

MEMBER QUERIES REGARDING THE CCN BUSINESS

With the advent of the CCN venture and the flood of e-mails sent to the ASAQS and SAIA members from the CCN Call Centre during November and December 2007, a number of queries have been received from members to clarify aspects surrounding the CCN business. It is important that members are well informed when making an investment in the CCN business.

In an attempt to clarify some of these typical queries, it has been decided to publicise the detailed question and answer correspondence between the ASAQS and one of our members (Mr John Powell from the Western Cape). This may assist other members to also better understand some of the issues that may have been on the minds of many members, but who may simply not have had the time and/or energy to get clarification on before the investment deadline date.

Herewith the thirty questions and answers given (the questions are in black and the answers given are in red):

1. *How much members' funds have been spent by ASAQS on the venture to date – I am hearing ±R450 000 plus R250 000. Is this correct? Has the Institute of Architects contributed to this?*

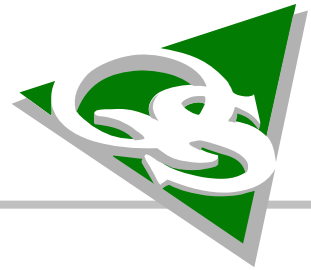
The ASAQS has expended around R250 000 during the past year 2007. Over and above that another around R225 000 in further expenses, giving a total of around R475 000. The SAIA has expended a similar amount from their side.

2. *Were the members informed of the expenditure prior and during the process?*

The members were informed of the intention to participate with the venture some years ago (around 2003) via a referendum to all members. The response was positive and this was the basis on which the ASAQS proceeded with the process. The above costs were approved by the ASAQS Board and were included in the Private Placement Memorandum (PPM) made available to all members during November 2007.

3. *Was the agreement circulated to members before it was signed by the Board?*

After the referendum was conducted during 2003 (refer item 2 above) the ASAQS Board proceeded with the process and approved and signed the Agreement during April 2004. It was not specifically taken back to all members for approval prior to signature, as this considered not necessary and/or practical.



4. Please provide a copy of the agreement signed by ASAQS with SAIA and PSG .

Unfortunately I am not at liberty to send you a copy of the Agreement as it is subject to a confidentiality clause. Clause 20 of the Agreement states that :

20.1 The Parties agree that all information regarding this Agreement, the Trusts, the Company and the Business shall:

20.1.1 Remain confidential and be protected from disclosure by any Party to any third party, save as is necessary for Property Services Group, the ASAQS and SAIA to carry out their obligations in terms of this Agreement.

5. Point out where in the agreement the ASAQS is guaranteed its members' funds will be completely repaid regardless of the support or otherwise.

There is no absolute guarantee that the monies will be repaid should the venture fail. The ASAQS Board was satisfied that the venture would ultimately be for the benefit of the ASAQS and SAIA members specifically and the industry generally and the monies expended must be seen as "risk capital". If the venture is successful and the members invest, then all the expenditure will be repaid to the ASAQS and SAIA in full.

6. What current (road show, software development, web site development) and future expenditure by ASAQS of members' funds is envisaged?

The cost of the roadshow is included in the costs set out under item 1 above. The software development website development will be funded from the investment capital from the member investment ie. it will be funded by the CCN business and not the ASAQS and SAIA respectively. The cost of running the ASAQS Investment Company will initially be funded by the ASAQS for a period of around three years, all of which will ultimately be recouped from dividends flowing from the business.

7. How will this money be repaid?

If the investment capital inflow is successful, the R475 000 will be repaid to the ASAQS as soon as there are sufficient funds in the CCN business to repay the ASAQS and SAIA ie. within a few months. The overheads to run the ASAQS Investment Company will hopefully be repaid after about three years.

8. How many members are required to subscribe to the venture for it to continue and allow CCN to claim exclusivity? If members aren't majority shareholders in CCN how will this effect the ASAQS position?

In terms of the Agreement, the ASAQS will be entitled to two directors on the CCN Board. But this is conditional upon the fact that each director will only be entitled to participate provided that he/she represents at least 1/6th of the overall number of shares of the CCN Company. If that is not achieved, then the director will have to resign his/her position and will not be permitted to participate in the business. In a nutshell - no support, no participation !!

9. Who is currently on the board of CCN?

Currently only Mark Grant and Brian Whitfield (representing PSG).

How were they and future board members nominated? Will the members who subscribe have a say in the appointment of directors? What will Board members be paid.

If the capital investment is successful, ASAQS will be entitled to elect two Board members - one from the ASAQS Board and one representing the ASAQS investors. Any future payments to the Board members will be as decided by the future Board of the CCN business. That cannot be decided now.



