



# Government Gazette Staatskoerant

REPUBLIC OF SOUTH AFRICA  
REPUBLIEK VAN SUID-AFRIKA

Vol. 449

Pretoria, 8 November 2002

No. 24052



9771682584003



**AIDS HELPLINE: 0800-0123-22 Prevention is the cure**

---

**CONTENTS • INHOUD***No.**Page  
No.      Gazette  
No.***GENERAL NOTICES****Trade and Industry, Department of***General Notices*

2924	Consumer Affairs (Unfair Business Practices) Act (71/1988): Consumer Affairs Committee: Report in terms of section 10 (1) of the Act.....	3	24052
2925	do.: do.: Notice in terms of section 12 (1) (b).....	20	24052

---

---

## GENERAL NOTICES

---

### NOTICE 2924 OF 2002

#### DEPARTMENT OF TRADE AND INDUSTRY CONSUMER AFFAIRS (UNFAIR BUSINESS PRACTICES) ACT, 1988

I, Alexander Erwin, Minister of Trade and Industry, do hereby, in terms of section 10(3) of the Consumer Affairs (Unfair Business Practices) Act, 1988 (Act No. 71 of 1988), publish the report of the Consumer Affairs Committee on the result of an investigation made by the Committee pursuant to General Notice 987 of 2001 as published in Government Gazette No.22316 dated 25 May 2001, as set out in the Schedule.

**A ERWIN**

**MINISTER OF TRADE AND INDUSTRY**

#### SCHEDULE

## **CONSUMER AFFAIRS COMMITTEE**

### **REPORT IN TERMS OF SECTION 10(1) OF THE CONSUMER AFFAIRS (UNFAIR BUSINESS PRACTICES) ACT, 1988 (ACT No. 71 OF 1988)**

**Report No 92**

**CORE CLUB**

## 1. Introduction

On 17 April 2001 officials of the Consumer Affairs Committee<sup>(1)</sup> held discussions with Ms de Melo (Demelo) and Messrs Pienaar (Pienaar) and Roussouw. The meeting was held at the request of Pienaar. Demelo handed the officials a copy of a letter from Core addressed to her. The letter, signed by Mr Bob Slater (Slater), founder of "Core Club International" read:

"This letter is a request from Core Club. Due to your diligent effort, shared vision of Core Club and continuing support for all members who are in need, it is our sincere desire that you would accept the position as official spokesperson for Core Club throughout South Africa. I'm very happy to have met you in person and proud to call you my friend".

Slater and Mr D Edwards (Chief Operations Officer, apparently of Core Club International) visited South Africa sometime before April 2001. In a newsletter of Core, Volume 1, Issue 6, dated 10 April 2001, given to the officials by Demelo, Edwards *inter alia* wrote:

"Wow! South Africa is a beautiful country, not just the geography, but the people as well! The majority of them live under such poor conditions that it boggles the mind. ... The people of South Africa have really grasped the true vision and concept of what Core Club is all about. 'People Helping People' is a tradition there. For hundreds of years the Africans have used this concept as a survival tool. Everyone pitches in what they can to benefit all. ... The people of South Africa opened my heart and my mind. What Core Club really means to the world is that people can stop going hungry, sleep in a real bed in their own home, get a real education for themselves and their children, get medical attention so desperately needed and probably the most important of all, learn how to feel good about themselves and have real self-esteem. They absolutely love Core Club. ... The way Core Club was designed, everyone truly has an equal ability, wherever they are and regardless of their situation. Believe me, I know, I was there amid people of no means having to live in tin huts 8 feet square, a virtual icebox in winter and an oven in summer, yet they have used their age-old concept of 'people helping people' by joining a group together to accrue one collective membership in Core and have started earning Rewards and Benefits through Core Club!"

Demelo said that Core is a benefit club and its benefits would "save our country". She then proceeded to explain the detail of the Core Club scheme to the officials. The discussion on 17 April 2001 was suspended after two hours and was continued on 18 April 2001 for another two hours.

---

(1) The Consumer Affairs Committee (the Committee) administers the Consumer Affairs (Unfair Business Practices) Act, 71 of 1988 (the Act). It is a statutory committee, resorts under the Department of Trade and Industry and reports to the Minister of Trade and Industry (the Minister). The purpose of the Act is to provide for the prohibition or control of unfair business practices. An "unfair business practice" is defined in the Act as any business practice which, directly or indirectly, has or is likely to have the effect of harming the relations between businesses and consumers, unreasonably prejudicing any consumer, deceiving any consumer or unfairly affecting any consumer.

Pienaar said that Core is registered in the USA as a club, although promotional material of Core states that it is "... an Internet based company, located in Peterstown, West Virginia". Eighty percent of its turnover is distributed to existing members, 10 percent is allocated to administrative costs and charity and the remaining 10 per cent goes to His Way Ministries. His Way Ministries is allegedly the equivalent of a South African section 21 company. The head of His Way Ministries is a Richard Kilgare. Kilgare is also the only shareholder in Got-A-Market Inc (Gam), a company which allegedly has a contractual relationship with Core.

