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10 UNITED STATES DISTRICT COURT  
11 CENTRAL DISTRICT OF CALIFORNIA

12 W 06-01018 NM PLAx

13 SECURITIES AND EXCHANGE  
14 COMMISSION,

15 Plaintiff,

16 vs.

17 CHARIS JOHNSON, LIFECLICKS,  
18 LLC, and 12DAILY PRO,

19 Defendants.

Case No.

COMPLAINT FOR VIOLATIONS OF  
THE FEDERAL SECURITIES LAWS

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

3 **JURISDICTION AND VENUE**

4 1. This Court has jurisdiction over this action pursuant to Sections 20(b),  
5 20(d)(1) and 22(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§  
6 77t(b), 77t(d)(1) & 77v(a), and Sections 21(d)(1), 21(d)(3)(A), 21(e) and 27 of the  
7 Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78u(d)(1),  
8 78u(d)(3)(A), 78u(e) & 78aa. Defendants have, directly or indirectly, made use of  
9 the means or instrumentalities of interstate commerce, of the mails, or of the  
10 facilities of a national securities exchange, in connection with the transactions,  
11 acts, practices, and courses of business alleged in this complaint.

12 2. Venue is proper in this district pursuant to Section 22(a) of the  
13 Securities Act, 15 U.S.C. § 77v(a), and Section 27 of the Exchange Act, 15 U.S.C.  
14 § 78aa, because certain of the transactions, acts, practices, and courses of conduct  
15 constituting violations of the federal securities laws occurred within this district.

16 **SUMMARY**

17 3. This matter involves the fraudulent, unregistered offering of  
18 investment contracts constituting securities in a Ponzi scheme offered and sold via  
19 the Internet by two entities, defendant 12daily Pro and defendant LifeClicks, LLC,  
20 and their owner, defendant Charis Johnson (collectively “Defendants”).

21 4. LifeClicks and Johnson operate the Internet website  
22 [www.12dailypro.com](http://www.12dailypro.com). 12daily Pro purports to be a “paid Autosurf program”  
23 whose members purportedly earn money for “viewing the websites owned or  
24 promoted by other online professionals.” In fact, 12daily Pro’s offer and sale of  
25 membership units constitutes the unregistered offer and sale of securities in the  
26 form of investment contracts under federal securities law. Unbeknownst to its  
27 investors, 12daily Pro is, in reality, operating a massive Ponzi scheme.

28 5. Through the 12daily Pro website, Defendants solicit investors to

1 become “upgraded members” of 12daily Pro by buying “units” for a “membership  
2 fee” of \$6 per unit. 12daily Pro claims to have had more than 300,000 members  
3 over the life of the offering and to currently have more than 180,000 active  
4 members. 12daily Pro’s website was recently ranked the 352<sup>nd</sup> most heavily  
5 trafficked website on the Internet.

6         6.       12daily Pro promises to pay each upgraded member 12% of his or her  
7 membership fee per day for 12 days. At the end of 12 days, the member  
8 purportedly will have earned a total of 144% of his or her original membership fee,  
9 44% of which is profit on the membership fee.

10        7.       To receive the promised payment, an upgraded member purportedly  
11 must view at least 12 web pages per day during the 12-day period. 12daily Pro  
12 estimates that viewing the web pages should take five minutes per day.

13        8.       Since mid-2005, the Defendants have raised more than \$50 million  
14 from more than 300,000 investors nationwide and overseas.

15        9.       One of the Defendants’ payment processors, StormPay, Inc., currently  
16 holds approximately \$50 million in investor funds, which it has voluntarily agreed  
17 to freeze. The Defendants are seeking to undo the freeze.

18        10.      The Defendants have made material misrepresentations and omissions  
19 in offering and selling the 12daily Pro investment program. Undisclosed to  
20 investors, the Defendants are operating 12daily Pro as almost a pure Ponzi  
21 scheme—at least 95% of the funds 12daily Pro uses to pay returns to upgraded  
22 members come from new investments in the form of new or existing members’  
23 upgrade fees.

24        11.      In addition, the Defendants are misappropriating investor funds.  
25 Undisclosed to investors, Johnson has transferred approximately \$1.9 million in  
26 investor funds to her personal bank account since mid-2005. The bank holding  
27 Johnson’s account is unwilling to freeze the funds in the account without a court  
28 order.



1           17. The Defendants purport to operate 12daily Pro as a “paid Autosurf  
2 program” whose members purportedly earn money by viewing websites owned or  
3 promoted by other online members.

