**The Critical Battle in the War Against MLM**

In October 2022, Neora won a seven-year legal battle against the FTC over pyramid scheme charges. The landmark victory championed the unfair treatment of multi-level marketing (MLM) companies based on unclear laws and guidance.

The Neora lawsuit highlighted the absence of a federal law defining "pyramid schemes" and contended that efforts to change federal law to supersede state law were unconstitutional. The main argument was that companies could not comply with laws and "guidance" when they don't know what they entail. The arguments are important as they illustrate the Constitutional issues that are in play with a rare criminal indictment against I2G owners and distributors for the same allegations.

Like Neora, Infinity Two Global was accused of having a 97% loss rate and a 90% focus on recruiting, which included "recruitment-focused" binary, matching, and leadership bonuses. The main difference was that a criminal conviction for the **same allegations** could result in up to 20 years in prison.

**This precedent, if not overturned threatens the future of every mlm participant.**

**Neora Verse I2G Treatment**

Key differences separate the trials' fundamental fairness. Unlike with Neora, i2G defendants were denied their pyramid scheme expert. Without an expert to rebut what the Neora Court concluded were "rigid theoretical assumptions" not "borne out in reality,” the i2G defendants had no way to prevail.

Unlike with I2G, The Neora Court stated that "it cannot be simply assumed that the 70 percent of Neora Brand Partners who never made a sale or earned a commission are disappointed victims of an illegal pyramid scheme simply because they never made a sale, recruited another Brand Partner, or earned a commission."  These statistical representations would make every MLM company a pyramid scheme.

**I2G had Valuable Products “Related to Rewards”**

A pyramid scheme does not have products “related to rewards.” Infinity Two Global launched in 2013 and operated seven valuable online digital platforms with a “consumption model” intrinsically related to their usage.

The I2G products included social media, digital music, online games, fantasy sports, travel, sports betting, and an overseas online casino. The owner, Maike, spent over $800,000 to acquire and develop two of the technology products.

The Songstagram Technology was later sold to bBooth and used to record music videos for American Idol contestants. NFusz, a publicly traded company, then acquired it. The i2G Touch had advanced Zoom capabilities predating Zoom and a walk-out technology that predated today's AI technology. The fantasy sports platform competed with FanDuel. Sports betting is legal now in dozens of states. The i2G online games and travel platforms are still being used by companies today. The products clearly had value.

**Koskot Standards that Cleared Neora was denied to I2G Defendants.**

Per the Koskot standard, a pyramid scheme must have products “unrelated to rewards.” The I2G products and usage, in contrast, were directly related to “rewards.” Transaction “usage” accrued BV and paid through the I2G pay plan. Witnesses confirmed “rewards” they received from customers’ “play” in the I2G casino, fantasy sports, and social casinos.

The Koskot standard cleared Neora but was not applied to I2G. More than 2,300 casino customer transactions, amounting to over $1.2 million in retail sales, accrued BV and were paid through the i2G pay plan. Fantasy Sports transactions totaled over $360,000 in retail sales, tracked via API feed and paid through the i2G pay plan. The product was undeniably linked to rewards. Therefore, i2G was not a pyramid scheme.

The Neora Court applied the "Koskot" test with "internal consumption" as the “legal standard” and an effective anti-saturation measure. The Court noted that an "over-focus on recruiting" standard does not exist and that a "fine line separates legitimate MLMs from pyramid schemes."  The i2G Court, in contrast, denied these considerations in jury instructions.

The I2G Court issued a vague definition of a "pyramid scheme," asking the jury to judge the pyramid's "structure" and the participants' "motivations." In contrast, the Neora Court did not judge the pyramid's “structure” and declined to assume the participants' motivations.

**Unknowing Participation in a Pyramid Scheme a Fraud Offense**

The prosecution argued that if they proved a pyramid scheme based only on their theory and the defendants "knowingly participated," they met their burden. This misrepresented their burden to prove criminal intent. The Court recognized the error but failed to correct or strike it. By that standard, any I2G, Herbalife, Advocare, or Vemma distributors could have faced criminal indictments and possible imprisonment.