## 2. The mechanics of the scheme

Core is an acronym for Creating Outstanding Residual Earnings. The club started on 17 April 2000 and aims to have 100 million members worldwide in 15 years time. At present it has approximately 77 000 members worldwide. To become a member of Core, one pays a monthly membership fee of \$9.99. Upon joining a member receives *inter alia*

"... network marketing software, Internet marketing software (value in excess of \$250) basic computer training, on-line marketing training, web development tools, utilities clip art, new resources directory ... and much more".

Participants, who may or may not possess a computer, could invite other persons to join the scheme. A variety of "rewards" await participants to the scheme. The following products and services, apart from monetary rewards, are made available and are quoted from the submission by Adv X, senior counsel, on behalf of Core. Core buys each "benefit" for those that qualify from Gam.

**"A Grocery Bux Certificate.** The size of the monthly value of this Certificate (starts at \$2 and grows to \$5 000.00 over a period of time after date of issue) determines the size of the monthly rebate for grocery purchases that a Member can expect. Ten percent of the monthly value is accessible, therefore, to a maximum rebate value of \$500.00 per month eventually.

**A Fuel Bux Certificate.** The same formula as above (for Groceries) is applied. Therefore, a maximum of \$500.00 rebate value per month eventually.

**Auto Share Bux.** Twelve months after such a Certificate is issued to a particular Member, the then current value of the Certificate is multiplied by five to determine the once-a-year down payment on the purchase of a car. For example, if the 12th monthly value of the Auto Share Certificate is \$2 000.00 the size of payout is \$10 000.00. This amount is not paid to the Member him- or herself. A contract has to be negotiated with a car Dealer or Manufacturer and a copy must be faxed through to GAM. GAM will then pay the Dealer directly. This is an Extended Benefit that is made available to Members on a 'Use It or Lose It'-basis

**Mortgage Share Bux.** Just like above for the Auto Share Bux, but double the size, i.e. ten times the face value of the Mortgage Certificate, twelve months after the date of issue. Again, only payable to the Developer or Finance House on submission of a *bona fide* Purchase Agreement.

**Health Share Bux.** This Benefit is very much like Health Insurance, with one major



difference: All pre-existing conditions are covered and there are no exclusions. Again, it is only payable to the medical institution (Doctor, Clinic, Hospital, Chemist, etc.) and not to the Member personally. The health benefit carries a total monthly value equal to three times the then-current value of this particular Certificate, i.e. \$15 000.00 per month maximum cover at full maturity value of a Health Share Certificate.

**Computer Certificate.** Twelve months after such a Certificate is issued to a Member, a new Dell computer (Laptop or Desktop) will be delivered to the qualifying Member. A new model will be supplied every twelve months thereafter.

**Unlimited Telephone Service.** An amount equal to the value of the Certificate (therefore, a maximum value of \$5 000.00) is available. The Member must submit proof (copy of actual account) for one single telephone line, and will then be refunded an amount equal to that on the account. It is referred to as "unlimited", as a \$5 000.00 at full maturity value) monthly account for one line (R40 000.00 in South Africa) per month is simply unthinkable.

**Unlimited Cellular Service.** The same as for Telephone Service above.

**Education Bux:** An amount equal to the value of the certificate, therefore, a maximum value of \$5 000.00 per month available for the payment of education expenses.

**Vacation Bux:** An amount equal to the value of the certificate, therefore, a maximum value of \$5 000.00 available twice a year towards holiday expenses.

**Retirement Bux:** An amount ten times the face value of the Retirement Certificate, twelve months after the date of issue. Therefore up to \$50 000.00 per year paid directly into the the retirement fund of the member's choice.

**Re-entries.** Up to 28 Re-entries into the overall CORE CLUB Matrix are awarded to a member with a fully completed Primary (personal) Matrix. These are also called Reward Centres. Such Reward Centres are positions (that CORE CLUB pays for) in the overall International Matrix. Each has the ability to generate exactly the same benefits as for the Primary Matrix of a Member. One can only speculate about how much time will have to pass for such an event to take place!"

A participant, "X", could invite three other persons to participate in the scheme. These three persons are then on "X"'s first level. Should they each canvass three other people, there will be nine people on "X"'s second level. "X" is entitled to canvass as many people as she/he wishes to. The fourth and further people canvassed, will be "spill-overs", in other words, should "X" canvass 15 people, three would be on her first level, nine others will be placed on her second level and the remaining three will form part of "X"'s third level.

The monetary, product and services awards on each of the seven levels are as follows:

**Level 1:** People in the downline = 3  
No rewards

**Level 2:** People in the downline = 9 (cumulative # members 12)  
\$1.11 from each participant which means that the monthly membership fee of \$9.99 is covered and thus for all practical purposes "free".

**Level 3: People in the downline = 27 (cumulative # members 39)**

- (a) No monetary rewards
- (b) A grocery bux entry into the Gam matrix when there are 21 people on this level
- (c) One re-entry worldwide if there are 27 people on level 3.

**Level 4: People in the downline = 81 (cumulative # members 120)**

- (a) \$0.97 per member per month or \$78.83 (if 81 people on this level)
- (b) Two re-entries worldwide. The first re-entry is awarded after 41 people are on this level and the second re-entry when the fourth level is full (81 people).

