

Open Letter to the Board of Two Oceans Marathon regarding a number of concerns raised after the November 2019 AGM

From: James Evans

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To the Board of Two Oceans Marathon NPC

I am addressing this letter to Two Oceans Marathon NPC as an open letter, because I have little faith that a private letter will receive a response. The issues I am raising are serious ones, which require urgent resolution. Also, the responses I received at the past two AGMs when I raised issues have left me with no confidence that I will be taken seriously if this is dealt with in private.

While some new board members were elected at the AGM in November 2019 and they may feel they are not responsible for anything that has happened before their time, if they don't act to address the issues raised, they will be equally culpable. This is not the time for anyone to seek to avoid responsibility instead of resolving issues which threaten the future of the race. I am lead to believe that some of the board members whose terms had come to an end did not make themselves available again because of concerns they had with the governance of Two Oceans, but walking away from the problem will not solve it.

I was one of the original founders of the Two Oceans Marathon NPC and was instrumental in the formation of the company and the transformation of the race. Under Chet Sainsbury's leadership the race had grown to an international event and no longer sat happily under the direction of a trust which was controlled by a club.

There was a long history of a struggle between Two Oceans/Celtic Harriers and Western Province Athletics regarding the race, but this was meant to end with the formation of the NPC.

Sadly, while the struggle may have ended (as I believe that WPA has been equally negligent in recent years in its oversight role), the problems with the governance of the race are the most serious ever.

At the recent AGM, held in November 2019, a number of concerns were raised by a number of people. In fact, I was astounded that no-one from the floor stood up to speak for the board. It has become the norm for someone to be a praise singer, no matter how

serious the issues raised. This time, there was silence on that front. Those who spoke, spoke of concerns they had.

The fact that the meeting had been called originally without the financial statements being available and the original agenda had an item to reduce the size of the board, without any resolution to that effect (this was mysteriously not included in the agenda for the 'second' meeting) being attached was an early warning of what was to come.

The initial meeting was adjourned to a later date to obtain the financial statements. What was then distributed was an 'abridged' version of the Annual Financial Statements. But even in their abridged form they caused red lights to start flashing.

And then the AGM came, questions were asked and answered and the more answers that were given, the more questions arose.

The longer the AGM went on, the more it became apparent that there were serious problems with the governance of Two Oceans. Some board members appeared to not know what was going on (or perhaps they were distancing themselves from what was going on), and it was clear none of them had read the MOI. Unfortunately for them, many in the meeting had done so.

Almost immediately after the AGM I was contacted by a number of people who told me about their concerns with Two Oceans. There was a common theme of abuse of position, bullying and poor governance. There were allegations of unilateral decision making. Some people were fearful and did not want to be able to be identified.

For this reason and to make sure that I was not being spun stories by disgruntled people who had axes to grind and who might not be telling the truth, I resolved to not rely on any fact unless at least two people had confirmed it or if there was documentary evidence to back it up. That way there is no way that a witchhunt to identify whistleblowers will succeed as there is no one whistleblower (or even two or three), there are many, and I can be pretty sure of the facts that I know.

Where I state below that I am not sure of a fact, it is because I could not confirm it with 100% certainty, but there is enough reason to suspect that it is true. Facts I could not verify, which may be true, I have not relied upon.

After these people had contacted me and I investigated further, I had to decide what to do. It is not in my nature to remain silent if there is corruption or malfeasance. I have made many enemies because of this (including in the past at Two Oceans), and have personally suffered tremendously.

But I live with a clean conscience that where something was wrong, I spoke out. I am not sure if those who choose to remain silent or who cover up wrongdoing can ever live with a peaceful mind. Had people taken the issue of corruption in this country seriously ten years ago, we may not have load shedding and a bankrupt national airline and public broadcaster, to name but a few problems.

If nothing is done now, Two Oceans will not exist in two years time.

I fully expect a personal smear campaign against me, as has been done before, including by Two Oceans, but that will merely prove that what I am asking cannot be answered. If anything I say is incorrect, it will be easy to set out the true facts for all to see.

