

MEMORANDUM

To: Crypto Task Force Meeting Log
From: Crypto Task Force Staff
Re: Meeting with Members of the LBRY Token Community

On July 21, 2025, Crypto Task Force Staff met with members of the LBRY token community.

The topic discussed was approaches to addressing issues related to regulation of crypto assets. LBRY token community members provided the attached document, which was discussed during the meeting.

June 15, 2025

The SEC Crypto Task Force

U.S. Securities and Exchange Commission

100 F Street, NE Washington, DC 20549

Subject: Inquiry Regarding Prior Regulatory Actions on LBRY Inc. and Impacts on the LBRY Protocol, LBRY Credits, and Secondary Holders

Dear Members of the SEC Crypto Task Force,

I am writing to you today as a concerned individual deeply invested in the fair and clear regulation of digital assets. With the recent establishment of the SEC Crypto Task Force, led by Commissioner Hester Peirce, and the stated commitment to developing a comprehensive and clear regulatory framework through public and industry engagement, I am hopeful for a more nuanced and constructive approach to this rapidly evolving sector. In this spirit, I wish to draw your attention to the past enforcement actions concerning LBRY Inc. and to respectfully inquire whether there is anything that the Task Force can now do to address the enduring negative consequences of the prior administration's approach, particularly as they pertain to the LBRY protocol, LBRY Credits (LBC), and crucially, secondary holders of these digital assets.

As you are aware, the U.S. District Court for the District of New Hampshire ruled in favor of the SEC in *SEC v. LBRY Inc.*, determining that LBRY Inc.'s direct offerings and sales of LBC constituted unregistered securities. While the court's decision specifically addressed the *issuance* of LBC by LBRY, the broader handling of this case under the previous SEC administration has been a source of significant concern for many in the crypto community and has had far-reaching, detrimental effects.

The approach taken, characterized by an "enforcement-first" rather than a "guidance-first" strategy, created substantial uncertainty. As Commissioner Peirce herself has previously articulated, relying on enforcement actions to define legal boundaries in an emerging industry is neither efficient nor equitable. This lack of clear regulatory guidance, coupled with the initial pursuit of disproportionately severe remedies against LBRY Inc. (which were later significantly reduced), stifled innovation and imposed immense financial burdens on a company that ultimately ceased operations due to the associated legal costs and loss of investment.

The repercussions of this case extend well beyond LBRY Inc. as a corporate entity:

1. **Impact on the LBRY Protocol:** Despite the company's dissolution, the underlying LBRY blockchain protocol, a decentralized content sharing network, continues to operate. However, the regulatory cloud cast by the SEC's action has created a chilling effect, deterring third-party exchanges from listing LBC and hindering broader adoption and development within the ecosystem. This outcome undermines the potential of decentralized technologies and discourages legitimate innovation.
2. **Impact on LBRY Credits (LBC) and Secondary Holders:** Perhaps the most critical and often overlooked aspect is the impact on secondary holders of LBC. It is imperative to note that during the *LBRY* proceedings, Judge Barbadoro explicitly stated that he took "no position on whether the registration requirement applies to secondary market offerings of LBC." Furthermore, the SEC itself acknowledged that secondary market LBC sales do not constitute a security. Despite these crucial clarifications, the lingering perception of LBC as a "security" (even if only in the context of initial issuance) has led to widespread delisting by exchanges and a severe reduction in liquidity. This effectively traps secondary holders, who purchased LBC on the open market, often with no direct engagement with LBRY Inc., and now face immense difficulty in utilizing or divesting their assets. These individuals, who were not directly involved in the primary offerings and had no reasonable expectation of participating in a common enterprise with LBRY Inc. for profit, are bearing the brunt of regulatory ambiguity and the prior administration's enforcement stance.

Given the Crypto Task Force's new mandate to engage with the industry and develop a clearer regulatory framework, I respectfully urge you to consider the following:

- Can the Task Force provide further definitive guidance or a statement clarifying the regulatory status of secondary market transactions for digital assets like LBC, where the underlying network is decentralized and the initial issuer is no longer actively promoting the token? This guidance should also include clarity on the disposition or regulatory implications of any LBRY Credits (LBC) that may still be held by LBRY Inc. or any entity involved in its receivership.
- Are there mechanisms or pathways through which the SEC can actively work to alleviate the adverse effects on secondary holders of LBC, who are innocent parties caught in the crossfire of evolving regulatory interpretations?

- How can the Task Force ensure that future enforcement actions do not inadvertently penalize decentralized protocols and their legitimate users and secondary holders, particularly when the focus is on primary offerings by centralized entities?

I believe that addressing these issues, and specifically the plight of secondary holders in cases like LBRY, would send a powerful signal of the SEC's commitment to protecting all market participants and fostering responsible innovation. I am available to provide any further information or engage in a constructive dialogue at your convenience.

Thank you for your time and consideration of this urgent matter.

Sincerely,

Adam Tomas