include Zaucha.

23 72. The auditor nevertheless did discover the relationship between LBG
24 and Zaucha. The auditor was concerned that Zaucha may have used the proceeds
25 from his sales of LBG stock to fund Lighthouse's purchase of LBG product in a
26 transaction that merely consisted of a "circle of cash." So, on July 27, 2011, the
27 auditor sent an email to Zaucha asking him to confirm that: (1) the sale/purchase
28 transactions between Lighthouse and LBG were "real transactions" whereby

1 Lighthouse purchased and LBG sold copies of LBG video games; (2) the sale and
2 purchase transactions were not in any way connected with the consulting
3 arrangement whereby Zaucha performed consulting services for LBG and received
4 shares of LBG common stock; (3) the proceeds from the sale of LBG stock were
5 not used to purchase the video games from LBG; and (4) there were no side
6 agreements related to the consulting agreement or the sale/purchase transactions.
7 The auditor informed Lyndon that it would be seeking a written confirmation from
8 Lighthouse, and Lyndon so informed Zaucha before the auditors sent that
9 confirmation request.

10 73. On or about July 29, 2011, Zaucha transmitted to LBG's auditors a
11 letter he signed on behalf of Lighthouse which confirmed each of the above points,
12 except that rather than confirming whether the proceeds from the sale of LBG
13 stock were used to purchase the video games from LBG, Zaucha merely stated that
14 "[a]ll decisions to invest monies into my distribution company were independent
15 from any sale of LBG common stock."

16 74. All of the representations Zaucha made were materially false. As
17 alleged above, the transaction between LBG and Lighthouse was, in fact, a "circle
18 of cash" and a sham. Zaucha knew, or was reckless in not knowing, that his
19 representations were false.

20 75. LBG's auditor also asked Lyndon to sign a management
21 representation letter confirming, among other things, the same facts the auditor had
22 asked Zaucha to confirm. Lyndon signed a management representation letter to
23 LBG's auditors dated August 3, 2011, in connection with the audit of LBG's
24 financial statements for the years ended March 31, 2011, and March 31, 2010.

25 76. In the August 3 letter, Lyndon confirmed "that we [management] are
26 responsible for the fair presentation in the financial statements of financial
27 position, results of operations, and cash flows of Left Behind Games Inc. in
28 conformity with accounting principles generally accepted in the United States of

1 America [GAAP].” He further represented in this management representation
2 letter, among other things, that: (1) the financial information was presented in
3 accordance with GAAP and included all disclosures necessary for such fair
4 presentation and required to be included by laws and regulations to which the
5 company was subject; (2) there were no material transactions that had not been
6 properly recorded; (3) he had no knowledge of any fraud or suspected fraud
7 affecting the company involving management and/or others where the fraud could
8 have had a material effect on the financial statements; and (4) transactions
9 involving “related parties” as defined by GAAP provision FASB ASC 850-10 were
10 properly recorded.

11 77. Regarding LBG’s transactions with Lighthouse, Lyndon made the
12 following representations in the August 3 management representation letter: (1)
13 the sale and purchase transactions between Lighthouse and LBG were real
14 transactions whereby Lighthouse purchased and LBG sold copies of LBG video
15 games; (2) the sale and purchase transactions were not in any way connected with
16 the consulting arrangement whereby Zaucha performed consulting services for
17 LBG and received shares of LBG common stock; and (3) there were no side
18 agreements related to the consulting agreement or the sale and purchase
19 transactions.

20 78. Each of these representations was false because recognition of
21 revenue from the purported sales to Lighthouse did not comply with GAAP, and
22 these revenues, constituting about 86% of LBG’s reported 2011 revenues, were
23 material to LBG’s financial statements. Moreover, when he signed the
24 management representation letter, Lyndon removed the representation requested by
25 the auditors that the consulting fees paid by LBG to Zaucha were not a source of
26 funds for Lighthouse’s purchases from LBG, falsely claiming that “I do not have
27 access to the information that would be necessary to make a determination
28 regarding the source of funds regarding Lighthouse’s purchases.”