The fact that Two Oceans Marathon NPC has a Company Secretary (and it is a reputable firm), but there was a shambles with the calling of the AGM (it is one of the duties of the Company Secretary to ensure that a copy of the company's annual financial statements is sent to every person entitled to it) and it has been conclusively shown that the MOI was not complied with are matters of grave concern. Given that one of the Company Secretary's duties is reporting to the company's board any failure on the part of the company or a director to comply with the MOI, it has to be assumed that the Board was advised that board members cannot be employees but ignored that advice.

These are my main concerns:

Directors being paid as employees:

The MOI of Two Oceans NPC could not be clearer that a director cannot be an employee of the company. It is an absolute bar and it was never within the discretion of the rest of the board to ignore the rule.

At the AGM the board sought to ignore the obvious implication by attempting to deal with the matter itself. (The board asked for seven days to 'deal with the matter'. That was read by many in the meeting, including myself, as meaning that it would be swept under the carpet.) It was only under the threat of legal action that it recanted and dealt with the issue of the board member who had been paid (rather well) as an employee.

But that raised the question of the negligence of the other board members who allowed the situation to develop and then hung her out to dry when the situation was exposed. As pointed out above, it must be assumed that the Company Secretary warned the board that the MOI was not being followed. She then appeared to be the only one at fault,

whereas it was the entire board at fault. She was treated unfairly by them when they failed to admit their collective fault. I believed then, as I do now, that this failure of judgement should have lead to the entire board resigning, not only the board member implicated 'stepping down'.

Since the meeting I have been advised by at least three separate people, all approaching me independently, that at least one other former board member was employed at the same time as she was a board member and is still an employee. (I am not including the possibility that at least one board member was also a service provider, so this must not be confused with that situation.)

If that is the case, I, for one, cannot have any confidence in the integrity of the organisation. Board members have fiduciary duties, and one of those is to know the MOI. If any board member or former board member is or was an employee of Two Oceans (even as a temporary employee) while they were a board member, they must declare it and rather step down voluntarily if they still hold any position at Two Oceans.

A failure to do so could result in them being declared a delinquent board member and/or steps taken to recover anything paid to them. It would be better to do the right thing now, before it is discovered later, as it inevitably will be. One board member did step down and her example should be followed by anyone else who is also affected.

My question is a direct one, capable of only being answered with an affirmative or a negative response:

- Since the current MOI was adopted, has any serving board member also been employed (in any capacity) by Two Oceans? (To prevent any obfuscation, the question is clear: was anyone simultaneously a board member and an employee (in any capacity – permanent, temporary, independent contractor, etc) at any time since the MOI was adopted.)

Two related questions are:

- If the answer is in the affirmative, who is or was the board member concerned and was this reflected in the financial statements for the year concerned?
- The next issue, which is a follow on, and logical consequence of the first, is whether the board member who 'stood down' (she's was in fact disqualified) participated in any decisions while she was acting as a director while disqualified? If this did happen, it can have serious implications for the validity of any decision taken. (Again, it calls into question the judgement of the other members of the board who allowed this to happen.)

Two Oceans Properties

Why spend that much money (R1.7m on renovations to a R3m property)? The race does not have a sponsor but bought a house that needed R1.7m worth of renovations, when it already owned a house. It would have been able to rent premises for a fraction of the price it has now spent on buildings.

Is there any prospect that it will be able to recover the value it has paid given the current state of the property market?

The explanation given at the AGM that value was given for the work done by the chairperson of the board's own business actually missed the point quite badly.

An analogy easily explains why this is so: I buy a Rolls-Royce for 80% of its normal value. Everyone will say it is a good deal. I could argue now that I have an asset in the Rolls-Royce. However, if I cannot afford it then it is a bad deal. Its value as an asset is undermined by the fact that I will probably have to sell it in a forced sale to realise cash I no longer have because I bought the car. I may be forced to sell for 75% of its normal value because I am forced to sell.