**Level 5: People in the downline = 243 (cumulative # members 363)**

- (a) \$0.54 per member per month or a total of \$211.87 residual (\$0.54 times 243 plus \$78.83 of previous level)
- (b) Five re-entries worldwide. The re-entries are awarded when the following numbers of people are at this level: 155, 177, 199, 221 and 243 respectively.
- (c) One motorcar certificate entry into the Gam matrix when there are 133 people on this level.

**Level 6: People in the downline = 729 (cumulative # members 1 092)**

- (a) \$0.83 per member per month or a total of \$823.20 residual
- (b) Ten re-entries worldwide. The re-entries are awarded when the following numbers of people are on this level: 511, 536, 561, 585, 609, 633, 657, 681 and 729 respectively
- (c) One mortgage certificate entry into the Gam matrix when 486 people are on this level.
- (d) One health cover certificate entry into the Gam matrix when 194 people are on this level.

**Level 7: People in the downline = 2 187 (cumulative # members 3 279)**

- (a) \$1.46 per member per month or a total of \$4 022.34 residual
- (b) A further 10-re-entries worldwide, thus a total of 28. The re-entries are awarded when the following numbers of people are on this level: 1 872, 1 907, 1 942, 1 977, 2 012, 2 047, 2 082, 2 117, 2 152 and 2 187 respectively
- (c) One health cover certificate entry into the Gam matrix when 1 420 people are on this level.
- (d) One motorcar certificate entry into the Gam matrix when 1 142 people are on this level.
- (e) One fuel bux entry into the Gam matrix when 122 people are on this level.
- (f) One computer bux entry into the Gam matrix when 655 people are on this level.



- (g) One phone service entry into the Gam matrix when 331 people are on this level.
- (h) One mobile phone service entry into the Gam matrix when 933 people are on this level.

A participant will be awarded 28 re-entries over the course of a full Core matrix (3 279 people). These re-entries work in the same way as the original matrix, thus the same commission structure, the same benefits from Gam and again the same re-entries. The re-entries are automatically filled "... through activities in the overall growth of the international Core matrix".

A locally produced video of Core came to the attention of officials of the Committee. Counsel informed the Committee that this video did not form part of the official Core marketing material<sup>(2)</sup>. Adv X contended that:

"The video is merely a theoretical exercise that illustrates the rate at which a full Personal Matrix can be fully populated with new members in a very short time. Any person who has had any type of dealings with a homogeneous selection of people will know that such a theoretical exercise serves no purpose, as the majority of people tend not to conform to such behaviour".

Nevertheless, the presenter said that should each participant canvass three people in one week, the 2 187 persons on the seventh level will be achieved in three months. He said that he canvassed the first three people on his first level within 48 hours.

Unfortunately the investigating officials could not understand the relationship between Core and Gam (except for the allegation that Core buys the various "benefits", for those of its participants that qualify, from Gam) or the mechanics of the Gam binary matrix. It was alleged that the points earned when qualifying for the various awards are recorded under a participant's name in the Gam binary matrix. The participant will receive the particular benefit when the matrix for that particular "pyramid" is completed. The points earned by participant "X" are somehow also available to other participants.

In a colour Core brochure the following is stated:<sup>(3)</sup>

#### "How Each Benefit Works

There are two parts to each Benefit: Extended Benefit & User Shared Commission. For the most part each benefit is based upon the growth of the User Shared Commission. The User Shared Commission matures based upon the number of benefits purchased either from Core or Gam or independently. The User Shared Commission is paid by Gam every month based upon the level of maturity that your benefit has reached. Each benefit's User Shared

- 
- (2) Investigations in terms of the Act are not confined to the inputs of the entities under investigation only. This is why notices of section 8(1)(a) investigations are published in the Government Gazette. The fact of the matter is that a local video was produced by someone and it was used to mislead consumers into believing that huge sums could be earned.
  - (3) The "working" of the benefits is quoted from the brochure because investigating officials could not understand exactly how the benefits "worked".

Commission is separate from all of the other Benefit's User Shared Comissions".

Benefits Based Upon USC		USC User Shared Commission
		Checks are Paid Monthly by Gam
Grocery	: 10% of USC Monthly	Starts at \$2 and matures at \$5 000
Fuel	: 10% of USC Monthly	Starts at \$2 and matures at \$5 000
Auto	: 5 x 12th Months USC	Starts at \$2 and matures at \$5 000
Mortgage	: 10 x 12th Months USC	Starts at \$2 and matures at \$5 000
Telephone	: Equal to Monthly USC	Starts at \$2 and matures at \$5 000
Computer	: Laptop or Desktop	Starts at \$2 and matures at \$5 000
Cell	: Equal to Monthly USC	Starts at \$2 and matures at \$5 000
Health	: 3 x 12 Monthly USC	Starts at \$2 and matures at \$5 000

As each benefit starts to mature a point will be reached where your USC equals the cost of that benefit. At that point the benefit will start paying for itself. Core will no longer pay Gam each month for that benefit. Core then takes the money that was just freed up and buys you another benefit. As that benefit reaches the same point Core will again buy you another benefit.

