**A Dangerous Precedent Can Criminalize MLM Participation.**

In October 2022, Neora won a seven-year legal battle against the FTC over pyramid scheme charges. This case highlighted the unfair treatment of multi-level marketing (MLM) companies due to a lack of clear laws and evolving, ambiguous guidance based on makeshift concepts.

In his lawsuit against the FTC, Jeff Olsen presented evidence of the FTC's agenda to eliminate multi-level marketing. He emphasized that MLM owners have no laws or formal guidance to understand what is legal, expected, or objectionable. Although he won the Neora case, his predictions are coming true with the recent criminal indictment of Infinity Two Global owners and distributors for the same allegation.

Olsen spent $9 million defending Neora against civil pyramid scheme allegations for seven years. A fair and thoughtful court considered expert arguments from both sides, weighed against the FTC’s Koskot standard, and acknowledged that there is a "fine line" separating MLM companies from pyramid schemes. The court refused to accept the argument that distributors who earn less money than they spend are scheme victims. It recognized the intrinsic value of using or consuming a product and refused to assume a distributor's motivations. However, the same considerations were denied to the I2G Defendants in a criminal case with much higher stakes. Three are imprisoned for the same allegations.

Manipulated statutes, vague definitions, incomplete jury instructions, denied experts, ineffective assistance, false data, and prosecutorial misconduct have led to a dangerous precedent that threatens arbitrary indictments and imprisonments of MLM participants simply working to grow their businesses. This precedent must be overturned.

"Please understand the seriousness of the situation. A pyramid scheme has been defined as automatic mail fraud in a criminal proceeding, and participating in one is now considered a conspiracy offense in a criminal enterprise. This will have a devastating impact on many innocent MLM participants."

Under the I2G precedent, Neora's Jeff Olsen and top distributors could have been criminally charged and faced up to 20 years in prison for the charges they fought and won. Similarly, Vemma, BK Boreko, and top distributors could have faced criminal charges and been denied the administrative process to respond to FTC charges. Besides financial devastation, BK, Olsen, and distributors’ freedom could have been stripped away, and reputations and lives destroyed, as with I2G owners and distributors.

This precedent extends to distributor “participation,” lacking criminal intent.

Herbal Life distributors like Jim Fobair or Larry Thompson could have been imprisoned for their success despite representing millions of distributors' success.

Criminal prosecution or conviction for "participating in a pyramid scheme" had never happened. The FTC had only once included a distributor in “civil” litigations against multitudes of mlm companies. As Olsen pointed out, no law guides mlm behavior. Distributors believe in their products, company, mission, owners, and compliance lawyers. Naturally, you are confident that your company is not a pyramid scheme. I2G Distributors held the same beliefs. Case law supports the notion.

Herbalife, Advocare, and Vemma distributors did not believe they participated in a pyramid scheme, yet the new precedent would allow them to be indicted and possibly imprisoned. Distributors face a terrifying reality.

Participating in an MLM (multi-level marketing) company can now result in a prison sentence if your company has arbitrary “characteristics of a pyramid scheme,” such as “over-focus” on recruiting and lack of earnings for many or small numbers of high earners. According to the FTC website, this description applies to all MLM companies.

The I2G case is concerning because the only "expert" opinion allowed was that of a lifetime critic of MLM who could not name one MLM that lacked the characteristics of a pyramid scheme. After he was hired, he blogged about his desire to see MLM promoters convicted of federal crimes. He has since bragged about his role in the convictions on an mlm hate blog.  The I2G Defendants were denied their pyramid scheme expert to counter his theories.

Aside from bias against MLM, Keep provided false testimony and based his pyramid scheme analysis on false data. This included a separate company, XTg1, which operated two years after I2G closed. Additionally, the data he relied on had been “filtered” to exclude $32 million in I2G commissions, which was critical to his analysis. Thus, critical testimony and analysis as the basis of the offense were invalid.

Keep proclaimed that forming a pyramid scheme conclusion requires a thorough and accurate study of data over time. The government declared that their data was 'golden.' However, every statistical claim was based on unequivocally false data. Sales numbers, distributor numbers, profits, losses, and rankings presented to the jury and used to question each distributor were false, invalidating every claim and witness testimony. False claims tainted the entire trial."