That is what Two Oceans has done – tied up cash in property and one of those properties has been standing vacant for the past seven months, whereas that cash could have earned interest in the bank. It has not even been earning income via rental, but standing vacant, attracting the cost of security and normal rates and services.

The excuse for non-occupation was that there were issues with sorting out cabling. Against a bill for R1.7m for renovations, this boggles the mind. Fibre is available in the area, and so is LTE. Cabling could be sorted out in a day.

Two Oceans has a property in Heathfield which it lists on its financial statements as being worth over R4m. Could it realise that in a sale, especially an urgent sale, if the race runs short of cash?

This leads to several questions, but the most important are:

- What is the market value of the property in Heathfield?
- When (exact date) will occupation be taken of the property?
- Will the property be rented out pending occupation by Two Oceans?
- What, precisely, is the reason that occupation was not taken of the Heathfield premises (since the renovations were completed in April 2019)?

- What was wrong with the premises that extensive renovations had to be done, and why was R3m paid for a building which was in such poor condition, or which was so unsuited, that renovations which cost 50% of the purchase value were required after the purchase?
- When the decision was taken to proceed with the renovations, did the board take into account that it did not have a sponsor after 2019 and that it would not have a return on investment for several months or years after the initial purchase of the property (which was clearly not suitable for the purpose for which it was purchased) and after the renovations?
- The company which did the renovations is linked to the chairperson of the board. It has been stated that he did not participate in the process to appoint the company and that everything was above board. However, apart from the concern above (ie why was property purchased which would need extensive renovations), the fact remains that his company made a profit from the renovations. Which leads to the question: Did the chairperson participate in any of the meetings or other processes which led to (a) the purchase of a property which required extensive renovations, and (b) the renovations continuing despite the financial predicament of the race without a sponsor?

The 50-year book and commemorative brochure

These can best be described as vanity projects. They were not essential to the survivability of the race and they could have been done at any time. They concern me deeply. I am not opposed to the principle of doing a book, it is the timing and the circumstance which concern me.

Despite the assurances about an open procurement process given at the AGM and the claims that the chairperson's company stepped in to save the day and gave a price that could not be beaten, information I have obtained indicates something rather different.

At the outset I am not clear as to why Two Oceans had to incur expenses running into millions for a book (Two Oceans is a road race, not a publisher) and why it had to be finished before the race (presumably from what was said, at a higher cost). It could have been finished later and covered the 50th race and still been relevant. Conventional printing could have been used instead of Litho.

Here are some of the facts:

To start with, and this has been verified with more than one source, Associated Printing (the chairperson's business) was not one of the original three quotes obtained by Two Oceans. Only after those three quotes had been obtained did Associated Printing become involved. So Associated Printing was an extra quote obtained after the original process and they quoted after all the other quotes were known.

Then, the project was delayed for several months because of the need for board approval. The author, etc, were all in place several months before final approval was given.

I have been unable to find out why it took months for the board to approve this project, although I know from several sources that meetings were held between Associated Printing and Two Oceans well before the final deadline for printing and the Associated Printing did not step in at the last minute to 'save the day'.

However, apart from the questionable procurement process, whereby the chairperson's business was able to quote after the standard three quotes had been obtained, there is a bigger question, which only became obvious after the meeting: I have learnt that 10 000 copies of the 50-year book were ordered. At the meeting an amount of R173 per copy was given as the printing cost. Again, it was stated that this was the best price for which the book could be printed, but without competing quotes and the exact specifications it is difficult to assess this claim, which I don't accept at face value.

Again, whether it was the best cost per copy possible is not the issue. Two Oceans faces an uncertain future, so the protection of reserves should be the priority of the board. A 50-year celebration is a nice thing to do, but it cannot detract from the long-term sustainability of the race. It is no point celebrating 50 years when doing so will ensure there is no 52nd year. The number 50 is just that, a number.

The concern I have can be shown by pure numbers: 10 000 copies at R173 per copy equals R1,730,000. Presumably the R173 includes VAT (ie R150 plus R22.50 VAT, rounded up for convenience).