1 79. Lyndon knew, or was reckless in not knowing, that his representations
2 were false. He also knew that Zaucha had made representations to the auditors in
3 Zaucha's confirmation letter. Lyndon knew that Zaucha may have used some of
4 the funds from the stock sales for the benefit of the company for revenue. Lyndon
5 never disclosed this to LBG's auditors, despite their requests for confirmation from
6 both Zaucha and him that the purchases by Lighthouse from LBG were
7 independent from Zaucha's receipt of stock and that Zaucha did not use stock sale
8 proceeds for Lighthouse's purchases of LBG product.

9 80. Had the auditors known the falsity of Lyndon's and Zaucha's
10 representations, they would likely not have viewed the \$1.38 million in revenue
11 from sales by LBG to Lighthouse as properly recognized or "legitimate" revenue.

12 **E. LBG's Materially False and Misleading Quarterly and Annual**
13 **Disclosures**

14 **1. LBG's Form 10-Q for the Quarter Ended September 30, 2010**

15 81. On or about November 22, 2010, Lyndon caused LBG to file with the
16 SEC its quarterly report on Form 10-Q, for its second quarter of the fiscal year,
17 which quarter ended September 30, 2010. On or about February 22, 2011, Lyndon
18 caused LBG to file an amended Form 10-Q/A for the quarter ended September 30,
19 2010. Lyndon signed the Forms 10-Q and 10-Q/A as LBG's Chairman, President,
20 CEO and CFO.

21 82. Among other results, LBG's Forms 10-Q and 10-Q/A reported net
22 revenues of \$182,976 for the quarter ended September 30, 2010, compared to
23 \$18,591 in net revenues for the same period in 2009, and net revenues of \$222,872
24 for the six months ended September 30, 2010, compared to \$42,936 for the same
25 period in 2009. Additionally, the Forms 10-Q and 10-Q/A stated that LBG's
26 \$182,976 in quarterly revenues "represented an increase in our revenues of
27 \$164,385 or 884%." Similarly, the Forms 10-Q and 10-Q/A stated that its
28 \$222,872 in revenues for the six months ended September 30, 2010, "represented

1 an increase in our revenues of \$180,476, or 426%.” These reported revenue
2 figures were false and misleading because they were generated mostly from sham
3 transactions using the proceeds of the sale of Zaucha’s stock.

4 83. Although these quarterly reports disclosed that “one reseller
5 accounted for approximately 93% of our revenue” for the quarter and 80% of
6 LBG’s revenue for the six month period, they did not disclose that the sales to the
7 reseller, Lighthouse, were sham transactions for which revenues were not in fact
8 properly recognized.

9 84. The Forms 10-Q and 10-Q/A also failed to disclose that the
10 transactions between (1) LBG and Zaucha whereby he was paid LBG shares as a
11 consultant, sold the shares, and kicked back sales proceeds to LBG, and (2)
12 between LBG and Lighthouse, were related party transactions because both Zaucha
13 and LBG were controlled by Lyndon and therefore Zaucha was an “affiliate” of
14 LBG. Instead footnote 7 of LBG’s financial statements, entitled “Related Party
15 Transactions,” nowhere mentioned these transactions or their related party nature;
16 nor is the related party nature of the transactions disclosed anywhere else in these
17 quarterly reports.

18 **2. LBG’s Form 10-Q for Quarter Ended December 31, 2010**

19 85. On or about February 22, 2011, Lyndon caused LBG to file with the
20 SEC its quarterly report on Form 10-Q, for its quarter ended December 31, 2010.
21 Lyndon signed the Form 10-Q as LBG’s Chairman, President, CEO and CFO.

22 86. Among other results, LBG’s Form 10-Q reported net revenues of
23 \$1,136,266 for the quarter ended December 31, 2010, compared to \$52,868 in net
24 revenues for the same period in 2009, and net revenues of \$1,359,136 for the nine
25 months ended December 31, 2010, compared to \$95,264 for the same period in
26 2009. Additionally, the Form 10-Q stated that LBG’s \$1,136,266 in quarterly
27 revenues “represented an increase in our revenues of \$1,083,398.” Similarly, the
28 Form 10-Q stated that its \$1,359,136 in revenues for the nine months ended

1 December 31, 2010, “represented an increase in our revenues of \$1,263,872.”
2 These reported revenue figures were false and misleading because they were
3 generated mostly from sham transactions using the proceeds of the sale of
4 Zaucha’s stock.

