

# **APPENDIX**

APPENDIX TO PETITION FOR WRIT  
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APPENDIX A

UNITED STATES COURT OF APPEALS  
FOR THE SIXTH CIRCUIT

UNITED STATES OF AMERICA,  
*Plaintiff-Appellee,*

*v.*

RICHARD G. MAIKE (22-6114/23-5563);  
DOYCE G. BARNES (22-6121/23-5561);  
FARADAY HOSSEINIPOUR (23-5029/5560),  
*Defendants-Appellants.*

Appeal from the United States District Court for the  
Western District of Kentucky at Owensboro.

No. 4:17-cr-00012-Gregory N. Stivers, District Judge.  
Argued: December 11, 2024  
Decided and Filed: June 26, 2025

KETHLEDGE, J., delivered the opinion of the court in which McKEAGUE and NALBANDIAN, JJ., concurred. NALBANDIAN, J. delivered a separate concurring opinion.

**OPINION**

KETHLEDGE, Circuit Judge. The defendants here were leading figures in a company called Infinity 2 Global, which the FBI later concluded was a pyramid scheme. The company extracted some \$34 million from investors who paid to join the scheme, nearly all of whom lost money. After a 25-day trial, a jury convicted Richard Maike, Doyce Barnes, and Faraday Hosseinipour of both conspiracy to commit mail fraud and conspiracy to commit securities fraud. These defendants now offer some three dozen reasons to

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reverse their convictions. We reject all their arguments and affirm.

I.

A.

By way of background, this case is about a fraudulent scheme, specifically a pyramid scheme. The nature of a pyramid scheme is to consume its own participants. These schemes usually take the form of a "multilevel marketing" organization, which can be a legitimate business arrangement. *See, e.g., In re Amway Corp.*, 93 F.T.C. 618 (1979). But a pyramid scheme lacks sufficient outside revenue-say, from product sales-to repay the investments of most participants. Its revenue, rather, comes mostly from within, in the form of payments by recruits to participate in the scheme itself. *See In re Koscot Interplanetary*, 86 F.T.C. 1106 (1975). Participation often brings the right to sell various products-music, jewelry, software-which are usually mediocre and overpriced. *United States v. Gold Unlimited*, 177 F.3d 472 (6th Cir. 1999); *FTC v. BurnLounge, Inc.*, 753 F.3d 878 (9th Cir. 2014). Those are a feint, meant to deceive recruits and regulators alike. *Koscot*, 86 F.T.C. at \*58. More important is the right to earn rewards for recruiting new participants-and thus to receive a share of the scheme's primary source of revenue. These schemes survive only as long as their recruitment revenue does; and so their incentives always emphasize recruitment over product sales. *Gold Unlimited*, 177 F.3d at 480. Yet the scheme's architects invariably seek to conceal its nature, in part by the façade of product sales, in part by elaborate systems of tiers, fees, and bonuses-what the district court in one case called "a labyrinth of obfuscation." *BurnLounge*, 753 F.3d at 883. Pyramid schemes are thus merely a subset of what federal law calls schemes to defraud.

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B.

1.

In February 2013, Richard Maike incorporated Infinity 2 Global (I2G), which he said would use network marketing-sometimes known as multilevel marketing-to sell digital products to consumers. In addition, the company created an online casino (operated by a third party), where persons outside the United States (but not inside) could place bets. Doyce Barnes was the company's vice president for sales, Maike its president. Neither had any apparent background in software: before the I2G venture, Maike sold nutritional supplements through multilevel marketing, and Barnes sold jewelry. In March 2013, Barnes prepared a spreadsheet with revenue projections for I2G. Those projections showed the company grossing more than \$30 million by year's end, with every dollar coming from payments by participants-called "distributors"-in the scheme itself.

That summer, Maike and Barnes began recruiting distributors for I2G, who could buy into the scheme at one of four levels. The bottom three were "Novice," "Player," and "High Roller," which participants could join for an up-front payment of \$100, \$400, and \$600, respectively. Other mandatory fees ran from \$300-\$900 per year. Participants at those levels could earn recruiting bonuses and, in theory, commissions for selling the "I2G Touch"-an unfinished social-media platform whose development the company had outsourced to one Rocky Wright. But most participants joined at the "Emperor" level, which cost \$5,000 for the first year and \$2,400 per year thereafter. Emperors could earn larger recruitment bonuses (subject to a byzantine and sometimes changing network of rules), along with (again in theory) commissions for software sales. In addition,

unlike lower-level distributors, Emperors were entitled to a pro-rata share of I2G's profits from the online casino.

Two early recruits to the scheme were Richard Anzalone and Faraday Hosseinipour, who worked as partners and had ample experience with multilevel marketing. Together they bought four Emperor packages, which entitled them to four pro-rata shares of the casino profits. They also agreed to join I2G's inner circle, helping to develop strategies to enlist new recruits. Part of that strategy was a series of in-person conferences that I2G held during the fall of 2013. At these conferences, I2G's leadership-including Maiké, Barnes, Anzalone, and Hosseinipour-pitched their audiences about the commissions (*i.e.*, recruitment fees) and casino revenue they could receive as Emperors. They also depicted the software in the company's pipeline-the "Touch" social-media platform, and a music platform called "Songstergram"-as revolutionary. At three of these conferences, Anzalone and Hosseinipour (among others) held up oversized, six-figure checks in front of their audiences, sometimes for amounts they never received.

At another conference, Rocky Wright appeared onstage to talk about the company's pending software products. But I2G's leadership introduced him to the audience as "Bob Johnson"-because Wright's software firm had recently declared bankruptcy, and the company feared that audience members might look him up. Also unmentioned was that "Touch" was a near-copy of a product that Wright's firm had offered online for free, called "Qubeey."

Meanwhile, online, Hosseinipour was especially active in recruiting new participants to the scheme. That fall, she told potential recruits that I2G would soon release Songstergram-and that musicians like

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Britney Spears, Justin Timberlake, and Lady Gaga had agreed to endorse it. None of those things were true. Hosseinipour also recruited new members on YouTube, posting videos of "Hangouts" in which she discussed I2G with (ostensibly) prospective distributors. In one such video, she told viewers, "Join I2G. Get your share of the 150 billion gambling pie, which is supposed to triple in the next two years." In another video, she pitched the casino this way: "Join as an emperor, and you do not have to recruit, and you do not have to gamble. Can we all say passive income?" And Maiké, among other things, told prospective recruits during a conference call that "the company was offered \$100 million" for its Touch software alone. That statement too was baseless.

By the end of 2013, I2G had sold 7,000 distributor packages, yielding millions in revenue for the company and its inner circle. By 2014, however, some observers had begun to see through the company's representations. The Touch software was rife with glitches and never generated any appreciable income for any of the distributors; indeed they were never even allowed to sell it to consumers. Songstergram never launched and likewise generated zero income. And even for top-tier distributors like Anzalone, the casino was a bust. Anzalone testified that his pro-rata share of casino income had topped out around \$90 for his first month as an Emperor and ran near \$15-20 per month thereafter. (Meanwhile, after year one, the monthly fees for an Emperor were ten times that amount.)

In early 2014, some distributors began to contact state regulators and to threaten class-action lawsuits. By spring, as Anzalone described it, "the Internet was just really bad on I2G." Hosseinipour acted to have some of that criticism taken down. A handful of more

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sophisticated critics brought their concerns to I2G directly. One wrote in an email:

after reviewing this business model, it's clear to see Infinity2Global is [relying] on new member money paying for founding member incomes. This is a classic Ponzi organization. . . . Here you have a sales organization which is banned from selling the product. . . . All three so-called products are third-party programs and are truly low quality.

Another commenter emailed Anzalone and Hosseinipour the following:

Nowhere on the corporate site is there a product descriptions [sic] and the exact features offered by the social media platform. . . . Nowhere in the compensation document says that money is earned for the sale of products. But it says 'if you buy this package' you 'will earn this rank'. Meaning you can purchase positioning. Nowhere in the compensation plan document states that money is earn [sic] through retailing products to customers, and there is no place for a customer to purchase a product.

Maike's solution to all this criticism, in July 2014, was to change the company's name from I2G to Global 1 Entertainment (G1E). Yet the company's recruitment slowed and its revenue dried up. Near the end of 2014, I2G (now G1E) ceased operations. By that time, however, the company had reaped more than \$34 million in revenue-nearly all of it (save about \$500,000) paid in by the company's own distributors. Most of that money went to the company's top tier, including the defendants here.

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Nearly all the investors who bought into the scheme—some 96%—lost money.

The FBI began investigating I2G near the end of 2014, and concluded that I2G was a pyramid scheme whose management and top-tier distributors had defrauded its lower-tier ones. A grand jury thereafter indicted Maike, Barnes, Hosseinipour, Anzalone, and two other top-tier distributors for conspiracy to commit mail fraud, in violation of 18 U.S.C. §§ 1341 and 1349, and conspiracy to commit securities fraud, in violation of 15 U.S.C. § 78j(b) and 18 U.S.C. § 371.

Anzalone took a plea deal and testified against the three defendants before us here. (The two other defendants also took plea deals.) In 2022, after a 25-day trial, a jury convicted Maike, Barnes, and Hosseinipour on both counts. Anzalone died soon afterward. Maike was sentenced to 120 months in prison, Barnes to 48 months, and Hosseinipour to 30 months. They later brought these appeals, which we have consolidated here.

II.

A.

1.

The defendants each argue that the jury lacked sufficient evidence to find them guilty of conspiracy to commit mail fraud, in violation of 18 U.S.C. §§ 1341 and 1349. When reviewing a guilty verdict, we determine only "whether, after viewing the evidence in the light most favorable to the prosecution, *any* rational trier of fact could have found the essential elements of the crime beyond a reasonable doubt." *Jackson v. Virginia*, 443 U.S. 307, 319 (1979).

Here, the crime of conviction was a conspiracy offense, which means the government need not have proved that each defendant engaged in conduct satisfying each element of the underlying substantive

offense (mail fraud). To prove a murder-for-hire conspiracy, for example, the government need not prove that each defendant pulled the trigger for the fatal shot. Instead, to sustain the defendants' conviction for conspiracy to commit mail fraud here, the government must have proven that each of them agreed (with at least one other person) to commit mail fraud, and did so knowingly and voluntarily. *See* 18 U.S.C. § 1349; *United States v. Rogers*, 769 F.3d 372, 382 (6th Cir. 2014).

So we consider the government's evidence on these points. Sometimes the easiest way to prove agreement is by action: that one defendant or another engaged in conduct satisfying each element of a substantive offense-along with circumstantial evidence that they did so pursuant to a plan they all shared in common-is proof enough that they conspired to commit it. *See United States v. Faulkenberry*, 614 F.3d 573, 584 (6th Cir. 2010). Two robbers who enter a bank from different entrances, for example, presumably do not do so by coincidence.

Evidence of conduct amounting to fraud is what the government offered here. Mail fraud has three elements: the defendant must devise or knowingly participate in a scheme to defraud; the defendant must do so with the intent of depriving a victim of money or property; and the scheme must in some way use the mail. *United States v. Turner*, 465 F.3d 667, 680 (6th Cir. 2006); *Rogers*, 769 F.3d at 380.

Here, at trial, the government presented abundant proof that the defendants knowingly participated in (and in Maiké's case devised) a fraudulent scheme. "A scheme to defraud is any plan or course of action by which someone intends to deprive another of money or property by means of false or fraudulent pretenses, representations, or promises." *Faulkenberry*, 614 F.3d at 581 (cleaned up). I2G's business plan-and its

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elaborate system of fees and rules for distributor compensation-was undisputedly a "plan or course of action." And the government presented overwhelming evidence that the defendants employed that plan to deprive others-namely, lower-level distributors-of money by means of lies and fraudulent representations. For example, Barnes's projections of the company's revenue were based 100% on payments from distributors, with zero projected income from outside sources. Maiké lied to prospective recruits about the casino's monthly profits; and after monthly payouts to Emperors dropped to circa \$17 per month and stayed there, the reality (a jury could easily infer) was that these defendants knew that Emperors would not recoup their investments from casino revenues. Maiké also lied about the company having been offered \$100 million for the Touch software alone. The defendants also knew, but concealed from prospective recruits, that Touch was nearly identical to a product that Rocky Wright's (bankrupt) firm had offered online for free. The defendants (or at least one of them-the record does not make clear who) also lied to conference attendees by introducing Rocky Wright as "Bob Johnson." Hosseinipour misrepresented to prospective recruits that "passive income" would allow them to recoup their investments without any recruitment of new members on their part. Barnes made the same misrepresentation to prospective recruits in an October 2013 conference call, telling them they could just "sit on the couch" and make money on the casino. Hosseinipour lied about celebrity endorsements of Songstergram (claiming that even Prince had "signed up"). The defendants also misrepresented to conference attendees the amounts that Anzalone and Hosseinipour received as distributors, by having them display oversized six-figure checks for amounts they did not receive. And

Anzalone testified that he discussed with Hosseinipour the more sophisticated observers' criticisms of I2G-including that it was a "Ponzi organization"-and that he thought those criticisms were "valid." Yet the duo continued to recruit new victims. Moreover, when another distributor accused I2G of running a pyramid scheme, Hosseinipour was unequivocal about what the company should do: "There is no alternative except to bury him."

The results of the I2G scheme also supported an inference that it was fraudulent, rather than (as the defendants argue here) just star-crossed. The scheme yielded more than \$34 million in revenue for the company, nearly all of it extracted from the participants themselves; 96% of participants lost money; and the defendants themselves reaped millions. The evidence therefore allowed the jury to infer not only that these defendants knowingly and voluntarily agreed to participate in a fraudulent scheme-namely a pyramid scheme-but that they actually did so, thereby obtaining millions of dollars in profits for themselves. The government presented sufficient evidence for the jury to convict these defendants of conspiracy to commit mail fraud.

2.

a.

The defendants also challenge the district court's jury instructions concerning mail fraud. We review challenges to jury instructions for an abuse of discretion, though we review the instructions' legal accuracy de novo. *United States v. You*, 74 F.4th 378, 391 (6th Cir. 2023).

The defendants first argue that the court's instructions as to mail fraud (Instruction 8) allowed the jury to circumvent a finding that they participated in a "scheme to defraud," which is the first element of the substantive offense of mail fraud. The instructions

provided that a "scheme to defraud" includes any plan or course of action by which someone intends to deprive another of money or property by means of false or fraudulent pretenses, representations, or promises." Instruction 8(2)(A), Pg. ID 5265. The instructions also defined a "pyramid scheme" (to paraphrase here) as one in which "the focus is on promoting the sale of interests in the venture rather than the sale of products[.]" *Id.* 8(2)(B), Pg. ID 5265-66. In that definition, the fraud is implicit-any such scheme is doomed to fail-rather than explicit; and the court further instructed that a "pyramid scheme constitutes a scheme or artifice to defraud for purposes of this instruction." *Id.* Thus-the defendants rightly observe-in the jury's mind, a finding that defendants participated in a pyramid scheme could substitute for a finding that they participated in a fraudulent scheme. And the court's definition of a pyramid scheme, as noted above, did not require the jury expressly to find that it was fraudulent.

But that narrow substitution-"pyramid scheme" for "scheme to defraud," as respectively defined by the court-did not allow the jury to elide the question whether the defendants participated in a fraudulent scheme with fraudulent intent. In reviewing challenges to jury instructions, we consider the instructions as a whole. *United States v. Kuehne*, 547 F.3d 667, 679 (6th Cir. 2008). And here the relevant instructions, considered as a whole, were duplicative enough to require the jury to consider that question.

As an initial matter, the offense of conviction was conspiracy to commit mail fraud; and so (as discussed above) what the jury needed to find was that the defendants voluntarily *agreed* to commit the crime of mail fraud, not that they actually committed it. (Evidence that they committed that crime, rather, was proof that they had agreed to commit it.)

Meanwhile, to reiterate, the court instructed the jury that a "□scheme to defraud' includes [i] any plan or course of action [ii] by which someone intends to deprive another of money or property [iii] by means of false or fraudulent pretenses, representations, or promises." (Brackets added.) Hence that instruction had three components. The first component-the existence of a plan or scheme-was likewise part of the court's definition of a pyramid scheme (as "any plan, program, device," etc.). Instruction 8(2)(B), Pg. ID 5265. That aspect of the pyramid-scheme instruction thus did not lead the jury astray. Meanwhile, the second component of the "scheme to defraud" instruction-that the scheme be one "[ii] by which someone intends to deprive another of money or property"-was more than covered by another part of Instruction 8, namely subpart (1)(C). That subpart required "that the defendant had the intent to defraud" when he participated in the scheme. And the third component-that the scheme employed "false or fraudulent pretenses, representations, or promises"-is covered by subpart (1)(B) of Instruction 8, which required that "the scheme included a material misrepresentation or concealment of a material fact[.]”

Even if the jury found a pyramid scheme, therefore, the court's Instruction 8 directed the jury to make a finding as to every component of a scheme to defraud. Nor, for that same reason, did the supposed breadth of the court's definition of a pyramid scheme make any difference here. We therefore reject the defendants' arguments on these points.

We do note, however, that the district court's instruction as to pyramid schemes served little purpose here. Unlike many state laws, federal law does not proscribe pyramid schemes specifically. Instead it proscribes schemes to defraud, of which

pyramid schemes are a subset. Meanwhile, the definition of a scheme to defraud is straightforward; the definition of a pyramid scheme is abstruse. And what ultimately matters, in a federal criminal prosecution for fraud, is whether the defendants participated in a scheme to defraud.

b.

The defendants argue that the court abused its discretion by rejecting their request for a jury instruction about an affirmative defense of "anti-saturation." A defendant is entitled to an instruction about an affirmative defense only when that defense finds "some support in the evidence and in the law." *United States v. Johnson*, 416 F.3d 464, 467 (6th Cir. 2005).

Saturation, for purposes of a pyramid scheme, occurs when participants at the lowest level of a pyramid cannot find new recruits-and thus cannot recoup their investment in joining the scheme. *See Gold Unlimited*, 177 F.3d at 481. The defendants say they prevented the scheme here from reaching saturation because they capped the number of Emperors at 5,000. In both theory and in fact, however, this argument is meritless. As to theory, the cap merely created an artificial point of saturation-because the last Emperors to join, before reaching the cap, would not themselves be able to recruit new Emperors. And in fact the cap had no effect-because the number of Emperors never reached 5,000 (at any point in time) before I2G ceased operations.

More to the point, no "anti-saturation" measure can cure misrepresentations that induced people to buy into a scheme under false pretenses. And here, as shown above, these defendants made many such misrepresentations. Their anti-saturation instruction

would have only confused the jury, and the district court was right to reject it.

B.

The defendants challenge the sufficiency of the evidence to convict them of conspiracy to commit securities fraud, in violation of 18 U.S.C. § 371 and 15 U.S.C. § 78j(b). Specifically, they argue that the government lacked evidence that I2G's Emperor packages were securities.

As an initial matter, the Supreme Court has treated that question-whether an instrument is a security-as a question of fact for "the jury" to decide. *S.E.C. v. C.M. Joiner Leasing Corp.*, 320 U.S. 344, 355 (1943). And that is how the parties here treated this question in the district court, not least in their proposed jury instructions for this count at trial. Gov't Proposed Instruction 5; Defs. Response to Proposed Jury Instructions, Pg. 5. We therefore review whether "any rational trier of fact could have found" the Emperor packages to have been a security. *Jackson*, 443 U.S. at 319.

"Congress' purpose in enacting the securities laws was to regulate *investments*, in whatever form they are made and in whatever form they are called." *S.E.C. v. Edwards*, 540 U.S. 389, 393 (2004) (cleaned up). "To that end, it enacted a broad definition of 'security,' sufficient to encompass virtually any instrument that might be sold as an investment." *Id.* (cleaned up). Here, the government contended at trial that the Emperor packages were investment contracts.

Whether "a particular scheme is an investment contract" depends on "whether the scheme involves an investment of money in a common enterprise with profits to come solely from the efforts of others." *Id.* Here, Emperors paid \$5,000 (and \$2,400 per year after the first year) for each Emperor package they

chose to buy. That satisfied the element of "an investment of money." *Id.*

A "common enterprise," in turn, "requires a sharing or pooling of funds." *Union Planters Nat'l Bank of Memphis v. Commercial Credit Business Loans*, 651 F.2d 1174, 1183 (6th Cir. 1981). It also requires commonality in the sense that the success of each investor is tied "to the success of the overall venture." *Id.* Here, Emperors paid into a common pool-I2G's bank account-and the company in turn paid a third-party vendor to operate the casino. And the income received by each Emperor was tied to the casino's success: every Emperor received the same pro-rata share of the casino's profits for each Emperor package he purchased. The Emperor packages thus amounted to stakes in a common enterprise.

Next, the investors' profits from that enterprise must have come "solely from the efforts of others." *Edwards*, 540 U.S. at 393. That was true here. Hossienipour, among others, repeatedly emphasized that the casino income was "passive income" for Emperors; to receive it, they needed only to purchase the package. As Hosseinipour said, "You don't even have to gamble. You don't have to recruit at the emperor level." Barnes made the same representation in the October 2013 conference call to potential investors, when he described the casino revenue as "a passive position, that anyone can come in and share in the pool equally for one year." He added, "there's nothing they gotta do except sit there and draw their money from the pool." Maike, who was on the same call, said nothing. So for Emperors the casino profits (such as they were) came from the efforts of others. Thus, when one considers the entitlement to casino revenue in isolation, the

Emperor package was an archetypal investment contract-and thus a security.

But the defendants argue that the Emperor package loses that character when considered together with the possibility of recruitment bonuses. Whether an investment is a security depends on the transaction as a whole. *International Brotherhood of Teamsters v. Daniel*, 439 U.S. 551, 559 (1979). Emperor packages cost \$4,400 more than the next level of distributorship beneath them. That premium entitled Emperors alone to a pro-rata share of the casino profits. But Emperors also earned greater rewards than lower-level distributors did for each new recruit they brought into the scheme. The "interest acquired" by Emperors for that premium thus "intermingled security and nonsecurity aspects." *Id.* at 560.

