

In response to recent public accusations and allegations of “fraud,” and as a part of a more general de-escalation for Secret governance, we’ve decided to publicly share an account of an unfortunate event that occurred in early 2021. We hope that after this disclosure we can collectively return to healthy collaboration as an ecosystem.

What occurred?

In Summer 2020, the [Secret Foundation](#) was created to engage in building, supporting, and scaling open-source, privacy-centric technologies that would serve the public good. To achieve its goals and operations the Foundation had an ongoing need to convert \$SCRT earned from the implemented [Secret Foundation Tax](#) to \$USD and other more widely accepted cryptocurrencies and stablecoins. This enabled the Foundation to pay real expenses for contractors, employees, marketing engagements, etc.

As part of the strategy to convert \$SCRT to \$USD and other cryptocurrencies, the Foundation engaged in occasional OTC deals selling \$SCRT with longer term commitments and lock-ups to the network rather than selling \$SCRT on exchange. To be clear, Secret Foundation has never directly sold any \$SCRT on any exchange.

Using OTC allowed the Foundation to fund sustainable operations while avoiding significant problems with low liquidity of exchange pairs. Market dumping large amounts of tokens only serves to hinder growth.

During early 2021, community member Brendan Kittredge (a committee lead and long-time contributor) introduced the Foundation to numerous counterparties and helped secure some interest in OTC, beginning in the month of February. A few months later, Brendan Kittredge and the SF engaged with a counterparty impersonating a legitimate VC over the course of multiple Telegram and Discord conversations who was interested in buying 200,000 \$SCRT. At first, everything seemed to be legitimate and that the parties were interested in a long term commitment to the network. Even so, it was policy to always proceed with caution.

When it was time to exchange \$SCRT for \$USDC, the agreement was that Brendan would serve as an escrow until funds were received, thus avoiding any chance \$SCRT would be sent without the other side of the trade having been completed. At this point, the counterparty impersonated Tor Bair in a separate channel (with the real Tor not present) and communicated to Brendan Kittredge that funds had been received by SF. Brendan then released \$SCRT to the counterparty under the impression that the \$USDC had been received correctly, but he did so without first engaging in a voice conversation with Tor - a breach of our policy for OTC escrows. The real Tor noticed the transaction immediately and called Brendan.

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After the scammers received the \$SCRT, they sent a large portion to Binance to sell. At this time Brendan sought to absorb a large portion of the selling pressure to minimize the price impact by placing personal buy orders on Binance order books while the exchange was contacted to freeze the account. At this time \$SCRT was valued around \$0.97. While Binance was able to freeze the account, no funds were able to be recovered.

During the panic of the event it was instructed that we should keep this information between Tor, Jordan (SF Director of Operations), and Brendan to avoid further risk until a path forward was decided upon.

The foundation also absorbed some of this selling pressure and bought back the majority of the 200,000 \$SCRT, using in part funds secured by the previous OTC deals that were secured at around \$2 in February. This means the immediate damage was limited to around \$200,000 in stablecoins and that the total potential USD loss was known. These details are being shared in order to show that the event, although unfortunate, was not detrimental to the operations of the Secret Foundation and was mitigated by funds secured from previous OTC engagements. This does not excuse the lapses in judgment and protocol that occurred during this event.

The decision to keep this event directly undisclosed (although it was accounted for in our aggregate public reporting around Foundation holdings) was not in an attempt to cover up anything or “defraud” any party. It was an operational decision partially made to protect the identity and reputation the community member involved (Brendan) and partially because upon learning of other organizations that had been in a similar position, it did not appear to be best practice to conduct a public disclosure. Absent a very good reason to share these sensitive details publicly, we chose not to do so.

We hope this disclosure puts to rest the issue, and we don’t intend to make further comment. This event took place approximately 18 months ago, did not materially impact our operations, and did result in a permanent change to our OTC policies and protocols. We are sorry for having disappointed the community in our handling of the OTC opportunity and in our disclosure. Organizations and individuals in our position of trust and visibility have a responsibility to hold themselves to the highest standard.

Tor Bair

Secret Foundation