Apparently the book was sold at the Expo at R150, but I cannot find out if that included VAT or not. If it did, then it was sold at a loss to the race. It was also given away for free to members of the Blue Number club.

However, from a pure publishing point of view, it was extremely optimistic to have printed 10 000 copies. As the large increase in stock on hand in the financial statements shows (and increase of over R1m from 2018 to 2019), the majority of the books have not been sold.

It is a false economy to print a large print-run on the basis that the unit cost is lower. Any decent publisher would know this. The following demonstrates this:

It is generally agreed by everyone I spoke to who knows publishing that the correct print run would be 2000, with the option to print more if there is demand. At best the print run should have been 3000.

Even if we assume (and this is definitely a worst case scenario) that the print cost would have doubled with a shorter print run (ie R346 per copy), at 3000 copies the cost is R1,038,000. That is R692 000 less than what was paid.

If the printers could have been brought down to 1.5 times more than paid because of a shorter print run, ie at a cost of R259.50 per book, the print cost would have been R778,500, ie R951,500 less than what was paid, which would have then been available to organise the race or place in reserves to earn interest.

Unless the book was printed with absolutely zero profit margin, it obviously suited Associated Printing to do a larger print run, as the more books printed the greater the profit made (and I could not care less whether another printer would have charged more, the fact is that we have a company related to the chairperson doing business with Two Oceans and Two Oceans seeming to incur costs it did not need to).

Instead, as in with the properties the race owns, it has stock of several hundred thousand rand worth of books it may never be able to sell.

Then I have learnt that a thick and glossy magazine was also produced this year. Why? Given the lack of a sponsor for 2020, it is obvious to any reasonable-thinking person that reserves must be protected, so why was there a need for this additional magazine/brochure?

The questions which flow from this are:

- Who took the decision to increase the print run to 10 000? I was informed that it was the chairperson of the board, if this is not true then who took that decision?
- Why did it take so many months to finally approve the project, so that work could start on it?
- Given that Associated Printing was not one of the original three quotes, why were they involved at all? All the evidence indicates that they were involved from late 2018 (ie long before the 'last-minute crisis' in March/April 2019).

- Were the other three potential suppliers, who gave quotes, asked whether they could produce the book on the urgent basis on which Associated Printing 'stepped in'?
- How much stock remains of the 50-year anniversary book?
- How much did the entire project (including contributors, any rights fees for photos, layout, printing, distribution, etc) cost?
- Why was the book sold at R150 at the expo, when it cost more to produce?
- What are the plans for selling the book to recoup the cost of producing it?
- What was the cost of producing the brochure/magazine?
- Why was the brochure/magazine produced at all, given that the book was being printed?

Outstanding Debts

At the meeting I asked a direct question whether the "related parties" were amongst those who had not been paid, and the direct answer was, yes they are.

The board was then asked to list the outstanding creditors, which was done at high speed. I did my best to write it down, and having gone through the numbers, something doesn't add up. To start with, leaving aside the employee issue, an amount of over R3.5m was owed to 'related parties' – ie the chairperson's companies. The total outstanding creditors at the time of the meeting was R2.1m. R3.5m doesn't go into R2.1m.

Then, when the sums are done of the other outstanding creditors, it is simply not possible that the 'related parties' have not been paid, at least for a substantial amount.

I understand that Two Oceans is embroiled in litigation with more than one creditor and this may have a negative impact on the financial situation.

So the questions which come from this are:

- Were Associated Printing and Parch Properties paid before the AGM and before the other outstanding creditors?
- If so, why was the meeting told that this was not the case?
- Is Two Oceans involved with any litigation involving creditors?
- If so, with whom and at what stage is each case?

Financial Health of Two Oceans

There were so many issues thrown up at the AGM that it was impossible to go into depth with the financial statements, but having now been alerted to a number of problems, Two Oceans appears to be in more trouble than the board let on.

If one does a simple sum of the figures on the balance sheet, looking at Investments, Cash and Trade Receivables and deducting outstanding creditors, it is apparent that Two Oceans is worse off in 2019 than it was in 2018.