Given that intermingling, the Emperor packages were securities if they contained "to a very substantial degree elements of investment contracts." *Id.* (cleaned up). And on that point the evidence at trial was straightforward. Emperors were free to buy more than one such package; Anzalone testified that some Emperors did so, and that he and Hosseinipour indeed bought four (before they realized how minimal the casino income would be). But an Emperor obtained the full "nonsecurity" benefit of an Emperor package-the more generous formula for recruitment rewards-with the purchase of only one such package. Thus, as a government expert explained to the jury at trial, the only reason to buy additional Emperor packages was to obtain additional shares of the casino's profits. That some investors (including Anzalone and Hosseinipour) bought those additional packages, therefore, was strong evidence that investors saw the security aspect of Emperor packages-the casino profits-to be "very substantial."

*Id.* And at trial ten witnesses testified unequivocally that they each bought an Emperor package solely because of the share of casino profits that came with it-without any intention of recruiting new participants to the scheme.

Finally, in deciding whether an instrument is a security, the Court considers the seller's representations about it-"the economic inducements held out to the prospect." *Joiner*, 320 U.S. at 353. Here, as described above, the defendants represented to prospective recruits again and again that the casino income, standing alone, would be enough for them to make a profit on their investment. And as Anzalone testified at trial, the "exciting part of [I2G] was, and what got us going, was the rev-the, excuse me, profit sharing of the-of the casino. That's what really got the program going. . . . [M]any people believed, you know, I get-I need to get as many shares as possible, because this thing could be huge."

In *Joiner*, the Supreme Court said that "[i]n the enforcement of an act such as this it is not inappropriate that promoters' offerings be judged as being what they were represented to be." *Id.* That is what the jury found here. The jury had ample grounds to find that the Emperor packages were securities and thus that the defendants were guilty of conspiracy to commit securities fraud.

\*\*\*

The criminal judgments of Maike and Barnes are affirmed. We also affirm Hosseinipour's criminal judgment; except that, as described in our unpublished opinion, we vacate the district court's denial of her Rule 33 motion for a new trial, and remand her case for the limited purpose of deciding that motion anew.

## CONCURRENCE

NALBANDIAN, Circuit Judge, concurring. I concur fully in the published and unpublished opinions. I write separately to address a couple of issues that I think are left unresolved in the majority opinion.

The main issue concerns the fraud convictions. The indictment illustrates, and the jury instructions confirm, that the government pursued two fraud theories-I2G was either a generic fraud or a pyramid scheme. The majority explains why sufficient evidence supports the conspiracy convictions on a general-fraud theory. I agree. But the indictment, the evidence at trial, the expert testimony, the government's closing arguments, and the jury instructions all show that the government also leaned heavily into the theory that I2G was a pyramid scheme. And why wouldn't they? Succeeding on that theory was a shortcut of sorts in its burden of proof.

The jury was instructed that it could find I2G was either a pyramid scheme or a general fraud. But we don't have a special verdict form explaining which the jury picked. If this were only about sufficient evidence, then we could affirm on the general-fraud theory alone. *Griffin v. United States*, 502 U.S. 46, 58-60 (1991). But I think the defendants separately argue that the government presented an erroneous *legal theory*-an Emperor-only capped pyramid. They claim that the indictment, the proof at trial, and the jury instructions all reflect this error. If true, then proof of the general fraud is not enough to affirm their convictions. *Id.* Jurors aren't "equipped to determine whether a particular theory of conviction submitted to them is contrary to law." *United States v. Kurlemann*, 736 F.3d 439, 449-50 (6th Cir. 2013) (quoting *Griffin*, 502 U.S. at 59).

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Still, I would find that the defendants' argument fails on the facts of this case. I believe the government did not indict and did not prove a capped pyramid. And any reference to the Emperors in the jury instructions was harmless. So I'd affirm their convictions.

### I.

The days of the traveling salesman are largely behind us, but one vestige remains. Multilevel marketing is a type of organizational structure that allows a company to leverage the low-cost and potential yield of an entrepreneurial team of salesmen without the overhead of retail locations. These companies-MLMs-also leverage financial incentives for their salesmen who both recruit new members and sell products (or services). But an MLM runs into legal trouble if it under-incentivizes product sales and over-incentivizes recruiting. When that happens, a legal MLM becomes an illegal pyramid scheme.

Anyone with access to the internet in the early 2000s knows why: chain-letter emails cause the same problem, just with fewer financial consequences. For those unfamiliar, you'd get an email that directs you to "forward this to 5 new people or you'll have bad luck for the next 10 years." A quick look at the math highlights the problem. If the first person sends it to five people and they all forward it to five people each, suddenly thirty people have received the email.<sup>1</sup> This

<sup>1</sup> You can visualize this growth in tiers of an ever-widening pyramid. At the top you have the origin of the email chain: person zero. At the next level, are the first 5 people that receive the email. At the next, 25. At the next, 125. The math is straightforward: the size of each level of the pyramid is reflected in the equation  $5^x$  where  $x$  is the level of the pyramid. So at the first level:  $5^1=5$ . At the second:  $5^2=25$ . At the third:  $5^3=125$ . At the fourth:  $5^4=625$ . At the fifth:  $5^5=3,125$  and so on. As each level grows, the scale of the pyramid's fraud also grows because with

is the start of exponential growth. And with exponential growth, very soon, at least in theory, a final layer of people—those who received the email last—will be left holding the bag. That is, they'll receive the email, have no one to forward it to who hasn't already seen it, and presumably be stuck with ten years of bad luck.

A financial scheme whose core financial reward is tied to recruiting new members leads to the same result. Eventually the scheme must fail and when that happens, the final and largest layer of recruits is left with a guaranteed loss. So because these pyramid schemes will always result in a financial loss to the individuals who are last to join, courts have concluded that they are inherently fraudulent. *United States v. Gold Unlimited, Inc.*, 177 F.3d 472, 479 (6th Cir. 1999); *Webster v. Omnitrition Int'l, Inc.*, 79 F.3d 776, 781 (9th Cir. 1996). But courts and legislatures recognize that illegal pyramids share features with legal MLMs, like Amway. *In re Amway Corp.*, 93 F.T.C. 618 (1979). And because entrepreneurial market activity is beneficial, we must distinguish between the two. *Gold Unlimited*, 177 F.3d at 480 (collecting sources recognizing the importance of distinguishing between the two).

Still, distinguishing between them isn't always straightforward and requires a comprehensive look at the scheme's organization, marketing practices, and incentive structures. Synthesizing these ideas, the Federal Trade Commission originally condemned pyramids as a deceptive trade practice under Section

each new level its reach exceeds the total headcount of the layers above it. So when this pyramid has five levels, the sum of the first four levels ( $5+25+125+625=780$ ) is less than the fifth level alone (3,125).

5 of the Federal Trade Commission Act. 15 U.S.C. § 45. It explained that these schemes:

are characterized by the payment by participants of money to the company in return for which they receive (1) the right to sell a product *and* (2) the right to receive in return for recruiting other participants into the program rewards which are unrelated to sale of the product to ultimate users.

*Omnitrition*, 79 F.3d at 781 (quoting *In re Koscot Interplanetary, Inc.*, 86 F.T.C. 1106, 1180 (1975)). This second factor is the *sine qua non* of a pyramid scheme, because the scheme is simply an "elaborate chain letter" premised on unlimited recruiting that leads to saturation. *Gold Unlimited*, 177 F.3d at 481 (quoting *Omnitrition*, 79 F.3d at 781); *see also id.* ("*Koscot's* second factor-that an illegal pyramid rewards participants for recruitment, not for sales-implies that saturation must occur.").

The Commission noted that when a scheme meets this characterization, the sale of products would be "likely to prove worthless for many participants" because they'd find it nearly impossible to recoup their investments through the sale of products alone. *Koscot*, 86 F.T.C. at 1181. As a result, the "substantial rewards for recruiting other distributors" would prove necessary. *Id.* Thus, the Commission concluded that such schemes involved "inevitably deceptive representation[s]" on the participant's ability to recover his investment. *Id.*

All of this comes from the context of civil FTC enforcement. But courts have since concluded that pyramid schemes are not only deceptive (under Section 5) but also fraudulent (under civil antifraud statutes). *Webster v. Omnitrition* highlights this shift. 79 F.3d at 782. And in the process, the Ninth Circuit

took what the FTC had described as the "characteriz[ation]" of a pyramid scheme and created a two-part test: "We adopt the *Koscot* standard here and hold that the operation of a pyramid scheme constitutes fraud . . . ." *Id.* at 782.

Then, in *United States v. Gold Unlimited*, we extended *Koscot* to criminal mail fraud, albeit with some added nuance. Relevant here, *Gold Unlimited* did two key things. First, we approved an instruction that mirrored *Koscot's* and *Omnitrition's* characterizations of pyramid schemes. *Gold Unlimited*, 177 F.3d at 479-84 (citing *Koscot*, 86 F.T.C. at 1187 and *Omnitrition*, 79 F.3d at 781-82). *Gold Unlimited* had contended that the instruction was incomplete because it didn't specifically tell the jury that a company could establish anti-saturation policies to avoid being an illegal pyramid scheme. *Id.* at 482. But we rejected that view; when the government proves the second *Koscot* factor, there is an "impli[cation] that saturation must occur." *Id.* at 481; *see also id.* at 482 ("Given the grave risks imposed on investors in illegal schemes, the government should have to do no more than prove that the program satisfies the definition of *Koscot*.").

Still, we recognized that a defendant can rebut that implication by carrying the burden "of establishing that it has effective anti-saturation programs." *Id.* at 482. As for *Gold Unlimited*, it had failed to both request the relevant anti-saturation instruction and to show that it merited one on the record. *Id.* But we left open the possibility that future defendants could prove that they had established policies that "de-linked" recruitment from commissions sufficient to warrant an affirmative defense. *Id.* at 481-82. We also recognized the possibility that "prudent district courts might supplement the *Koscot* test to reflect the difference

between legitimate multi-level marketing and illegal pyramids and Ponzi schemes." *Id.* at 483. In so doing, we noted that many states only prohibit schemes that "primarily" compensate participants for recruitment rather than sales. *Id.*

The second major thing that we did in *Gold Unlimited* was hold that a court may instruct a jury that a "pyramid scheme constitutes a scheme or artifice to defraud" under the mail-fraud statute. *Id.* at 478, 484. In other words, a jury's finding that there was a "pyramid scheme" becomes a shortcut for the government's proof of mail fraud. Once the jury finds a pyramid, the only thing left for the government to prove is that the defendants used the mails to perpetuate their scheme.

## II.

### A.

With this framing in mind, the first issue concerns the scope of the alleged "pyramid scheme." Was the government's theory that all I2G was a pyramid, or was it just a pyramid of Emperors? The answer hinges on the indictment. And when we look at the indictment, we look at it as a whole because, like a constructive amendment or a prejudicial variance, the whole indictment colors whether the defendant was on notice of the charges against him. *United States v. Sittenfeld*, 128 F.4th 752, 774-75 (6th Cir. 2025) ("Any change to the indictment outside of [the Grand Jury] implicates other, related constitutional concerns—the defendant's Fifth Amendment protection from double jeopardy and Sixth Amendment right to notice of the charges against him."); *cf. id.* at 781 ("[W]e read indictments as a whole, and can consider the full scope of the indictment to analyze whether the trial evidence varied from the indictment." (cleaned up)). The real question here is whether the defendants were on notice to defend against an I2G-pyramid rather

than an Emperor-only pyramid. So I look at the whole indictment, including the manner and means and the government's "specification of the ways in which the defendant sought to accomplish his crime." *Id.* at 781 (cleaned up).

The government's second superseding indictment alleges two things: a general theory of fraud and a pyramid scheme. Both extend to I2G as a whole. A point the first paragraph of the indictment makes clear: "[T]he defendants[] engaged in a \$25 million dollar fraudulent pyramid scheme, *operating under the name Infinity 2 Global or I2G (hereinafter "I2G")*, by representing that investors would receive a return on investment based upon an online internet gaming site called i2gcasino.com." R.230, Second Superseding Indictment, PageID 1452 (emphasis added).

The next paragraph alleges the same. The defendants "falsely represented that *I2G* was generating massive profits from its online internet gambling site and that the public could share in such profits through the purchase of a \$5,000 'Emperor' position in *I2G*." *Id.* at 1452-53 (emphasis added). And again: "*I2G* was operating as a fraudulent pyramid scheme in which inflated returns were paid to early promoters in order to induce later victim-investors to invest in the company." *Id.* (emphasis added).

It's true that these examples also show that the Emperors were central to the indictment, in part because the alleged securities fraud only extended to the Emperors. But that didn't divorce Emperors from the larger I2G fraud, which is why the indictment repeatedly refers to "I2G" not just Emperors. *Id.* at 1454-57, ¶¶10, 15, 17-18. This isn't a no-brainer, but in the absence of a to-wit clause, and given the overarching structure of I2G, separating the Emperors from the rest of the scheme is illogical. *Cf. United States v. Lee*, 919 F.3d 340, 349 (6th Cir. 2019)

(noting that an indictment's factual allegations should be construed "in a practical sense with all the necessary implications" (internal quotation marks omitted)); *United States v. Bowker*, 372 F.3d 365, 376 (6th Cir. 2004) ("Courts utilize a common sense construction in determining whether an indictment sufficiently informs a defendant of an offense." (internal quotation marks omitted)), *abrogated on other grounds by United States v. Booker*, 543 U.S. 220 (2005). So I think the government alleged enough to show that its two theories of fraud were based on I2G, not just the Emperors.

### B.

With the scope of the pyramid clarified, the next question is what did the government prove at trial: an Emperor-only capped pyramid, or an I2G pyramid?

The government only charged defendants with conspiracy to commit mail fraud rather than a substantive count of mail fraud. To prove a conspiracy the government did not have to also prove the individual elements of the substantive offense. *United States v. Phillips*, 872 F.3d 803, 806 (6th Cir. 2017) (citing *Salinas v. United States*, 522 U.S. 52, 65 (1997)). But the jury must be instructed on, and "unanimously agree on," one object. Pattern Crim. Jury Instr. 6th Cir. 3.01A (2025). Here, the only alleged object was mail fraud.

Mail fraud rests on a scheme-to-defraud. 18 U.S.C. § 1341. Normally the government establishes such a scheme by proving that the defendant intended to defraud and deprive another of money, and that he made material misrepresentations to do so. *United States v. Daniel*, 329 F.3d 480, 485-86 (6th Cir. 2003). But, as I noted above, if a jury finds a pyramid scheme,

it necessarily finds a scheme to defraud.<sup>2</sup> *Gold Unlimited*, 177 F.3d at 484.

So looking at the evidence at trial, the question becomes whether the government proved that *I2G* would grow endlessly because purchasers could only recoup their investments by recruiting others for money unrelated to product sales. I think the answer is plainly yes-I2G's promotional materials, among other things, make clear it operated as an illegal pyramid scheme.

Maike created I2G based on a "binary compensation system." In a binary scheme, each person is responsible for recruiting two people beneath them and so on, to develop a "downline." The "downline" is the pool from which an individual can earn commissions. It's also what generates a "pyramid": one person at level 1, two people beneath him at level 2, four people beneath them at level 3, and so on.

I2G invited people (whom they call "Independent Business Owners" (IBOs)) to join I2G. Once invested, IBOs would gain access to digital products, earn the opportunity to recruit new members, and-if you joined as an Emperor-earn passive income from an online casino. But a high-level overview of the bonus structure highlights how I2G was curated to encourage recruiting not to promote its products.

<sup>2</sup> Both parties acknowledge this point. R. 692, Trial Tr. Vol. 21, PageID 10,009. As defense counsel explained: if there was a pyramid scheme, the government didn't "have to prove a particular lie." Oral Arg., 1:08:40-1:09:25 (No. 22-6114), [https://www.opn.ca6.uscourts.gov/internet/court\\_audio/audio/12-11-2024%20-%20Wednesday/22-6114%20USA%20v%20Richard%20Maike.mp3](https://www.opn.ca6.uscourts.gov/internet/court_audio/audio/12-11-2024%20-%20Wednesday/22-6114%20USA%20v%20Richard%20Maike.mp3); id. at 1:09:30-1:09:50 ("[P]yramid is a surrogate for everything except use of the mails.").

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Every new member would join at one of four levels of membership: Novice, Player, High Roller, or Emperor. To earn commissions, any IBO needed to maintain active status by staying current on their dues. There were the up-front start up fees: an annual fee of \$19.95 for access to certain software, and a "membership" fee (Novices \$100, Players \$400, High Rollers \$600, and Emperors \$5,000). Every year members had to renew their membership.

I2G promoted itself through the "Infinite Opportunity Plan," which described five ways to earn commissions: (1) Fast Start Bonuses, (2) Binary Income, (3) Matching Bonuses, (4) Leadership Pools, and (5) a Revenue Share. The Fast Start Bonus was simple. For every member an IBO enrolled, he'd earn a flat 10% on the initiation fee. So if he recruited a Novice, he'd earn \$10 (10% of \$100). No sale of products necessary.

"Binary Income" was I2G's version of rewards points. For example, I2G gave IBOs credit for every new member he recruited in "business volume" (BV). For every new member the IBO recruited, he'd earn BV based on the level the new member entered at: New Novices would earn his recruiter 60BV, Players 240BV, High Rollers 260BV, and Emperors 3,000BV.

Once an IBO earned enough BV he'd get "cash back." Remember, Maiké formed I2G based on a binary scheme, so each person was responsible for recruiting two people—one on his right "side" and another on his left "side." If he earned 300 BV on both sides (so 600 BV total), he'd complete one cycle and could earn cash back. And new recruits were attributable to the IBO even if they were several "levels" down in the pyramid. That meant an IBO could still earn BV from a new member recruited ten

or fifteen levels beneath him.<sup>3</sup> Again, no sale of products necessary.

The Leadership Pools were the final recruitment bonus. These bonuses were available to IBOs again based on binary cycles completed by his downline, but the rewards were significant. At the lowest end in the "silver pool," IBOs could earn a one-time cash bonus of \$10,000. No sale of products necessary.

Unique to the Emperors was access to a revenue share in an online casino. I2G had hired a third party to manage the casino. And the managing contract split the casino's proceeds: 30% to the vendor and 70% to I2G. That 70% was split 50/50: half to I2G and half split equally among Emperors. This structure was supposed to create a passive income stream. Without any obligation to recruit, Emperors could collect revenue generated by the casino. To ensure this revenue stream wasn't diluted, I2G placed a 5,000-person cap on the number of Emperors. Still, there was no way to gain access to the casino's revenue without the start-up costs-\$5,000 plus fees-*i.e.*, without joining the pyramid.

I2G had also curated a unique portfolio of digital products. First, they rolled out the I2GTouch, a hybrid social media videoconferencing platform. Then Songstergram, which was pitched as a social media product to create, edit, and share original music videos. And right before I2G became defunct, they had rolled out a travel discount engine, a fantasy sports platform, a video game system, and a sports book for international users.

But these products, especially the Touch, were limited if not useless. For example, there was

<sup>3</sup> The Star Matching Bonus was another recruitment bonus that allowed IBOs to earn commissions based on downline recruits. Again, no sale of products necessary.

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evidence that the Touch was never fully developed. And though the Touch wasn't functional, I2G didn't wait to start charging its members for the opportunity to access it for an added fee (from \$25 for Novices up to \$200 for Emperors). Beyond that, the Touch was an expensive (and defective) knockoff of Qubeey-an existing, free-to-use product in the same market.

The majority says more about these products, but their relevance here is only to highlight their *irrelevance* to I2G's money-making scheme. Some products didn't work and still others were promoted based on outlandish lies-like that Britney Spears had endorsed Songstergram. Key to the pyramid-scheme determination is that these products were completely detached from I2G's incentive structure, a problem that was highlighted by their dysfunction. You could earn some BV by using Songstergram, but the real money-making was in the various recruitment bonuses. And there was no evidence of Touch sales to anyone outside of I2G, so any rewards earned from the "sale" really came from recruitment, confirming that the products were never intended for widespread use. Instead, they were a fig leaf to hide the true purpose of the scheme: quick cash for those at the top of the pyramid.

To be fair, it's not clear that all I2G's products were entirely fraudulent. Given that I2G was operating between February 2013 and December 2014, there's a possibility that some of I2G's ideas were just ahead of their time. Indeed, the rise of online gambling, casinos, and sports betting in the wake of the Supreme Court's decision in *Murphy v. NCAA*, 138 S. Ct. 1461 (2018) suggests as much. And while the Touch was still in development, now-ubiquitous products like Facebook Live and Instagram Live didn't exist.

But that's not the point. The government didn't have to prove that the products were entirely fraudulent. Nor did the jury have to find that they were-although it could have. What matters is that the only way to make real money based on I2G's incentive structure was through recruitment. The products, even if they would have worked, were at best an ancillary benefit.

All to say, it's clear that someone paid money into I2G to access the pyramid. And once in, you could reap the benefits of that access by recruiting others. *This* is the *sine qua non* of a pyramid. And all of this evidence confirms that the scope of the government's case was about whether I2G-not just the Emperors-would grow endlessly based on the impermissible incentives tied to recruiting. So as far as the government's proof is concerned, the defendant's claim of an erroneous legal theory doesn't hold up. The government proved the object scheme to defraud based on overwhelming evidence that I2G was a pyramid, as measured against *Koscot*.

### C.

Though the government's proof at trial makes clear that they proved I2G was a pyramid scheme, this still leaves the jury instructions. On this point, the defendants contend that because the mail-fraud instruction defined the object scheme to defraud in reference to the Emperors, the jury possibly convicted them on the erroneous Emperor-only-capped-pyramid theory.

The instructions required the jury to find the defendants "knowingly participated in or devised a scheme to defraud in order to deprive another of money or property, that is *through the sale of Emperor positions in Infinity 2 Global or i2g*." R.554, Jury Instructions, PageID 5265 (emphasis added). The defendants contend that this italicized language

rendered the pyramid definition legally erroneous because it required the jury to find a capped pyramid comprised of only Emperors. But they say a capped pyramid is not a pyramid because it lacks the potential for endless growth. Given that I've concluded that the pyramid here was I2G as a whole and am also skeptical that there can be a capped pyramid at all-this is a serious issue.