**THIS WILL GO ON INDEFINITELY!"<sup>(4)</sup>**

A page in a document presented to officials of the Committee by Demelo states:

**"Your Total REWARDS & BENEFITS with 1 FULL Matrix**

1. A monthly Residual reward of \$4 022.34 (paid by Core)
2. Up to \$55 000 per month in USC Residual Income (in check form from Gam)
3. Up to \$50 000 per year for Automobile purchase.
4. Up to \$100 000 per year for Mortgage reduction or purchase.
5. Up to \$30 000 monthly for Medical benefits.
6. Up to \$50 000 monthly for Telephone charges.
7. Up to \$50 000 monthly for Cellular charges.
8. Up to \$50 000 monthly for Grocery rebates.
9. Up to \$50 000 monthly for Fuel rebates.
10. 1 New Computer per year.

Although the document was presented to officials of the Committee by Demelo, Adv "X" stated in his submission:

"This Table merely had to be transcribed correctly from the Website of CORE CLUB, but numerous mistakes were made in that process. The correct information should read as follows

(4) Adv X made the following comments about these five words: "The boldly typed and in capital letters 'THIS WILL GO ON INDEFINATELY' (sic) ... is uncalled for and evidence of the emotion that surfaces in certain places in the Draft Report". The facts are the following: The words were and are typed in a regular Arial font face size 13, not bold, and in the brochure they were printed in red and in upper case (capital letters).

**Total Rewards and Benefits with 1 Full Organization:-**

1. A monthly Residual Reward of up to \$4 022.34;
2. Up to \$55 000.00 per month in Benefit Residual Income (with 11 Certificates, all of them fully matures);
3. Up to \$25 000.00 per year for Automobile purchase;
4. Up to \$50 000.00 per year for Mortgage reduction or purchase;
5. Up to \$15 000.00 monthly for Medical benefits;
6. Up to \$5 000.00 monthly for Telephone charges;
7. Up to \$5 000.00 monthly for Cellular charges;
8. Up to \$500.00 monthly in Grocery rebates;
9. Up to \$500.00 monthly in Fuel rebates.

Changes to the Extended Benefits have been introduced as it was felt that Education, Vacation and Retirement Benefits were desperately needed and that the benefits received from single Auto, Mortgage and Health certificates were more than adequate for an individual. Therefore benefits 3, 4 and 5 above were amended as follows:

3. Up to \$25 000.00 per year for Automobile purchase;
4. Up to \$100 000.00 per year for Mortgage reduction or purchase;
5. Up to \$15 000.00 monthly for Medical benefits;

To which the following Extended Benefits have been added to replace the duplicate benefits:

9. Vacation - Up to \$5 000.00 twice a year
10. Education - Up to \$5 000.00 per month
11. Retirement - Up to \$50 000 per year towards retirement fund of members' choice.

The introduction of these benefits does not change the generation of the Benefit Residual Income as this process is common to all benefits and there are still 11 benefits available. Further, the Computer Benefit should also be included in this list".

Also in the same document presented to the officials by Demelo, the question is posed whether Core is a pyramid or a Ponzi. The answer is:

"NO!!!. There are three points to consider here. First of all, the residuals and rewards are not based on 'recruiting' or 'sponsoring'. There are no sponsoring requirements. Secondly, the benefits and residuals are 'company paid'. And thirdly, the subscription fee of \$9.99 is for products and services worth far more than the subscription price. These products and services are all found in the member's section of the web site, and separate from the company paid benefits and residuals".

### **3. Letter dated 17 April 2001 to Slater and consequent events**

On 20 April 2001, an official who attended the discussion with the Core representatives on 17 April 2001 and who is also the Director: National Inspectorate of the Department of Trade and Industry, transmitted an e-mail to Slater. She was of the opinion that the

scheme operated by Core was an illegal pyramid promotional scheme<sup>(5)</sup> as defined in Government Notice 1135 dated 9 July 1999.

Slater was informed that the Director: National Inspectorate would **recommend** to the Committee at its next meeting which was scheduled to be held on 9 and 10 May 2001, that he, Slater, undertake not to sell Core memberships to any person in South Africa and that it should request the South African Reserve Bank not to allow the flow of funds related to Core or Gam into or out of South Africa. He was further advised that should he not give the undertaking as requested, she would recommend to the Committee that it undertakes a formal section 8(1)(a) investigation in terms of the Act into the business practices of Core.

The Committee has wide investigative powers in terms of the Act. The Committee could undertake two types of investigations, namely formal and informal investigations. Informal investigations and formal investigations are undertaken in terms of sections 4(1)(c) and section 8(1)(a) of the Act respectively. The Committee is not obliged to undertake a section 4(1)(c) investigation into the business practices of a particular entity or individuals before it embarks on a section 8(1)(a) investigation. This route is followed when the Committee has reason to believe that it has sufficient information at its disposal to forego the section 4(1)(c) investigation. Notice of a formal investigation in terms of the Act [section 8(1)(a)] is published in the Government Gazette. Should the Committee, after an investigation, find that an unfair business practice exists, it recommends corrective action by the Minister to ensure the discontinuance of the unfair business practice. The powers of the Minister are set out in section 12 of the Act. Orders of the Minister are published in the Government Gazette. A contravention of an order by the Minister is a criminal offence, punishable by a fine of R200 000 or five years imprisonment or both the fine and the imprisonment.

