A-Zs of Non-Fungible Tokens (NFTs)

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OBJECTIVE

Leave this session with a workable understanding of NFTs, how they work, and their limitations so you can discuss potential applications with your company and colleagues.
WHAT IS AN NFT?

NFT or Non-Fungible Token—is a complicated way of saying “unique items”.

Simply put, a non-fungible token cannot be faked or copied.

Any unique thing can be an NFT. A house, a baseball card, a piece of art, etc.
The power of NFTs lies in verifiability.

You may have already heard of NBA Top Shot, a digital collectible basketball card game. The cards work just like physical trading cards do, but their authenticity is guaranteed through blockchain technology.
HOW ARE NFTS USED?

NFTs can really be anything digital (such as drawings, music, videos, urls)

Collectibles  Gaming  Access and Ticketing  Identity and domains  Royalty Management
IF YOU WANT TO UNDERSTAND NFTS
YOU HAVE TO UNDERSTAND BLOCKCHAIN
**Tokens and Blockchain**

**Blockchain**

You can think of the blockchain as a master copy of a document to which anyone can add a row of information, such as the unique ID of an NFT that is attached to a piece of crypto art.

The blockchain can verify proof of ownership of a digital asset by checking it against this document.

**Tokens**

Tokens, are essentially unique alphanumeric code recorded on a blockchain. In reality, an NFT is just a unique number, an ID.

We can attach those IDs to any physical or digital asset or thing and make it so that the ownership of that ID means the ownership of the physical or digital asset.
Let’s MINT an NFT

There are three steps: 1. the actual creation of the art; 2. the "minting" of the NFT on the blockchain; 3. selling the NFT via a marketplace.

What you need to Mint an NFT:

**Wallet** - An Ethereum wallet that supports the Ethereum-based NFT token standard. This could be from MetaMask, Trust Wallet, or Coinbase Wallet, for example.

**Smart Contract** - NFTs are composed of software code in the form of "smart contracts" that can be crafted to provide significant benefits to NFT creators.

**Metadata** - Write a contract that mints NFTs, associates metadata to the NFT, and ensures that metadata points to the underlying asset files.

**Media File** - The NFT is stored on the blockchain and contains information on where the digital asset is located. The NFT is connected to the associated digital asset via a link.

**Crypto Currency** - Around $50-$100 in ether, known as ETH. You need to purchase the ETH from a cryptocurrency exchange i.e. Coinbase.

Two ways to mint an NFT:
- Via code by a developer that deploys the smart contract
- Through a 3rd party platform that offers a code-free minting service
WHERE DO YOU BUY THEM?

1. Choose an NFT Marketplace

2. Sign up for a blockchain wallet and connect your wallet to the NFT Marketplace

3. Purchase Cryptocurrency (often Ether) from an exchange and send the Ether to your Blockchain Wallet

4. Place a bid on or purchase the NFT from the marketplace using the Crypto currency in your connected wallet.
   
   *(Most of the NFT marketplaces have auction mode, where you can submit your bid and wait for a certain amount of time to see if you got the piece or not.)*

5. The NFT will be stored in your wallet and you can view your NFT via the marketplace’s interface

Marketplace

Anyone wishing to purchase an NFT needs to choose an NFT marketplace, like Opensea, SuperRare or Rarible, where the digital asset has been uploaded and minted into an NFT on whichever blockchain the marketplace operates on—most NFTs are part of the Ethereum blockchain.
It is important to understand who is actually buying NFTs

**Demographics**
- High income, well-educated men.
- Millennials and Gen Xers.
- 90% Male
- 74% between the ages of 25 and 44
- Annual income average around $111,000

**Key Habits**
- More apt to support creators who have been active in the ecosystem.
- Tech Savvy
- Meme culture
CONSIDERATIONS AND LIMITATIONS

**Technical Knowledge**

Users need to have a basic knowledge of cryptocurrency and digital wallets to purchase, store or use NFTs.

**Fees**

Fees on NFT platforms are called **GAS**. Gas is simply an amount of ether required to perform a certain function on the blockchain.

*Gas fees are the price that must be paid into the blockchain for verifying a transaction, such as the sale of an NFT, acceptance of a smart contract or the purchase/sale of cryptocurrency.*

**Data Storage and Files**

One challenge with creating NFTs comes from storing the underlying assets. Blockchains are not great for storing large pieces of data. So Media files need to be stored somewhere else. Do you use a private database? P2P storage like IPFS?

**Long term value**

Buying the NFT only means you own a unique token that says you own a picture, which can still be copied, shared, printed and hung on the wall by anyone who wants to do so.
RECAP

Q: Should we sell NFTs?

A: Basics

NFTs are a unique items recorded on a blockchain, that certifies its provenance.

NFTs can represent photos, videos, audio, and other types of digital files.

A: Opportunity

Engage fans

Generate new merchandise revenue

Track digital assets and IP

A: Limitations

Costly Gas fees

Technical requirements

Data and File storage

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THANK YOU

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