But a jury may be instructed on alternative legal theories, one incorrect and the other correct, and still, the error can be harmless. *See Hedgpeth v. Pulido*, 555 U.S. 57, 60-62 (2008) (per curiam); *Kurlemann*, 736 F.3d at 449-50. So long as we are sure that "the verdict would have been the same absent the error"-here absent reference to the Emperors in the mail-fraud instruction-we can affirm the conviction. *Neder v. United States*, 527 U.S. 1, 17 (1999). When I look at the instructions as a whole, the larger legal question is whether the jury was informed of the definition, character, and nature of the crime charged-conspiracy to commit mail fraud. The instructions correctly defined conspiracy. The substantive-mail-fraud instruction correctly defined "scheme or artifice to defraud." The mail-fraud instruction also correctly defined "pyramid scheme," *see infra* Part III, and correctly gave the jury the option to find that a pyramid scheme satisfied the scheme-to-defraud element. With all of these elements correctly defined, the only question left is whether reference to the Emperors instead of I2G was so misleading as to render the jury's verdict erroneous. *United States v. Geisen*, 612 F.3d 471, 485 (6th Cir. 2010). For several reasons, I'm doubtful.

We review the prejudicial impact of an instruction "in relation to all else that happened" at trial. *Kotteakos v. United States*, 328 U.S. 750, 764 (1946). Closing arguments, though not evidence, are a

helpful starting place because they highlight how the government "conceptualized the evidence and the indictment, and how the evidence was presented to the jury." *Sittenfeld*, 128 F.4th at 782 n.16; *Kurlemann*, 736 F.3d at 450 (finding erroneous instruction harmful based in part on the government having repeatedly reiterated the erroneous legal theory to the jury during closing); *see also United States v. Qureshi*, 121 F.4th 1095, 1103-04 (5th Cir. 2024) (relying on government's closing argument as evidence that jury was correctly informed on the scope of the conspiracy), *cert. denied*, No. 24-900, 2025 WL 889184 (U.S. Mar. 24, 2025) (mem.).

On this point the government is on solid ground. It-more than once-reiterated to the jury that the mail-fraud finding they needed to make was about I2G, not the Emperors. R. 671, Trial Tr. Vol. 24, PageID 7530 ("But what the defendants agreed and were knowingly promoting in this case was a pyramid scheme through their promotion of I2G or Infinity 2 Global."); *id.* ("And if you find that what Infinity 2 Global was[,] was a pyramid scheme, then you have found that the United States has satisfied the first element of Count 1. . ."); *id.* at 7532 ("And so if you believe that Infinity 2 Global was a pyramid scheme, that the primary purpose or nature of the business was to pull in these-to recruit people . . . then you will have found that a scheme to defraud existed.").

As well, remember that the only charge the government had to prove was conspiracy. This means the government did not have to prove that mail fraud in fact occurred. As other courts have noted, an error in the object-offense instruction doesn't per se infect a conspiracy conviction if that conspiracy instruction is otherwise correct. *Qureshi*, 121 F.4th at 1103 (finding harmless an erroneous substantive-offense instruction that did not infect conspiracy conviction);

*United States v. Fairley*, 880 F.3d 198, 212 (5th Cir. 2018) (finding no plain error where substantive instruction erroneously conflated two elements but because conspiracy was "distinct from the substantive counts," conspiracy conviction wasn't erroneous); *United States v. Kalaycioglu*, 210 F. App'x 825, 831-32 (11th Cir. 2006) (finding error in substantive-offense instruction wasn't reversible because it was not an essential element of conspiracy).

So long as the jury was informed on the definition, character, and nature of the acts inherent to the charged *conspiracy*, as these instructions did, we can find that the defendants were not prejudiced by the reference to the Emperors in the *substantive* instruction. *United States v. Hale*, 685 F.3d 522, 541 (5th Cir. 2012) (finding no plain error where instructions were "sufficient to apprise the jury of the definition and character of the substantive crime underlying the conspiracy charge, and because the use of actual cocaine was not necessary to commit the crime of conspiracy"); *United States v. Marino*, 562 F.2d 941, 945 (5th Cir. 1977) (omission from instructions on specific intent to conspire was not plain error because "read as a whole," instructions "adequately charged the jury as to the definition, character, and nature of the acts" of the conspiracy, and "there [wa]s no doubt that there was sufficient evidence from which the jury could have inferred beyond a reasonable doubt" defendant had specific intent). To be sure, the courts in these cases reviewed for plain error and the defendants here preserved their objections to the jury instructions. But the overall analysis about the effect of the error-*i.e.*, prejudice-is just as applicable here.

And we regularly affirm convictions in the presence of trial errors-constitutional or otherwise-where the evidence suggests the error had no effect on

the verdict. *United States v. Mack*, 729 F.3d 594, 609 (6th Cir. 2013) ("The undisputed trial evidence convinces us that, if properly instructed, the jury would have found beyond a reasonable doubt as to counts three and twelve that the defendant brandished a firearm during the robberies. . . ."); *United States v. Kuehne*, 547 F.3d 667, 682 (6th Cir. 2008) (same). I don't think the instruction's errant reference to Emperors prejudiced the defendants because of the overwhelming proof that the government offered about I2G's character as a pyramid. *See supra* Part II.B.

I also find support from other circuits that have found that a complete omission of the substantive-offense instruction does not automatically infringe on the defendant's substantial rights. *Compare United States v. Vaglica*, 720 F.2d 388, 390-91 (5th Cir. 1983) (finding "serious" but not reversible error when district court failed to instruct jury on object of conspiracy), *with United States v. Martinez*, 496 F.2d 664, 669 (5th Cir. 1974) (finding omission of any reference to conspiracy's object was "serious" error because, read as a whole, reflected an overall failure to inform the jury on the definition, character, or nature of the acts that support a finding of importing, possessing, or distributing marijuana). *See also United States v. Kalaycioglu*, 210 F. App'x 825, 831-32 (11th Cir. 2006) (finding error in substantive-offense instruction wasn't reversible in part because defendants were only charged with conspiracy instead of a substantive honest-services charge). Those courts too looked to the circumstances of the specific prosecution, the evidence presented, and the challenge raised. *Vaglica*, 720 F.2d at 391. So as I explain above, because overwhelming evidence supported the I2G-was-a-pyramid-scheme finding, I

would find any reference to the Emperors in the instruction harmless.

And finally, alternatively, *Hedgpeth*, 555 U.S. 57, also suggests the error is harmless. The Court found a per-se-reversal rule was inappropriate when, in cases like this one, the jury is "instructed on multiple theories of guilt, one of which [was] improper." *Id.* at 61. Instead, like most trial errors, such an error is subject to harmless review. *Id.* at 61-62. So long as the instructional error does not "vitiat[e] all the jury's findings," the error is harmless. *Id.* at 61 (quoting *Neder*, 527 U.S. at 11 (alteration in original)).

Only if the evidence on the valid alternative theory—here, that I2G was a general fraud—is "relatively weak," the government relies heavily on the "improper theory," and the district court's instructions on the improper theory are "interwoven throughout the jury charge," is an instructional error in this context harmful. *United States v. Andrews*, 681 F.3d 509, 522 (3d Cir. 2012) (internal quotation marks omitted) (applying these guideposts to find a *Skilling v. United States*, 561 U.S. 358 (2010) instructional error harmless). Altogether, though the government relied heavily on the pyramid-scheme theory, the other factors favor a finding of harmless. As the majority describes, there was overwhelming evidence to support a finding of general fraud. This, combined with the government's repeated reference during closing that the jury could find a general fraud was the object of the conspiracy, and the fact that the Emperors are only referred to once in the mail-fraud instruction (rather than repeatedly), together suggest that the reference was harmless. R.671, Trial Tr. Vol. 24, PageID 7724 ("And when you look at the jury instructions, it says there's actually two ways to commit mail fraud. You can have a structure or artifice to defraud one way or through the pyramid

scheme. . . . The United States submits . . . that they did both. . . ."); *see also United States v. Donovan*, 539 F. App'x 648, 653 (6th Cir. 2013) (finding instructions harmless that incorrectly said Viagra was a controlled substance-so an invalid object of a conspiracy-but correctly listed other controlled substances; because no evidence connected him to the Viagra-selling conspiracy, affirmed conviction).

So though there was discussion of the Emperors at trial, this isn't surprising because it was part of I2G's overall fraud. And though there was reference to the Emperors in the jury instructions, I think that was harmless when viewed in light of the jury instructions as a whole and the government's evidence at trial.

One final note. The defendants extend this theory about the capped pyramid to argue that they were entitled to an affirmative defense on anti-saturation. Picking up on our suggestion in *Gold Unlimited*, the defendants insist that they had an effective "anti-saturation" or "anti-pyramiding" policy in place because the Emperors were capped at 5,000. In their view, this prevented endless growth, and comports with what the government proved at trial-that is, a capped pyramid. But I disagree.

Anti-pyramiding policies must be more than cosmetic. Rather to be effective, they must connect recruitment to retail sales, and in this way, defeat the possibility of endless growth.<sup>4</sup> *Gold Unlimited*, 177

<sup>4</sup> *In the Matter of Amway* is the best example of a legal MLM implementing effective anti-pyramiding policies. 93 F.T.C. 618. Amway manufactured home products: cleaning supplies, soaps, detergents, and the like.

Three familiar firms Procter & Gamble, Lever Bros., and Colgate-Palmolive accounted for over 80% of this market, and Amway was having trouble breaking in. *Id.* at 710. To overcome the barriers to entry, Amway developed a "direct selling" network and avoided retail stores altogether. *Id.* at

F.3d at 482. By doing so, an MLM can defeat the second *Koscot* factor.

The 5,000-Emperor cap does nothing to overcome the unlimited-growth problem. It's true the cap served a practical purpose it prevented diluting the casino returns. But there's no evidence it also tied recruiting bonuses to product sales. So on this front, the policy failed to accomplish what an anti-pyramiding policy must: link recruitment and product sales. And even more fundamentally, the cap did not limit the number of new Players, Novices, or High Rollers who could be recruited. In this way, the cap on *Emperors* didn't address the possibility of *I2G's* endless growth. For both reasons, I would find that this cap, though novel and superficially tied to the second *Koscot* factor, fails

710-11. They relied on their 360,000 distributors to purchase products, then resell them at retail to customers or to other distributors (who they had recruited). *Id.* at 711-12. In the latter case, a second-order distributor would resell products too. Distributors made money from the difference in the wholesale price they purchased the product from Amway and the retail price at which they sold the product. *Id.* at 712-14. And when they recruited new distributors, they also earned a commission.

To prevent the endless-growth problem Amway had implemented several policies to ensure that recruiting promoted product sales. Two are illustrative. First, the "70 percent rule" required that a distributor sell at least 70% of the product he bought each month before he could receive any bonus. *Id.* at 716. Second, the "10 customer rule" required that a distributor make unique sales to ten different customers each month (and provide proof of that sale). *Id.* These policies highlighted an internal emphasis on product sales which meaningfully limited the possibility that any distributor would be overly motivated by recruiting bonuses and avoid his sales obligations. This way, "retail selling [remained] an essential part of being a distributor." *Id.* So Amway was able to demonstrate it was a *legal* MLM not at risk of growing like an endless chain.

in substance as an anti-pyramiding policy. So though the burden is not heavy to show there is some support in the law for the instruction, there was neither support in the law nor the evidence to support a jury finding that I2G had overcome the second *Koscot* factor. *See id.* at 482-83.<sup>5</sup>

<sup>5</sup> I admit, complicating this conclusion is the government's puzzling statement that saturation wasn't a problem in this case. The government said: "[S]aturation (and thus anti-saturation) is not at issue. . . ." R. 381, Gov't Mot., PageID 2922-23. And continued: "For I2G, however, saturation is not the problem. Unlike in *Gold Unlimited*, the United States has no plans to present a witness to testify on the dangers of market saturation. . . . Instead, the United States plans to show that I2G is a pyramid scheme not because of any saturation problem, but rather because I2G's scheme meets the definition approved in *BurnLounge*." *Id.* I read this statement as saying I2G had not reached a point of saturation *i.e.*, they had not grown to a point where the pyramid would collapse. And the government did not intend to argue that saturation would imminently occur.

To be fair, the government does not have to prove saturation before they can prosecute a pyramid scheme. *Cf. Gold Unlimited*, 177 F.3d at 482 ("The alternative placing the burden on the government forces the government to wait until after the collapse, as that alternative permits operators to maintain that the absence of collapse proves the success of the anti-saturation policies."). A point government's counsel reiterated at argument. Oral Argument at 37:20-37:40 (No. 22-6114) ("The government does not have to prove as an element of that definition of [a] pyramid scheme . . . that it was going to collapse or that it was doomed to fail."); *Id.* at 39:58-40:15 ("The government doesn't have to affirmatively prove that [saturation] has happened. . .").

But I would reject a view that a fraud can also be a pyramid without risk of saturation that is, endless growth. That means that if I2G had only consisted of the 5,000 Emperors, but all else remained the same in terms of the link between earnings and recruiting it would undoubtedly have still been a fraud but not an illegal pyramid. The 5,000 limit may create an artificial point of "saturation," but that is not quite what saturation means when it comes to pyramids. Saturation refers to endless growth and reflects the essential feature that makes a pyramid per se illegal. A so-

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called "capped pyramid" lacks this aspect so would likely not be a pyramid, even if it were a fraud.

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All said, the government did not present an erroneous legal theory to the jury. The indictment, the proof at trial, and the instructions show the government proved both that I2G was a general fraud and a pyramid. Though the instructions have an erroneous reference to the Emperors, that error was harmless, and with the lens on I2G rather than the Emperors, the anti-saturation argument similarly fails.

### III.

That still leaves one errant jury instruction issue. Defendants claim that the mail-fraud instruction did not sufficiently distinguish between a legal MLM and a pyramid.

We review jury instructions for an abuse of discretion. *Geisen*, 612 F.3d at 485. Trial courts retain significant latitude to craft instructions, but they abuse their discretion when the jury charge doesn't accurately reflect the law. *Id.* (quoting *United States v. Ross*, 502 F.3d 521, 527 (6th Cir.2007)). The only remaining challenge to the jury instructions is that they did not sufficiently distinguish between legal and illegal MLMs. The instructions read:

A 'pyramid scheme' is any plan, program, device, scheme, or other process characterized by the payment by participants of money to the company in return for which they receive the right to sell a product and the right to receive in return for recruiting other participants into the program rewards which are unrelated to the sale of the product to ultimate users. *The structure of a pyramid scheme suggests that the focus is on promoting the sale of interests in the venture rather than the sale of products,*

*where participants earn the right to profits by recruiting other participants, who themselves are interested in recruitment fees rather than products.* A pyramid scheme constitutes a scheme or artifice to defraud for purposes of this instruction.

Compare R.554, Jury Instructions, PageID 5265 (emphasis added), with *Gold Unlimited*, 177 F.3d at 481. The unitalicized portion of this instruction is a direct copy of the instructions approved in *Gold Unlimited*. Still, the panel there noted that there was room for improvement and prudent district courts might adjust to better reflect the difference between legitimate MLMs and illegal pyramids. *Gold Unlimited*, 177 F.3d at 483. And here the district judge did exactly that. For support, he relied on *BurnLounge*, a recent Ninth Circuit opinion discussing what makes a pyramid fraudulent. *FTC v. BurnLounge, Inc.*, 753 F.3d 878, 889 (9th Cir. 2014). The judge's additions highlighted the feature that distinguishes a legal MLM from an illegal pyramid: over-incentivizing recruitment in a way that facilitates endless growth. These additions were not erroneous.

#### IV.

Finally, I want to say a couple of things about the securities fraud, including about the apparent incongruity between the government's pyramid-scheme theory and its securities-fraud theory. Defendants make two challenges to their securities fraud conviction. First, they argue that the Emperor positions were not securities, so could not support a securities-fraud conviction under 15 U.S.C. § 78j. And second, they argue that the jury instructions incorrectly define "security." But the Emperor was a security and there was no error in the instructions.

## A.

As to the sufficient evidence, the only issue the defendants raise on appeal is whether the Emperor was a security. And everyone agrees that it must satisfy the definition of investment contract to trigger the fraud provisions of the Securities Acts. *Id.* § 78c(a)(10).

The test for whether a particular financial relationship is an investment contract is by now, well-known. *Howey's* four-part test asks "whether the scheme involves an investment of money in a common enterprise with profits to come solely from the efforts of others." *SEC v. Edwards*, 540 U.S. 389, 393-94 (2004) (quoting *SEC v. W.J. Howey Co.*, 328 U.S. 293, 301 (1946)). The test is flexible, designed to capture new and creative financial relationships, so "capable of adaptation to meet the countless and variable schemes" that might be created. *Id.* at 393 (quoting *Howey*, 328 U.S. at 229). Given the creativity that's necessarily involved with evading securities regulation, we look to the substance of the transaction and determine whether its "economic realities" satisfy *Howey* rather than rely on the label that its purchasers and promoters assign to it. *Int'l Bhd. of Teamsters, Chauffeurs, Warehousemen & Helpers of Am. v. Daniel*, 439 U.S. 551, 558-59 (1979) (quoting *United Hous. Found., Inc. v. Forman*, 421 U.S. 837, 851-852 (1975)). This way, "[n]ovel, uncommon, or irregular devices" may still be captured within the reach of the act. *SEC v. C.M. Joiner Leasing Corp.*, 320 U.S. 344, 351 (1943). So we look to the "character the instrument is given in commerce." *Id.* at 352-53. This includes the "terms of the offer, the plan of distribution, and the economic inducements" promised to potential purchasers. *Id.* at 353. Thus the promotor's sales tactics are within our reach to consider. *Id.*

On the government's theory, the Emperor is a security because (1) an Emperor invests money (\$5,000), (2) there was a common pooling of funds and Emperors shared in a proportional profit from the casino, (3) Emperors were attracted by the possibility of a return from the casino, and (4) profits came from the managerial efforts of I2G.

The majority holds that the Emperor was a security and I agree. But I think we should acknowledge one quirk in the government's theory on the efforts-of-others prong. This element addresses the relationship between the investor and the venture. We don't require that the profits be derived, "in some strict sense, *solely* from the efforts of others." *Odom v. Slavik*, 703 F.2d 212, 215 (6th Cir. 1983). Typically, we look to the economic realities of the transaction to determine whether the investor's involvement is limited to ministerial functions. If merely ministerial, the venture won't be excluded from the securities laws. *Id.* In other words, something like common stock is a security because I buy the stock and then reap the rewards because of the efforts of the company's officers and employees.

The government thoroughly proved that IBOs couldn't make any money except for their own effort in recruiting others into the scheme. But that effort had little, if any impact on the success or failure of the casino. I think this potential disconnect isn't a problem, however, under *Howey*. What's relevant to the security finding is that the promoters promised profits from the efforts of others, even if this turned out to be false.

Consider a hypothetical based on the facts of *Howey*. A promoter sells tracts of land in an orange grove with the promise to develop, manage, and nurture the grove. This combination-land sale and land management-is what makes the transaction an

investment contract. But if the land had never existed and the "land" was still sold to investors, there's still a security. Whether the land existed or not doesn't change the character of what was sold. And it wouldn't make sense for one circumstance to be covered by the securities laws and the other not. Otherwise, a securities fraudster benefits from committing a bigger fraud. *SEC v. Lauer*, 52 F.3d 667, 670 (7th Cir. 1995) (Posner, J.) ("It would be a considerable paradox if the worse the securities fraud, the less applicable the securities laws."); *id.* ("An elementary form of [the] misrepresentation [in the sale of securities] is misrepresenting an interest as a security when it is nothing of the kind.").

So we look to I2G's promotions and representations to the public. As the majority details, the defendants represented that IBOs would have ministerial functions in the operations of the company and could sit back, relax, and collect the passive income generated by the casino. This is quintessentially relying on the "efforts of others." *Warfield v. Alaniz*, 569 F.3d 1015, 1021-22 (9th Cir. 2009) ("[W]hile the subjective intent of the purchasers may have some bearing on the issue of whether they entered into investment contracts, we must focus our inquiry on what the purchasers were offered or promised."); *SEC v. Banner Fund Int'l*, 211 F.3d 602, 615 (D.C. Cir. 2000) (relying on the program's brochure advertising program to determine how transaction was represented before finding it was a security); *Aldrich v. McCulloch Props., Inc.*, 627 F.2d 1036, 1039-40 (10th Cir. 1980) ("Central to this test is the promotional emphasis of the developer. Characterization of the inducement cannot be accomplished without a thorough examination of the representations made by the defendants as the basis

of the sale." (citations omitted)). So I would find the Emperor position was a security.<sup>6</sup>

**B.**

Finally, the defendants challenge the instruction's definition of "investment contract." They argue it lacks a proper definition of horizontal commonality, and that it incorrectly defined "efforts of others."

As a reminder, we review jury instructions for abuse of discretion. *Geisen*, 612 F.3d at 485. A district judge abuses his discretion when the instructions incorrectly describe the law. *Id.* (quoting *Ross*, 502 F.3d at 527). But little needs to be said here. The instruction is clear and legally accurate. It reads in relevant part:

The term "investment contract" refers to a contract transaction or scheme whereby a person invests his or her money, in a common enterprise, and is led to expect profits derived primarily from the efforts of others (i.e., persons other than the investor). A *common enterprise ties the interest of each investor in a pool of investors to the success of the overall venture such that the investors share a common fortune.*

R.554, Jury Instructions, PageID 5267-68. The italicized portion concerns horizontal commonality and accurately describes this circuit's law. The instruction needed to explain that the relevant relationship the jury needed to identify was among

<sup>6</sup> That I2G contracted with a third party to manage the casino also doesn't impact this efforts-of-others calculus because it doesn't change the Emperor's relationship with I2G. When the investor has "no reasonable alternative" but to rely on the promotor, the efforts of others prong is satisfied. *Alunni v. Dev. Res. Grp., LLC*, 445 F. App'x 288, 296 (11th Cir. 2011) (quoting *Gordon v. Terry*, 684 F.2d 736, 741 (11th Cir. 1982)).

investors. *Newmyer v. Philatelic Leasing, Ltd.*, 888 F.2d 385, 394 (6th Cir. 1989) ("[T]here must also be a horizontal relationship between or among investors, with the funds of two or more investors going into a common pool from which all may benefit."). It does that.

