

The Secret Foundation was created to support the expanding Secret Network community and pledged to operate transparently and with good governance as a non-profit organization. Initially, the foundation was intended to have a responsible board of directors to ensure accountability, a compensation committee, and regular financial statements and annual audits conducted by an independent third party, however, these measures were never implemented.

As time passed, the community began to notice that the foundation isn't fulfilling its promise of good governance. Complaints from community members increased and they demanded that measures be put in place to ensure transparency and accountability in the use of funds. Several actions were taken by the community to push for transparency, including [proposal 103](#) which received 88.78% approval. Despite these calls for transparency, the Secret Foundation continued to make promises to operate in a more transparent manner but failed to follow through on them.

Recently, the situation reached a boiling point as some community members made serious allegations against Tor and the Secret Foundation, accusing them of lacking transparency and mishandling funds, hiding the true nature of their financial activity from the community. The situation became so dire that personal intimidation was reported, and SCRT Labs had to intervene to help diffuse the situation. At the same time, further incidents came to light, specifically regarding the mismanagement of funds in an OTC deal conducted by the Foundation, which resulted in the loss of ~\$250K in funds – an incident that was left unreported for over a year and a half and SCRT Labs had no knowledge of.

As a result of these events, it became necessary to re-examine the current and future structure of the Secret Foundation. This led to a series of calls with Tor, the Founder and the most senior officer at the organization, during which additional information came to light that we felt we could not ethically ignore and had to bring to the attention of the community.

To the best of our understanding, the following has occurred in late 2021:

- Secret Foundation sold a substantial amount of USD worth of SCRT.
- Tor cashed out a significant portion of these proceeds (to the best of our understanding, a figure in the low-to-mid seven figures) as a dividend.
- This action was not disclosed in any financial reports provided to the community by the Foundation, which was introduced by Tor as a non-profit organization on several occasions. In particular, the Q4 2021 report indicates a cash inflow of ~\$4m for SF, but does not mention this withdrawal.

In addition, there are potentially other unreported financial irregularities, such as an open loan to Alameda or one of its affiliates by the Secret Foundation. To the best of our knowledge, the loan or its lack of repayment have not been disclosed to the community in any of the reports.

In our opinion, these actions seriously undermine the community's trust in Tor and as a result, of the Secret Foundation, and it reinforces the demand of the community to have a truly open, transparent and accountable Secret Foundation organization that acts in accordance with its mandate.

Therefore, our suggestion is to work with the community to structure a new Secret Foundation that operates as advertised, and as a network of Secret's magnitude deserves. The initial blueprint we suggest is:

- All current funds held by Secret Foundation (In both crypto and fiat) to be returned to the community and to serve as the basis for a new and improved organization, which will be formed under new leadership.
- The new organization will be comprised of current Secret Foundation employees, along with Secret Agency members, and will be registered as a non-profit and will maintain a transparent and audited activity.
- In the first few months (and perhaps longer - assuming funds permit), this new organization will utilize the funds returned to the community. Long-term, it will submit annual funding requests to the chain with a clear budget, milestones, and asks.
- We will work with the community to establish a strong Board of Directors, including an executive director, comprised of industry leaders. Similarly, we will look to build a Technical Advisory Board to help steward the network into the Secret 2.0 era.

As a community-driven organization, it is important that we hold those in leadership positions to the highest standards of transparency and compliance. We understand that this issue needs to be addressed in order to ensure the integrity and effectiveness of the Secret ecosystem.

As a final note, we'd like to say that while we raise and acknowledge these concerns, we are at the same time very optimistic about the future. The Secret community is well-equipped to address the necessary changes, and this restructuring will help the platform reach new heights as we work towards our Secret 2.0 vision. We have great community members and contributors, incredible and well-intentioned employees of Secret Agency and the current Secret Foundation, and with such a force, there's really no obstacle we cannot overcome together!

– SCRT Labs