Other than cash in the bank, Two Oceans assets are nearly entirely made up of two buildings and stock of the 50-year book. The buildings are not generating any income (one is vacant) and it is doubtful if the book will generate income, especially since it is being given away to Blue Number Club members.

If one looks at the statement of comprehensive income, and remove the 'finance income' (ie interest on investments/cash), there was a swing (for the worse) of nearly R5m between 2018 and 2019. Without 'finance income' an operational loss was incurred. This raises the question as to why the board has invested R4.8m in a property that is not being used.

In addition to these concerns, Western Province Athletics claimed in the meeting that it had not been paid what is owed to it. We were not told the amount, but they appeared adamant that it was not an insignificant amount. While it is clear that someone is not telling the truth, as the Two Oceans board was adamant that WPA had been paid, if WPA is the one telling the truth then the financial statements will have to be adjusted and the small surplus of R25 606 will disappear. (I should add a concern that four of the Two Oceans directors are appointed by WPA directly and they appear to have a conflict of interest.)

And this returns me to my concern about the expenses incurred on renovations and the book. The amounts paid to the two companies related to the chairperson of the board amount to over R3,5m. The operating expenses for the race were R35,7m. So those two transactions alone come to close to 10% of the expenditure of the company.

Since both were vanity projects, I have to question what the board was thinking when it approved them.

The race has to find a substantial amount to cover for the loss of sponsorship in 2020 and surely the board should have been trying to build reserves.

International Status

For some reason Two Oceans 56km lost its IAU Gold Label status. It was, at one stage, the biggest and best official ultra in the world. The loss of this status may seem trivial to the board, but it is not to the runners.

Had Gerda Steyn broken the world record, it would not have counted as only labelled races are accepted for record purposes. This is simply not acceptable. This type of incompetence on the part of administrators can cost an athlete and can never be tolerated.

- Why did the board allow this to happen?

Staffing

The board report merely states that “since the event four (4) staff members have left the organization”.

On further investigation, I have been able to learn that this included senior staff members and those who had been employed by the organisation for several years. Substantial experience has been lost in one go. Several sources have also told me that the parting of ways was not an amicable one in some cases.

The loss of institutional knowledge within Two Oceans over the past few years has been alarming. I have been informed, again by several sources, that the core problem is the continuous interference of the board with the operational management of the race. The word ‘bullying’ was used by several people who spoke to me.

I also sit with a dilemma of trying to understand what the process was to appoint a race director: To go back in time, with previous race directors the position was advertised and a comprehensive process was followed. Especially in the case of Carol Vosloo a very competent person was found. Unfortunately she left, and then a strange decision was made to not appoint a Race Director but an Operations Manager and a Marketing Manager. The Operations Manager position was filled by the highly-competent Sue Forge, who had years of experience at Western Province Athletics and who is well respected. The Marketing Manager position was filled by a former board member.

Unfortunately Sue Forge was one of those who ‘left the organisation’. I have not been able to find out the reasons why, but having personally worked with Sue I think that is a big loss to ‘the organisation’.

A concern has been expressed to me, which on the evidence available to me I share, that there is a general lack of respect on the part of many of the board members (to the extent that it is viewed as the board as a whole) for women members of staff. The environment appears to be an unhealthy one where the board's interference and its preference for some staff members over others is directly interfering in the running of the organisation.

It is important to know:

- Has Two Oceans been taken to the CCMA and/or Labour Court?
- If so, what was the outcome?

Appointment of the Race Director

An AGM was called without financial statements being available (a strange decision in itself), which then had to be postponed. Between the date of that postponed meeting, and the actual AGM (where a number of board members were going to be stepping down as their terms had expired) a decision was taken to reverse the previous decision about having two positions and combine them into one Race Director again and then to appoint the Marketing Manager (who happened to be a former board member), without having advertised the position.