5 87. Although this quarterly report disclosed that “our primary distributor
6 accounted for approximately 88% of our revenue,” for the quarter, and 86% of
7 LBG’s revenue for the nine month period, the Form 10-Q did not disclose that the
8 sales to the distributor, Lighthouse, were sham transactions for which revenues
9 were not in fact properly recognized.

10 88. The Form 10-Q also failed to disclose that the transactions between
11 (1) LBG and Zaucha whereby he was paid LBG shares as a consultant, sold the
12 shares, and kicked back sales proceeds to LBG, and (2) between LBG and
13 Lighthouse, were related party transactions because both Zaucha and LBG were
14 controlled by Lyndon and therefore Zaucha was an “affiliate” of LBG.

15 **3. LBG’s Press Release for Its Quarter Ended December 31, 2010**

16 89. On February 22, 2011, Lyndon caused LBG to issue a press release
17 reporting results for its quarter ended December 31, 2010. On or about February
18 24, 2011, Lyndon caused LBG to file that release with the SEC as an attachment to
19 a Form 8-K dated February 23, 2011.

20 90. The financial results included in the release reported revenues, the
21 vast majority of which were received through the sham sales to Lighthouse.
22 Additionally, the headline on the earnings release misleadingly stated that “Left
23 Behind Games Reports Record Earnings and Reveals Snapshot of Future Plans.”
24 The release went on to quote Lyndon as saying that: “We are pleased to report
25 operational profitability has resulted from increased interest in our products
26 because of our 2010 expansion; the most significant in our history.” These
27 statements were materially false because the company’s “operational profitability”
28 had resulted solely from LBG’s fraudulent pre-arranged sham transactions with

1 Zaucha and Lighthouse.

2 91. When the release was issued, Lyndon knew that the company's
3 increased revenue had nothing to do with increased interest in LBG's products, as
4 most of its "sales" to Lighthouse were of old product. Lyndon also knew that at
5 least two customers had either ceased selling LBG games or had threatened to
6 return all of the games they had purchased. Specifically, Lyndon knew that Wal-
7 Mart had dropped two LBG games, as LBG's director of outreach and sales had
8 forwarded to him on November 30, 2010, an email he received that day from Wal-
9 Mart that stated that one of the games had ranked "DEAD LAST" in sales; on
10 January 27, 2011, LBG's director of outreach and sales reported to Lyndon in an
11 email that another customer had told him that it wanted to return all of the games it
12 had purchased from LBG, but that the customer had subsequently decided to
13 simply return excess inventory in its warehouse.

14 **4. LBG's Form 10-K for Fiscal Year Ended March 31, 2011**

15 92. On or about August 4, 2011, Lyndon caused LBG to file with the SEC
16 its annual report on Form 10-K, for its fiscal year ended March 31, 2011. Lyndon
17 signed the Form 10-K as LBG's "CEO (Principal Executive Officer, Principal
18 Accounting Officer and Principal Financial Officer)."

19 93. Among other results, LBG's Form 10-K reported net revenues of
20 \$1,600,407 for the fiscal year ended March 31, 2011, compared to \$115,363 in
21 restated net revenues for its fiscal year ended March 31, 2010. These revenues
22 included approximately \$1,385,649 in revenues purportedly earned from sales to
23 Lighthouse which were, in fact, the result of the sham transactions alleged above.
24 Additionally, the Form 10-K stated that LBG's \$1,600,407 in annual revenues
25 "represented an increase in our revenues of \$1,485,044," and that "The revenue
26 level increased primarily due to sales of \$1,427,091 in the year ended March 31,
27 2011 without comparable sales in the prior fiscal year, primarily because such sales
28 were to a new customer which focuses on distribution to non-profit organizations,"

1 and that customer accounted for approximately 88% of LBG's revenues.

