

**VERMONT HOUSE COMMENCE AND  
ECONOMIC DEVELOPMENT COMMITTEE**

**S.269 – An Act relating to blockchain, cryptocurrency and  
financial technology**

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ATTORNEYS AT LAW

1. **Favorable Publicity.**

Through its work with respect to legislation as to blockchain technology, Vermont has garnered a significant amount of favorable publicity as a jurisdiction which welcomes financial and technology businesses. Some samples of favorable publicity are attached.

2. **Why S.269?**

**Narrowly.** The legislative effort is narrowly focused on trading a favorable legal environment for companies using blockchain technology, companies who wish to afford certain additional legal protections to personal information, and permissive use of blockchain technology in connection with public records.

**Broadly.** This legislation serves as an important signal to businesses that, as indicated in the publicity described above, Vermont is an excellent place to locate a new technology business. It is worth remembering that the overall objective does not specifically relate to blockchain technology. Rather, this legislation is intended to attract new types of technology businesses, that are different than prior types of businesses because of advances in technology, such as those presented by blockchain technology.

3. **Activities in other States.**

I recently had the opportunity to present to an Arizona blockchain symposium very interested in our efforts here in Vermont. They are just as excited about the prospects for new technology businesses as we are. The fact that a few other states, such as Arizona, are actively involved in similar efforts should not deter us from continuing to pursue them. If anything, the efforts of these other states in this area only validate the value of our efforts to develop this type of legislation. And, Arizona is quite interested in perhaps developing some time type of reciprocal legislation which would allow companies to do business there with appropriate legal and regulatory approvals here and vice versa. Perhaps something for the future.

4. **Risk/Reward.**

By authorizing but not requiring the use of new types of companies, the legislation offers the possibility of widespread adoption of a new type of LLC (in the case of blockchain LLCs) and use of a new type of trust company designed to enhance the protection of personal information. Neither proposed entity presents any significant risk to Vermont.

5. **Business Opportunities.**

There is already significant interest in doing new business in Vermont based on this technology and the efforts of the Vermont legislature related to it. The business group in my law firm has already been doing business with blockchain companies active here as a direct result of past and ongoing legislative efforts. We have received a significant number

of inquiries from companies outside of the State of Vermont about locating businesses here as a result. From a public relations standpoint, approval of this legislation is critical given the favorable press Vermont has already received. I and others active in support of this legislation on the part of the Vermont Bar Association remain convinced that its approval is critical to the continued development of new technology business in Vermont.

# A Vermont City Tests Blockchain Technology for Property Deals

South Burlington doing a small trial run to test to the technology on recording real estate sales



Will blockchain eventually find a home in Vermont? PHOTO: ASSOCIATED PRESS

*By*

*Peter Grant*

Jan. 30, 2018 5:26 p.m. ET

6 COMMENTS

The city of South Burlington, Vt., is embarking on a pilot project with a startup blockchain firm in a possible step toward using the technology to replace the city’s system for recording property transactions.

Officials with South Burlington and the firm, Propy Inc., said the project would only be a trial run of blockchain, which is best known as the record-keeping technology behind cryptocurrencies like Bitcoin.

“When they see that everything works great, they can just take their registry and throw it away,” said Alex Voloshyn, chief technology officer of Propy, which has offices in Palo Alto, Calif.; Bulgaria and Ukraine.

Blockchain proponents say the technology could greatly reduce the cost and complexity of recording real estate documents. Under the current system, “you have to drive all the way to South Burlington to do a title search,” said City Clerk Donna Kinville.

A blockchain is an expanding list of records, or blocks, that are secured using cryptography. A block usually has a hash pointer as a link to a previous block, a time stamp and transaction data. By design, a blockchain is resistant to modification of the data.

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But replacing the current system would take years, if not decades, and would require surmounting numerous technological and practical obstacles. Switching property records to the blockchain also would be highly disruptive to businesses like title insurance and the jobs of thousands of people who work for city clerks and other government agencies.

“One of our goals is to make the title transfer secure so it eliminates title insurance need,” said Natalia Karayaneva, chief executive of Propy.