4           18. Autosurf is a form of online advertising program that purportedly  
5 generates advertising revenue by automatically rotating advertised websites into a  
6 viewer’s Internet browser. Advertisers purportedly pay money to “hosts” such as  
7 12daily Pro, which then pay their members to view the rotated websites.

8           19. Through the 12daily Pro website, the Defendants solicit investors to  
9 become members of 12daily Pro.

10          20. The Defendants offer two kinds of membership—regular  
11 memberships (which are free) and “upgraded” memberships.

12          21. To become an upgraded member, a member must pay 12daily Pro a  
13 “fee” of \$6 per unit, with a maximum of 1,000 units.

14          22. To pay for the upgraded membership, a member must open an account  
15 with one of 12daily Pro’s Internet payment processors.

16          23. Until recently, 12daily Pro used StormPay to process the majority of  
17 its transactions.

18          24. 12daily Pro provides upgraded members with three benefits not  
19 provided to regular, or non-paying, members.

20          25. First, 12daily Pro pays each upgraded member (but not regular  
21 members) 12% per day on his or her membership fee for 12 days, purportedly for  
22 the upgraded member’s viewing a minimum of 12 web pages per day. At the end  
23 of 12 days, each upgraded member has purportedly earned 144% on his or her  
24 membership fee, 44% of which is profit on the membership fee. This return  
25 equates to an annualized yield of more than 1,300%.

26          26. Second, 12daily Pro pays each upgraded member a 12% “referral  
27 commission” on first level referrals.

28          27. Third, 12daily Pro allows each upgraded member to submit one

1 website to be included in the online advertising program that automatically rotates  
2 the advertising websites into the Internet browsers of other 12daily Pro members.

3 **THE INVESTMENT NATURE OF THE 12DAILY PRO MEMBERSHIP UNITS**

4 28. The membership fee paid by an upgraded member of 12daily Pro  
5 constitutes an investment contract because the receipt of payment from 12daily Pro  
6 is dependent upon a member's payment of the membership fee, and not on his or  
7 her provision of services.

8 29. Under the terms of the 12daily Pro program, the Defendants pay the  
9 purported 12% daily return only to upgraded (i.e., paying) members who agree to  
10 view 12 web pages per day, but pay nothing to regular (i.e., non-paying) members  
11 regardless of how many web pages they view.

12 30. The amount of returns that 12daily Pro pays an upgraded member is  
13 dependent solely upon how much money he or she has put into the program, not on  
14 the amount of service he or she renders to 12daily Pro. For instance, an upgraded  
15 member receiving the purported 12% daily return on a \$6,000 investment (\$720  
16 per day) is not required to view any more web pages than an upgraded member  
17 receiving the purported 12% daily return on a \$6 investment (\$0.72 per day).

18 31. The funds purportedly used to pay the upgraded members result  
19 principally from the efforts of the Defendants, and not from the efforts of the  
20 upgraded members. The 12daily Pro website states that upgraded members'  
21 earnings "are financed by multiple income streams, including advertising, and off-  
22 site investments." Upgraded members have no role, however, in negotiating  
23 advertising agreements, making off-site investments, or collecting revenue from  
24 any of the purported income sources.

25 32. The so-called "services" purportedly rendered by the upgraded  
26 members are minimal or non-existent. The Defendants estimate that upgraded  
27 members' web page surfing requirement will take five minutes per day. There is  
28 no requirement that members must evaluate, comment on, or otherwise respond to

1 the web pages viewed. It is unclear whether 12daily Pro is even able to determine  
2 whether an upgraded member has actually viewed the web pages or simply turned  
3 his or her computer on and left the room.

4 **THE UNREGISTERED OFFERING OF SECURITIES IN THE FORM OF INVESTMENT**

5 **CONTRACTS BY 12DAILY PRO**

6 33. The membership units in 12daily Pro that are offered and sold by the  
7 Defendants are securities in the form of investment contracts.

8 34. No registration statement has been filed with the Commission or is in  
9 effect with respect to the Defendants' offer or sale of securities in the form of  
10 investment contracts with 12daily Pro.

11 **DEFENDANTS' OPERATION OF A PONZI SCHEME AND MISUSE OF INVESTOR**

12 **FUNDS**

13 35. On the home page of the 12daily Pro website, Defendants represent  
14 that the earnings paid to upgraded members "are financed by multiple income  
15 streams including advertising, and off-site investments."

16 36. In the Frequently Asked Questions section of the 12daily Pro website,  
17 Defendants represent that "upgrade earnings are financed not only [by] incoming  
18 member fees, but also with multiple income streams including advertising, and off-  
19 site investments."