2 94. These reported revenue figures were false and misleading because
3 they were generated mostly from sham transactions using the proceeds of the sale
4 of Zaucha's stock. Also, the Form 10-K did not disclose that the sales to the
5 distributor, Lighthouse, were sham transactions for which revenues were not in fact
6 properly recognized.

7 95. The Form 10-K also failed to disclose that the transactions between
8 LBG and Lighthouse were related party transactions because both Zaucha and
9 LBG were controlled by Lyndon and therefore Zaucha was an "affiliate" of LBG.
10 Instead, the "Transactions with Related Persons" portion of Item 13 of LBG's
11 Form 10-K, entitled "Certain Relationships and Related Transactions, and
12 Director Independence," falsely stated "We have not entered into any
13 arrangements which are considered transactions with related persons." Nor was
14 the related party nature of the transactions disclosed anywhere else in the annual
15 report, including in the financial statements and notes thereto.

16 96. In fact, on or about July 29, 2013, Lyndon had been presented by
17 LBG's auditor with the following draft language proposed to be inserted into the
18 Form 10-K which disclosed that Lighthouse had, in fact purchased video games
19 from LBG with proceeds from sales of LBG stock originally issued to Zaucha:

20 During the year ended March 31, 2011, the company recorded
21 \$1,385,649 of revenues from Lighthouse Distributors, Inc., a
22 Company owned by Consultant # 1. *Lighthouse Distributors,
23 Inc. purchased the video games from the Company with the
24 proceeds from sales of the Company's common stock originally
issued under the consulting arrangements described above.*
These sales transactions were not related to the original
consulting agreements and were not contemplated at the time
the consulting agreements were entered into.

25 [Emphasis added.] Lyndon, however, caused the Form 10-K to be filed with the
26 SEC without the italicized language, rendering the Form 10-K materially false and
27 misleading.

28 ///

1 **F. Summary of Zaucha's Use of the \$4.6 Million in Stock Sale Proceeds**

2 97. Undisclosed to the investing public, including in LBG's second and
3 third quarter 2011 Forms 10-Q and its 2011 Form 10-K, Zaucha used the \$4.6
4 million he received in proceeds from his sale of stock in four ways:

5 (a) Purportedly pursuant to the "early-sell fee" provision in
6 Addendum 3 to the 2008 consulting agreement, but really pursuant to instructions
7 from Lyndon, between about September 28, 2009 and June 29, 2010, Zaucha
8 kicked back to LBG \$871,169.

9 (b) Pursuant to Lyndon's instructions, beginning in 2010, Zaucha
10 caused Lighthouse to purchase approximately \$1.38 million of LBG product,
11 which Lyndon caused LBG to recognize as revenue.

12 (c) Pursuant to Lyndon's instructions, between about August 31,
13 2009 and November 18, 2011, Zaucha kicked back to LBG approximately \$1
14 million more in LBG stock sale proceeds in over eighty separate wires, checks,
15 transfers, "investments" and "loans," in individual amounts ranging from \$875 to
16 \$100,000.

17 (d) With Lyndon's permission, Zaucha retained for his personal use
18 approximately \$1.28 million of his stock sale proceeds to purchase a condominium
19 in Maui for \$340,000 and a condominium in Orange County, California for
20 \$320,000, to pay at least \$190,000 in taxes, to fund Lighthouse's operating
21 expenses and to pay his own daily living expenses.

22 **G. Lyndon's False Certification of LBG's Forms 10-Q and 10-K**

23 98. Lyndon certified, among other things, with regard to each of LBG's
24 Forms 10-Q for its quarters ended September 30 and December 31, 2010, its Form
25 10-Q/A for its quarter ended September 30, 2010, and its Form 10-K for its fiscal
26 year ended March 31, 2011, that:

27 (a) he had reviewed the report;

28 (b) based on his knowledge, the report did not contain any untrue

1 statement of a material fact or omit to state a material fact necessary to make the
2 statements made, in light of the circumstances under which such statements were
3 made, not misleading with respect to the period covered by the report;

4 (c) based on his knowledge, the financial statements, and other
5 financial information included in the report, fairly presented in all material respects
6 the financial condition, results of operations and cash flows of LBG as of, and for
7 the periods presented in the report; and

8 (d) he had disclosed to LBG's auditors and the audit committee of
9 its board of directors any fraud, whether or not material, that involved management
10 or other employees who had a significant role in LBG's internal control over
11 financial reporting.