10. Will it be made known to the membership how many members have subscribed once the process is complete?

Certainly. That will surely be made known to whoever wishes to know. But we also need to acknowledge the right of every investor to have his/her investment kept confidential, so that will need to be cleared before publication.

11. Will the subscribers be able to nominate board members or will it only be from Mark Grant's circle ?

Mark Grant and his "circle" will have no say in who the ASAQS Board members should be. The ASAQS will decide on that after due process is followed.

12. Will the email database used to distribute newsletters be made available to other parties?

This was only made available to the CCN Call Centre during the "investment period". And this was only done after the ASAQS demanded (and got) a written declaration that the information would only be used for the CCN investment purposes.

13. Why are the ASAQS and SAIA logo's on the website? They do not own anything in this venture. What is their involvement? Its an issue for the members and not the bodies.

The ASAQS and SAIA logos were included as the initial agreement was a tri-partite agreement between PSG, ASAQS and SAIA. If the venture is successful, then ASAQS and SAIA will be entitled to nominate Board members and have will have a say in the direction that the business takes. It is true that ASAQS and SAIA do not directly own anything in the business, but they are involved in a supportive role.

14. Do you think by including these names in the product you are unfairly prejudicing competition in that it insinuates that the bodies are involved whereas they are not?

What we are saying is that ASAQS and SAIA is in support of the CCN business but this should not be regarded as a statement or declaration of "exclusivity" for the CCN venture. This suggests that we do not exclude any other opposition businesses that may continue to successfully exist in the marketplace.

15. Will other players in the industry be given endorsement by the bodies if they meet required criteria or will CCN have a monopoly on this?

The ASAQS has given a commitment to the CCN venture that it will not formally endorse opposition businesses for a period of 5 years (ie. up to end 2012) if it is deemed such businesses could potentially undermine the CCN business. This will provide the CCN business a chance to get off the ground and hopefully to prove itself.

16. If membership take up is poor, will the involvement of SAIA and the ASAQS be played down in this venture?

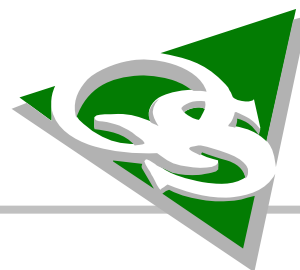
If the take-up does not meet minimum requirements, then the ASAQS and SAIA participation will be greatly reduced. The success of the ASAQS/SAIA investment take-up (or lack thereof) will naturally determine the extent of involvement in future.

17. How will that affect the shareholding of the venture?

If the ASAQS and SAIA investment is very poor, then other avenues of investment may have to be considered by PSG. Only time will tell what that may be.

18. Who or what is ASAQS Members Investment Ltd ? What are its implications ?

It is the new company that will be formed to manage the share allocation scheme, dividends, etc. of the ASAQS members only. Please refer to the PPM for further detail in this regard.



19. **Why didn't the ASAQS or SAIA endorse an existing system instead of starting from scratch? Mark Grant did approach a number of existing businesses without too much success. That was a business decision taken after those early unsuccessful discussions proved that to be impractical.**

20. **How much of your time is going to be taken up on this matter – should you not be concentrating on ASAQS members' matters only – like an update on the hugely out of date Model Preambles for example ?**

As soon as this initial period is successfully concluded, my personal involvement will greatly reduce in future. On behalf of the ASAQS, I will then need to manage the ASAQS Members Investment Ltd in perpetuity, but that is largely only an administrative function. By the way, the Model Preambles is already in hand (you are most welcome to volunteer to assist with that exercise if you wish).

21. **The real gainer of the profits here seems to be Mark Grant.**

True, but then this was mostly done under his initiative and it was his innovative idea to set it up. How much money has he spent out of his own back pocket to set this all up?

On the roadshow he stated around R2 million, but I cannot confirm that figure.

What "salary" or "share of the profits" has he voted for himself .

He has not voted anything for himself yet - whatever will be paid to anyone in future will need to be decided and agreed by the entire Board of CCN. This is not a one-man decision.

Why should he be allowed to promote this so-called separate company under the ASAQS and Architects' logo's in the future ?

This was agreed in the Agreement for reasons stated above.

Should the whole initiative fail, who loses or is declared bankrupt ?

As the ASAQS is not directly involved in the business, worst case scenario for the ASAQS is that the ASAQS may lose the "risk capital", nothing more. The ASAQS will not be required to "bail out" the CCN business in any way should it fail.