Vermont is one of the most aggressive states that’s supporting the development of blockchain technology as part of its effort to stoke its tech industry and create jobs. In 2016, the state enacted a law that said transactions recorded with blockchain technology have “the presumption of

admissibility from an evidentiary perspective,” according to Michael Pieciak, the state’s commissioner of financial regulations.

The South Burlington pilot project will involve recording only a few property sales on the blockchain registry. The city clerk will also use the traditional method for recording the deals and new titles, which will include the “hash” reference of the blockchain record.

The buyer and sellers in the deals included in the project will have to agree to participate. The deals will be all cash so banks won’t be involved, Ms. Karayaneva said.



As bitcoin has emerged from the underground world of nerds and criminals to become a mainstream investment, the risk of hacks and scandals has also blossomed. What's a government to do? The WSJ's Steven Russolillo travels the world (sort of) to see how regulators are responding to the remarkable rise of cryptocurrencies. Video: Sharon Shi and Crystal Tai

The use of title insurance will not be part of the pilot, Ms. Karayaneva said. Propy will have a law firm do the necessary title search, she said.

Propy is working with the government of Ukraine to replace its property recording system with the blockchain registry entirely, Ms. Karayaneva said. The firm plans to conduct numerous pilot projects starting with Vermont, Arizona and Colorado to learn how to work with city and county-level databases in the U.S., she said.

Ms. Kinville, South Burlington's city clerk, said the city is "taking this one level at a time" and it's far too early to predict that South Burlington will adopt the blockchain. "It's something we are investigating," she said.

Ms. Kinville said that at this point there is no concern in her office about job reductions connected to the new technology. "Fortunately, this isn't the only thing we do," she said.

Still, she pointed out that new technology in the past has resulted in a decrease in staff. "What the future holds, I don't know," she said.

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# Gravel & Shea Seals First US Blockchain Real Estate Deal

Share us on: By [Andrew McIntyre](#)

Law360 (March 15, 2018, 8:01 PM EDT) -- A condo in South Burlington, Vermont, recently traded hands, and documents for the deal were entered into the blockchain in a historic first for a U.S. real estate transaction, with Gravel & Shea PC helping lay the groundwork to make the deal possible.

Global real estate marketplace and title registry Propy, which facilitated the deal, has been working for upward of a year to get a blockchain system up and running in Vermont, and the company early on engaged Gravel & Shea to sort out how to set up a pilot program in the state, Gravel & Shea special counsel David Thelander told Law360 in a recent interview.

Blockchain is best known as the system that facilitates cryptocurrency transactions. The system comprises a global network of computers and is highly secure due to the system of encryption that sends transaction tasks randomly to a single computer on the global network, making it difficult for hackers to get ahead.

And while blockchain has been around for years, it's now just starting to be used for real estate, and the deal in Vermont required months of preparation and help from Gravel & Shea.

"The first one to really bite was the South Burlington city clerk [Donna Kinville]. We had a real estate group in Vermont. One of our friends ... knew the South Burlington city clerk," Thelander said.

The idea, he said, was to reach out to "real estate clerks who are known for more of their innovative spirit."

Thelander started helping Propy in Vermont eight months ago. It started when one of his partners at the firm sponsored a blockchain symposium at Champlain College last year.

Various stakeholders, regulators and innovation leaders attended that conference, which also included a blockchain developer from Silicon Valley. Thelander and Gravel & Shea got introduced to Propy at that conference.

"We [subsequently] brought Propy's executive team back to Vermont and started the development work on the decentralized ledger," Thelander said.

That ledger is the blockchain technology system Propy has set up in Vermont, as part of a pilot program.

Blockchain for years has been billed as a highly secure way to store, access and organize documents and transactions, although real estate has been slow to catch on.

But that's changing.

"You execute deeds, title insurance policies and so on," Thelander said. "Rather than those documents going into a manual, sometimes digital, database ... what Propy is doing through a smart contract blockchain technology platform is, rather than that deed being PDF and paperized, it goes to the decentralized ledger."

As Gravel & Shea and Propy worked to help get the system set up in Vermont, the biggest challenge they faced was educating local officials about the new system, according to Thelander as well as Propy's CEO.

