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A Blockchain Alternative for Accredited Investors

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One of the biggest issues with modern capital markets is that they often constrain investors from investing in exciting new technologies. For all of the concern over the Dotcom Bubble two decades ago, investors did have the opportunity to invest in firms like Amazon, Priceline, or Google that would ultimately come to dominate the new industry.

Today's investors are largely shut out of areas ranging from the sharing economy (Uber and Lyft) to space travel (SpaceX and Virgin Galactic). This is even more true with bleeding edge technologies like blockchain - the bookkeeping system that underlies Bitcoin and other digital currencies. While investors can buy currencies like Bitcoin, owning the currency itself does not give an investor an ownership share in firms that benefit from the rapid growth in the space. The leaders in the industry like Coinbase are private and do not generally accept capital from outside investors.

All of this may start to change if an early stage company called Causam eXchange has its way. Causam is focused on using blockchain on the backend of the electricity financial transactions business. The specifics are a bit technical, but the firm essentially is looking to enable real-time buying and selling of electricity, especially by business users who want clean electricity and battery storage.

Like many startups, Causam wants to raise capital to take their initial business model and rapidly expand it. What's different is the way the firm wants to do that. Most companies raising capital outside of the public stock markets either raise venture capital or issue private placements through what are called 144 offerings. These offerings are restricted to accredited investors and usually feature intermediary broker salesmen and steep trading costs.

Causam's model is different. The firm is offering stock to 1,000 accredited investors through an SEC compliant private placement model - but it is selling that stock via a public blockchain called the Ethereum Network and pricing the stock in Ether - a digital currency that is second in market capitalization to Bitcoin. Causam's stock will have a secondary market, and because it is done through a public blockchain, buyers and sellers can interact directly without the need for expensive middlemen or brokers.

Causam's [investment security](#) launched on March 8 and is termed a "Blockchain Instrument for Transferable Equity" (or BITE) Tokenized Security Offering. The firm is selling 3,000,000 tokens at 0.0040 Ether per tokenized security.

Normally, none of this would be worth significant attention from the broader investor and legal industry. In Causam's case though, because the firm is pioneering a new way to raise capital, it's worth watching. If Causam is successful in raising capital through this avenue, it could start to fundamentally change the way many private firms sell stock.

The public equity markets have gotten much more expensive to issue equity on thanks to rules like Sarbanes Oxley (SOX), and venture capital is still largely a California phenomenon limited to a select few in vogue industries. If a small energy industry company can change the way we think about raising capital and give



Article By

[Dr. Michael McDonald](#)
[Fairfield University Dolan School of Business](#)

[Communications, Media & Internet](#)
[Securities & SEC](#)
[Financial Institutions & Banking](#)
[All Federal](#)

investors a stake in one of the hottest areas of the new economy with an actual ownership piece in a firm, then that is worthy of note. A revolution in capital raising could be coming, and Causam may have just fired the first shot. Smart investors and their advisors should pay attention.

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