Slater was invited to provide the Committee with information as to why it should not undertake a formal investigation into the business practices of Core. He was asked to respond not later than 25 April 2001.

### 3.1 Fax dated 7 May 2001 from Slater

On 7 May 2001 the Committee received a fax from Slater. He stated that he would be unable to attend the meeting of the Committee on 9 May 2001 and that senior counsel "... has been appointed to represent CORE Club International in South Africa, from 1st May 2001. "Adv X" is fully authorized to act on behalf of CORE Club International in all negotiations, presentations and events relating to discussions in this regard, with the Department of Trade and Industry, the Consumer Affairs Committee, as well as any other official structure in South Africa, including the South African Reserve Bank or any other Government Department or Agency".

---

(5) A "pyramid promotional scheme" is defined as any plan or operation by which a participant gives consideration for the opportunity to receive compensation which is derived primarily from the person's introduction of other persons into a plan or operation rather than from the sale of products by the participant or other persons introduced into the plan or operation.



### **3.2 Meeting of the Committee held on 9 and 10 May 2001**

At its meeting held on 9 and 10 May 2001, the Committee resolved that a section 8(1)(a) investigation should be undertaken into the business practices of Core. Slater was informed about the decision of the Committee by e-mail on 11 May 2001. He was invited to address the Committee at its meeting to be held on 13 and 14 June 2001. Also on 11 May 2001, a copy of the e-mail to Slater was faxed to Adv X.

### **4. Publication of the notice of the section 8(1)(a) investigation**

The following notice was published under Notice 987 in Government Gazette 22316 dated 25 May 2001.

"In terms of the provisions of section 8(4) of the Consumer Affairs (Unfair Business Practices) Act, 1988 (Act No 81 of 1988), notice is herewith given that the Consumer Affairs Committee intends undertaking an investigation in terms of section 8(1)(a) of the said Act into the business practice of -

Core Club International, trading as Core Club or Core, presently conducting business from 9 Water Street, Peterstown, United States of America, as well as Got-A-Market Inc, in respect of the activities of Core Club International, trading as Core Club or Core, and Got-A-Market Inc in the Republic of South Africa.

Any person may within a period of thirty (30) days from the date of this notice make written representation regarding the above-mentioned investigation to: The Secretary, Consumer Affairs Committee, Private Bag X84, Pretoria, 0001"

### **5. The meeting with the Committee on 14 June 2001 and further meetings with investigating officials**

On 14 June 2001 representatives of Core, namely Demelo, Mr M Potgieter (Potgieter) and Adv X addressed the Committee. Potgieter told the Committee that the sole objective of Core "... is to restore dignity amongst poor people. It required a visionary like Bob Slater to design and launch such an ingenious programme, while he was acting on a sincere impulse from his heart, with no regard whatsoever for his wallet. Personal gain and corporate profits are completely absent from the mind of the creators of this programme".

The accrual of core earnings and benefits was set out as follows by Adv X:

*"The standard Club benefits are immediately accessible by new members once they join and pay their monthly membership fee of \$9,99. The standard benefits consist of:*

- (a) Access to professional generic Internet, computer, business and marketing training packages,*
- (b) Valuable branded (registered) software - fully licensed software for home and business use.*



- (c) *Organisational reporting tools - ability to run on-line, real-time reports of a member's network of people.*
- (d) *Personalised CORE Club Website - used to invite friends and other contacts to also join the Club.*

*No member is obliged to invite others to join the Club. If, however, a member decides to invite other people to also join, his matrix will be filled more rapidly and he will start to enjoy the benefits and residual income associated with Club membership much sooner than what would be the case if he does not invite anyone.*

*From the information below, it will become clear that CORE is not a get-rich-quick scheme - earnings are slow to accrue and benefits as well as extended benefits will mature over an extended period of time (years, not months). The amount of effort that a particular person invests in building his network is directly proportional to the level to which financial benefits will accrue.*

*Residual earnings accrue when a personal "3 x 7 Matrix" (maximum of 3 personally "sponsored" members per person, with a maximum of 7 levels of activities) is populated with new members. Such a "membership structure", therefore, restricts a person to a total of 3 279 new members that can be invited to join over time. The open-endedness (both in width and in depth) that is normally associated with "pyramid schemes" is completely absent in the CORE model. There is no top or bottom. An individual is always at the top of his own matrix. It is irrelevant when he joins. It is therefore not a case of those getting in early benefitting from those coming in later. This factor also ensures that all members are treated equitably and that all members will be able to attain full earnings potential over time.*

*The residual earnings level is a function of the number of people who join a particular member's network over time, starting at \$0,00 when he joins, and growing to a maximum of \$4 022,34 per month once the 3 x 7 Matrix is fully populated with new members. This is a very junior income level in America, but the less favourable value of the Rand sees to a substantial monthly income when the exchange rate is applied. It should also be noted that, as of today's date, no single person in the international community has managed to attain full (maximum) residual earnings, as not one matrix has been filled completely yet.*