"Blockchain is new to many people in Vermont. It's obviously a new technology. Getting folks comfortable with the pilot" was a challenge, Thelander said. "It's wonderfully innovative. It's very exciting. Vermont is truly continuing to seek to position itself ... as an innovative leader in blockchain."

Natalia Karayaneva, CEO of Propy, echoed those comments in an interview with Law360.

"The first meetings were quite complicated, because they didn't know much about the process of recording on blockchain," Karayaneva said. "Education was one of the main challenges [and obstacles] to build the trust."

Propy was incorporated two years ago.

The company has three platforms: one for real estate listings, one for transactions and one for putting real estate deals into blockchain. The company is helping governments in the U.S. and abroad connect to a blockchain registry for real estate deals.

The idea is the system can cut down on corruption and hacks, and provide more security for public recording, Karayaneva told Law360. Propy is also working with leaders in other states, and with lawyers in various states including New York and California, to look at the possibility of doing deals with blockchain.

When it came time to do the deal in Vermont, Gravel & Shea did the typical real estate work involved in putting a condo deal together, and then turned the documentation over to Propy.

A hashtag on the deed then allowed Propy to enter it into the blockchain system.

"We took the deed, provided that deed to Propy and Propy placed ... literally a hash to that deed. There was a key and hash that was placed on the document that triggered its ability to be placed up there," Thelander said. "It was a typical condominium deed. We transferred that deed from an individual owner to an LLC."

The price of that deal was not immediately known. Vermont resident Katherine Purcell transferred the condo to an LLC.

Although the documents for that deal were sent to blockchain, the deal was done in cash, not cryptocurrency.

"We accepted a deed through the normal channels for recording that contained a hashtag and a QR code that was printed on the deed," South Burlington City Clerk Donna Kinville told Law360. "The next step in this pilot is for our office to enter the information into the blockchain but still receive the document the same as every other document we receive."

Thelander, who divides his time between the San Francisco Bay Area and Vermont, is also a former U.S. Securities and Exchange Commission enforcement lawyer, and as such brings that expertise to the table when representing Propy. In that role, he's helping Propy stay on top of regulatory developments as the company seeks to expand its footprint.

"We work with a number of lawyers to make the pilots legally effective, and then, of course, for the property transactions themselves," Karayaneva said. "A big part of our job is to make the legal side effective because this is a very new space. ... We're engaging with many reputable law firms today in order to create the infrastructure."

And Gravel & Shea continues to also look at the question of whether legislative and regulatory changes could help to benefit its blockchain-focused clients, Propy and others.

"We've been working as an advocate on behalf of Propy and other blockchain companies to consider whether any legislative and regulatory enhancements would support their business objectives," Thelander said. "We're still examining that issue."

--Editing by Philip Shea and Katherine Rautenberg.

Mar 08, 2018

By

Molly Jane Zuckerman

## Vermont's Pilot Program Completes First US All-Blockchain Real Estate Transaction

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South Burlington, Vermont's pilot program made in cooperation with global Blockchain real estate marketplace **Propy Inc.** has completed the first completely **Blockchain**-based real estate deed in the US financial blog **ZeroHedge** reported Thursday, March 8.

An unnamed source at Propy told ZeroHedge that the first totally Blockchain-based real estate transaction in the US had been completed, making the city of South Burlington a "*global blockchain leader.*"

Propy has a total market cap of around **\$17.7 mln**, according to data from CoinMarketCap, and is currently trading for a little more than \$1.00, down around 5.3 percent over a 24 hour period to press time.

South Burlington had **announced** their use of Propy's pilot program back in January of this year, testing Blockchain technologies for use in recording real estate documentation. Ukraine's Agency for Economic Governance also **began a pilot program** with Propy in August 2017 for offering properties to foreign investors on Propy's real estate marketplace.

Real estate and Blockchain have also coincided beyond Propy: one such Blockchain project offers tokenization of properties in **London**, another Blockchain real estate project backs its tokens with power from a Japanese solar farm, and a variety of cities globally **have already used crypto** to buy properties