The instruction also correctly defines "efforts of others." The district court, at the defendant's request, clarified that "others" refers to "persons other than the investor." The defendants take issue now because they had asked that it be more explicit. But the language the judge relied on reasonably reflects the law. The "efforts of others" does not prevent the investor from having *any* role in the venture, it just prevents the investor from holding a managerial role. This is exactly what the instructions asked the jury to find.

So for all these reasons, I concur and affirm the convictions.

UNITED STATES COURT OF APPEALS  
FOR THE SIXTH CIRCUIT

UNITED STATES OF AMERICA,  
Plaintiff-Appellee,

v.

RICHARD G. MAIKE (22-6114/23-5563);  
DOYCE G. BARNES (22-6121/23-5561);  
FARADAY HOSSEINIPOUR (23-5029/5560),  
Defendants-Appellants.

Unpublished Appendix

Before: McKEAGUE, KETHLEDGE, and  
NALBANDIAN, Circuit Judges.

Decided and Filed: June 26, 2025

KETHLEDGE, Circuit Judge. “When a party comes to us with nine grounds for reversing the district court, that usually means there are none.” *Fifth Third Mortg. Co. v. Chicago Title Ins. Co.*, 692 F.3d 507, 509 (6th Cir. 2012). The defendants here come to us with several times that number, with the same result. This unpublished appendix addresses the arguments we chose not to address in today’s published opinion. See *United States v. Barnes*, -- F.4th --- (6th Cir. 2025).

I.

As we discussed at greater length in the published opinion, Infinity 2 Global (I2G) was a pyramid scheme that operated from February 2013 until December 2014. The defendants were three of its leaders: Richard Maike was the president, Doyce Barnes was the vice president for sales, and Faraday Hosseinipour was a top distributor. In 2022, a jury convicted the trio of conspiracy to commit mail fraud and conspiracy to

commit securities fraud, and convicted Maike of money laundering and tax evasion. They challenge those convictions. Barnes also challenges his sentence, and Maike challenges an order that he pay restitution.

## II.

### A.

The defendants first challenge various aspects of the jury instructions as well as the court's answer to a jury question. We review jury instructions for an abuse of discretion, though we review their legal accuracy de novo. *United States v. You*, 74 F.4th 378, 391 (6th Cir. 2023).

#### 1.

Barnes and Hosseinipour argue that the court's instruction about good faith was legally inaccurate. If a defendant believes, in good faith, that his false or misleading statements were true, he cannot form an intent to defraud. *See United States v. Daniel*, 329 F.3d 480, 488 (6th Cir. 2003). But a good-faith belief that a venture will ultimately succeed does not excuse false statements that a defendant makes to induce others to join that venture. *United States v. Kennedy*, 714 F.3d 951, 958 (6th Cir. 2013). Here, the court instructed the jury that a defendant's belief "that the venture will eventually meet his or her expectations" did not constitute the sort of good faith that vitiates the defendant's intent to defraud. We have upheld the legal accuracy of this very instruction for at least 40 years—because "no matter how firmly the defendant may believe in the plan, his belief will not justify baseless, false, or reckless representations or promises." *See United States v. Stull*, 743 F.2d 439, 446 (6th Cir. 1984) (citation omitted). The defendants here may have genuinely believed in their scheme's potential to succeed; but if they deceived others in pursuit of that potential,

they conspired to commit fraud. *See* Sixth Cir. Pattern Crim. Jury Instr. § 10.04(3) (2023). The court’s instruction on this point was accurate.

2.

Barnes and Hosseinipour next argue that the district court’s instruction defining “intent to defraud” as an intent to “cheat or deceive” was improper because the instruction did not also say that the scheme must deprive someone of something. *See Shaw v. United States*, 580 U.S. 63, 72 (2016). But this argument simply ignores the second half of the sentence that they contend is problematic. The court said that, to convict the defendants, the jury must find that they acted “with an intent to deceive or cheat for the purpose of depriving another of money or property.” We therefore reject this argument.

3.

Barnes and Hosseinipour lodge one further objection to a jury instruction. They did not raise this objection at trial, however, so we review it only for plain error. *See United States v. Morrison*, 594 F.3d 543, 546 (6th Cir. 2010). These defendants now argue that an instruction that referred to “victim-investors” improperly commented on the evidence “in a manner that implies guilt.” *See Buchanan v. United States*, 244 F.2d 916, 920 (6th Cir. 1957). We grant that the term “victim” implies that some wrong occurred. But one ill-advised word did not make these jury instructions, taken as a whole, “so clearly erroneous as to likely produce a grave miscarriage of justice.” *Morrison*, 594 F.3d at 546. We thus hold that the district court made no error, plain or otherwise.

4.

Finally, all three defendants argue that the court erred in its answer to a jury question. We review answers to jury questions for an abuse of discretion and uphold them unless, taken as a whole, the answers

rendered the jury instructions “confusing, misleading, and prejudicial.” *United States v. Fisher*, 648 F.3d 442, 447 (6th Cir. 2011). Here, the jury asked whether it could “use the evidence from the whole case to determine if the positions sold are/were a security” or whether it was limited to considering “just the purchase within the statute of limitations.” The court responded: “You are permitted to use any evidence which you deem appropriate to consider whether the positions sold are/were a security. You are not limited to the evidence regarding the purchase within the statute of limitations.” The defendants contend that this response implied that a purchase had, in fact, occurred within the statute-of-limitations period—a factual question that was in dispute. But the court’s response simply quoted the language from the jury’s question, which itself implied that the jury had already determined that a purchase had occurred within the statute of limitations. The answer was thus neither confusing, nor misleading, nor prejudicial—so the court did not abuse its discretion.

#### B.

The defendants next argue that the prosecution for conspiracy to commit securities fraud was time-barred. To convict a defendant of that offense, a jury must find that the defendant, or a co-conspirator, committed an overt act that occurred within the five-year statute of limitations and that was alleged in the indictment. *See United States v. Smith*, 197 F.3d 225, 228 (6th Cir. 1999); *see also* 18 U.S.C. § 3282. Here, the grand jury returned the second superseding indictment on November 13, 2019, so an overt act must have occurred after that date in 2014. Although the indictment listed 20 sales, 19 took place before November 13, 2014. The twentieth sale—to an investor known as S.H.—occurred on November 25, 2014.

The crux of the defendants' argument is that this November 25 sale actually occurred in October, when S.H. wired his money to I2G distributor Scott Magers. But Magers did not deposit those funds into an I2G bank account until November 25, which is when S.H. became an Emperor. And the "case law gives ample support to the proposition that payment is an integral and often final term in a conspiracy." *United States v. Schaffer*, 586 F.3d 414, 424 (6th Cir. 2009) (cleaned up). The exchange of funds is a two-sided transaction: on one side the payment and on the other the receipt of those funds. I2G's receipt of those funds was therefore an overt act that occurred within the statute-of-limitations period. Maiké also contends that I2G's receipt of payment does not count as an overt act because that act was not itself criminal. But an act need not be criminal to count as an overt act in furtherance of a conspiracy. *Braverman v. United States*, 317 U.S. 49, 53 (1942). Maiké's arguments are meritless.

Meanwhile, Barnes and Hosseinipour also argue that the jury instructions permitted the jury to convict without finding that this final sale had occurred. The court's instruction said, "For you to return a guilty verdict on the conspiracy charge in Count 13, the government must convince you beyond a reasonable doubt that at least one overt act was committed for the purpose of advancing or helping the conspiracy after November 13, 2014." That same instruction's list of overt acts included only one act that had occurred after that date. Hence the jury could not convict the defendants without finding that this final sale had occurred.

### C.

The defendants next challenge the district court's failure to give an instruction that limited how the jury could consider the testimony of Richard Anzalone. The

parties agree that the court should have given a limiting instruction after the jury heard that Anzalone—an indicted coconspirator of Barnes and Hosseinipour—had pled guilty to conspiracy to commit securities fraud. A co-conspirator’s guilty plea is not admissible as substantive evidence of a defendant’s guilt. *United States v. Benson*, 591 F.3d 491, 498 (6th Cir. 2010). When a guilty plea is introduced, the district court must instruct the jury that it may use that plea “only to determine the testifying witness’s credibility.” *United States v. Sanders*, 95 F.3d 449, 454 (6th Cir. 1996); *see also* Fed. R. Evid. 105. A court errs if it fails to give that instruction. *United States v. Modena*, 302 F.3d 626, 631-32 (6th Cir. 2002).

The government contends that the court’s error here was harmless. To show that an error was harmless, the government must demonstrate by a preponderance of the evidence that the error “did not materially affect the verdict.” *United States v. Kilpatrick*, 798 F.3d 365, 378 (6th Cir. 2015). (Maiké and Hosseinipour did not raise this issue at trial, so they bear the even-heavier burden of demonstrating plain error. *See Puckett v. United States*, 556 U.S. 129, 135 (2009).) We thus ask whether a jury would likely have convicted the defendants had the court given a proper instruction—not whether the jury would likely have convicted the defendants without Anzalone’s testimony at all. *See Kotteakos v. United States*, 328 U.S. 750, 764-66 (1946). Hence the inquiry focuses on whether the jury likely used the testimony for the improper purpose of inferring guilt by association. Although the risk that a jury will assume such guilt is present whenever a testifying co-conspirator has pled guilty to the same conspiracy in which the remaining defendants are charged, “much of this potential for prejudice is negated when the pleading codefendant . . . testifies regarding the

specific facts underlying the crimes in issue.” *United States v. Christian*, 786 F.2d 203, 214 (6th Cir. 1986).

Here, Anzalone’s guilty plea was mentioned twice during the government’s case. First, the government’s opening statement said that Anzalone—whom the prosecutor called Hosseinipour’s “partner in this crime”—had already pled guilty “in this case.” Later, the government began its direct examination of Anzalone by asking him whether he had pled guilty to conspiracy to commit securities fraud. He said that he had. The prosecutor then asked Anzalone whether he had “also commit[ed] the crime in Count 1, the conspiracy to commit mail fraud.” Anzalone replied, “I believe so, now that I understand it.” Anzalone then proceeded to testify for prospective distributors, and how much money he and other distributors made from the scheme.

Anzalone’s testimony provided an insider’s perspective on how I2G defrauded its distributors. Throughout his testimony, the government displayed emails between defendants as well as agendas and videos from promotional events, and Anzalone explained how that evidence fit into I2G’s fraudulent scheme. For example, Anzalone testified that I2G’s events lured potential investors by emphasizing the casino: “[T]he exciting part of [I2G] was, and what got us going, was the rev—the, excuse me, profit sharing of the—of the casino. That’s what really got the program going. . . . [M]any people believed, you know, I get—I need to get as many shares as possible, because this thing could be huge.” Anzalone also demonstrated the sales pitch he used when selling distributor packages, which was based on an I2G PowerPoint presentation. While demonstrating his sales pitch, Anzalone described how he misled potential distributors about both the features and the

availability of the I2G Touch: “It had many, many different features. I would talk about the features it had. A lot of which never worked.” These statements illustrated the deception at the core of I2G’s marketing strategy. Anzalone’s guilty plea thus bore only on his credibility and his motivation to testify.

Moreover, the court gave the jury some instructions that focused on Anzalone’s credibility. Specifically, the instructions pointed out that the government had agreed to recommend that Anzalone receive a reduced sentence “in exchange for his cooperation.” The court then told the jury to “consider Richard Anzalone’s testimony with more caution than the testimony of other witnesses” and to consider whether it “may have been influenced by the government’s promise.” The court also instructed the jury that it must reach an independent conclusion about each defendant’s guilt and should “not let the possible guilt of others influence [its] decision in any way.” In the end, both the nature of Anzalone’s testimony and the court’s other instructions to the jury provide “fair assurance” that the district court’s failure to give a specific limiting instruction about Anzalone’s guilty plea did not materially affect the jury’s verdict. *Kotteakos*, 328 U.S. at 765. We therefore hold that the court’s error in failing to give this instruction was both harmless and not plain.

D.

The defendants also raise several issues related to the indictment.

1.

Barnes and Hosseinipour argue that the district court lacked jurisdiction in these cases because the mail-fraud indictment failed to allege that they had a specific intent to defraud. Indictments must contain the elements of the charged offense along with enough facts to put defendants on notice of the charges

against them so that they can mount a defense. *See Hamling v. United States*, 418 U.S. 87, 117 (1974). But an indictment that charges a conspiracy need not allege “with technical precision” the elements of the underlying crime that is the object of that conspiracy. *United States v. Superior Growers Supply*, 982 F.2d 173, 176 (6th Cir. 1992). Here, the indictment alleged that the defendants had “knowingly conspire[d]” to commit mail fraud and that they had committed various overt acts to further that conspiracy. Those overt acts—such as causing the purchase of Emperor packages on various dates listed in the indictment—gave the defendants ample notice of the charges against them. *See United States v. McAuliffe*, 490 F.3d 526, 531 (6th Cir. 2007). Hence the district court had jurisdiction.

## 2.

Maike argues in the alternative that his indictment was either constructively amended or suffered from a prejudicial variance. Both implicate his Fifth Amendment grand-jury right and protections from double jeopardy, as well as his Sixth Amendment right to be informed of the charges against him. *United States v. Sittenfeld*, 128 F.4th 752, 775 (6th Cir. 2025).

Maike’s arguments center on the jury instructions. The indictment, Maike says, referred only to a pyramid scheme, while the jury instructions permitted the conviction to rest on unindicted conduct—a general theory of fraud. In this way, he contends the instructions broadened the possible bases of liability. Maike did not raise this objection at trial, so we review it only for plain error. *United States v. Kuehne*, 547 F.3d 667, 682 (6th Cir. 2008).

A constructive amendment occurs when an indictment remains literally unchanged, but its terms are altered because “events at trial raise a substantial

likelihood that the defendant may have been convicted of an offense other than the one charged in the indictment.” *United States v. Kettles*, 970 F.3d 637, 648 (6th Cir. 2020). One way to constructively amend an indictment is if the instructions effectively charge the jury on a “separate offense that was not listed.” *Kuehne*, 547 F.3d at 685. But when the “instructions alone differ from the indictment to charge a different *means* for committing the same crime, a mere variance occurs and a defendant must demonstrate prejudice.” *Sittenfeld*, 128 F.4th at 775. Prejudice in this context means the defendant’s “substantial right[s]” were affected. *Id.* at 784 n.19.

To evaluate whether the government erred, we read the indictment “as a whole.” *Id.* at 781. This means we can look to the “introductory allegations,” the “scheme and artifice to defraud” that the indictment describes, and the substantive counts. *United States v. Bradley*, 917 F.3d 493, 503 (6th Cir. 2019). Together, these are the government’s “specification of the ways in which the defendant[] sought to accomplish” his crime. *Id.* And for the same reason they delimit the relationship between the indictment, the proper jury instructions, and an impermissible alteration.

Here, Maike’s arguments hinge on a fundamental misreading of the indictment. In total, it refers to a pyramid scheme twice in its 22 pages—both in the introductory allegations. By contrast, the “scheme and artifice to defraud” describes a general theory of fraud, including how the defendants made misleading statements, concealed material facts, and lied about the company’s potential. No constructive amendment occurred. *See Kettles*, 970 F.3d at 648.

3.

For the same reason, no prejudicial variance occurred either. Mail fraud does not, as Maike asserts,

come in an “ordinary” variety that is distinct from a “pyramid scheme” variety. The core of the offense is a “scheme and artifice to defraud.” Here, the indictment had an entire section so labeled; that section never limited its scope to pyramid schemes. True, one way for the jury to find that the defendants had devised a scheme to defraud was to find that the defendants had established a pyramid scheme, and the government presented sufficient evidence for the court to instruct the jury about what constitutes a pyramid scheme. The instructions cannot have departed from the means alleged in the indictment if the instructions reflected two legally equivalent options; juries may convict on any theory that an indictment fairly raises. *See United States v. Robinson*, 99 F.4th 344, 366 (6th Cir. 2024).

E.

We make shorter work of the defendants’ remaining common arguments.

All three defendants challenge various rulings that admitted testimony from the government’s expert witness, William Keep, and excluded testimony from their expert, Manning Warren. Keep’s testimony both “rest[ed] on a reliable foundation”—his expertise in multilevel marketing and his scrutiny of I2G—and was “relevant to the task” of evaluating I2G’s business practices. *See Daubert v. Merrell Dow Pharmaceuticals*, 509 U.S. 579, 597 (1993). Meanwhile, Warren did not establish that he had expertise regarding pyramid schemes. Hence the court did not abuse its discretion by limiting Warren’s testimony to securities regulation, where he had demonstrated expertise. *See id.* The court did not abuse its discretion on these points.

The defendants next raise six challenges to the admission of testimony from the government’s lead case investigator, Agent Dave McClelland. They first

contend that two summary charts he presented lacked foundation. *See* Fed. R. Evid. 1006. The government concedes that those charts—Exhibits 230 and 232—should not have been admitted, because some of the evidence they summarized had not been admitted. But the record shows no reasonable probability that these charts affected the jury’s verdict, so that error was harmless. *See United States v. Agrawal*, 97 F.4th 421, 429 (6th Cir. 2024).

The defendants next contend that evidence of Barnes’s foreign bank account was irrelevant. *See* Fed. R. Evid. 401. But the potential location of fraudulent proceeds could bear on the fraud’s extent or nature, so we agree with the district court that the evidence was relevant. *See United States v. Streebing*, 987 F.2d 368, 375 (6th Cir. 1993).

That leaves four hearsay objections to parts of McClelland’s testimony. *See* Fed. R. Evid. 802. First, the defendants challenge McClelland’s testimony about what motivated distributors to purchase Emperor packages. That testimony was hearsay. But the participants themselves testified at trial to the same facts, so any error from admitting McClelland’s similar testimony was harmless. *See United States v. Martinez*, 588 F.3d 301, 313 (6th Cir. 2009). Second, the defendants object to the admission of an email from one of the original I2G partners about his plans to leave the company. But that email revealed the partner’s present state of mind—that health and family reasons motivated his departure from I2G—so it falls within an exception to the rule against hearsay. *See* Fed. R. Evid. 803(3). Third, the defendants object to McClelland’s testimony that an employee of Plus-Five Gaming (which ran I2G’s online casino) “provided an answer” to his question about the company’s invoices. But that statement was not offered for its truth because McClelland stated only

that the employee “provided an answer,” not what that answer was—the statement thus not hearsay at all. *See* Fed. R. Evid. 801(c). Finally, the defendants object to McClelland’s identification of the I2G participants whose initials appeared in the indictment. But that identification involved no out-of-court statements at all, so it too was not hearsay. *See id.* We therefore reject these challenges to Agent McClelland’s testimony.

Barnes and Hosseinipour also assert that the government introduced false evidence, which (they say) violated their due-process right to a fair trial. The government may not knowingly present false evidence. *Miller v. Pate*, 386 U.S. 1, 7 (1967). To show that false evidence tainted a jury’s verdict, a defendant must demonstrate that evidence was both false and material and that the government knew of its falsity. *United States v. Fields*, 763 F.3d 443, 462 (6th Cir. 2014). Here, the defendants contend that testimony based on Exhibit 101i—a spreadsheet containing I2G participants’ earnings and losses—was false. That spreadsheet provided the basis for the government’s expert witness, William Keep, to testify that 96 percent of I2G’s distributors lost money. But the government elicited testimony from a computer programmer who compiled the spreadsheet, Jerry Reynolds, about the spreadsheet’s limitations. Specifically, Reynolds testified about the very deficiency to which the defendants point: that the spreadsheet might not have included every payment that I2G made to participants, so it might overstate how many participants lost money. Moreover, the defendants had ample opportunity to cross-examine both Keep and Reynolds about anything that the spreadsheets contained. *See United States v. Ward*, 190 F.3d 483, 491 (6th Cir. 1999). No due-process violation occurred.

Finally, Barnes argues that the government violated *Brady* and the Jencks Act when it failed to disclose a memorandum that summarized an interview with Hosseinipour that IRS agent Matt Sauber had conducted in March 2022. *See Brady v. Maryland*, 373 U.S. 83 (1963). A *Brady* violation occurs when government suppresses material evidence that is favorable to the defendant. *United States v. Graham*, 484 F.3d 413, 417 (6th Cir. 2007). In the interview at issue here, Hosseinipour told Agent Sauber that she had believed and had relied upon various statements by Maike, that she did not know what the casino's actual profits were, and that she believed the casino had long-term potential. If anything, these statements illustrate the fraud that permeated the scheme, which would have been unfavorable to Barnes. No *Brady* violation occurred. Nor did the failure to disclose the memorandum violate the Jencks Act. *See* 18 U.S.C. § 3500. The Jencks Act requires the disclosure only of witness statements that relate to the subject of the witness's testimony. *United States v. Susskind*, 4 F.3d 1400, 1404 (6th Cir. 1993) (en banc). But Sauber did not testify about any statements covered in the memorandum, so the Jencks Act does not apply.

F.

Apart from his conviction, Barnes argues that his sentence was procedurally unreasonable. A court commits procedural error if it calculates a sentencing-guidelines range incorrectly. *Gall v. United States*, 552 U.S. 38, 51 (2007). We review a guidelines calculation for an abuse of discretion and the court's underlying factual findings for clear error. *United States v. Yancy*, 725 F.3d 596, 598 (6th Cir. 2013).

Barnes first argues that the court overestimated the amount of economic loss that occurred through the conspiracy. Under § 2B1.1(b) of the sentencing

guidelines, if a crime causes economic loss of greater than \$25 million, a 22-level sentencing enhancement applies. The Sentencing Commission’s Guidelines commentary explains that loss is the “greater of actual loss or intended loss.” USSG § 2B1.1 cmt. n.3(A). Barnes contends that the ordinary meaning of “loss” does not cover “intended loss,” but our court has held otherwise. *See You*, 74 F.4th at 397-98. Here, over the life of the scheme, I2G sold some 5,300 Emperor packages (though as noted elsewhere it never had more than 5,000 Emperors at any one time). The district court, for its part, estimated the intended loss by multiplying 5,000 Emperor packages by \$5,000. That \$25 million—along with the monthly fees that Emperors were required to pay—easily puts the intended economic loss of the Emperor program above \$25 million. The district court thus made a “reasonable estimate” of the intended economic loss, which is all the guidelines require. *See United States v. Wendlandt*, 714 F.3d 388, 393 (6th Cir. 2013). Barnes also contends that the court erred by failing to offset the value of the products that Emperors received against the \$25 million loss estimate. But the evidence showed that those products were mostly worthless. The district court’s intended-loss calculation was not clearly erroneous.