Given that the decision was taken so shortly before the AGM was held, all sorts of questions are raised:

- Why the urgency to appoint someone when a new board was going to be elected so soon?
- What was the outgoing board doing taking such far-reaching decisions during the hiatus between when the AGM should have been held and when it actually was held?
- Why was the position not advertised? It has been the practice with all previous appointments of race directors that the position is first advertised, but in the most unusual of circumstances (ie at a time when a new board should have been in place had the outgoing board gotten their financial statements in place) this was not done in this situation.
- Was the fact that the person who was appointed was a former board member, who went directly from the board into the employ of Two Oceans not considered

as something which would raise eyebrows, particularly since the position was not advertised?

If the board member who was disqualified from acting as a board member took part in the decision to appoint the new race director, that decision may well be void.

New Sponsor

In 2018 it was made public knowledge that Old Mutual was withdrawing. At the end of 2019 Two Oceans (an iconic event, as the board report points out) still has no replacement sponsor. The explanation given at the AGM that the board had to wait until the end of this year's race to not offend Old Mutual rings hollow. That simply cannot be true. Old Mutual could never have taken offence at Two Oceans obtaining a new sponsor to take over. No credible sponsor would ever have that attitude, especially not a large multi-national business like Old Mutual.

The failure to obtain a new sponsor (and the additional loss of Adidas) are serious issues which the board appears not to have taken seriously.

Broadcast

The consequence of the failure to broadcast the 2019 race will be felt in future sponsorship negotiations. In the board report the SABC are blamed, but it was conceded at the AGM that this was not the case, as SABC were not to blame because they did not have the broadcast rights, which reside with ASA, and there was no contract between ASA and the SABC.

That was bad enough, but then the board claimed that there is an Act of Parliament that says that all broadcast rights must be negotiated via the national federations (and in so doing denying my statement that it was the ASA constitution which grants the broadcast rights to ASA). Despite my request for the Act name and number, it was not given. I am still waiting.

- What Act of Parliament grants sports broadcast rights to the national federation?
- If this cannot be provided, is it conceded that it is incorrect to state that there is any such Act?

Lack of Transparency

The lack of transparency was evident at the AGM. For every question asked and answered a number of further issues which had not been previously disclosed became apparent.

The defensive nature of the board was evident when it was asked why only an abridged form of the Annual Financial Statements had been made available. The answer was the usual answer given by evasive boards (especially in sports bodies): "That's all that's normally given out by a company and anyone was free to ask for the full financials." One person had to drive to the Two Oceans office to get them. I actually emailed the only available email addresses before the meeting to ask for them and never received them until weeks later after a new request.

For some reason no correspondence about the AGM or the Financial Statements came from the Company Secretary.

There appear to be a number of legal disputes from suppliers and others, which have not been disclosed, and which obviously place the race at risk, both financially and reputationally.

I am really concerned about the attitude of the board members. When we set up the Two Oceans NPC many years ago the decision was taken to have directors from three distinct constituencies: Celtic Harriers, the founders of the race; Western Province Athletics, the local governing body; and the WPA clubs and the participants in the race (subject to certain criteria). That way, it was envisioned, it would be impossible for there to not be transparency. All the interested parties had access to all the necessary information.

After all, Two Oceans is a race. Why is there a need for secrecy, beyond the privacy concerns of participants and staff members?

What I am experiencing now is the opposite. Board members appear to have the attitude is that their 'fiduciary duties' are only to Two Oceans NPC. They owe nothing to the constituencies they represent. It was an established principle that the president of WPA should not be on the Two Oceans board because of the obvious tension between a race asking the governing body for exemptions from the rules (eg race entry fee limits) and the governing body protecting its members from excessive entries fees, etc. Instead two WPA presidents have sat on the Two Oceans board. One of the incumbent Two Oceans board members had this conflict, and it appears that while he was still president of WPA a dispute arose between Two Oceans and WPA regarding outstanding money.

Whose interests did he feel obliged to serve? Since WPA says it is still owed the money, I think the answer is self-evident. This is just an example of where things have gone wrong.

Last year I was treated in a dismissive manner when I tried to point out an obvious error. Instead of listening to me, the then chairperson of the board challenged me to take Two Oceans to court. Maybe that time has come.