**“Internal Consumption” as Illegitimate**

The government portrayed “retail sales” to the public as the only legitimate product sales and internal consumption was considered illegitimate. The defendants were not allowed to challenge this incorrect legal theory through an expert of their own or jury instructions.

The Neora Court, in contrast, recognized "internal consumption" as the legal standard. Support for this is found in the 2022 DSA Amicus brief, FTC guidance in 2006 and 2018, and Congressional language in the failed 2017 and 2018 Anti-pyramid Acts.

**Improper Legal Theories Put All MLM Distributors at Risk!**

The i2G case was built on improper legal theories that considered i2G promoters (distributors) as co-conspirators, regardless of criminal intent. Neora's opinion stated that distributors who purchased products without recruiting others were not victims of a scheme, but I2G prosecutors claimed they were.

**The Government Evidence Disproved a Pyramid Scheme**

The government claimed that a pyramid scheme relies on endless recruitment, but it presented evidence that no recruitment was required with I2G. Rewards could be earned by driving customers to the casino, which is why witnesses were drawn to the plan.

The government's evidence proved that "rewards" (commissions) were earned from customers' transactions. Casino transactions accrued 25% BV, which was paid through the i2G plan. This unequivocally disproved a pyramid scheme. Unfortunately, the jury was denied the proper Koskot standard to judge the evidence or a defense expert to explain it.

**Fraud Upon the Court: The Government Manipulated Data and Relied on False Evidence**

The prosecutors deceived the court by falsely attributing statements to Reynolds about crucial commission data. They claimed that Reynolds had dismissed the data as unreliable and said it "had problems," but Reynolds never made such statements. Two weeks before the trial, the government asked Reynolds to create new data that excluded $32 million in commission gains. The original data destroyed the government’s claims of a 97% loss rate and all of their gain/loss representations. In a post-trial affidavit, Reynolds affirmed the accuracy of the “original data” and clarified that the commissions were "filtered out.".

The data further proved that all funds were “accounted for” and not “hidden in foreign bank accounts,” as was repeatedly implied. This devastating misrepresentation weighed heavily on the Court’s sentencing decisions

**Data misrepresentations were significant as they invalidated every I2G statistical representation as the basis of their “data driven” case.**

**Data Belonged to a Separate Company, XTG1, Which Ran Two Years After I2G was Closed.**

The government knowingly presented data from a separate company, XtG1, as belonging to I2G through multiple witnesses, even though I2G was closed. When asked by the Court about the significance of an XtG1 enrollment and product packages outside the indictment timeline, the government argued that it showed how I2G operated. However, it did not. Their own witness, Reynolds, testified that I2G closed eight months earlier.

**Suborned Perjury Through Multiple Witnesses**

The government was involved in suborning perjury by allowing Reynolds to falsely claim that he stopped working with Maike after I2G closed in January 2015. However, Reynolds's emails, which were in the possession of the government, proved that he continued working with Maike until March 2017. Reynolds also housed the data and facilitated the launch of Xtg1 after I2G closed. The government had dozens of emails documenting the launch of Xtg1. Despite this evidence, Reynolds was allowed to testify that all the data until 2017 belonged to I2G, as was Keep. It is clear that the government was aware of Xtg1’s operation and failed to alert the court. This is a subordination of perjury.

"The data taint was significant. Over 4000 Xtg1 entries and four million dollars occurred two years AFTER I2G was closed. It's a miscarriage of justice to present **another company's data** to prove that I2G was a pyramid scheme. It’s like presenting Advocare’s data to prove a pyramid scheme case against Herbal Life.

It is misconduct to knowingly manipulate commission data to inflate losses and conceal gains paid to alleged victims in support of a false narrative, especially when the data is crucial for judging the offense.

**Brady Violations surrounding Xtg1**

The emails on Anzalone's computer confirmed that the government knew about XTG1's operation, but they were not disclosed, constituting a Brady violation. Hosseinipour and Barnes were not part of XTG1. The XTG1 data (until March 2017) was presented as a "continuing conspiracy." However, Hosseinipour and Barnes left I2G in 2015. The emails were, therefore, exculpatory and required to be given to them.