After the trial, an affidavit from the data provider confirmed that the commission data had been "filtered" or altered. XTG1, which operated for two years after I2G, also compromised the data. Reynolds admitted that he never verified the dates. After reviewing thousands of pages, it was impossible to detect the significant timeline breaches because the dates were hidden or excluded.

A week before the trial, new spreadsheets were created, which filtered out $32 million in commissions paid to “distributors” (alleged victims). The prosecutors misled the court by claiming that Reynolds stated that the "original data" was problematic and inaccurate. However, Reynold’s affidavit affirmed its accuracy. The "filtered out" commissions equaled 80% of the total commissions paid out which dramatically inflated losses and hid gains. The 97% loss rate was “knowingly” presented false claims from “knowingly” manipulated data.

Prosecutors misrepresented these “fully accountable” commissions as “unaccounted funds” hidden in foreign bank accounts, devastatingly influencing the jury and the court's sentencing and post-release rulings.

The prosecution misrepresented timeline breaches and discounted significant data irregularities, which their FBI agent admitted they knew about under oath. When questioned by the Court, the government downplayed the significance of 4000 Xtg1 distributors and four million dollars of Xtg1 sales in I2G data.

Evidence of the government’s knowledge and subornation of perjury through multiple witnesses is found in their discovery, exhibits, emails, and witness testimony.

"The government had possession of Reynolds's emails, which proved their knowledge of XtG1 and its subornation of perjury with Reynold’s testimony. Reynolds claimed that he stopped working with Maike in January 2015 when I2G was closed. However, his emails show a continued working relationship until March 2017, during which time he facilitated the launch of XTG1 in 2015 and stored its data until March 2017. Nor did the government correct his false testimony. Additionally, Hosseinipour and Barnes were not involved with XTG1, yet the use of its data had significant implications and invalidated every I2G representation.

Additionally, exculpatory emails regarding XTG1’s launch in 2015 were in their possession and were never disclosed to the defense, constituting a separate Brady violation.

The miscarriage of justice is like proving Herbalife to be a pyramid scheme using Advocare's data two years after Herbalife was shut down. It's like misrepresenting DNA from a 2017 murder scene as belonging to a 2014 murder despite the suspect's death in 2015. What's worse, it represents removing exculpatory DNA (commission data) from an accurate sample to manipulate results in a second sample. It's truly outrageous.

The nature of this case, being an alleged pyramid scheme rather than a murder, does not justify the use of unreliable data or evidence manipulation. There should be standards for reliability, accountability, and consequences for prosecutorial misconduct. People's lives were destroyed by false evidence.

When the Government can declare that a pyramid scheme falls under mail fraud and “participation” is akin to conspiracy in a criminal enterprise, no participant in the industry is safe. It’s only a matter of time or chance until the focus turns on you.

The False evidence is only one of nineteen arguments that created a miscarriage of justice that can only be decided by the Appeal Court.  To learn more about the nineteen appeal argument, which critically impacts all mlm participation, and how you can help, go to [www.defendmlmfreedom.com](http://www.defendmlmfreedom.com). To support the legal defense efforts for I2G distributors, email Dave Manning at [Dave@yourtravelution.com](mailto:Dave@yourtravelution.cvom)

Congress has never passed a law or act defining a pyramid scheme. District courts and prosecutors broaden laws by redefining statutes to fit everything impermissibly.  In his book [Over Ruled: The Human Toll of Too Much Law](https://www.harpercollins.com/products/over-ruled-anon9780063238473?variant=41223697629218), Neil Gorsuch discusses the dangers of an out-of-control Federal Bureaucracy that expands law without Congress, resulting in a loss of civil liberties and the criminalization of everyday actions. He emphasizes that numerous hard-working, decent Americans unknowingly get caught up in a web of rules or laws they didn’t know existed. The i2G case, which criminalized legal mlm activities, is an example of Gorsuch’s arguments.

Recent Supreme Court decisions in Ruan and Percoso push back against overly broad applications of fraud statutes, such as "participating in a pyramid scheme," as an automatic mail fraud, which differs from the statute's intent.