Barnes next argues that the district court lacked sufficient evidence to apply a four-level sentencing enhancement for causing “substantial financial hardship” to at least five victims. *See* USSG § 2B1.1(b)(2). The guidelines define such hardship to include, among other things, “substantial loss” of one’s retirement savings, “substantial changes” to one’s living arrangements, and “substantial harm” to one’s ability to obtain credit. USSG § 2B1.1, cmt. 4(F). Here, victim-impact statements made clear that I2G caused dozens of people to lose their life savings, their ability

to pay rent, or their ability to obtain a mortgage. The district court thus did not clearly err when it concluded that I2G had caused substantial financial hardship for at least five victims.

In any event, the district court flatly rejected the sentencing guidelines' usefulness in determining Barnes's sentence. At Barnes's sentencing hearing, the court said that the guidelines range of 262 to 327 months was "grossly disproportionate" and called the guidelines "not helpful in calculating" Barnes's sentence. Instead, the court based Barnes's sentence on Maiké's ten-year sentence, and concluded that an eight-year sentence would be "proportional" for Barnes. Barnes's deteriorating health led the court to go even lower. Concerned that eight years might turn out to be a life sentence, the court sentenced Barnes to 48 months—about one-sixth the length of the original guidelines range. Any minor errors in the calculation of that range thus would have been harmless anyway.

#### G.

Hosseini pour separately argues that her attorney was constitutionally ineffective. After the jury announced its verdict, Hosseini pour—through a new attorney—moved for a new trial based on an alleged violation of her Sixth Amendment right to counsel. *See Fed. R. Crim. P. 33*. We review the denial of a motion for a new trial for an abuse of discretion. *See United States v. Anderson*, 76 F.3d 685, 692 (6th Cir. 1996). A district court abuses its discretion "when it relies on clearly erroneous findings of fact, uses an erroneous legal standard, or improperly applies the law." *United States v. White*, 492 F.3d 380, 408 (6th Cir. 2007).

Rule 33 permits a court to grant a defendant's motion for a new trial when the "interest of justice so requires." *See Fed. R. Crim. P. 33(a)*. A Sixth

Amendment violation “clearly meets this standard.” *United States v. Munoz*, 605 F.3d 359, 373 (6th Cir. 2010). To establish that counsel was constitutionally ineffective under the Sixth Amendment, a defendant must show two things. First, she must show that her attorney’s performance “fell below an objective standard of reasonableness.” *Strickland v. Washington*, 466 U.S. 668, 688 (1984). Second, she must prove “that there is a reasonable probability that, but for counsel’s unprofessional errors, the result of the proceeding would have been different.” *Id.* at 694.

Here, Hosseinipour offered sworn affidavits that alleged various deficiencies in the performance of her attorney, Wayne Manning (who is also her brother-in-law). Those affidavits recited that, at trial, Manning had failed to make various objections, or to impeach certain witnesses. But we agree with the district court that the record shows no prejudice to Hosseinipour at trial. Among other things, counsel for Hosseinipour’s co-defendants—whose interests largely aligned with her own—ably represented their clients’ interests through objections and motions throughout the trial, which served Hosseinipour’s interests too.

That leaves Hosseinipour’s claim that Manning’s pre-trial representation was ineffective. She emphasizes three points. First, she alleges that Manning never told her about the elements of the charges against her or about her range of possible sentences. Second, she alleges that Manning breached the attorney-client privilege by disclosing her defense strategy to the government and to her co-defendants. Third, she alleges that Manning told her she would be committing perjury if she accepted the government’s offer of a plea deal—which allegedly would have come with a recommendation of no jail time. She further

alleges that she would have accepted the deal had Manning not given her bad advice.

The district court chose not to hold an evidentiary hearing about these allegations, and instead denied Hosseinipour's motion based on its own "recollection of the trial and the record." Yet that recollection was mistaken in at least one respect. Specifically, the court's order described a pre-trial colloquy in which, the order said, Hosseinipour had acknowledged that she discussed the plea offer with her attorney. The court also recalled, mistakenly, that Hosseinipour had said she understood the penalties she was facing and that she "had knowingly chosen to proceed to trial notwithstanding the potential risks." But that colloquy never happened. The court's denial of Hosseinipour's motion thus rested on a factual finding that was clearly erroneous, and she had no opportunity to correct that finding through an evidentiary hearing. Hence we must vacate the district court's order.

On remand, the district court can exercise its discretion as to whether to hold an evidentiary hearing about Manning's pre-trial performance. *See United States v. Bass*, 460 F.3d 830, 838 (6th Cir. 2006). The parties can also address whether a motion for a new trial under Criminal Rule 33 is a proper means to seek relief for allegedly ineffective pre-trial assistance. *See generally Lafler v. Cooper*, 566 U.S. 156, 171-72 (2012). In this appeal, we hold only that the district court's denial of the motion rested on a clearly erroneous factual finding, which was an abuse of discretion.

H.

Maike challenges his convictions—as well as an order that he pay restitution—on several other grounds. Initially, we consolidated his appeal only with respect to issues common to Barnes and Hosseinipour. But with the benefit of supplemental

briefing from Maike and from the government, we now address Maike's remaining arguments here.

1.

Maike argues that the court abused its discretion by admitting an IRS agent's testimony, which Maike says fell outside the scope of the government's pretrial disclosure. We review the admission of evidence for an abuse of discretion. *United States v. Jenkins*, 593 F.3d 480, 484 (6th Cir. 2010). Under the version of Criminal Rule 16 in effect at the time relevant here, the government was required, upon the defendant's request, to provide a summary of any expert testimony that it intended to offer at trial. Fed. R. Crim. P. 16(a)(1)(G) (2013). If the government failed to do so, a district court had discretion to grant a continuance or to prohibit admission of the undisclosed evidence. Fed. R. Crim. P. 16(d)(2) (2013).

The disclosure here concerned the government's allegation that Maike had evaded taxes by underreporting his income. Specifically, the government alleged that Maike had laundered some of his I2G income into loans from an I2G affiliate, which he then used to purchase two farms in Kansas. Accordingly, the government disclosed that Paula Basham—an experienced IRS agent and auditor—would “explain the unsurprising conclusion that if Maike had included the Kansas land purchases on his taxes, he would have had tax due.”

At trial, Maike objected to a line of questions that, in his view, fell outside this disclosure. The government had asked Basham about potential “red flags” that the IRS would use to determine that an instrument “may look like a loan, but [is] not actually a loan.” Basham testified that those indicators could include a lengthy repayment term, a below-market interest rate, no security, and other indicators that the transaction was not conducted at arm's length.

She also testified that Maike's loans for the Kansas farms had these red flags. Maike now argues that this testimony was expert testimony that—in violation of Rule 16—the government failed to disclose.

But any such nondisclosure was harmless. The district court's colloquy with Maike's attorney—after he objected to this testimony—showed that he was prepared to address all these issues on cross-examination. And during cross Maike's counsel capably did so. Nor, on appeal, does Maike present any serious argument that he was prejudiced by the nondisclosure. Any error in admitting Basham's testimony was therefore harmless. *See United States v. Tarwater*, 308 F.3d 494, 516 (6th Cir. 2002).

2.

Maike argues that the government violated *Brady*. Maike's accountant, Mike Pierce, testified during the government's case-in-chief at trial. After Pierce's direct examination, the government provided Maike's counsel with an FBI 302 record of agents' notes from their interview with Pierce. Those notes included a statement by Pierce that Maike "never refused to give me anything, and whenever I asked for a backup document, he gave it to me." Although the government probably should have provided that statement to Maike's counsel sooner, Maike has not shown how that delay was material in the *Brady* sense. *See Jalowiec v. Bradshaw*, 657 F.3d 293, 306-08 (6th Cir. 2011). The statement itself was simple, and Maike's counsel had ample time to prepare his cross-examination of Pierce on that point. No *Brady* violation occurred. *See United States v. Presser*, 844 F.2d 1275, 1283-84 (6th Cir. 1988).

3.

Maike also argues that the district court's jury instruction on the "advice-of-accountant" defense

misstated the relevant law. Suffice it to say we disagree.

4.

Maike challenges the district court's order that he pay \$5.2 million in restitution. Under the Mandatory Victims Restitution Act, a district court must order restitution for "any offense committed by fraud or deceit" in which an identifiable victim suffered a loss. 18 U.S.C. § 3663A(c)(1)(A)(ii). We review a district court's restitution calculation for an abuse of discretion. *United States v. Sawyer*, 825 F.3d 287, 292 (6th Cir. 2016).

Here, the district court's restitution order had two components: one required Maike to pay restitution to victims of I2G; the other required him to pay the government amounts that he had evaded paying in taxes. Maike contends that the restitution order failed to account for refunds that I2G had previously paid to some distributors. But none of those distributors are among the 434 victims to whom the district court ordered that Maike pay restitution. And we are satisfied that the district court's calculation of that component of its order represents a reasonably precise estimate, which is all that the statute requires. *See Kilpatrick*, 798 F.3d at 388.

Maike likewise challenges the amount he owes to the government for tax evasion. The court ordered Maike to pay the government \$936,540—which was 39.6 percent of the \$2.3 million loan that he failed to report as income. Suffice it to say Maike had not shown any error in that determination.

\* \* \*

As we recited in our published opinion, the defendants' criminal judgments are affirmed; except that we vacate the district court's December 29, 2022, order denying Hosseinipour's motion for a new trial. We remand her case to the district court for the limited purpose of deciding that motion anew, consistent with our decision here.

(69a)

APPENDIX B

No. 23-5020/23-5560  
UNITED STATES COURT OF APPEALS  
FOR THE SIXTH CIRCUIT

UNITED STATES OF AMERICA  
Plaintiff-Appellee,

v.

ORDER

FARADAY HOSSEINIPOUR,  
Defendant-Appellant.

Dated: August 27, 2025

BEFORE: McKEAGUE, KETHLEDGE, and  
NALBANDIAN, Circuit Judges.

The court received a petition for rehearing en banc. The original panel has reviewed the petition for rehearing and concludes that the issues raised in the petition were fully considered upon the original submission and decision of the cases. The petition then was circulated to the full court.\* No judge has requested a vote on the suggestion for rehearing en banc.

Therefore, the petition is denied.

ENTERED BY ORDER OF THIS COURT.

/s Kelly L. Stephens  
Kelly L. Stephens

\* Judge Bush is recused in these cases.

APPENDIX C

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
OWENSBORO DIVISION  
CRIMINAL ACTION NO. 4:17-CR-00012-GNS-CHL

UNITED STATES OF AMERICA                      PLAINTIFF  
v.  
RICHARD G. MAIKE, et al.                      DEFENDANTS

Dated: December 7, 2022

**ORDER**

This matter is before the Court on various post-trial motions (DN 561, 568, 569, 570, 571) filed by Defendants Richard G. Maike (“Maike”), Doyce G. Barnes (“Barnes”), and Faraday Hosseinipour (“Hosseinipour”). The motions are ripe for adjudication.

**A. Maike’s Motion for Reconsideration  
(DN 561)**

Maike moves for reconsideration of the Court’s decision to detain him pending sentencing. (Def.’s Mot. Recons. 1, DN 561). Following his conviction, the Court ordered Maike detained after considering the factors outlined in 18 U.S.C. § 3143(a). (Order 4, DN 552).

In relevant part, Section 3143 provides:

(1) Except as provided in paragraph (2), the judicial officer shall order that a person who has been found guilty of an offense and who is awaiting imposition or execution of sentence, other than a person for whom the applicable guideline

(71a)

promulgated pursuant to 28 U.S.C. 994 does not recommend a term of imprisonment, be detained, unless the judicial officer finds by clear and convincing evidence that the person is not likely to flee or pose a danger to the safety of any other person or the community if released under section 3142(b) or (c). If the judicial officer makes such a finding, such judicial officer shall order the release of the person in accordance with section 3142(b) or (c).

(2) The judicial officer shall order that a person who has been found guilty of an offense in a case described in subparagraph (A), (B), or (C) of subsection (f)(1) of section 3142 and is awaiting imposition or execution of sentence be detained unless—

(A)

(i) the judicial officer finds there is a substantial likelihood that a motion for acquittal or new trial will be granted; or

(ii) an attorney for the Government has recommended that no sentence of imprisonment be imposed on the person; and

(B) the judicial officer finds by clear and convincing evidence that the person is not likely to flee or pose a danger

to any other person or the community.

18 U.S.C. § 3143(a). In ordering detention, the Court found that there was not a substantial likelihood that Maike's post-judgment motions would be granted, and the United States has not recommended that no term of imprisonment be imposed. Accordingly, the burden was and is on Maike to prove by clear and convincing evidence that he is not a flight risk and does not pose a danger to another person or the community.

**1. *Flight Risk***

As Maike argued before the Court ordered his detention, he has complied with all conditions of pretrial release, during the pendency of the charges he was permitted to travel within the United States and internationally, and he returned after each of those trips. (Def.'s Mot. Recons. 1). According to Maike, these circumstances establish that he is not a flight risk. (Def.'s Mot. Recons. 1). The United States disagrees and maintains that detention was proper. (Pl's Resp. Def.'s Mot. Recon. 2, DN 567).

As the Court noted following trial, Maike does pose a flight risk. He set up foreign banks accounts and maintained substantial amounts of cash. Given a potentially lengthy prison system, Maike has an incentive to flee and has the means to do so. *See United States v. Hills*, No. 1:16CR329, 2018 WL 3956865, at \*2 (N.D. Ohio Aug. 17, 2018) "It is not surprising that courts have recognized that defendants who have significant financial means simultaneously have the ability to flee and thereby pose an increased risk of flight." (citations omitted)).

**2. *Danger to Another Person or the Community***

Maike also asserts that he should be released because he does not pose a danger to any person or the community. (Def.'s Mot. Recons 1). As a sister

court has noted, “danger can ‘encompass pecuniary or economic harm.” *United States v. Olive*, No. 3:12-00048, 2013 WL 1666621, at \*2 (M.D. Tenn. Apr. 17, 2013) (quoting *United States v. Madoff*, 316 F. App’x 58, 6061 (2d Cir. 2009)). As the Court previously ruled, Maike’s pre-sentence release would pose a danger. He has been convicted of crimes involving elements of deceitfulness, and there is a danger that he would again engage in such conduct.

For these reasons, Maike has failed to establish by clear and convincing evidence he is neither likely to flee, nor pose a danger to another person or the community. This motion will be denied.<sup>1</sup>

**B. Defendants’ Motions for Acquittal and for New Trial (DN 568, 569)/Defendants’ Motions to Adopt and Join (DN 570, 571)**

Maike, and Barnes have moved for acquittal and for a new trial pursuant to Fed. R. Crim. P. 29 and 33. (Def.’s Mot. J. Acquittal & New Trial 1, DN 568 [hereinafter Barnes’ Mot. J. Acquittal]; Def.’s Mot. J. Acquittal & New Trial 1, DN 569 [hereinafter Maike’s Mot. J. Acquittal]). In addition, Hosseinipour has moved to adopt and join Maike and Barnes’

<sup>1</sup> In his motion, Maike raises other grounds unrelated to Section 3143(a) in seeking release. (Def.’s Mot. Recons. 2-3). He has ongoing medical issues, has expressed concerns about his living conditions in the Daviess County Detention Center, and has family obligations. (Def.’s Mot. Recons. 2-3). However, “personal and familial hardship and disruption to . . . professional affairs are the natural, if unfortunate, consequences of finding oneself at the mercy of the criminal justice system.” *United States v. Christman*, 712 F. Supp. 2d 651, 656 (E.D. Ky. 2010).

motions. (Def.'s Mot. Adopt & Join 1, DN 570; Def.'s Mot. Adopt & Join 1, DN 571).<sup>2</sup>

Fed. R. Crim. P. 29 provides that “[a] defendant may move for a judgment of acquittal, or renew such a motion, within 14 days after a guilty verdict or after the court discharges the jury, whichever is later.” Fed. R. Crim. P. 29(c)(1). When moving for acquittal and a new trial, the defendant challenging the sufficiency of the evidence “bears a very heavy burden.” *United States v. Tocco*, 200 F.3d 401, 424 (6th Cir. 2000). “[T]he relevant question is whether, after viewing the evidence in the light most favorable to the prosecution, *any* rational trier of fact could have found the essential elements of the crime beyond a reasonable doubt.” *Jackson v. Virginia*, 443 U.S. 307, 319 (1979); *United States v. Garrido*, 467 F.3d 971, 984 (6th Cir. 2006). A motion for acquittal “will be confined to cases where the prosecution’s failure is clear.” *United States v. Connery*, 867 F.2d 929, 930 (6th Cir. 1989) (internal quotation marks omitted) (citing *Burks v. United States*, 437 U.S. 1, 17 (1978)).

Fed. R. Crim. P. 33 provides that “[u]pon the defendant’s motion, the court may vacate any judgment and grant a new trial if the interest of justice so requires.” Fed. R. Crim. P. 33(a). “Motions for a new trial are not favored and are granted only with great caution.” *United States v. Garner*, 529 F.2d 962, 969 (6th Cir. 1976). “The defendant bears the burden of proving that a new trial should be granted.” *United States v. Davis*, 15 F.3d 526, 531 (6th Cir. 1994). As the Sixth Circuit has explained:

Such a motion calls on the trial judge to take on the role of a thirteenth juror, weighing evidence and making

<sup>2</sup> The motions to adopt and join are unopposed, and will be granted.

credibility determinations firsthand to ensure there is not a miscarriage of justice. . . . [W]hile Rule 29 requires the court to view the evidence in a light most favorable to the prosecution, Rule 33 does not.

*United States v. Mallory*, 902 F.3d 584, 596 (6th Cir. 2018) (internal citations omitted).

**1. *Professor William Keep***

Defendants assert that the Court improperly admitted some testimony from Professor William Keep (“Keep”) during trial, which were issues raised both pretrial and during the trial. (Maiké’s Mot. J. Acquittal 3-6; Barnes’ Mot. J. Acquittal 8; Def.’s Reply Mot. J. Acquittal 1-2, DN 593 [hereinafter Maiké’s Reply]; Def.’s Reply Mot. J. Acquittal 4-5, DN 592 [hereinafter Barnes’ Reply]). These issues have been thoroughly argued previously, and Defendants have failed to present any argument warranting a different conclusion than the Court’s prior rulings. The motion will be denied on this basis.

Defendants also reiterate their prior arguments as to why they should have been permitted to introduce testimony through Professor Manning Warren (“Warren”) that Defendants did not engage in an illegal pyramid scheme. (Maiké’s Mot. J. Acquittal 6; Barnes’ Mot. J. Acquittal 89; Maiké’s Reply 1-2; Barnes’ Reply 5). Consistent with the Court’s prior rulings regarding Warren’s testimony, the motions will be denied.

**2. *Former Special Agent McClelland***

Maiké argues that he is entitled to a judgment of acquittal or a new trial because former FBI Special Agent David McClelland (“McClelland”) was permitted to testify improperly about information

gathered during his investigation in violation of the Federal Rules of Evidence and the Sixth Amendment's Confrontation Clause. (Maike's Mot. J. Acquittal 6-9; Maike's Reply 24). The United States, however, notes that McClelland testified after numerous fact witnesses testified, and it is permissible for an investigator to provide background relating to the investigation. (Pl.'s Resp. Defs.' Post-Trial Mots. 4-5, DN 583). In addition, McClelland testified about summaries he prepared as part of the investigation and prosecution of this case. (Pl.'s Resp. Defs.' Post-Trial Mots. 6).

Clearly, the parties view and recall McClelland's testimony differently. After considering the parties' arguments, Maike's assertions about the challenged testimony do not warrant a different conclusion than the Court's prior rulings. The motion will be denied.

### ***3. IRS Revenue Agent Paula Basham***

In addition, Maike asserts that the Court should grant his motion because IRS Revenue Agent Paula Basham ("Basham") was improperly permitted to opine about sham loans, which he objected to at trial. (Maike's Mot. J. Acquittal 12-13; Maike's Reply 5-6). The United States contends that the testimony was properly admitted. (Pl.'s Resp. Defs.' Post-Trial Mots. 6-9).

The Court addressed the issues raised by Maike during the course of the trial, and he has failed to show why a different ruling is warranted at this time. This motion will be denied as to Basham.

### ***5. Jury Instructions***

Defendants also raise several issues relating to the jury instructions. (Maike's Mot. J. Acquittal 6-12, 13-14, 15-16; Barnes' Mot. J. Acquittal 3-7, 9-13). At trial, the Court and counsel spent an extensive

amount of time discussing and crafting the instructions ultimately given to the jury.

**a. Scienter/Pyramid  
Scheme – *Gold  
Unlimited***

Defendants make several arguments relating to the knowledge requirement and whether the Emperor program was an illegal pyramid scheme. (Maike’s Mot. J. Acquittal 9-10; Barnes’ Mot. J. Acquittal 4-7; Maike’s Reply 6; Barnes’ Reply 1-3).

Maike contends the Court erred in instructing as to Maike’s knowledge in participating in a scheme to defraud and improperly expands the definition of a pyramid scheme considered in *United States v. Gold Unlimited*, 177 F.3d 472 (6th Cir. 1999). (Maike’s Mot. J. Acquittal 9-10; Maike’s Reply 6). This issue was discussed extensively during trial—including more recent decisions like *Fed. Trade Comm’n v. BurnLounge, Inc.*, 753 F.3d 878 (9th Cir. 2014). In drafting the jury instructions, the Court added language from *BurnLounge* to specify that a pyramid scheme involves the promotion of the program itself rather than the sales of products. *See also Kerrigan v. ViSalus, Inc.*, 112 F. Supp. 3d 580, 593 (E.D. Mich. 2015) (noting that “the key inquiry [of the second element of the *Koscot* test] is whether the alleged scheme pays rewards ‘primarily for recruitment rather than for sales of merchandise.’” (quoting *BurnLounge, Inc.*, 753 at 884)).

