

## ACG 2018 Raleigh Durham's Capital Conference Wrap-Up:

### "The ABCs of ICOs" Panel: Attracting Major Investor Interest

*This is the second in a series of articles summarizing the key ideas of the [2018 Capital Conference](#).*

by [Deana Labriola](#), dl@wardandsmith.com

[Initial coin offerings](#), or ICOs, are poised to become a significant force in finance and investment, panelists said at the [Association of Corporate Growth Raleigh Durham](#) chapter's 2018 Capital Conference.



ICOs raised \$95 million in 2016, said [Margaret Rosenfeld](#), an attorney at [Smith Anderson](#) who moderated the panel. In 2017, 210 ICOs pulled in \$3.9 billion. And for the first quarter of this year — about \$6 billion.

"You can see where this trend is going," Rosenfeld said. "You need to have experts within your funds, within your accounting firms, within your banks, within your law firms — people that understand this."

The industry is moving so fast that regulators and investors are still struggling to understand the technology and figure out how to differentiate the most promising ICOs from the rest. First, though, the basics.

When a company does an ICO, it's issuing its own cryptocurrency in exchange for money — U.S. dollars or other currencies. Depending on the company's goals and how they've designed the technology, the tokens issued might be used like currency, or they might be used to do things on a network. In some cases, tokens might even represent ownership in a company — though not always.

One of the panelists, [Daniel Doll-Steinberg](#) with the Gibraltar-based [Atari Token Network](#), talked about the video gaming company's push to use cryptocurrency for both in-game transactions as well as potentially elsewhere. Doll-Steinberg says the token could be used to do things in games, making it more of a "utility token."

“Most gamers do not have broker accounts,” he said. “We see that [as a] utility token that is used on the network to do something on the network.”



That’s similar to the function that [Brian Platz](#), co-CEO of Winston-Salem-based [Fluree](#), sees for his company’s offering. Platz, a serial technology entrepreneur, says Fluree aims to build a technology that would undergird a new generation of blockchain-based applications.

“No organization can individually control the data or manipulate the data,” he said. “[The] future of things like a Salesforce will end up being powered by a blockchain database.”

The money raised during ICOs can be used by companies to help build out their businesses and turn those tokens — the coins raised — into something valuable. If companies are successful, the tokens will increase in value and investors who purchased coins during the ICO can turn a profit.

“Right now, most of the activity, most of the investing is happening outside the U.S.,” Rosenfeld said. But, she added, a working group at the [Securities and Exchange Commission](#) is figuring out how best to regulate ICOs and cryptocurrencies. One popular digital currency exchange, San Francisco-based Coinbase, is reportedly in talks with the SEC about becoming regulated as a broker dealer.



With cryptocurrency seen as increasing legitimate, more investors are also getting involved.

“A lot of the blockchain companies have been funded, up until this point, primarily through ICOs, but we’re also seeing VCs getting interested in this space,” Platz said.

Doll-Steinberg said many investors are more interested in owning the coins than in actual equity in the company. Employees at his company, for example, “Were much more interested in having tokens” than equity.

And for traditional investment companies, cryptocurrencies may represent as significant threat to their ability to attract younger investors.

Rosenfeld said her teen son has already opened up a Coinbase account to purchase cryptocurrencies with. Millennials and Generation Z, she points out, grew up during the Great Recession and saw banks fail.

“They grew up on technology, they distrust centralization,” she said. “Are they coming to you guys? Are they going to you guys if you’re not in blockchain?”

*Conference Wrap-Up sponsored by [Ward and Smith, P.A.](#)*