*"Benefits" are defined as the "User Shared Commission" or face value of Certificates that CORE Club pays for and buys in a particular member's name (certificates are purchased from an outside organisation called Got-A-Market) at various stages as the different levels of his Matrix is filled over time. A total of 11 such certificates are bought in a full Matrix. At the time when a certificate is bought, its minimum face value is \$2,00. The face value (which differs from month to month, depending on the total number of certificates that are purchased in the international community) is paid out as monthly commission to the member in whose name it was bought.*

*At Got-A-Market, a "points value" is allocated to each type of certificate and an overall (international) matrix is filled in an absolute forced manner with the points as they accrue to all of the CORE members. Depending on the type of certificate, the points value ranges between 6 and 18 points per certificate. This means that when someone joins CORE in another country or elsewhere in South Africa (not necessarily in your own network), then you stand a chance of personally gaining from that person's activities. It is this particular point that emphasizes the obvious advantages that can be derived from leveraging people who make up the international community as a whole. Once the "forced matrix" at Got-A-Market is completely filled (with 1 493 "points" per matrix), that specific certificate "matures" at \$5 000.00 face value. Income from this source grows*

from a minimum of \$2.00 to a maximum of \$5 000.00 per month over an extended period of time. Currently the time for such a certificate to mature is approximately 18 months but it remains a function of the rate at which CORE-membership grows internationally.

The 11 certificates are each labelled differently. Certificates are labelled "Groceries", "Fuel", "Computer", "Health Benefit", "Auto" (meaning car), "mortgage", "education", et cetera.

"Extended Benefits" accrue, based on a formula that is applied to the "face value" (or User Shared Commission) in any given month. For example, the "Groceries Certificate" will allow the member a refund on regular monthly expenditure on grocery purchases, up to a maximum of 10% of the face value in a particular month. All 11 benefits have different formulae, with some of them offering monthly "extended benefits" payouts/refunds, and others (e.g. the Mortgage and auto certificates) that provide annual benefit payouts.

It should be noted that all of the "benefits" and the "extended benefits" are leveraged as a function of the rate at which CORE Club membership grows over time, which implies that it will in all probability take much more than a full year for a particular certificate to grow in value to full maturity after the actual date of issue in a member's name.

Further benefits accrue to members as the primary 3 x 7 Matrix fills over time. These are called "Club-paid re-entries" or "Reward Centres". Such Reward Centres are re-entry points into the overall international CORE Matrix for which CORE itself pays the monthly membership fees. Up to 28 such Reward Centres are earned in a filled primary matrix of a member.

Those reward-centres that are "created" by active members are placed in the international CORE-matrix in an absolute forced manner (filling top to bottom, left to right). Such a process ensures that people with no desire or intention to canvas others to join, or people with an inability (ill-health, age, disability, etc.) will ultimately benefit financially from their CORE-membership".

A member of the Committee wanted it to be minuted that she found some statements patronising "... in trying to tell me that I need a car or a cell phone or a vacation in order to have dignity". She took exception to this attitude because they (the promoters of similar schemes) seem to think that South Africans are "stupid idiots" and that "... they must come and help us and educate us and give us food but at the same time take our money".

#### **6. Further meetings between officials of the Committee and Core representatives**

On 15 June 2001 an official of the Committee called Adv X and requested that the Gam connection with Core and the functioning of the "2 x 10" matrix of Gam again be explained to officials of the Committee.

The investigating officials met with Demelo and Potgieter on 19 June 2001. This meeting lasted just over two hours. Potgieter said that mathematicians (he did not say how many of them) spent 6½ years in the development of the mathematics of the

system. The detail of the Gam matrix was not explained to audiences because the "intellectual property rights" had to be protected. Officials could not understand the explanation by Potgieter and Demelo. It was suggested by Potgieter that the officials did not approach the meeting with an "open mind". He said that presentations to potential participants usually took about 35 minutes and those present did not enquire about the detail.

On 21 June 2001 an official called Adv X and told him about the outcome of the meeting of 19 June 2001. He said that he would meet Demelo and Potgieter on 25 June 2001 and that he would call the official on 26 June 2001

## 7. Arguments advanced by Adv X

In his submission to the Committee, Adv X, wrote that "... it is simply unthinkable that CORE could possibly be confused as a pyramid" because a pyramid "... must fail at some stage, because there are a finite and limited number of potential participants in the world. Even if the entire world population joins Core at some stage, it would still secure full benefits to all of its members over time". The conclusion therefore is, that should the entire world population join Core, each inhabitant of this planet will eventually have more than enough groceries, a motorcar, plenty of fuel, a home, "unlimited" phone and cellular service, a computer(s) and access to health services. These goods and services will be supplied by Core at a fraction of their true cost.

Adv X also argued, probably to illustrate that the scheme is in the public interest, that "... money stops leaving South Africa (membership fees) very soon after someone joins as a member, but over time, a steady inflow of foreign exchange results from membership. This is already happening and the inflow of USA Dollars into South Africa as a direct result of Core membership can only increase substantially in future. Thus far, in the short space of one year, an amount of approximately \$200,000-00 has come back to South Africa". This argument, applied to all countries in the world, implies that all countries will experience a positive cash flow. Such a situation is clearly impossible to achieve.