12 99. These certifications were false in that each of the reports contained
13 misrepresentations and omissions of material fact regarding LBG's quarterly and
14 annual revenues, and did not fairly represent LBG's financial condition, and
15 Lyndon had not disclosed to either LBG's auditor or its audit committee his fraud.
16 In fact, Lyndon lied to LBG's auditor to conceal his fraud.

17 **H. Lyndon's Failure to Implement System of Internal Accounting Controls**

18 100. LBG reported in its 2011 Form 10-K, signed and certified by Lyndon,
19 that company management assessed the effectiveness of the company's internal
20 control over financial reporting and identified the following material weaknesses:

21 (a) **Insufficient resources**, in that the company had an inadequate
22 number of personnel with requisite expertise in the key functional areas of finance
23 and accounting;

24 (b) **Inadequate segregation of duties**, in that the company had an
25 inadequate number of personnel to properly implement control procedures;

26 (c) **Lack of a functioning audit committee** of independent
27 members of the company's board of directors, resulting in ineffective oversight in
28 the establishment and monitoring of required internal controls and procedures.

1 Previously, Lyndon had caused the Forms 10-Q for the periods ended September
2 30 and December 31, 2010, to state that he had identified inability to maintain
3 segregation of duties as an internal control deficiency which constituted a material
4 weakness.

5 101. Notwithstanding his own repeated assessment that LBG's internal
6 controls were ineffective, Lyndon failed to implement an effective system of
7 internal accounting controls.

8 **FIRST CLAIM FOR RELIEF**

9 **Offer or Sale of Unregistered Securities**

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

11 **(against all Defendants)**

12 102. The SEC realleges and incorporates by reference paragraphs 1
13 through 101 above.

14 103. The Defendants, by engaging in the conduct described above, directly
15 or indirectly, made use of means or instruments of transportation or
16 communication in interstate commerce or of the mails, to offer to sell or to sell
17 securities, or to carry or cause such securities to be carried through the mails or in
18 interstate commerce for the purpose of sale or for delivery after sale.

19 104. No registration statement has been filed with the SEC or has been in
20 effect with respect to the offering alleged herein.

21 105. By engaging in the conduct described above, the Defendants have
22 violated, and unless restrained and enjoined will continue to violate, Sections 5(a)
23 and 5(c) of the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

24 **SECOND CLAIM FOR RELIEF**

25 **Fraud in the Offer or Sale of Securities**

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

27 **(against all Defendants)**

28 106. The SEC realleges and incorporates by reference paragraphs 1

1 through 101 above.

2 107. The Defendants, by engaging in the conduct described above, directly
3 or indirectly, in the offer or sale of securities by the use of means or instruments of
4 transportation or communication in interstate commerce or by use of the mails:

- 5 a. with scienter, employed devices, schemes, or artifices to
6 defraud;
- 7 b. obtained money or property by means of untrue statements of a
8 material fact or by omitting to state a material fact necessary in
9 order to make the statements made, in light of the
10 circumstances under which they were made, not misleading; or
- 11 c. engaged in transactions, practices, or courses of business which
12 operated or would operate as a fraud or deceit upon the
13 purchaser.

14 108. By engaging in the conduct described above, the Defendants violated,
15 and unless restrained and enjoined will continue to violate, Section 17(a) of the
16 Securities Act, 15 U.S.C. § 77q(a).

17 **THIRD CLAIM FOR RELIEF**

18 **Fraud In Connection With The Purchase Or Sale Of Securities**

19 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**
20 **(against all Defendants as primary violators, and, alternatively, against**
21 **Lyndon as a control person under Section 20(a) of the Exchange Act)**

22 109. The SEC realleges and incorporates by reference paragraphs 1
23 through 101 above.