20 37. Defendants, however, fail to disclose that approximately 95% of the  
21 funds that the Defendants have paid to upgraded members have come from new  
22 investments in the form of upgrade membership fees paid by new or existing  
23 members, that the other income streams are not sufficient to pay the promised  
24 returns to upgraded members, that the Defendants are operating the 12daily Pro  
25 program as almost a pure Ponzi scheme, and that Defendants will have to obtain an  
26 ever-increasing number of upgraded members, or investors, to continue to pay the  
27 returns promised to current investors.

28 38. Defendants have used substantial amounts of investor funds for

1 improper purposes. Since mid-2005, Johnson has transferred approximately \$1.9  
2 million in investor funds to her personal bank account. Defendants failed to  
3 disclose these transfers to investors.

4 39. There is a reasonable likelihood that Defendants' fraudulent conduct  
5 will continue if they are not enjoined.

6 **FIRST CLAIM FOR RELIEF**

7 **UNREGISTERED OFFER AND SALE OF SECURITIES**

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

9 40. The Commission realleges and incorporates by reference paragraphs 1  
10 through 39, above.

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

16 42. No registration statement has been filed with the Commission or has  
17 been in effect with respect to the offering alleged herein.

18 43. By engaging in the conduct described above, Defendants violated, and  
19 unless restrained and enjoined will continue to violate, Sections 5(a) and 5(c) of  
20 the Securities Act, 15 U.S.C. §§ 77e(a) and 77e(c).

21 **SECOND CLAIM FOR RELIEF**

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

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

24 44. The Commission realleges and incorporates by reference paragraphs 1  
25 through 39, above.

26 45. Defendants, by engaging in the conduct described above, directly or  
27 indirectly, in the offer or sale of securities by the use of means or instruments of  
28 transportation or communication in interstate commerce or by use of the mails:

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

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

13 **THIRD CLAIM FOR RELIEF**

14 **FRAUD IN CONNECTION WITH THE PURCHASE OR SALE OF SECURITIES**

15 **Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder**

16 47. The Commission realleges and incorporates by reference paragraphs 1  
17 through 39, above.

18 48. Defendants, by engaging in the conduct described above, directly or  
19 indirectly, in connection with the purchase or sale of a security, by the use of  
20 means or instrumentalities of interstate commerce, of the mails, or of the facilities  
21 of a national securities exchange, with scienter:

- 22 a. employed devices, schemes, or artifices to defraud;
- 23 b. made untrue statements of a material fact or omitted to state a  
24 material fact necessary in order to make the statements made,  
25 in the light of the circumstances under which they were made,  
26 not misleading; or
- 27 c. engaged in acts, practices, or courses of business which  
28 operated or would operate as a fraud or deceit upon other

1 persons.

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

6 **PRAYER FOR RELIEF**

7 WHEREFORE, the Commission respectfully requests that the Court:

8 **I.**

9 Issue findings of fact and conclusions of law that the Defendants committed  
10 the alleged violations.

11 **II.**

12 Issue judgments, in a form consistent with Fed. R. Civ. P. 65(d),  
13 temporarily, preliminarily and permanently enjoining Defendants and their  
14 officers, agents, servants, employees, and attorneys, and those persons in active  
15 concert or participation with any of them, who receive actual notice of the  
16 judgment by personal service or otherwise, and each of them, from violating  
17 Sections 5(a), 15 U.S.C. § 77e(a), 5(c), 15 U.S.C. § 77e(c), and 17(a), 15 U.S.C. §  
18 77q(a), of the Securities Act, and Section 10(b), 15 U.S.C. § 78j(b), of the  
19 Exchange Act, and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

20 **III.**

21 Issue, in a form consistent with Fed. R. Civ. P. 65, as to all Defendants, a  
22 temporary restraining order, an order for accountings, an order prohibiting the  
23 destruction of documents, an order expediting discovery, an order freezing their  
24 assets (including, without limitation, accounts at StormPay, Inc., EMO  
25 Corporation, e-gold, Ltd., and Bank of America), an order appointing a receiver  
26 over the assets of 12daily Pro and StormPay, and preliminary and permanent  
27 injunctions.

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1 IV.

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

4 V.

5 Order the Defendants to pay civil penalties pursuant to Section 20(d) of the  
6 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15  
7 U.S.C. § 78u(d)(3).

8 VI.

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

13 VII.

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

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17 DATED: February 20, 2006

*Peter Del Greco*

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