While Maike disagrees with the instruction, the inclusion of the challenged language was consistent with the Sixth Circuit’s statement in *Gold Unlimited* that it may be prudent to clarify the difference between legitimate business ventures and illegal schemes. *See Gold Unlimited, Inc.*, 177 F.3d at 483. Thus, Maike’s motion will be denied on this basis.

Similarly, Barnes argues that the evidence presented at trial established that the Emperor program was a legal multi-level marketing scheme. (Barnes' Mot. J. Acquittal 5-7; Barnes' Reply 3). There was overwhelming evidence, however, to support the jury's finding that it was an illegal pyramid scheme.

In addition, Barnes contends that there was insufficient evidence to prove that he knew any false representations were made to the purchasers of the Emperor packages. (Barnes' Mot. J. Acquittal 4-5; Barnes' Reply 3). "The existence of a conspiracy to violate federal law may be established by a tacit or mutual understanding among the parties." *United States v. Keene*, 959 F.2d 237, 1992 WL 68285 (6th Cir. 1992) (quoting *United States v. Blakeney*, 942 F.2d 1001, 1010 (6th Cir. 1991)). In the absence of direct proof, the government may rely on circumstantial evidence upon which the jury could infer an agreement. *See United States v. Hanson*, 41 F.3d 580, 582 (10th Cir. 1994) (citation omitted). At trial, there was evidence presented upon which the jury could find that Barnes knowingly joined the conspiracy involving i2G.

Accordingly, Barnes has not shown that he is entitled to relief under Rule 29 or 33. His motion will be denied as to these issues.

**b. Anti-Saturation Instruction**

Defendants also assert that the Court erred in failing to give the requested anti-saturation instruction. (Maiké's Mot. J. Acquittal 11-12; Barnes' Mot. J. Acquittal 7; Barnes' Reply 3-4). Their arguments appear to be largely reiteration of prior contentions regarding this instruction. As the Court noted during one of the discussions with counsel regarding the proposed instructions, there was an absence of proof to support giving an anti-saturation instruction, which is consistent with the holding in

*United States v. Gold Unlimited, Inc.*, 177 F.3d 472 (6th Cir. 1999). As Barnes acknowledges, an anti-saturation instruction is only warranted if the proof supports it. (Barnes' Mot. J. Acquittal 7). Further, the defendants had the burden of establishing that an effective anti-saturation program was implemented. *See Gold*, 177 F.3d at 482. No such evidence was presented.

As recognized by the Sixth Circuit in *Gold*, “[t]he key to any anti-pyramiding rule . . . is that the rule must serve to tie recruitment bonuses to actual retail sales in some way.” *Id.* (quoting *Webster v. Omnitrition Int'l, Inc.*, 79 F.3d 776, 783 (9th Cir. 1996)). At trial, the only anti-saturation policy urged by defendants was the numerical cap of 5000 placed on the sale of “Emperor positions”, which were promised to receive a portion of profits from an on-line casino in Asia.<sup>3</sup> The program bonuses however, were based solely upon recruitment of new members. No significant profits were ever realized by the casino and the only revenue to the venture was derived almost exclusively from the sale of the Emperor and other positions.<sup>4</sup> Far from preventing the program from failure, the numerical cap ensured that the last members recruited would certainly lose their money because they would be unable to qualify for bonuses for the recruitment of new members. Therefore, no instruction for anti-saturation was warranted. *See Gold*, 177 F.3d at 482 (Defendant “did not prove at trial that it appropriately tied recruitment bonuses to

<sup>3</sup> To avoid online gambling restrictions in the United States, participation in the casino could only occur outside the U.S.

<sup>4</sup> Evidence at trial reflected that Emperors received payments in the range of \$15 per month, or \$60,000 monthly assuming 4000 Emperors, but the casino generated losses except for two months when a negligible profit was received.

actual retail sales” or that it “de-linked recruitment and commissions.”); *cf. In re Amway Corp.*, 93 F.T.C. 618, 716 (1979) (“It is only when the newly recruited distributor begins to make wholesale purchases from his sponsor and sales to consumers, that the sponsor begins to earn money from his recruit’s efforts.”).

Accordingly, in the absence of sufficient proof, Defendants were not entitled to an anti-saturation instruction and are not entitled to relief from the jury verdict under Fed. R. Crim. P. 29 or 33. The motions will be denied on this basis.

**c. Investment Contract**

In addition, Defendants challenge the definition of “investment contract” included in the jury instructions. (Maike’s Mot. J. Acquittal 12; Barnes’ Mot. J. Acquittal 9-15; Maike’s Reply 6-7; Barnes’ Reply 6-8). Citing no law, Maike contends that word “investors” should have been used instead of “investor.” During trial, Barnes vigorously argued his view of how “investment contract” should be defined. This definition was discussed extensively, and Defendants have not presented an argument warranting relief under Rule 29 or 33 on this issue. Their motions will be denied on this basis.

**d. Qualification as a Security**

Defendants argue that the evidence was insufficient to support a finding that the Emperor positions constituted a security. (Maike’s Mot. J. Acquittal 12; Barnes’ Mot. J. Acquittal 15; Maike’s Reply 7-8; Barnes’ Reply 8). There was ample evidence presented at trial upon which the jury could find that the Emperor positions purchased were a security. The motions will therefore be denied on this issue.

**e. Sham vs. Loans Instructions**

Maike also avers that the Court erred in instructing the jury as to “legitimate arms-length loan” and a “sham loan.” (Maike’s Mot. J. Acquittal 13; Maike’s Reply 9). This issue was discussed during trial, and Maike cites no legal authority in support of his argument—other than the absence of this language in the Sixth Circuit Pattern Instructions.

In general, “a trial court has broad discretion in crafting jury instructions . . . .” *United States v. Rios*, 830 F.3d 403, 431 (6th Cir. 2016). The Sixth Circuit “do[es] not require a trial court to use any particular form or words.” *United States v. Godofsky*, 943 F.3d 1011, 1019 (6th Cir. 2019) (citing *Jones v. United States*, 527 U.S. 373, 391 (1999)). Absent any authority to show that the challenged instruction was in error, Maike’s motion will be denied as to this issue.

**f. Good Faith/Advice of Accountant**

Maike objects to the advice of accountant instruction (Instruction No.15). (Maike’s Mot. J. Acquittal 14). While Maike requested an instruction, he argues that the Court’s instruction is incorrect and included language not contained in his proposed instruction. (Maike’s Mot. J. Acquittal 14; Maike’s Reply 9-10). As the United States notes, however, the instruction correctly states the law. (Pl.’s Resp. Defs.’ Post-Trial Mots. 16).

“A trial judge is ‘not required to adopt the language suggested by a defendant in the Court’s instructions to the jury.’” *United States v. Theunick*, 651 F.3d 578, 589 (6th Cir. 2011) (quoting *United States v. Garner*, 529 F.2d 962, 970 (6th Cir. 1976)). As the United States notes, the instruction given largely mirrors the instruction requested by Maike. (Pl.’s Resp. Defs.’ Post-Trial Mots. 15-17). While Maike cites *United States v. Duncan*, 850 F.2d 1104 (6<sup>th</sup> Cir. 1988), in support of his position, that case

does not address whether the inclusion of the challenged language was improper. Rather, *Duncan* addressed, *inter alia*, when a good faith reliance on a tax preparer or tax counsel instruction should be provided, which was done in this case. *See id.* at 1115-19.

For these reasons, this issue does not warrant a new trial or acquittal. Maike's motion will be denied on this basis.

**g. Overt Acts**

Defendants contend that the Court erred in the instruction addressing overt acts (Instruction No. 7) charged in Count 13 of the Second Superseding Indictment. (Maike's Mot. J. Acquittal 15-16; Barnes' Mot. J. Acquittal 15-16; Barnes' Reply 8-9). In particular, Count 13 outlined 20 overt acts or transactions—with the latest occurring in November 2014. (Second Superseding Indictment ¶ 40, DN 230).

This issue was raised before and during trial, and the Court rejected Maike's contention that there was no transaction that occurred within the statute of limitations. As the United States notes, there was evidence to show that an unindicted co-conspirator sold Emperor shares even after the summer of 2014, and Maike directed the co-conspirator to deposit those funds into an account in the name of Tech Entertainment d/b/a Global 1 Entertainment. (Pl.'s Resp. Defs.' Post-Trial Mots. 20). Thus, there was evidence that the jury could rely upon in finding that an overt act occurred within the statutory limitations period. The motion will be denied as to this issue.

**6. Other Acts – Fed. R. Evid. 404(b)**

Defendants also challenge the introduction of evidence that they contend should have been excluded under Fed. R. Evid. 404(b). (Maike's Mot. J. Acquittal 14-15; Barnes' Mot. J. Acquittal 8-9;

Maike's Reply 8-9; Barnes' Reply 5-6). Like Barnes, Maike asserts that the Court erroneously permitted the introduction of evidence relating to "disputes over where certain participants were located in the downline tree . . . ." (Maike's Mot. J. Acquittal 14-15; Barnes' Mot. J. Acquittal 8-9). Maike also contends that the Court should have excluded any evidence relating to and Defendants' prior involvement in a company called BidXcel. (Maike's Mot. J. Acquittal 14-15). As the United States notes, the Court previously ruled that Defendants' prior experience in BidXcel was admissible at trial as *res gestae* evidence. (Pl.'s Resp. Defs.' Post-Trial Mots. 12). In addition, the disputes regarding the placement of participants within the pyramid was potential evidence for the jury to consider as to fraud. Because the Court previously addressed the admission of this evidence and Defendants have failed to show why a different result is warranted, the motions will be denied.

#### **7. *Jury Question***

Defendants assert that the Court erred in answering a jury question received during deliberations relating to the statute of limitations. (Maike's Mot. J. Acquittal 15; Barnes' Mot. J. Acquittal 16; Barnes' Reply 9-10). As the United States recites, the Court instructed the jury that it could consider the evidence from the entire case as part of its deliberations and not just the purchase within the limitations period. (Pl.'s Resp. Defs.' Post-Trial Mots. 21). Defendants' assertion that the answer was inappropriate is not well-taken and does not provide a basis for relief under Rule 29 or 33.

#### **8. *Hosseinipour MOI/Brady Violation***

Finally, Barnes asserts that the United States failed to produce timely a memorandum of information ("MOI") prepared by Special Agent

Matt Sauber (“Sauber”) relating to Hosseinipour, which violated Barnes’ rights under *Brady v. Maryland*, 373 U.S. 83 (1963). (Barnes’ Mot. J. Acquittal 16-17). Under *Brady*, “the suppression by the prosecution of evidence favorable to an accused upon request violates due process where the evidence is material either to guilt or to punishment, irrespective of the good faith or bad faith of the prosecution.” *Brady*, 373 U.S. at 87. The subject MOI was prepared by Sauber based on a meeting he attended with Hosseinipour, her trial counsel, and an Assistant United States Attorney. (Pl.’s Resp. Defs.’ Post-Trial Mots. Attach. 1-3, DN 583-1). The MOI was not produced until after the close of Barnes’ case.

“There are three components of a true *Brady* violation: The evidence at issue must be favorable to the accused, either because it is exculpatory, or because it is impeaching; that evidence must have been suppressed by the State, either willfully or inadvertently; and prejudice must have ensued.” *Strickler v. Greene*, 527 U.S. 263, 281-82 (1999). In its response, the United States asserts that the MOI does not contain any *Brady* material and the MOI had been disclosed to Hosseinipour’s counsel. (Pl.’s Resp. Defs.’ Post-Trial Mots. 21-22).

Barnes has not shown that the MOI was favorable to him. The MOI, *inter alia*, recounts plea agreement discussions, and memorializes some statements by Hosseinipour, who apparently did not speak much during the meeting. The MOI reflects that Hosseinipour alleged knowing nothing of any illegal scheme and was critical of Maiké in the event the Indictment were proved true. Hosseinipour also made several statements in which she expressed the belief that i2G Touch, the online casino, and Songstagram had the potential to be successful. Barnes’ name is not mentioned in the MOI.

In addition, the MOI was not material. The MOI would be considered material only “when there is a reasonable probability that, had the evidence been disclosed, the result of the proceeding would have been different.” *Smith v. Cain*, 565 U.S. 73, 75 (2012) (internal quotation marks omitted) (quoting *Cone v. Bell*, 556 U.S. 449, 469-70 (2009)). The Supreme Court has clarified that “[a] reasonable probability does not mean that the defendant ‘would more likely than not have received a different verdict with the evidence,’ only that the likelihood of a different result is great enough to ‘undermine[] confidence in the outcome of the trial.’” *Id.* at 75-76 (second alteration in original) (quoting *Kyles v. Whitley*, 514 U.S. 419, 434 (1995)). As described above, the contents of the MOI are not material. Based the Court’s review of the MOI, failure to disclose the contents does not undermine confidence in the verdict ultimately reached by the jury.

For these reasons, Barnes’ motion will be denied as to the MOI.

### CONCLUSION

For the foregoing reasons, **IT IS HEREBY ORDERED** as follows:

1. Defendant’s Motion for Reconsideration (DN 561) is **DENIED**.
2. Defendants’ Motions for Acquittal and for New Trial (DN 568, 569) are **DENIED**.
3. Defendants’ Motions to Adopt and Join (DN 570, 571) are **GRANTED**.

/s Greg N. Stivers  
Greg N. Stivers  
Chief Judge  
United States District  
Court  
December 7, 2022

APPENDIX D

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
OWENSBORO DIVISION  
CRIMINAL ACTION NO. 4:17-CR-00012-GNS-CHL

UNITED STATES OF AMERICA                      PLAINTIFF  
v.  
FARADAY HOSSEINIPOUR                      DEFENDANT

Dated: December 29, 2022

**ORDER**

This matter is before the Court on various post-trial motions (DN 578, 579) filed by Defendant Faraday Hosseinipour (“Hosseinipour”). The motions are ripe for adjudication.

**A. Defendant’s Motion for New Trial (DN 578)**

Hosseinipour moves for a new trial pursuant to Fed. R. Crim. P. 33. (Def.’s Mot. New Trial 12-26, DN 578). She asserts that her trial counsel’s performance was so deficient that her conviction should be vacated and she should be granted a new trial. (Def.’s Mot. New Trial 1226).

Fed. R. Crim. P. 33 provides that “[u]pon the defendant’s motion, the court may vacate any judgment and grant a new trial if the interest of justice so requires.” Fed. R. Crim. P. 33(a). “Motions for a new trial are not favored and are granted only with great caution.” *United States v. Garner*, 529 F.2d 962, 969 (6th Cir. 1976). “The defendant bears the burden of proving that a new trial should be granted.” *United States v. Davis*, 15 F.3d 526, 531 (6th Cir. 1994). As the Sixth Circuit has explained:

Such a motion calls on the trial judge to take on the role of a thirteenth juror, weighing evidence and making credibility determinations firsthand to ensure there is not a miscarriage of justice. . . . [W]hile Rule 29 requires the court to view the evidence in a light most favorable to the prosecution, Rule 33 does not.

*United States v. Mallory*, 902 F.3d 584, 596 (6th Cir. 2018) (internal citations omitted).

In her motion, Hosseinipour raises numerous issues relating to her trial counsel's performance prior to and during trial. (Def.'s Mot. New Trial 12-26). In particular, she contends that her counsel's performance constituted ineffective assistance of counsel ("IAC") in violation of her Sixth Amendment rights under *Strickland v. Washington*, 466 U.S. 668 (1984).<sup>1</sup> (Def.'s Mot. New Trial 12-26).

<sup>1</sup> Hosseinipour contends that the Court should hold an evidentiary hearing on her IAC claims. (Def.'s Mot. New Trial 25-26). The United States opposes the request. (Pl.'s Resp. Def.'s Mot. New Trial 24, DN 583). "Whether to hold an evidentiary hearing before deciding a motion for a new trial is within the discretion of the trial court." *Bass*, 460 F.3d at 838 (citing *United States v. Anderson*, 76 F.3d 685, 692 (6th Cir. 1996)). "An evidentiary hearing is required unless 'the record conclusively shows that the [movant] is entitled to no relief.' Thus, no hearing is required if the [movant's] allegations 'cannot be accepted as true because they are contradicted by the record, inherently incredible, or conclusions rather than statements of fact.'" *Arredondo v. United States*, 178 F.3d 778, 782 (6th Cir. 1999) (internal citation omitted) (citation omitted). The Court may rely upon its recollection of trial and counsel's performance in ruling on the motion. *See id.* (citing *Blanton v. United States*, 94 F.3d 227, 235 (6th Cir. 1996)). Based on the Court's recollection of the trial and the record, Hosseinipour is not entitled to an evidentiary hearing because she has not shown that she is entitled to a new trial on this basis. To the extent that she wishes

As the Supreme Court has explained:

The “Sixth Amendment guarantees a defendant the right to have counsel present at all ‘critical’ stages of the criminal proceedings.” *Montejo v. Louisiana*, 556 U.S. 778, 786 (2009) (quoting *United States v. Wade*, 388 U.S. 218, 227-228 (1967)). Critical stages include arraignments, postindictment interrogations, postindictment lineups, and the entry of a guilty plea.

*Frye*, 566 U.S. at 140. “To prevail on a motion for new trial based upon ineffective assistance, the defendant must show that counsel’s performance was deficient and that the deficiency prejudiced the defense in a manner that deprived the defendant of a fair trial.” *United States v. Bass*, 460 F.3d 830, 838 (6th Cir. 2006) (citing *Strickland*, 466 U.S. at 687).

#### **i. Performance**

Under *Strickland*, the performance prong requires a defendant to “show that counsel’s representation fell below an objective standard of reasonableness,” and in making this determination, the court “must judge the reasonableness of counsel’s challenged conduct on the facts of the particular case, viewed as of the time of counsel’s conduct.” *Strickland*, 466 U.S. at 688, 690. The Supreme Court has cautioned that “[s]urmounting *Strickland*’s high

to better develop the record in support of an IAC claim, it would be more appropriate to do so following her direct appeal through a motion pursuant to 28 U.S.C. § 2255. See *United States v. Seymour*, 38 F.3d 261, 263 (6th Cir. 1994) (“Ineffective assistance of counsel claims are best brought by a defendant in a post-conviction proceeding under 28 U.S.C. § 2255 so that the parties can develop an adequate record on the issue.” (quoting *United States v. Daniel*, 956 F.2d 540, 543 (6th Cir. 1992))).

bar is never an easy task.” *Premo v. Moore*, 562 U.S. 115, 122 (2011) (quoting *Padilla v. Kentucky*, 559 U.S. 356 (2010)). When a court assesses counsel’s performance, it must make every effort to “eliminate the distorting effects of hindsight, to reconstruct the circumstances of counsel’s challenged conduct, and to evaluate the conduct from counsel’s perspective at the time.” *Strickland*, 466 U.S. at 689. The salient question is whether an attorney’s representation amounted to incompetence under “prevailing professional norms,” not whether it deviated from best practices or most common custom. *Id.* at 690.

In her motion,<sup>2</sup> Hosseinipour asserts that her attorney provided ineffective assistance relating to pretrial preparations and plea negotiations. (Def.’s Mot. New Trial 6-9). She notes disagreements with her counsel and issues with his trial preparation. It is unclear whether those issues satisfy this prong of *Strickland* based on the record.

Four months prior to trial, Hosseinipour, her attorney, an Assistant United States Attorney, and Special Agent Matt Sauber (“Sauber”) met for almost four hours to discuss the charges and evidence in this case and a potential guilty plea, which was memorialized by in a memorandum of information (“MOI”) prepared by Sauber. (Pl.’s Resp. Defs.’ Post-Trial Mots. Attach. 1-3, DN 583-1). The MOI notes that the plea agreement was discussed.

<sup>2</sup> The motion is largely premised on affidavits from Hosseinipour; her trial counsel and brother-in-law, Wayne Manning; and her husband, David Manning. (Hosseinipour Aff., DN 578-1; W. Manning Aff., DN 578-2; D. Manning Aff., DN 578-3). “However, it is well established that a self-serving habeas affidavit is not sufficient to establish a constitutional violation.” *Snyder v. Grayson*, 872 F. Supp. 416, 420 (E.D. Mich. 1994) (citing *Caudill v. Jago*, 747 F.2d 1046, 1051 (6th Cir. 1984)).

On the first day of trial, the Court inquired as to pretrial plea negotiations between the United States and Richard Maike (“Maike”), Doyce Barnes (“Barnes”), and Hosseinipour before the beginning of the trial in accordance with *Missouri v. Frye*, 566 U.S. 134 (2012). As with all Defendants, the Court confirmed that any plea offer had been communicated to Hosseinipour by her attorney. The Court also inquired whether she: (i) had sufficient time to discuss the plea offer with her attorney; (ii) understood the potential penalties if convicted; (iii) comprehended the terms of the plea offer; (iv) knew the differences in any potential penalties between the plea offer and a potential guilty verdict; and (v) had decided to proceed to trial. Because of her affirmative responses, the Court found that Hosseinipour had knowingly chosen to proceed to trial notwithstanding the potential risks. Thus, the record does not support Hosseinipour’s assertion of a violation of her Sixth Amendment rights based on her counsel’s pretrial conduct.

Hosseinipour also raises various claims regarding trial. (Def.’s Mot. New Trial 9-12). All three Defendants were named in the two conspiracy counts (Counts 1 and 13) of the Second Superseding Indictment. During trial, counsel for each Defendant took turns questioning witnesses. Hosseinipour’s counsel always went last based on the order of Defendants in the Second Superseding Indictment. By the time Hosseinipour’s counsel questioned a witness, counsel for co-Defendants had already capably exhausted possible subjects of cross-examination. In addition, the evidence reflected that Hosseinipour was less culpable than her co-Defendants, and reasonable counsel may have made the tactical decision not to question witnesses more

extensively to minimize the risk of drawing attention to her and her involvement in the scheme.