This has now lead to the situation where there are so many things which give rise to uneasy feelings, and as outsiders (ie non-board members) we have nothing to allay our fears.

I'll give three examples, which any reasonable person will have concerns about in the absence of information.

Firstly, the chairperson of the board's own companies doing business with Two Oceans immediately sets off alarm bells. These alarm bells are not dampened by the board saying that everything was done openly, when there are concerns as to whether the board understands its duties to the members of the company (and not their perceived duties to each other).

Secondly, the fact that a board member became an employee and then the race director, without any transparent process to appoint the race director obviously raises questions in the mind of a reasonable observer. This places pressure on the race director, as she is placed in a position where there are questions over her appointment. The board must have foreseen this problem but thought that no-one would ask questions. The logical thing to have done, if there was an urgency to appoint a race director, would have been to make a temporary appointment and let the new board follow a full process, as had been done before. Instead the process was clouded in secrecy.

Thirdly, the board member who was listed as a related person in the Financial Statements was hung out to dry by the rest of the board. While she has to share the responsibility for knowing the MOI, I was disturbed how not one of the other board members acknowledged that they had erred by allowing the situation to happen in the first place. They owed a fiduciary duty to the company as a whole (and not each other) to ensure that the rules were followed. They failed in that duty. Not one took responsibility for doing so.

Two Oceans seems to have become something akin to a family business, where the board looks after its own and trades with its own.

This cannot continue, for the sake of the race. If board members have ANY conflict of interest, they must step down. That means whether they are doing business with Two Oceans (regardless as to how good the deal is, the perception will always remain that positions are being abused) or serve on another body which must approve exemptions by Two Oceans, they should not serve on the Two Oceans board. Clearly employees cannot serve on the board.

Even if Two Oceans is getting a good deal out of whoever it is that is doing it a favour, the perception will always be there that the favour will need to be returned. The step from there to outright corruption is not a big one to take.

Conclusion

The issues I have raised, if there are no acceptable responses, lead to the inevitable conclusion that there has been a fundamental failure of corporate governance and either a serious failure of judgement on the part of the board members or possible corruption. Without an independent investigation (and not by persons appointed by the board to investigate), we will never know.

I am not sure in what world it can not be obvious that not only should a board member not do business with Two Oceans, but the chairperson of all people should know it should be avoided regardless of any possible savings that can be made. Perceptions are everything in these situations, and when the race needs a sponsor it needs to not have the perception of things not being right.

I also don't know how people can stand for positions on a board but not care about the rules of the organisation. There was a clear breach of the MOI of Two Oceans on at least one occasion (possibly more if the information given to me is verified), rendering decisions of the board subject to being set aside. The entire board that allows that sort of situation to happen are equally culpable.

Something has to be done, urgently. New members were elected to the board, but some of the directors are the same. The board itself may decide to take the steps needed for change and to ensure a return to good governance. If they don't, the new members will share the culpability of the previous ones.

It may be necessary for a special meeting of members to be called. Possibly, there are cogent answers to all these questions I have posed. Whatever the solution, it has to happen soon.

I am appealing to the Two Oceans board to take these concerns seriously. It is possible that there is another side to the issues I have raised, and I would like to hear it (as would many others). But I think everyone associated with the race is entitled to hear those answers. What next steps, if any, need to be taken, will depend on how the board responds. It can give simple and straight forward answers to questions that have been asked as directly as possible, or it can either ignore this letter or respond in an aggressive and dismissive manner.

Regardless of the response, the board does need to understand that time is of the essence. If it does nothing, very soon, other steps will need to be taken.

Ultimately, the choice lies with the board. I hope that it understands why it has been necessary to raise these issues and that I am not alone in my concerns. Especially because there are new board members who have nothing to gain from not being open in their response, hopefully we can clear up any problems so that the race can move forward.

Yours truly,

A handwritten signature in cursive script that reads "James Evans". The signature is written in black ink and is positioned below the "Yours truly," text.

James Evans

jtevans@mweb.co.za