**Misuse of Anzalone’s Guilty Plea as Proof of Hosseinipour’s Guilt (despite criminal intentr)**

The guilty plea by Anzalone was misused as evidence against Hosseinipour. Despite his “cooperation agreement,” Anzalone attested to Hosseinipour's honesty, loyalty, intelligence, and motivation to help others. He emphasized that she would not mislead or deceive others and firmly believed in the company, product, and legal team. He affirmed that she focused on customers and offered customer acquisition plans. Multiple witnesses made positive remarks about Hosseinipour’s character, while no one claimed she lied or misled them. Even the Court referred to her as an "exuberant cheerleader" who "helped everyone" and expressed the belief that she was "duped."

No reasonable jury could have convicted Hosseinipour without implicit instruction from Anzalone’s guilty plea that criminal intent was not required to determine guilt. When asked why he accepted a guilty plea if he never had criminal intent, Anzalone explained that "ignorance of the law doesn’t make me not guilty," as explained to him by his attorney. The implication was that an attorney explained the law made him guilty regardless of criminal intent. However, this is not the law. Even the judge said a guilty verdict likely would not have been possible without Anzalone’s plea.

The Constitution prohibits broad entrapments through vague laws that prevent knowledge of criminal acts.

**Trust in the Prosecution, The Court Instructed to Convict**

The court repeatedly expressed its trust in the prosecution, allowing for significant latitude with hearsay, non-relevant, and prejudicial evidence. The court stated that it was “relying on the United States and their good faith, as it regularly worked with these “fine attorneys” who had “excellent credibility.” Unfortunately, this led to errors that impacted the jury deliberations.

In criminal trials, the Court cannot comment on the defendant's guilt or instruct the jury to convict. However, in this case, the court did just that. It referred to non-testifying distributors as "victim investors" and described their alleged purchases as "securities" in both oral statements and written instructions. When the Court, therefore, affirmed that a “security” purchase” by a “victim investor” occurred within the statute of limitations, the jury was instructed to convict.

**Antipathy for MLM**

The negative perception of multi-level marketing (MLM) significantly impacted the defendants in the I2G case. Jeff Olsen's lawsuit brought attention to the general aversion to MLM. Distributors are trained to expect the standard objection, “Isn’t that one of those "pyramid schemes." Therefore, it's unsurprising that a non-MLM jury could view I2G as a "pyramid scheme" when it is referred to as such hundreds of times. Even the Court shared the belief that MLMs are essentially "get-rich-quick schemes," where early promoters profit at the expense of those who join later.

**Appeal Arguments Must Overturn this Alarming Precedent**

This precedent impacts the future of every MLM participant. If convictions for “participating in an alleged pyramid scheme” without the need for criminal intent are not overturned, your future in mlm will never be safe.  Distributors must feel safe building a legal business without fear of prosecution.

To support the Defend MLM Freedom fight, please get in touch with defendmlmfreedom@gmai.com

Kenyon Meyer is a criminal defense attorney at Dinsmore and Shohl specializing in federal cases and has a vast understanding of regulatory and appellate issues. Contact kenyon.meyer@dinsmore.com

The convictions have taken a substantial financial and emotional toll on the lives of the I2G participants.

Barnes, 75, an alleged 10% owner, is a church leader, husband, father, and grandfather. He has been imprisoned in critical health since 2022 with pulmonary fibrosis, diabetes, and heart failure. His wife and daughter have suffered critical health since his imprisonment. His daughter’s every motor function is affected by a rare condition impacted by stress.

Richard Anzalone was found dead and floating in the ocean 20 minutes after having a heart-to-heart conversation with Hosseinipour about the impact of his last-minute plea cooperation deal on her conviction. Anzalone passed away before the Court accepted his plea deal, so all charges against him were dropped.

Hosseinipour joined I2G along with 20,000 others with “good intent, " as conceded by the prosecution. Numerous distributors and the I2G attorney, Koerner, attested her honesty, integrity, and good intentions. After suffering eight months in prison, the Appeal Court released her pending appeal, acknowledging significant legal issues raised by Meyer.