

# SHOULD YOUR BUSINESS JUMP ON THE BLOCKCHAIN BANDWAGON?

## WHAT IS "BLOCKCHAIN"?

"Blockchain" is a specific distributed ledger, but is often used generically to refer to distributed ledger technology similar to the use of "Xerox" to refer to a copy machine. A Distributed Ledger is a database that is shared across a network of servers or "nodes." Transactions are recorded in and grouped into "blocks" on the ledger. When two parties enter into a transaction, the information is validated by network nodes. After validation, a new block is added to the chain and network nodes update their copies of the ledger accordingly.

## WHERE IS IT USED?

- **Creation of virtual currency/cryptocurrency**
- **Traditional ledger uses**  
*Examples: payment processing, money transfers, records of financial accounts*
- **Provenance and ownership of an asset with copyright and royalty protection**  
*Examples: real estate, cars, art, diamonds*
- **Fractional ownership of assets**  
*Examples: real estate, art*
- **Medical records**
- **Supply chain management and food safety**
- **Voting**
- **Utilities within a business**  
*Examples: licensing rights, frequent flier miles*

## PROS & CONS OF DIGITAL LEDGER TECH

	
<ul style="list-style-type: none"> <li>• Lower administrative costs long term</li> <li>• New markets</li> <li>• Digital ledger not susceptible to hacking</li> <li>• Psuedo-anonymous</li> <li>• Irreversible transactions</li> <li>• Elimination of intermediaries</li> </ul>	<ul style="list-style-type: none"> <li>• High cost to create in first instance</li> <li>• Uncertain regulation</li> <li>• Individual wallets can be hacked or lost</li> <li>• Psuedo-anonymous</li> <li>• Irreversible transactions</li> <li>• Elimination of jobs for those intermediaries</li> </ul>

## WHAT ABOUT ICOS?

**ICO:** Initial coin offering is a sale of coins, tokens or virtual currency. It is FALSE to assume that ICOs are not regulated. At least five U.S. federal regulators have some form of jurisdiction in respect to ICOs, in addition to state and international regulators.

**Virtual Currency:** A digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value. Virtual currency that has an equivalent value in real currency, or that acts as a substitute for real currency, is referred to as 'convertible' virtual currency. *IRS Notice 2014-21*

**Cryptocurrency:** A type of virtual currency that has been cryptographically verified. Note that not all virtual currencies are cryptocurrencies.

## CAN I RAISE CAPITAL FOR MY BUSINESS VIA AN ICO?

Maybe. Can your business be tokenized? An ICO that is used for the sole purpose of raising capital will likely be a securities offering and need to comply with applicable laws, but there may be other options to raise capital and take advantage of blockchain technology and the current "ICO hype."



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Allison helps clients navigate complex financial transactions, including cryptocurrencies. She effectively guides businesses through difficult regulatory environments and other legal requirements.

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📖 [Read Allison's full biography](#)

## PROS & CONS OF AN ICO



- Cheaper than an IPO
- Faster than an IPO
- Maintain equity for owners
- Increased demographics; democratization
- Marketing benefits; Day 1 customers
- No geographic boundaries
- Theoretical anonymity
- Eliminate intermediaries



- Liability if not done correctly
- Failures from rush to market
- No equity for investors
- Potential regulatory problems
- Scammers create bad reputation
- Regulatory uncertainty
- Extensive tax and legal reporting
- Maintaining the network