In pre-trial motions, trial motions, and objections, Hosseinipour's counsel either made a similar motion or objection as other defense counsel, or made a separate motion or objection. Thus, it is not clear what motion should have been made or what objection could have been raised on her behalf which was not.

As the Supreme Court cautioned in *Strickland*:

Judicial scrutiny of counsel's performance must be highly deferential. It is all too tempting for a defendant to second-guess counsel's assistance after conviction or adverse sentence, and it is all too easy for a court, examining counsel's defense after it has proved unsuccessful, to conclude that a particular act or omission of counsel was unreasonable. A fair assessment of attorney performance requires that every effort be made to eliminate the distorting effects of hindsight, to reconstruct the circumstances of counsel's challenged conduct, and to evaluate the conduct from counsel's perspective at the time. Because of the difficulties inherent in making the evaluation, a court must indulge a strong presumption that counsel's conduct falls within the wide range of reasonable professional assistance; that is, the defendant must overcome the presumption that, under the circumstances, the challenged action "might be considered sound

trial strategy.” There are countless ways to provide effective assistance in any given case. Even the best criminal defense attorneys would not defend a particular client in the same way.

*Strickland*, 466 U.S. at 689-90 (internal citations omitted) (citation omitted); *see also Smith v. United States*, 542 F. Supp. 3d 755, 767 (M.D. Tenn. 2021) (“It is easy enough for post-conviction counsel to find fault with trial counsel’s tactics and advice (or non-advice), but a court’s role is not to act as a ‘Monday morning quarterback.’” (citing *Fountain v. United States*, 211 F.3d 429, 434 (7th Cir. 2000); *Schumacher v. Hopkins*, 83 F.3d 1034, 1037 (8th Cir. 1996))).

When the alleged errors are viewed by the appropriate standard, Hosseinipour’s arguments are not supported by the record, largely appear to be efforts to second-guess trial counsel, and potentially reflect her own remorse for choosing not to accept a plea offer. Thus, Hosseinipour has not satisfied her burden of showing that her counsel’s performance was deficient under *Strickland*.

## ii. Prejudice

The prejudice prong is also a high bar. To satisfy this element, the defendant must “show that there is a reasonable probability that, but for counsel’s unprofessional errors, the result of the proceeding would have been different.” *Strickland*, 466 U.S. at 694. “A reasonable probability is a probability sufficient to undermine confidence in the outcome.” *Id.*

Hosseinipour contends that she was prejudiced by her trial counsel’s performance. (Def.’s Mot. New Trial 24). To the extent that Hosseinipour’s trial counsel was not as polished or thorough as co-Defendants’ counsel, however, it is not clear that Manning’s performance prejudiced her and resulted in

her conviction. There was strong evidence presented of Hosseinipour's involvement in the scheme upon which the jury relied in finding her guilty. Accordingly, she has failed to satisfy the prejudice prong under *Strickland*.

For the reasons outlined above, Hosseinipour has failed to prove an IAC claim to warrant a new trial. This motion will be denied, and she may raise an IAC claim in a motion pursuant to 28 U.S.C. § 2255.

**B. Defendant's Motion for Judgment of Acquittal (DN 579)**

Hosseinipour also moves for a judgment of acquittal pursuant to Fed. R. Crim. P. 29. (Def.'s Mot. J. Acquittal, DN 579). Fed. R. Crim. P. 29 provides that "[a] defendant may move for a judgment of acquittal, or renew such a motion, within 14 days after a guilty verdict or after the court discharges the jury, whichever is later." Fed. R. Crim. P. 29(c)(1). When moving for a judgment of acquittal and a new trial, the defendant challenging the sufficiency of the evidence "bears a very heavy burden." *United States v. Tocco*, 200 F.3d 401, 424 (6th Cir. 2000). "[T]he relevant question is whether, after viewing the evidence in the light most favorable to the prosecution, *any* rational trier of fact could have found the essential elements of the crime beyond a reasonable doubt." *Jackson v. Virginia*, 443 U.S. 307, 319 (1979); *United States v. Garrido*, 467 F.3d 971, 984 (6th Cir. 2006). A motion for a judgment of acquittal "will be confined to cases where the prosecution's failure is clear." *United States v. Connery*, 867 F.2d 929, 930 (6th Cir. 1989) (internal quotation marks omitted) (citing *Burks v. United States*, 437 U.S. 1, 17 (1978)).

**1. Proof of Conspiracy to Commit Mail Fraud**

Hosseini pour raises various challenges to the sufficiency of the proof presented at trial to convict her of the crime of conspiracy to commit mail fraud. (Def.'s Mot. J. Acquittal 3-14).

**a. Intent**

Hosseini pour asserts that the evidence at trial was insufficient to prove that she intended to conspire. (Def.'s Mot. J. Acquittal 3-6). "Establishing a conspiracy requires only that the defendant 'knew the object of the conspiracy and voluntarily associated himself [or herself] with it to further its objectives.'" *United States v. Smith*, 749 F.3d 465, 477 (6th Cir. 2014) (quoting *United States v. Jamieson*, 427 F.3d 394, 402 (6th Cir. 2005)). "Further, 'circumstantial evidence alone can sustain a guilty verdict,' and [a court] will draw all reasonable inferences in favor of the prosecution." *United States v. Frost*, 125 F.3d 346, 354 (6th Cir. 1997) (internal citation omitted) (citation omitted).

As to the element of intent, "a jury may consider circumstantial evidence of fraudulent intent and draw reasonable inferences therefrom. Intent can be inferred from efforts to conceal the unlawful activity, from misrepresentations, from proof of knowledge, and from profits." *United States v. Davis*, 490 F.3d 541, 549 (6th Cir. 2007) (internal quotation marks omitted) (citation omitted). In addition, "[t]he existence of a conspiracy to violate federal law may be established by a tacit or mutual understanding among the parties." *United States v. Keene*, 959 F.2d 237, 1992 WL 68285 (6th Cir. 1992) (quoting *United States v. Blakeney*, 942 F.2d 1001, 1010 (6th Cir. 1991)).

There was evidence presented at trial from which the jury could find that Hosseini pour intended to conspire with others, and that she knowingly and voluntarily joined the conspiracy. Accordingly, her motion will be denied.

**b. Mail Fraud**

Hosseini pour also argues that there was insufficient evidence to prove that she committed mail fraud. (Def.'s Mot. J. Acquittal 6-9). "Mail fraud 'consists of (1) a scheme or artifice to defraud; (2) use of mails in furtherance of the scheme; and (3) intent to deprive a victim of money or property.'" *Smith*, 749 F.3d at 477 (quoting *United States v. Turner*, 465 F.3d 667, 680 (6th Cir. 2006)).

While she challenges the sufficiency of the proof, there was proof at trial that supported the jury's verdict as to the elements required for Count 1. Her motion will be denied.

**c. Pyramid Scheme**

Like her co-Defendants, Hosseini pour challenges the jury instruction as a pyramid schemes and asserts that i2G was a legal multi-level marketing scheme. (Def.'s Mot. J. Acquittal 9-11). These issues were discussed extensively during trial.

While the parties agreed that *United States v. Gold Unlimited*, 177 F.3d 472 (6th Cir. 1999), provided the rule of law, the language added to the jury instruction was consistent with the Sixth Circuit's statement in *Gold Unlimited* as to the wisdom of clarifying the difference between legitimate business ventures and illegal schemes. *See id.* at 483. The Court also added language from *Federal Trade Commission v. BurnLounge, Inc.*, 753 F.3d 878 (9th Cir. 2014), to clarify that a pyramid scheme involves the promotion of the program itself rather than the sales of products. *See also Kerrigan v. ViSalus, Inc.*, 112 F. Supp. 3d 580, 593 (E.D. Mich. 2015) (noting that "the key inquiry [of the second element of the *Koscot* test] is whether the alleged scheme pays rewards 'primarily for recruitment rather than for sales of merchandise.'" (quoting *BurnLounge, Inc.*, 753 at 884)). Notwithstanding Hosseini pour's argument,

there was overwhelming evidence presented at trial to support the jury's determination that i2G was an illegal pyramid scheme.

For these reasons, Hosseinipour's motion will be denied.

**d. Expert Testimony**

Hosseinipour also raises several issues relating to the inclusion and exclusion of expert testimony at trial. (Def.'s Mot. J. Acquittal 11-14). She asserts that Professor Manning Warren's testimony was improperly limited and that Professor William Keep was permitted to give improper opinions. (Def.'s Mot. J. Acquittal 11-14).

These issues were thoroughly addressed in pre-trial motions and during objections raised at trial. Consistent with those prior rulings, Hosseinipour's arguments do not provide a basis for relief. Her motion will be denied as to the expert testimony.

**2. Proof of Conspiracy to Commit Securities Fraud**

Similar to her challenges to Count 1, Hosseinipour asserts various issues relating to her conviction of conspiracy to commit securities fraud in Count 13. (Def.'s Mot. J. Acquittal 14-21). To obtain a conviction on this conspiracy, "the government must 'prove an agreement between two or more persons to act together in committing an offense, and an overt act in furtherance of the conspiracy.'" *United States v. Ayers*, 386 F. App'x 558, 564 (6th Cir. 2010) (quoting *United States v. Hunt*, 521 F.3d 636, 647 (6th Cir. 2008)).

**a. Intent & Overt Acts**

Hosseinipour avers that the United States failed to present proof that she intended to defraud others and of the existence of an overt act. (Def.'s Mot. J. Acquittal 14-15). Despite her characterization of the evidence, there was ample evidence presented at trial

upon which the jury could rely in finding all of the elements of this crime. The motion will be denied as to this issue.

**b. Security**

In addition, Hosseinipour raises several issues relating to definition of an investment contract and whether the Emperor positions constituted a security. (Def.'s Mot. J. Acquittal 1521). These issues similarly were thoroughly debated and discussed throughout the trial and during the discussions relating to the jury instructions. These issues do not warrant relief under Fed. R. Crim. P. 29.

**3. Statute of Limitations**

Hosseinipour asserts that the Court erred in the instruction addressing overt acts (Instruction No. 7) charged in Count 13 of the Second Superseding Indictment. (Def.'s Mot. J. Acquittal 21-22). In particular, Count 13 outlined 20 overt acts or transactions—with the latest occurring in November 2014. (Second Superseding Indictment ¶ 40, DN 230).

This issue was raised before and during trial, and the Court rejected this contention. As the United States notes, there was evidence to show that an unindicted co-conspirator sold Emperor shares even after the summer of 2014, and Maike directed the co-conspirator to deposit those funds into an account in the name of Tech Entertainment d/b/a Global 1 Entertainment. (Pl.'s Resp. Defs.' Post-Trial Mots. 20). Thus, there was evidence that the jury could rely upon in finding that an overt act occurred within the statutory limitations period. The motion will be denied as to this issue.

**4. Anti-Saturation**

Hosseinipour also contends that the Court erred in failing to give an anti-saturation instruction. (Def.'s Mot. J. Acquittal 22). Her argument appears to be largely reiteration of prior contentions by

Defendants regarding this instruction. As the Court noted during one of the discussions with counsel regarding the proposed instructions, there was an absence of proof to support giving an anti-saturation instruction, which is consistent with the holding in *United States v. Gold Unlimited, Inc.*, 177 F.3d 472 (6th Cir. 1999). Further, the defendants had the burden of establishing that an effective anti-saturation program was implemented. *See Gold*, 177 F.3d at 482. No such evidence was presented.

As recognized by the Sixth Circuit in *Gold*, “[t]he key to any anti-pyramiding rule . . . is that the rule must serve to tie recruitment bonuses to actual retail sales in some way.” *Id.* (quoting *Webster v. Omnitrition Int’l, Inc.*, 79 F.3d 776, 783 (9th Cir. 1996)). At trial, the only anti-saturation policy urged by defendants was the numerical cap of 5000 placed on the sale of “Emperor positions”, which were promised to receive a portion of profits from an on-line casino in Asia.<sup>8</sup> The program bonuses, however, were based solely upon recruitment of new members. No significant profits were ever realized by the casino and the only revenue to the venture was derived almost exclusively from the sale of the Emperor and other positions.<sup>9</sup> Far from preventing the program from failure, the numerical cap ensured that the last members recruited would certainly lose their money because they would be unable to qualify for bonuses

<sup>8</sup> To avoid online gambling restrictions in the United States, participation in the casino could only occur outside the U.S.

<sup>9</sup> Evidence at trial reflected that Emperors received payments in the range of \$15 per month, or \$60,000 monthly assuming 4000 Emperors, but the casino generated losses except for two months when a negligible profit was earned.

for the recruitment of new members. Therefore, no instruction for anti-saturation was warranted. *See Gold*, 177 F.3d at 482 (Defendant “did not prove at trial that it appropriately tied recruitment bonuses to actual retail sales” or that it “de-linked recruitment and commissions.”); *cf. In re Amway Corp.*, 93 F.T.C. 618, 716 (1979) (“It is only when the newly recruited distributor begins to make wholesale purchases from his sponsor and sales to consumers, that the sponsor begins to earn money from his recruit’s efforts.”).

Accordingly, in the absence of sufficient proof, Hosseinipour was not entitled to an anti-saturation instruction and is entitled to relief from the jury verdict under Fed. R. Crim. P. 29 or 33.

#### **5. Brady Violation**

Hosseinipour alleges that the United States failed to produce timely MOI prepared by Sauber relating to her, which violated her rights under *Brady v. Maryland*, 373 U.S. 83 (1963). (Def.’s Mot. J. Acquittal 23).

Under *Brady*, “the suppression by the prosecution of evidence favorable to an accused upon request violates due process where the evidence is material either to guilt or to punishment, irrespective of the good faith or bad faith of the prosecution.” *Brady*, 373 U.S. at 87. The subject MOI was prepared by Sauber based on a meeting he attended with Hosseinipour, her trial counsel, and an Assistant United States Attorney. (Pl.’s Resp. Defs.’ Post-Trial Mots. Attach. 13).

“There are three components of a true *Brady* violation: The evidence at issue must be favorable to the accused, either because it is exculpatory, or because it is impeaching; that evidence must have been suppressed by the State, either willfully or inadvertently; and prejudice must have ensued.” *Strickler v. Greene*, 527 U.S. 263, 281-82 (1999).

In its response, the United States asserts that the MOI does not contain any *Brady* material and the MOI had been disclosed to Hosseinipour's counsel. (Pl.'s Resp. Defs.' Post-Trial Mots. 21-22). In particular, Hosseinipour has stated that "Manning did not find or review my 302 interview with Sewell and Matt Sauber in the government's produced documents until after Matt Sauber testified . . . ." (Hosseinipour Aff. ¶ 44). Because the MOI was not suppressed from her, Hosseinipour's motion will be denied.

### **6. *Due Process/Void-For-Vagueness Doctrine***

Finally, Hosseinipour asserts that the Court's instruction on a pyramid scheme violated the Fourteenth Amendment's Due Process Clause under the void-for-vagueness doctrine. (Def.'s Mot. J. Acquittal 23-24). The crux of her argument is that she disagrees with the instruction defining a pyramid scheme because the instruction was not identical to the instruction in *United States v. Gold Unlimited*, 177 F.3d 472 (6th Cir. 1999). (Def.'s Mot. J. Acquittal 24).

The language of this challenged instruction was discussed extensively during trial—including more recent decisions like *Federal Trade Commission v. BurnLounge, Inc.*, 753 F.3d

878 (9th Cir. 2014). In drafting the jury instructions, the Court added language from *BurnLounge* to specify that a pyramid scheme involves the promotion of the program itself rather than the sales of products. *See also Kerrigan v. ViSalus, Inc.*, 112 F. Supp. 3d 580, 593 (E.D. Mich. 2015) (noting that "the key inquiry [of the second element of the *Koscot* test] is whether the alleged scheme pays rewards 'primarily for recruitment

(101a)

rather than for sales of merchandise.” (quoting *BurnLounge, Inc.*, 753 at 884)).

While Hosseinipour disagrees with the instruction, the inclusion of the challenged language was consistent with the Sixth Circuit’s statement in *Gold Unlimited* that it may be prudent to clarify the difference between legitimate business ventures and illegal schemes. *See Gold Unlimited, Inc.*, 177 F.3d at 483. Thus, her motion will be denied on this basis.

### **CONCLUSION**

For the foregoing reasons, **IT IS HEREBY ORDERED** that Defendant’s Motion for New Trial (DN 578) and Defendant’s Motion for Acquittal (DN 579) are **DENIED**.

/s Greg N. Stivers  
Greg N. Stivers  
Chief Judge  
United States District  
Court  
December 29, 2022

APPENDIX E

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
AT OWENSBORO  
CRIMINAL ACTION 4:17-CR-00012-GNS

UNITED STATES OF AMERICA                      PLAINTIFF

v.

RICHARD G. MAIKE;  
DOYCE G. BARNES; and  
FARADAY N. HOSSEINIPOUR                      DEFENDANTS

Dated: September 7, 2022

**EXCERPT OF JURY INSTRUCTIONS**

\*\*\*

INSTRUCTION NO. 3

Conspiracy to Commit Mail Fraud

(1)            Count 1 of the Second Superseding Indictment accuses the defendants of a conspiracy to commit the crime of mail fraud in violation of federal law. It is a crime for two or more persons to conspire, or agree, to commit a criminal act, even if they never actually achieve their goal.

(2)            A conspiracy is a kind of criminal partnership. For you to find any one of the defendants guilty of the conspiracy charge, the government must prove each and every one of the following elements beyond a reasonable doubt:

(A)            First, that two or more persons, (including the defendants or Richard Anzalone), conspired or agreed to do something the law forbids;

(103a)

in this case, to commit the crime of mail fraud, as defined in Instruction No. 8.

(B) Second, that the defendant knowingly and voluntarily joined the conspiracy.

(3) You must be convinced that the government has proved all of these elements beyond a reasonable doubt in order to find any one of these defendants guilty of this conspiracy charge.

#### INSTRUCTION NO. 4

#### **Conspiracy to Commit Securities Fraud**

(1) Count 13 of the Second Superseding Indictment accuses defendants of a conspiracy to commit the crime of securities law in violation of federal law. It is a crime for two or more persons to conspire, or agree, to commit a criminal act, even if they never actually achieve their goal.

(2) A conspiracy is a kind of criminal partnership. For you to find any one of the defendants guilty of the conspiracy charge, the government must prove each and every one of the following elements beyond a reasonable doubt:

(A) First, that two or more persons conspired or agreed to do something the law forbids in this case, to commit the crime of securities fraud, as defined in Instruction No. 9;

(B) Second, that the defendant knowingly and voluntarily joined the conspiracy;  
and

(C) Third, that a member of the conspiracy committed an overt act as described in Instruction No. 7.

(3) You must be convinced that the government has proved all of these elements beyond a reasonable doubt in order to find any one of these defendants guilty of the conspiracy

#### INSTRUCTION NO. 5

#### Agreement

(1) With regard to the first element of a conspiracy—a criminal agreement—the government must prove that two or more persons conspired, or agreed, to cooperate with each other to commit the crime of mail fraud as charged in Count 1 or securities fraud as charged in Count 13.

(2) This does not require proof of any formal agreement, written or spoken. Nor does this require proof that everyone involved agreed on all the details. But proof that people simply met together from time to time and talked about common interests, or engaged in similar conduct, is not enough to establish a criminal agreement. These are things that you may consider in deciding whether the government has proved an agreement. But without more they are not enough.

(3) What the government must prove is that there was a mutual understanding, either spoken or unspoken, between two or more people, to cooperate with each other to commit the crime of mail fraud or securities fraud. This is essential.

(4) An agreement can be proved indirectly, by facts and circumstances which lead to a conclusion that an agreement existed. But it is up to the government to convince you that such facts and circumstances existed in this particular case.

#### INSTRUCTION NO. 6

##### Defendant's Connection to the Conspiracy

(1) If you are convinced that there was a criminal agreement, then you must decide whether the government has proved that the defendants knowingly and voluntarily joined that agreement. You must consider each defendant separately in this regard. To convict any defendant, the government must prove that he or she knew the conspiracy's main purpose (i.e., to commit fraud), and that he or she voluntarily joined it intending to help advance or achieve its goals.

(2) This does not require proof that a defendant knew everything about the conspiracy, or everyone else involved, or that he or she was a member of it from the very beginning. Nor does it require proof that a defendant played a major role in the conspiracy, or that his or her connection to it was substantial. A slight role or connection may be enough.

(3) But proof that a defendant simply knew about a conspiracy, or was present at times, or associated with members of the group, is not enough, even if he or she approved of what was happening or did not object to it. Similarly, just because a defendant may have done something that happened to help a conspiracy does not necessarily make him or her a conspirator. These are all things that you may consider in deciding whether the government has proved that a defendant joined a conspiracy. But without more they are not enough.

(4) A defendant's knowledge can be proved indirectly by facts and circumstances which lead to a conclusion that he or she knew the conspiracy's main purpose. But it is up to the government to convince you that such facts and circumstances existed in this particular case.

#### INSTRUCTION NO. 7

##### Overt Acts

(1) For Count 13, the third element that the government must prove is that a member of the conspiracy committed an overt act for the purpose of advancing or helping the conspiracy to commit securities fraud with respect to the sale of the following securities:

Victim-Investor	Date	Amount
K.H.	06/21/2013	\$5,000.00
K.H.	06/24/2013	\$5,000.00

(106a)

J.A.	06/17/2013	\$1,020.00
J.A.	07/22/2013	\$4,000.00
Q.P.	01/16/2014	\$35,136.50
Q.P.	01/23/2014	\$25,099.75
B.F.	02/12/2014	\$5,000.00
S.V.	02/07/2014	\$5,000.00
B.W.	05/31/2014	\$5,019.95
B.W.	06/27/2014	\$5,000.19
M.K.	12/06/2013	\$20,079.80
M.K.	12/26/2013	\$100,399.00
S.J.	12/13/2013	\$20,079.80
S.J.	12/26/2013	\$30,119.70
S.J.	12/27/2013	\$20,079.80
S.J.	12/30/2013	\$25,099.75
M.L.1	08/21/2014	\$50,000.00
Victim-Investor	Date	Amount
N.M.	10/02/2014	\$30,000.00
M.L.2	10/30/2014	\$15,059.85
S.H.	11/25/2014	\$15,059.85

(107a)

(2) The government does not have to prove that all these acts were committed, or that any of these acts were themselves illegal. But the government must prove that at least one of these acts was committed by a member of the conspiracy, and that it was committed for the purpose of advancing or helping the conspiracy. This is essential.