He further stated:

"It is not only possible, but also probable that Core will substantially contribute towards efforts to eradicate unemployment and certain types of crime ('survival motivated crime')".

and

"Increased future income levels will increase the tax base, thus creating the opportunity for government to embark more rapidly on upliftment programmes".

In his submission, Adv X admitted that:

"It is very true that the personal Website, the training programmes and the software packages that make up the basic benefits are not accessible for most members, because all these tools are Internet-based. The majority of South Africans who have joined Core to date do not even own a computer. ***The primary motivation for people to join is an expectation to generate a steady***

***income for themselves, and not to get access to the basic set of benefits.***  
(The Committee's own emphasis).

A pyramid scheme is defined in Notice 1135 of 9 July 1999 as "... any plan or operation by which a participant gives consideration for the opportunity to receive compensation which is derived primarily from the person's introduction of other persons into a plan or operation rather than from the sale of products by the participant or other persons introduced into the plan or operation". ***During discussions with officials and at the Committee meeting held on 14 June 2001, it was clearly established that the product is a smokescreen. People join the scheme to generate an income.***

#### **8. The meeting of the Committee on 18 July 2001**

A copy of the investigating officials' draft report, that was to be discussed by the Committee at its meeting on 18 July 2001, was made available to Adv X and he was invited to address the Committee at this meeting. Adv X, who was accompanied by Demelo and Potgieter, requested the Committee to postpone its decision on Core because he wished to present expert evidence and this evidence would be available by 27 July 2001 only. The Committee resolved that certain editorial amendments be made to the officials' draft report. The amended draft report was made available to Adv X.

#### **9. The meeting of the Committee on 17 August 2001**

Adv X indicated to an official of the Committee that he would appreciate the opportunity to address the Committee at its meeting on 17 August 2001 because he wanted to present an expert witness who would testify about the mathematics of the scheme. On 17 August 2001 the Committee therefore met for the third time with Adv X, Demelo and Potgieter.

Adv X said their main witness took ill and that the witness was not available at the time when he needed him. He further stated that "...we don't need to discuss the merits of the matter any more - we have done that. And I think it seems to be there is no possibility for reconciliation so I take it that you are going to deliberate the report".

The meeting of the Committee was held on a Friday and Adv X requested that the Committee's decision be made available to him on Monday, 20 August 2001, to enable him to consider Core's position. Adv X concluded by saying: "I think that we must consider our position after we have taken this decision after deliberation. You are within your rights, we will follow the law. Thank you very much".

#### **10. Adv X informed about the decision of the Committee**

On 20 August 2001 the Director: National Inspectorate, Department of Trade and Industry informed Adv X that the inputs provided by him will be incorporated in the final report that will be forwarded to the Minister of Trade and Industry. He was also informed that the Committee approved the recommendation outlined in the draft report. This recommendation is to found in section "12. Recommendation".



## 11. Consideration

- The product is a smokescreen<sup>(6)</sup> because one does not need a computer to become a Core member. Consumers do not even need electricity and Core implied that this was the case when referring to the "... majority of them live under such poor conditions that it boggles the mind".
- Consumers are led to believe that they will receive huge amounts of cash ("... and your cheques are obscenely large"), homes, cars, groceries, medical benefits and telephones - all for \$9.99 per month. These consumers are misled.
- A number of misleading statements are made in the marketing materials. For example, the statement that "... residuals and rewards are not based on 'recruiting' or 'sponsoring'". There **are** sponsoring or recruiting requirements. The argument that the scheme is not a pyramid because "... the benefits and residuals are '**company paid**'" is incorrect. The company obtains its money from the participants (consumers).
- It appears that people with very little money have grouped together to accrue one collective membership in Core. Who in these groups will eventually receive the medical benefits, motorcars and homes?
- The combined scheme of Core and Gam is a plan or operation by which a participant gives consideration (\$9.99) for the opportunity to receive compensation (money and rewards on the different levels) which is derived primarily from the person's introduction of other persons into the plan. The compensation is derived not from the sale of products by the participants to other persons. The products are irrelevant for a person's participation.
- Adv X conceded that "The majority of South Africans who have joined Core to date do not even own a computer. The primary motivation for people to join is an expectation to generate a steady income for themselves, and not to get access to the basic set of benefits". This is an admission that Core is a pyramid promotional scheme as defined as defined in Government Notice 1135 dated 9 July 1999

## 12. Recommendation

Core Club International, trading as Core Club or Core, operates a pyramid scheme as defined in Notice 1135 of 1999. It is recommended that the Commercial Crime Unit of the South African Police Services be informed of this activity for possible prosecution

---

(6) Adv X stated that this statement is ridiculous. Yet he stated in the Core submission: "The primary motivation for people to join is an expectation to generate a steady income for themselves, and not to get access to the basic set of benefits".



of the South African participants in this scheme.