22. **Should a Practising QS be involved in such a separate blatantly commercial enterprise ? Shouldn't he resign from the Council to embark on this venture ?**

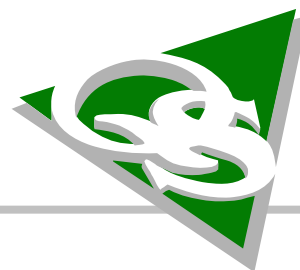
The ASAQS members may invest in the CCN venture out of their own free will, should they believe that to be in their personal best financial interests to do so. I fail to understand why you suggest that such an investor should have to resign from the SACQSP.

23. **Could there not be accusations of Architects and QS's specifying only those manufacturers who subscribe to CCN ? Is this not a problem ?**

Surely any specifier will specify what he/she really wishes to specify. Any specifier may anyway specify any product they chose to have, whether such a product is subscribed to the CCN system or not. Absolutely no problem with that. There is also no financial benefit to be gained by any specifier to restrict his/her product choices to the CCN subscribers. They can specify absolutely anything they wish.

24. **I hear that the W Cape Chapter is being reprimanded for having another sponsor for its year end (and other) functions or did I hear wrong ?**

Not sure where this has come from - but that definitely did not come from me or my office. To the contrary, I have informed some of the Western Cape Board members that there is no problem with that and that they should continue as they have done in the past. The October 2007 Congress in Durban is also a case in point - some opposition businesses were allowed to have stands and market their products at the congress. We absolutely support a free market approach.



25. I trust that the existence of CCN will not prevent any one from specifying any other products, whether they or the manufacturers are members / subscribers or not.

Refer my answer to items 23 and 24 above.

26. What is the likely return on a R5000 share over what period?

Please refer to the PPM document - it is all clearly spelt out there.

27. How does one dispose of the shares and to whom ?

The shares will be freely tradeable. It will be done through the ASAQS Members Investment Ltd platform.

28. How will CCN affect or be of benefit to ASAQS members who elect not to invest in it ?

All ASAQS members will be permitted to use the CCN products and platform absolutely free of charge, whether they have invested in the business or not. But if they have not personally invested capital, then they will naturally not be able to benefit from any dividends and/or profits flowing from the CCN business in future, as they will not be shareholders.

29. Why should ASAQS be getting involved in this venture at all ? Why is it so confident that this is better than everything else already existing ?

As stated above, the ASAQS members were informed of the intention to participate with the venture some years ago (around 2003) via a referendum to all members. The response was positive and this was the basis on which the ASAQS proceeded with the process. It was thus also a decision of the majority of the members, and not the Board alone. The Board just followed through with what the members had indicated they wanted.

30. What does it stand to gain from CCN – seeing that this is an autonomous and independent business escapade ? If nothing why is it promoting CCN so enthusiastically ?

By "it" I presume you are referring to the members. Had you been to one of the recent roadshow presentations, you would have been shown what the CCN business will be able to offer you as a member, and how it could benefit the members generally.

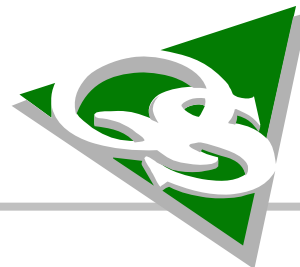
I can think of many other questions but hope to catch up from colleagues after the roadshow.

As we have tried very hard over the last few weeks to inform our members what the CCN venture is all about, I would really recommend that you carefully study the following documents:

- **Private Placement Memorandum (PPM) - available on CCN website (www.ccn.org.za)**
- **Share Application Form - available on CCN website (www.ccn.org.za)**

If the members who are serious about the CCN business had taken the trouble to carefully study the above documents, then it would not have been necessary to raise the majority of the above questions. A lot of time, energy and thought has gone into the preparation of the above documents and they simply need to be carefully studied to find the answers to most of the questions. But I do appreciate that not everyone has had the time to read it all, so I was happy to go to the trouble of answering all the above questions, which probably many others would also have been asking.

**The Association of South African Quantity Surveyors
Die Vereniging van Suid-Afrikaanse Bourekenaars**



I would appreciate these questions and your written answers being published in the weekly ASAQS newsletter. I have copied the above responses to everyone on your mailing list, plus the ASAQS Board members and Chapter Representatives. I will also place these on the weekly WP&CN newsletter as requested.

We trust that the above questions and answers will be of assistance to all the ASAQS members.

Report prepared by :

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**EGON WORTMANN
EXECUTIVE DIRECTOR**

18 January 2008