(3) One more thing about overt acts. There is a limit on how much time the government has to obtain an indictment. This is called the statute of limitations. For you to return a guilty verdict on the conspiracy charge in Count 13, the government must convince you beyond a reasonable doubt that at least one overt act was committed for the purpose of advancing or helping the conspiracy after November 13, 2014.

INSTRUCTION NO. 8

Mail Fraud — Defined

(1) As the term "mail fraud" is used in Instruction No. 3, it has four elements:

(A) First, that the defendant knowingly participated in or devised a scheme to defraud in order to deprive another of money or property, that is through the sale of Emperor positions in Infinity 2 Global or i2g;

(B) Second, that the scheme included a material misrepresentation or concealment of a material fact;

(C) Third, that the defendant had the intent to defraud; and

(D) Fourth, that the defendant used the mail or caused another to use the mail in furtherance of the scheme.

(2) Now I will give you more detailed instructions on some of these terms.

(A) A "scheme to defraud" includes any plan or course of action by which someone intends to deprive another of money or property by means of false or fraudulent pretenses, representations, or promises.

(B) A "pyramid scheme" is any plan, program, device, scheme, or other process characterized by the payment by participants of money to the company in return for which they receive the right to sell a product and the right to receive in return for recruiting other participants into the program rewards which are unrelated to the sale of the product to ultimate users. The structure of a pyramid scheme suggests that the focus is on promoting the sale of interests in the venture rather than the sale of products, where participants earn the right to profits by recruiting other participants, who themselves are interested in recruitment fees rather than products. A pyramid scheme constitutes a

(109a)

scheme or artifice to defraud for purposes of this instruction.

(C) The term "false or fraudulent pretenses, representations or promises" means any false statements or assertions that concern a material aspect of the matter in question, that were either known to be untrue when made or made with reckless indifference to their truth. They include actual, direct false statements as well as half-truths and the knowing concealment of material facts.

(D) An act is "knowingly" done if done voluntarily and not because of mistake or some other innocent reason.

(E) A misrepresentation or concealment is "material" if it has a natural tendency to influence or is capable of influencing the decision of a person of ordinary prudence and comprehension.

(F) To act with "intent to defraud" means to act with an intent to deceive or cheat for the purpose of depriving another of money or property.

(G) To "cause" the mail to be used is to do an act with knowledge that the use of the mail will follow in the ordinary course of business or where such use can reasonably be foreseen.

(3) It is not necessary that the government prove all of the details alleged concerning the precise nature and purpose of the scheme.

#### INSTRUCTION NO. 9

#### **Securities Fraud - Defined**

(1) As used in Instruction No. 4, the term "securities fraud" has four elements:

(A) First, that the defendant knowingly either (i) employed any device, scheme, or artifice to defraud; or (ii) made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make the statements made, in

(110a)

the light of the circumstances under which they were made, not misleading; or (iii) engaged in a transaction, practice, or course of business which operated or would operate as a fraud and deceit on any person;

(B) Second, that the defendant did so in connection with the purchase or sale of securities related to i2G;

(C) Third, that in connection with this purchase or sale the defendant made use of or caused the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange; and

(D) Fourth, that the defendant acted with the intent to defraud.

(2) The term "pyramid scheme", as defined in Instruction No. 8, constitutes a scheme or artifice to defraud for purposes of this instruction.

(3) The term "security" includes any note, stock, bond, debenture, and investment contract.

(4) The term "investment contract" refers to a contract transaction or scheme whereby a person invests his or her money, in a common enterprise, and is led to expect profits derived primarily from the efforts of others (i.e., persons other than the investor). A common enterprise ties the interest of each investor in a pool of investors to the success of the overall venture such that the investors share a common fortune.

(5) The term "interstate commerce" refers to the trade or commerce in securities or any transportation or communication relating to such trade or commerce among the several states.

(6) The government is required to prove the defendant knowingly engaged in fraudulent conduct but not as to the knowledge that any investment contract used was a security. The

(111a)

government need only prove that the object sold or offered was, in fact, a security; it need not be proved that the defendant had specific knowledge that the object sold or offered was a security.

APPENDIX F

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
AT OWENSBORO  
CRIMINAL ACTION 4:17-CR-00012-GNS

UNITED STATES OF AMERICA                      PLAINTIFF

v.

RICHARD G. MAIKE;  
DOYCE G. BARNES; and  
FARADAY N. HOSSEINIPOUR                      DEFENDANTS

Dated September 5, 2022

**EXCERPT OF BARNES PROPOSED  
INSTRUCTIONS AFTER CLOSE OF PROOF**

\*\*\*

Barnes requests that the conspiracy instructions include the dates of the alleged conspiracy from the indictment. Also, Barnes has advocated during discussions on jury instructions for the inclusion of the element of the required mental state in the conspiracy instructions. Specifically, Barnes requested that the following be added as a third element in Instruction Nos. 3 and 4: "Third, that the defendant acted with an intent to defraud purchasers of Emperors." The United States has objected the United States Supreme Court in *United States v. Feola*, 420 U.S. 671, 686 (1975)("in order to sustain a judgment of conviction on a charge of conspiracy to violate a federal statute, the Government must prove at least the degree of criminal intent necessary for the substantive offense itself.") While the

Court has acknowledged the fact that the conspiracy instructions do not explicitly reference the required mental state, the Court has opted to not alter the language in light of the Sixth Circuit's pattern instructions.

In support of his request, Barnes refers the Court to the pattern instructions of other circuits. In the Tenth Circuit Pattern Jury Instructions Criminal § 2.19, at 111 (2021), the conspiracy instruction includes the following two elements:

*Third*, the defendant knew the essential objective of the conspiracy.

*Fourth*, the defendant knowingly and voluntarily participated in the conspiracy.

Thus, the Tenth Circuit reflects the need to instruct on an additional aspect of the mental state in addition to "knowingly and voluntarily" joining the conspiracy. In the Fifth Circuit Pattern Instructions Criminal § 2.15a, at 163 (2019), the conspiracy instruction includes the following element:

*Second*: That the defendant knew the unlawful purpose of the agreement and joined it willfully, that is, with the intent to further the unlawful purpose.

*Federal Jury Practice and Instructions* § 31.03 (6th ed.) includes the following two elements:

*Two*: At some time during the existence or life of the conspiracy..., Defendant knew the purpose(s) of the agreement; and

*Three*: With knowledge of the purpose(s) of the conspiracy..., Defendant then deliberately joined the conspiracy...

The Sixth Circuit Committee Commentary on 3.01A states,

Instruction 3.03, which requires the government to prove that the defendant knew the conspiracy's main purpose, and voluntarily joined it "intending to help advance or achieve its goals," should suffice in most cases, particularly where the object offense is also charged and defined elsewhere in the instructions.

However, this not "most cases." Rather, it is the unique case where the intent element should be set forth more explicitly.

3. Barnes objects to the instruction in both the mail fraud and securities fraud instructions that instructs the jury that a "pyramid scheme" constitutes a "scheme or artifice to defraud" because the definition of pyramid scheme does not include an intent to defraud element.

A defendant does not commit mail fraud unless he possesses the specific intent to deceive or defraud, *see, e.g., United States v. Smith*, 39 F.3d 119, 121-22 (6th Cir. 1994); "a scheme to defraud must involve 'intentional fraud, consisting in deception intentionally practiced to induce another to part with property or to surrender some legal right, and which accomplishes the end designed.'" *American Eagle Credit Corp. v. Gaskins*, 920 F.2d 352, 353 (6th Cir. 1990)(quoting *Bender v. Southland Corp.*, 749 F.2d 1205, 1216 (6th Cir. 1984)(quoting *Epstein v. United States*, 174 F.2d 754, 765 (6th Cir. 1949)))(emphasis deleted).

(115a)

*United States v. Frost*, 125 F.3d 346 (6<sup>th</sup> Cir. 1997).  
The intent element must be incorporated into the instruction to the jury that a pyramid scheme is a scheme to defraud.

APPENDIX G

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
AT OWENSBORO  
CRIMINAL ACTION 4:17-CR-00012-GNS

UNITED STATES OF AMERICA                      PLAINTIFF

v.

RICHARD G. MAIKE;  
DOYCE G. BARNES; and  
FARADAY N. HOSSEINIPOUR                      DEFENDANTS

Dated: August 31, 2022

**EXCERPT OF DEFENDANT DOYCE BARNES'S  
RESPONSE TO THE COURT'S PROPOSED  
JURY INSTRUCTIONS**

\*\*\*

**CONSPIRACY TO COMMIT MAIL FRAUD**

Both conspiracy instructions should reference the conspiracy alleged in the Second Superseding Indictment. Specifically, Count I accused Barnes of joining a conspiracy made up of Maike, Barnes, Anzalone, Hosseinipour, Dvorin, and Syn. To convict Barnes, the government must prove the existence of the conspiracy charged in the indictment. *See* Sixth Circuit Pattern Instruction 3.08. For example, the first sentence of the conspiracy to commit mail fraud should read, "Count 1 of the indictment alleges that Richard G. Maike, Doyce L. Barnes, Richard J. Anzalone, Faraday Hosseinipour, Dennis Dvorin, and Jason L. Syn conspired to commit the crime of mail fraud."

(117a)

Barnes requests the addition of the following sentence at the end of (A): "The elements of mail fraud are set forth in Instruction No. ." This is consistent with the commentary of Pattern Instruction 3.01A.

Finally, Barnes request the addition of the following as (2)(C): "Third, that the defendant acted with an intent to defraud purchasers of Emperors. `Intent to defraud' is defined in Instruction No. ." This is necessary to satisfy the Supreme Court holding that "in order to sustain a judgment of conviction on a charge of conspiracy to violate a federal statute, the Government must prove at least the degree of criminal intent necessary for the substantive offense itself." *United States v. Feola*, 420 U.S. 671, 686 (1975). The presence of this element in the conspiracy instruction is critical in a white collar case like this that concerned involvement by the defendants in a company. The jury must be instructed on what separates knowingly agreeing to join the company and knowingly agreeing to join the conspiracy to commit the crime of mail fraud.

APPENDIX H

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
AT OWENSBORO  
CRIMINAL ACTION 4:17-CR-00012-GNS

UNITED STATES OF AMERICA                      PLAINTIFF

v.

RICHARD G. MAIKE;  
DOYCE G. BARNES; and  
FARADAY N. HOSSEINIPOUR                      DEFENDANTS

Date Filed: February 17, 2023

**EXCERPT OF VOLUME 23**  
**TRANSCRIPT OF JURY TRIAL**  
**BEFORE HONORABLE GREGORY N. STIVERS**  
**UNITED STATES DISTRICT JUDGE**

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MR. MEYER: Yeah. My only additional comment on this instruction, conspiracy to commit mail fraud, is -- and this is, again, something I mentioned the other day, but I do believe that an additional third element should be added, and that should say, "Third, that the defendant acted with an intent to defraud purchasers of emperors."

I think that the law is that in order to be convicted of conspiracy to commit a crime that would -- an element of that crime is to prove the mental intent element of the underlying crime. And here, in light of the fact that the jury does not need to find that mail fraud was actually committed in order to convict

for conspiracy to commit mail fraud, it is essential that this accurately reflect that -- that the -- that the mental element is an element of the --

THE COURT: That intent is part of the underlying offense that they have to find.

MR. MEYER: But they -- they could -- they're also instructed that they don't have to prove that the underlying offense was completed. So they could find, for example, that there wasn't mail fraud, but these people conspired to commit mail fraud. And I mean, in 3, when it says, "You must be convinced that the government has proved all these elements," when it omits kind of the critical element of our entire defense, which is that there is no intent to defraud purchasers of emperors.

THE COURT: Okay. Well --

MR. HOLLANDER: Because the charged offense is conspiracy, not mail fraud itself. So the intent element has to be part of the conspiracy charge instruction I think is what we're saying.

MR. MEYER: Right, and then I would make the same request in instruction 4. Should be, "Third, that the defendant acted with an intent to defraud purchasers of emperors."

MR. SEWELL: The intent element for a conspiracy is met with the knowingly and voluntarily joined the conspiracy. So the -- your instruction 3 follows the pattern for a conspiracy instruction. And so you define the conspiracy instruction there. It has its own intent element, and then, as you already have, it references the underlying offense is defined in a -- in a separate instruction.

So you don't have to meet two separate intents. You meet the -- meet the element -- the intent element of the conspiracy charge is in 2(B) of instruction number 3 on your sheet.

MR. MEYER: I think there's two --

MR. SEWELL: And that -- that follows the pattern.

MR. MEYER: I think that's two different elements. You could intend to deceive someone but not knowingly join the conspiracy. I mean, that -- and especially in a case like this where every -- it's undisputed that everybody joined what the government alleges is a conspiracy. Everybody knowingly joined the company.

MR. SEWELL: I agree, but --

MR. MEYER: But -- and they could -- so you have to have an intent to deceive, and you have to knowingly join the conspiracy.

MR. SEWELL: So one way -- so if you're -- if you commit the crime of conspiracy to commit mail fraud, right, you have joined a conspiracy which -- whose goal was to commit mail fraud. You may not have committed the crime of mail fraud. So you can -- you can join a conspir -- you can be convicted of conspiracy to commit mail fraud without actually committing mail fraud. And so to add a separate intent requirement would also require us to prove that each defendant committed mail fraud, and that's not required, because they're not charged with mail fraud, they're charged with conspiracy to commit mail fraud.

MR. MEYER: That's the point, though. So let's say you figure there is a conspiracy, and then you get to the -- let's say we were char -- like most cases, you're charged substantively with mail fraud, and the jury finds, nah, then never went through with it. Therefore, the element of an intent to deceive in the mail fraud element doesn't -- isn't met because it never happened. So -- but you -- but he's right, you still could be convicted of conspiracy even though the mail fraud elements were not met, because you knowingly joined the conspiracy, and you had an intent to

deceive, even though nobody ever committed mail fraud.

THE COURT: It helps in this way, if I think of it as a conspiracy to commit the crime of murder. I don't know why. But yes, because, I mean, I've got a hit man case in -- you know, going on. But a conspiracy to commit the crime of murder for hire, the murder doesn't actually happen. So explain it to me in those con --

MR. MEYER: Sure. In the murder case, so murder would be -- in order to commit intentional murder, the murderer has to intend to kill the person.

THE COURT: In a conspiracy is to kill somebody, but they didn't actually kill them.

MR. MEYER: Correct. So in that case, if you did not include a requirement at the conspiracy stage that there was an intent to kill, and you simply said, "Did you knowingly join a conspiracy," and there is evidence that, you know, I went, I met with the alleged hit man, and we got together several times, we went out and bought guns, we went out and wrote up plans, and then the murder never happens, you -- they would have to prove that there was an intent to commit the murder.

MR. HOLLANDER: For example, if a person thought it was all a joke, right? Like if they -- if there was proof -- if there was proof that they did all this, but they thought it was all in jest, they didn't have an intent as part of that.

MR. SEWELL: But the different is if I'm joining the conspiracy, let's say that -- that there is two people that have a conspiracy to commit murder. And so -- and maybe only one of them has the intent to kill, right? They -- they're -- so I decide that I'm going to join that conspiracy. So I'm going to help them out. I don't -- I don't have to individually have an intent to kill the person, right, because I'm just helping out. I'm

joining the conspiracy. Like in the case -- so there is only -- like in the murder for hire case that's currently before the Court, there is three people. One of them is the one who has the intent to kill. The other -- or, arguably, two. You know, the third person -- you can join a conspiracy to commit murder without individually an intent to kill that person yourself.

MR. MEYER: We agree. You got to --

THE COURT: What if you drive the getaway car?

MR. MEYER: You got intent --

MR. SEWELL: Right, and that's where there is not a separate burden for each individual person to have a separate intent to commit the underlying crime.

MR. MEYER: Yeah. That's how --

THE COURT: This -- this references -- my instruction references 3.01A of the Sixth Circuit pattern jury instructions. Does it have a separate -- I mean --

MR. SEWELL: There is not a separate Sixth Circuit pattern for mail fraud, but this is --

THE COURT: Well, for conspiracy, though, right?

MR. SEWELL: Yes. 3.01A is the conspiracy --

THE COURT: Okay. Then I'm not going to -- I'm not going to monkey -- I'm not going to add something that's not in the Sixth Circuit pattern instruction for conspiracy. So you've made your point, but let's move on to something else.

APPENDIX I

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
AT OWENSBORO  
CRIMINAL ACTION 4:17-CR-00012-GNS

UNITED STATES OF AMERICA                      PLAINTIFF

v.

RICHARD G. MAIKE;  
DOYCE G. BARNES; and  
FARADAY N. HOSSEINIPOUR                      DEFENDANTS

Date: September 21, 2022

**EXCERPT OF DEFENDANT RICHARD G.  
MAIKE'S MOTION AND INCORPORATED  
MEMORANDUM OF LAW FOR JUDGMENT OF  
ACQUITTAL AND NEW TRIAL**

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**4. The Court's jury instructions failed to require the Government to prove beyond a reasonable doubt that Maike knew he was devising or participating in a pyramid scheme, thus violating Maike's Fifth Amendment Due Process rights.**

In his Proposed Special and Substantive Jury Instructions, See Dkt. Entry No. 424 at 10-11, Maike requested an instruction on Count One requiring the Government to prove beyond a reasonable doubt that he intentionally devised or participated in a scheme to defraud, through an illegal pyramid scheme, knowing

that he was participating in such a scheme. Maike renewed this request orally during the jury charge conference and requested it with respect to the pyramid scheme allegations in both Counts One and Thirteen. Particularly in light of the Court's instruction that a pyramid scheme per se constitutes a scheme to defraud, it was critical to require the Government to prove beyond a reasonable doubt, and the jury to find beyond a reasonable doubt, that Maike and his co-defendants knew they were engaged in a pyramid scheme or intended to do so. This critical scienter requirement was removed from the jury's consideration. Although the jury charges with respect to the underlying crimes of mail fraud and securities fraud required the jury to find that the Defendants had the intent to defraud, the instruction that a pyramid scheme constitutes per se a scheme to defraud could have easily confused the jurors as to the specific state of mind required to convict. It is obviously possible to engage in multi-level marketing activity or devise a multi-level marketing plan meeting the definition of a pyramid scheme without knowing or intending to do so. As the Sixth Circuit stated in *United States v. Gold Unlimited, Inc.*, 177 F.3d 472, 475 (6th Cir. 1999), "[n]o clear line separates illegal pyramid schemes from legitimate multilevel marketing programs." This was borne out at trial where several of the Government's own witnesses testified that factors viewed by the Government as badges of fraud, such as a focus on recruitment of members, positions in a tree or pyramid, and the granting of favored slots to proven sales performers, were in fact common features in legitimate multilevel marketing companies. Accordingly, this was a classic case in which the *actus reus* was not obviously unlawful and scienter was the critical element separating lawful from unlawful conduct. See *Xiulu Ruan v. United States*, Slip Op. No. 20-410 (U.S. June 27, 2022). and cases cited therein. A

(125a)

significant portion of the government's case was devoted to establishing that I2G was a pyramid scheme. Given this, it was critical to require the Government to prove scienter with respect to that alleged scheme on the part of Maike and his co-defendants. The failure to require proof beyond a reasonable doubt that Maike intentionally devised or engaged in a pyramid scheme, knowing that it was a pyramid scheme, deprived Mr. Maike of his Due Process rights under the U.S. Constitution.

APPENDIX J

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF KENTUCKY  
AT OWENSBORO  
CRIMINAL ACTION 4:17-CR-00012-GNS

UNITED STATES OF AMERICA                      PLAINTIFF

v.

RICHARD G. MAIKE;  
DOYCE G. BARNES; and  
FARADAY N. HOSSEINIPOUR                      DEFENDANTS

Date: October 21, 2022

**EXCERPT OF DEFENDANT FARADAY  
HOSSEINIPOUR'S MOTION FOR ACQUITTAL**

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F. Hosseinipour was prosecuted under a vague law that violates the Fourteenth Amendment's guarantee of Due Process.

Statutes may violate the Due Process clause for vagueness if they fail to provide "adequate guidance to those who would be law-abiding," "advise defendants of the nature of the offense with which they are charged," or "guide courts in trying those who are accused." *Musser v. Utah*, 333 U.S. 95, 97 (1948). Specifically, the "void-for-vagueness doctrine requires that a penal statute define the criminal offense with sufficient definiteness that ordinary people can understand what conduct is prohibited and in a manner that does not encourage arbitrary and discriminatory enforcement." *Kolender v. Lawson*, 461 U.S. 352, 357 (1983). In Jury Instruction No. 8, the Court instructed the jury that a

pyramid scheme was per se a scheme to defraud for the purposes of satisfying the first element of mail fraud. DN 554. However, the Court added on to the Gold Unlimited standard in its instructions and suggested a pyramid scheme could be determined by just promoting the sale of interests more than the sale of products. *Id.* However, promoting the sale of interests, or recruiting, is a characteristic pyramid schemes can share with legitimate and legal multi-level marketing companies. The faint line between illegal pyramid schemes and legal multi-level marketing companies has not been sufficiently defined to advise law-abiding citizens, and these defendants, as to what is legal behavior and what is not. Yet, the Court allowed a scheme to defraud to be proven through the existence of a pyramid scheme. Therefore, these defendants were convicted under a vague law and were deprived of their Due Process right to be advised of the nature of the charges against them.

### III. CONCLUSION

No jury, being properly advised and required to find Hosseinipour guilty of the charges beyond a reasonable doubt, could have found Hosseinipour guilty of either conspiring to commit mail fraud or securities fraud. There was no proof, in fact the proof negated, that Hosseinipour ever intended or realized she was doing anything illegal. Additionally, there was no proof Hosseinipour did do anything illegal. I2G was shown not to be a pyramid scheme as a matter of law, and the government failed to meet any element required to prove the existence of an investment contract. These circumstances demand Hosseinipour's guilty verdict on both counts be set aside, and require she receive a new trial.