24 110. The Defendants and LBG, by engaging in the conduct described
25 above, directly or indirectly, in connection with the purchase or sale of a security,
26 by the use of means or instrumentalities of interstate commerce, of the mails, or of
27 the facilities of a national securities exchange, with scienter:

- 28 a. employed devices, schemes, or artifices to defraud;

- 1 b. made untrue statements of a material fact or omitted to state a
2 material fact necessary in order to make the statements made, in
3 the light of the circumstances under which they were made, not
4 misleading; or
- 5 c. engaged in acts, practices, or courses of business which operated
6 or would operate as a fraud or deceit upon other persons.

7 111. By engaging in the conduct described above, the Defendants violated,
8 and unless restrained and enjoined will continue to violate, Section 10(b) of the
9 Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. §
10 240.10b-5.

11 112. Defendant Lyndon was a control person of LBG because he
12 possessed, directly or indirectly, the power to direct or cause the direction of the
13 management and policies of LBG. Accordingly, pursuant to Section 20(a) of the
14 Exchange Act, 15 U.S.C. § 78t(a), Defendant Lyndon is liable to the SEC to same
15 extent as LBG would be for LBG's violations of Section 10(b) and Rule 10b-5(b)
16 thereunder.

17 **FOURTH CLAIM FOR RELIEF**

18 **Issuer Reporting Violations**

19 **Section 13(a) of the Exchange Act,**

20 **and Rules 12b-20, 13a-1 and 13a-13 thereunder**

21 **(against Defendant Lyndon, as an aider and abettor)**

22 113. The SEC realleges and incorporates by reference paragraphs 1
23 through 101 above.

24 114. LBG violated Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a),
25 and Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20,
26 240.13a-1 & 240.13a-13, by filing with the SEC required periodic reports for the
27 second and third quarters of its fiscal year ended March 31, 2011, and its annual
28 report for its fiscal year ended March 31, 2011, which failed to include material

1 information necessary to make the required statements, in light of the
2 circumstances under which they were made, not misleading.

3 115. Defendant Lyndon knowingly or recklessly provided substantial
4 assistance to LBG's violation of Section 13(a) of the Exchange Act and Rules 12b-
5 20, 13a-1 and 13a-13 thereunder.

6 116. By engaging in the conduct described above and pursuant to Section
7 20(e) of the Exchange Act, 15 U.S.C. § 78t(e), Defendant Lyndon aided and
8 abetted LBG's violations, and unless restrained and enjoined will continue to aid
9 and abet violations, of Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a), and
10 Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-20, 240.13a-1 &
11 240.13a-13.

12 **FIFTH CLAIM FOR RELIEF**

13 **Record-Keeping and Internal Control Violations**

14 **Violations of Section 13(b)(5) of the Exchange Act and**

15 **Rule 13b2-1 thereunder**

16 **(against Defendant Lyndon)**

17 117. The SEC realleges and incorporates by reference paragraphs 1
18 through 101 above.

19 118. By engaging in the conduct described above, Defendant Lyndon
20 violated, and unless restrained and enjoined will continue to violate, Section
21 13(b)(5) of the Exchange Act, 15 U.S.C. § 78m(b)(5), by (a) knowingly
22 circumventing or knowingly failing to implement a system of internal accounting
23 controls, or (b) knowingly falsifying books, records or accounts issuers are
24 required to make and keep, in reasonable detail, accurately and fairly reflecting the
25 issuer's transactions and dispositions of its assets; and Exchange Act Rule 13b2-1,
26 17 C.F.R. § 240.13b2-1, by, directly or indirectly, falsifying or causing to be
27 falsified, issuer books, records, or accounts.

28 ///

1 **SIXTH CLAIM FOR RELIEF**

2 **Misrepresentations To Accountants**

3 **Violations of Exchange Act Rule 13b2-2**

4 **(against Defendant Lyndon)**

5 119. The SEC realleges and incorporates by reference paragraphs 1
6 through 101 above.

7 120. Defendant Lyndon, by engaging in the conduct described above,
8 directly or indirectly:

- 9 a. made or caused to be made materially false or misleading
- 10 statements to accountants in connection with; or
- 11 b. omitted to state, or caused another person to omit to state,
- 12 material facts necessary in order to make statements made, in
- 13 light of the circumstances under which such statements were
- 14 made, not misleading, to accountants in connection with:
 - 15 i. an audit, review or examination of the financial
 - 16 statements of the issuer required to be made; or
 - 17 ii. the preparation or filing of a document or report required
 - 18 to be filed with the SEC.