"Those who believe Infinity Two Global is a one-off and can't happen to them should learn more about the nineteen appeal issues which affect your future in mlm.  To do so, visit [www.defendmlmfreedom.com](http://www.defendmlmfreedom.com)."

**Denied Their Own Pyramid Scheme Expert**

The i2G defendants were denied their pyramid scheme expert  to counter the subjective theories that the Neora court called "rigid theoretical assumptions" not "borne out in reality."

In court filings, the government used deception to deny the defendants their own expert opinions. It argued that “anti-saturation” arguments were irrelevant because it did not intend to argue saturation. After all, I2G had no risk of saturation. It admitted that I2G was not a pyramid scheme to prevent their expert from arguing anti-saturation. Then, they argued saturation at trial

.

Therefore, the defendants were denied a crucial anti-saturation argument that I2G’s customer usage paid through the compensation plan disproved a pyramid scheme. The jury instruction also denied them the anti-saturation defense.

Hosseinipour's appeal highlights shocking ineffective legal support. She was advised that accepting a plea deal, which offered no jail time, would constitute perjury. Exculpatory emails and videos were never presented because her counsel could not operate technical equipment and lacked knowledge of Federal rules of evidence. He failed to call distributor witnesses who came forward to vouch for her honesty and integrity, including the I2G compliance attorney.

To learn more about the errors that created a manifest injustice for the i2G defendants, go to www.defendmlmfreedom.com

After seven years of “witness tampering” with over 60 pre-trial fraud notifications sent to I2G distributors, the post-trial direct claims amounted to less than 1.5 million. The Court was even surprised by such a small number for a 40-million-dollar pyramid scheme with a 97% loss rate. However, the small number is not surprising because the “unfiltered” commission data proves it was false.

 Fighting this dangerous precedent is crucial, as it makes the risks of participating in MLMs too high and owning an MLM business impossible. Many established MLMs like Rodan and Field are transitioning to affiliate models. The risk is just too high. To learn more, go to www.defendmlmfreedom.com

Hosseinipour's conviction for "participating in a pyramid scheme" was the first, but it won’t be the last. The manipulation of statutes with vague, arbitrary, and changing regulatory guidance has weaponized the justice system against MLM participation. This can entrap large swaths of innocent distributors at a prosecutor’s whim. Imagine every recruiting training you ever offered your team is presented as evidence of conspiracy. If companies like Neora, Herbalife, Advocare, and Vemma can be labeled as “pyramid scheme” criminal enterprises, then any distributor could be charged and end up in prison.

The recent Supreme Court Loper Bright case ruled against using regulatory-influenced concepts as the foundation for legal decisions. The FTC's expert acknowledged that no standard exists for an "over-focus on recruiting,” which formed the basis of the I2G criminal convictions.

The government's own "customer evidence" contradicts its claims of an "over-focus" on recruiting. Customer transactions totaling $1.5 million occurred on the casino and fantasy sports platforms, distributing "rewards" through the i2G plan. This disproves the allegations of a pyramid scheme and an “over-emphasis” on recruiting, as customer transactions were integral and “built into” the compensation plan from the start.

There is no standard for MLM customer acquisition. Prosecutors with no background in MLM cannot arbitrarily choose the number of customers under which they deem a distributor's involvement in that MLM criminal. A distributor has no access to internal or customer data, so it is impossible to knowingly participate in a pyramid scheme. It's illogical. The government expert, Keep, stated that MLM data is generally not accessible and that it is impossible to form a pyramid scheme conclusion without it.

The government presented ample evidence of I2G’s customers, including $1.5 million in casino and fantasy sports transactions, demonstrating product consumption tied to rewards. Their evidence proved that I2G was NOT a pyramid scheme.

Only Congress has the authority to create laws related to mlm, but has not done so. As a result, people can end up in prison due to vague regulatory guidance concepts that lack legal backing based on a prosecutor’s interpretation.

 I hope this article effectively communicates the dangers to the MLM industry, distributors, and civil liberties. Change can only be achieved through knowledge and the people's collective will to uncover the truth and take the right actions. A slippery slope can only become more slippery. For more information, please visit www.defendmlmfreedom.com..