Apart from the fact that the entities operate a pyramid scheme, the business practices of Core Club International, trading as Core Club or Core, as well as Got-A-Market Inc, in the Republic of South Africa also constitute unfair business practices. There are no grounds justifying these practices in the public interest. It is accordingly recommended that the Minister declares the unfair business practice unlawful in terms of Section 12(1)(b) of the Act whereby any juristic or legal person:

- (a) invites, procures the attendance or attempts to invite or to procure the attendance of any person to a meeting at which meeting such persons are invited or encouraged in any way, directly and indirectly, to partake in or become members of Core Club International, trading as Core Club or Core, and/or Got-A-Market Inc.
- (b) directly or indirectly, operates, conducts or promotes participation in or membership of Core Club International, trading as Core Club or Core, and/or Got-A-Market Inc. or causes to operate a chain letter scheme.
- (c) transmits in any way whatsoever, money to any account, whether in the Republic of South Africa or abroad, destined for the credit of Core Club International, trading as Core Club or Core, and/or Got-A-Market Inc

**PROF T A WOKER**

**VICE-CHAIRPERSON: CONSUMERS AFFAIRS COMMITTEE**

---

## NOTICE 2925 OF 2002

**DEPARTMENT OF TRADE AND INDUSTRY**  
**CONSUMER AFFAIRS (UNFAIR BUSINESS PRACTICES) ACT, 1988**

I, Alexander Erwin, Minister of Trade and Industry, after having considered a report by the Consumer Affairs Committee in relation to an investigation of which notice was given in Notice 987 of 2001 published in Government Gazette No. 22316 of 25 May 2001, which report was published in Notice No. 2924 in Government Gazette No. 24052 of 8 November 2002, and being of the opinion that an unfair business practice exists which is not justified in the public interest, do hereby exercise my powers in terms of section 12(l)(b) of the Consumer Affairs (Unfair Business Practices) Act, 1988 (Act No. 71 of 1988), as set out in the Schedule.

**A ERWIN**

**MINISTER OF TRADE AND INDUSTRY**

**SCHEDULE**

In this notice, unless the context indicates otherwise -

**"unfair business practice"** means the business practice whereby any juristic or legal person:

- (a) invites, procures the attendance or attempts to invite or to procure the attendance of any person to a meeting at which meeting such persons are invited or encouraged in any way, directly and indirectly, to partake in or become members of Core Club International, trading as Core Club or Core, and/or Got-A-Market Inc.
- (b) directly or indirectly, operates, conducts or promotes participation in or

membership of Core Club International, trading as Core Club or Core, and/or Got-A-Market Inc. or causes to operate a chain letter scheme.

- (c) transmits in any way whatsoever, money to any account, whether in the Republic of South Africa or abroad, destined for the credit of Core Club International, trading as Core Club or Core, and/or Got-A-Market Inc

1. The unfair business practice is hereby declared unlawful.
  - 2 This notice shall come into operation upon the date of publication hereof.
-

**Dog ate your Gazette?  
... read it online**



**www.SA Gazettes.co.za**  
.....

**A new information Portal keeping you up to date with news, legislation, the Parliamentary programme and which is the largest pool of SA Gazette information available on the Web.**

- Easily accessible through the www!
  - Government Gazettes - from January 1994
  - Compilations of all Indexes pertaining to the past week's Government Gazettes
  - All Provincial Gazettes - from September 1995
  - Parliamentary Bills - as of January 1999
- Available in full-text, with keyword searching
- Sabinet Online scans, formats, edits and organize information for you. Diagrams and forms included as images.
- No stacks of printed gazettes - all on computer. Think of the storage space you save.
- Offers Bill Tracker - complementing the SA Gazettes products.

**For easy electronic access to full-text gazette info, subscribe to the SA Gazettes from Sabinet Online. Please visit us at [www.sagazettes.co.za](http://www.sagazettes.co.za)**

**Sabinet**  
 *Online*



*Looking for back copies and out of print issues of  
the Government Gazette and Provincial Gazettes?*

## The National Library of SA has them!

Let us make your day with the information you need ...

National Library of SA, Pretoria Division

PO Box 397

0001 PRETORIA

Tel.:(012) 321-8931, Fax: (012) 325-5984

E-mail: [infodesk@nlsa.ac.za](mailto:infodesk@nlsa.ac.za)



*Soek u ou kopieë en uit druk uitgawes van die  
Staatshoerant en Provinsiale Koerante?*

## Die Nasionale Biblioteek van SA het hulle!

Met ons hoef u nie te sukkel om inligting te bekom nie ...

Nasionale Biblioteek van SA, Pretoria Divisie

Posbus 397

0001 PRETORIA

Tel.:(012) 321-8931, Faks: (012) 325-5984

E-pos: [infodesk@nlsa.ac.za](mailto:infodesk@nlsa.ac.za)



Printed by and obtainable from the Government Printer, Bosman Street, Private Bag X85, Pretoria, 0001

Publications: Tel: (012) 334-4508, 334-4509, 334-4510

Advertisements: Tel: (012) 334-4673, 334-4674, 334-4504

Subscriptions: Tel: (012) 334-4735, 334-4736, 334-4737

Cape Town Branch: Tel: (021) 465-7531

Gedruk deur en verkrygbaar by die Staatsdrukker, Bosmanstraat, Privaatsak X85, Pretoria, 0001

Publikasies: Tel: (012) 334-4508, 334-4509, 334-4510

Advertensies: Tel: (012) 334-4673, 334-4674, 334-4504

Subskripsies: Tel: (012) 334-4735, 334-4736, 334-4737

Kaapstad-tak: Tel: (021) 465-7531