19 121. By engaging in the conduct described above, Defendant Lyndon
20 violated, and unless restrained and enjoined will continue to violate, Exchange Act
21 Rule 13b2-2, 17 C.F.R. § 240.13b2-2.

22 **SEVENTH CLAIM FOR RELIEF**

23 **False Certification Of Filings With The SEC**

24 **Violations of Exchange Act Rule 13a-14**

25 **(against Defendant Lyndon)**

26 122. The SEC realleges and incorporates by reference paragraphs 1
27 through 101 above.

28 123. Defendant Lyndon, by engaging in the conduct described above,

1 falsely certified, among other things, that LBG's Forms 10-Q for the periods ended
2 September 30 and December 31, 2010, its Form 10-Q/A for the period ended
3 September 30, 2010, and its 10-K for its fiscal year ended March 31, 2011, fairly
4 presented, in all material respects, the financial condition, results of operations and
5 cash flows of the company, when, in fact, the reports contained untrue statements
6 of material fact and omitted material information necessary to make the reports not
7 misleading.

8 124. By engaging in the conduct described above, the Defendant Lyndon
9 violated, and unless restrained and enjoined will continue to violate, Exchange Act
10 Rule 13a-14, 17 C.F.R. § 240.13a-14.

11 **PRAYER FOR RELIEF**

12 WHEREFORE, the SEC respectfully requests that the Court:

13 **I.**

14 Issue findings of fact and conclusions of law that Defendants committed the
15 alleged violations.

16 **II.**

17 Issue a judgment, in a form consistent with Fed. R. Civ. P. 65(d),
18 permanently enjoining Defendants Lyndon and Zaucha and their agents, servants,
19 employees and attorneys, and those persons in active concert or participation with
20 any of them, who receive actual notice of the judgment by personal service or
21 otherwise, from violating Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C. §§
22 77e(a) & 77e(c); Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a); and
23 Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b); and Rule 10b-5 thereunder,
24 17 C.F.R. §§ 240.10b-5, and additionally enjoining Lyndon and his agents,
25 servants, employees and attorneys, and those persons in active concert or
26 participation with any of them, who receive actual notice of the judgment by
27 personal service or otherwise, from violating Section 13(b)(5) of the Exchange
28 Act, 15 U.S.C. § 78m(b)(5), and Rules 13b2-1 and 13b2-2 thereunder, and

1 Exchange Act Rule 13a-14, 17 C.F.R. §§ 240.13b2-1, 240.13b2-2 & 240.13a-14,
2 and from aiding and abetting any violation of Section 13(a) of the Exchange Act,
3 15 U.S.C. § 78m(a), and Rules 12b-20, 13a-1 and 13a-13 thereunder, 17 C.F.R. §§
4 240.12b-20, 240.13a-1 & 240.13a-13.

5 **III.**

6 Order Defendants Lyndon and Zaucha to disgorge all ill-gotten gains from
7 their illegal conduct, together with prejudgment interest.

8 **IV.**

9 Order Defendants Lyndon and Zaucha to pay civil penalties under Section
10 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the
11 Exchange Act, 15 U.S.C. § 78u(d)(3).

12 **V.**

13 Enter an order against Defendant Lyndon pursuant to Section 20(e) of the
14 Securities Act, 15 U.S.C. § 77t(e), and Section 21(d)(2) of the Exchange Act, 15
15 U.S.C. § 78u(d)(2), prohibiting him from acting as an officer or director of any
16 issuer that has a class of securities registered pursuant to Section 12 of the
17 Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to
18 Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

19 **VI.**

20 Enter orders against Lyndon and Zaucha pursuant to Section 20(g) of the
21 Securities Act, 15 U.S.C. § 77t(g), and Section 21(d)(6) of the Exchange Act, 15
22 U.S.C. § 78u(d)(6), prohibiting them from participating in any offering of penny
23 stock.

24 **VII.**

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

VIII.

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

DATED: September 24, 2013



KAREN MATTESON
Attorney for Plaintiff
Securities and Exchange Commission

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