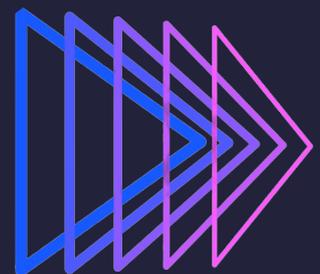# NFT REPORT

UNDERSTANDING NON-FUNGIBLE TOKENS

Dreamster DAO, LLC
1603 Capitol Ave Suite
310 A598 Cheyenne,
Wyoming 82001 USA

Dreamster™
Dreams + Blockchain = NFT

https://dreamster.world

NON-FUNGIBLE TOKENS

This report on non-fungible tokens (NFTs) aims to inform the general public about the characteristics, history, general uses, and drawbacks of these digital assets.

At the same time, this report serves as a gateway into the future of NFT Marketplaces, envisioning and describing future NFT giants, such as Dreamster.
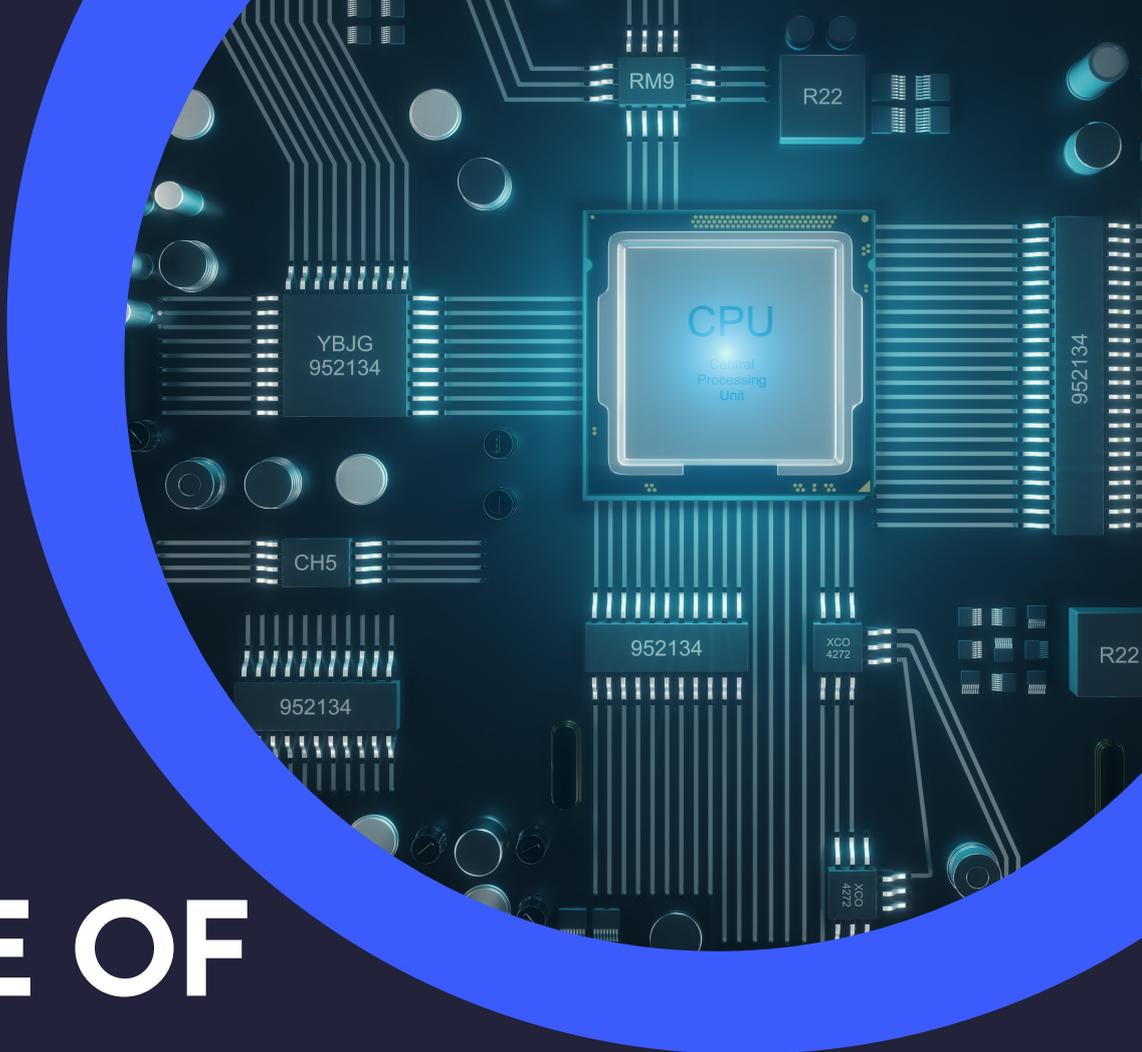
TABLE OF CONTENTS

WHAT IS AN NFT?

An NFT is a specific kind of digital asset which is completely unique and whose ownership can be easily traced. It gets its name from the fact that it is a digital token that cannot be directly exchanged for another equivalent token - non - fungible token.

For those unfamiliar with the concept of fungibility, it refers to the ability of a good or product to be exchanged indistinguishably. A common example of a fungible asset is gold, as one ounce of gold is equal in value to any other ounce of gold. The same could be said for physical currency - all $20 bills have the same value.

On the other hand, each individual NFT is distinguishable from another, even if two NFTs are very similar or equivalent in monetary value. The reason they can remain unique is that a complete record of each of these tokens is kept cryptographically on a public ledger known as the blockchain. As a result, ownership history becomes equally as important when assessing its value as other factors.

Dreamster™
Dreams + Blockchain=NFT

WHAT IS AN NFT?

Outside of the digital world, some of the most common examples of NFTs would be property deeds, artwork, collectibles, or even tickets to events. In each case, the original owner of the asset (token) is important in determining the value. The difference, however, is that digital NFTs are traced in a foolproof procedure, meaning there are no gaps of missing information.

At the moment, the most frequently used blockchain (the ledger) is known as Ethereum. Within this blockchain, there are established standards employed to guarantee that all NFTs follow specific technical guidelines which facilitate the management and trading of the tokens.

These guidelines and characteristics can vary greatly depending on the blockchain employed and based on what kind of asset is owned.

At their core, there are four characteristics of NFTs that make them so enticing. While there may be variation among the many types of NFTs, the four qualities that are making skyrocket in the digital world are there: uniqueness, traceable ownership, rarity, and immutability.
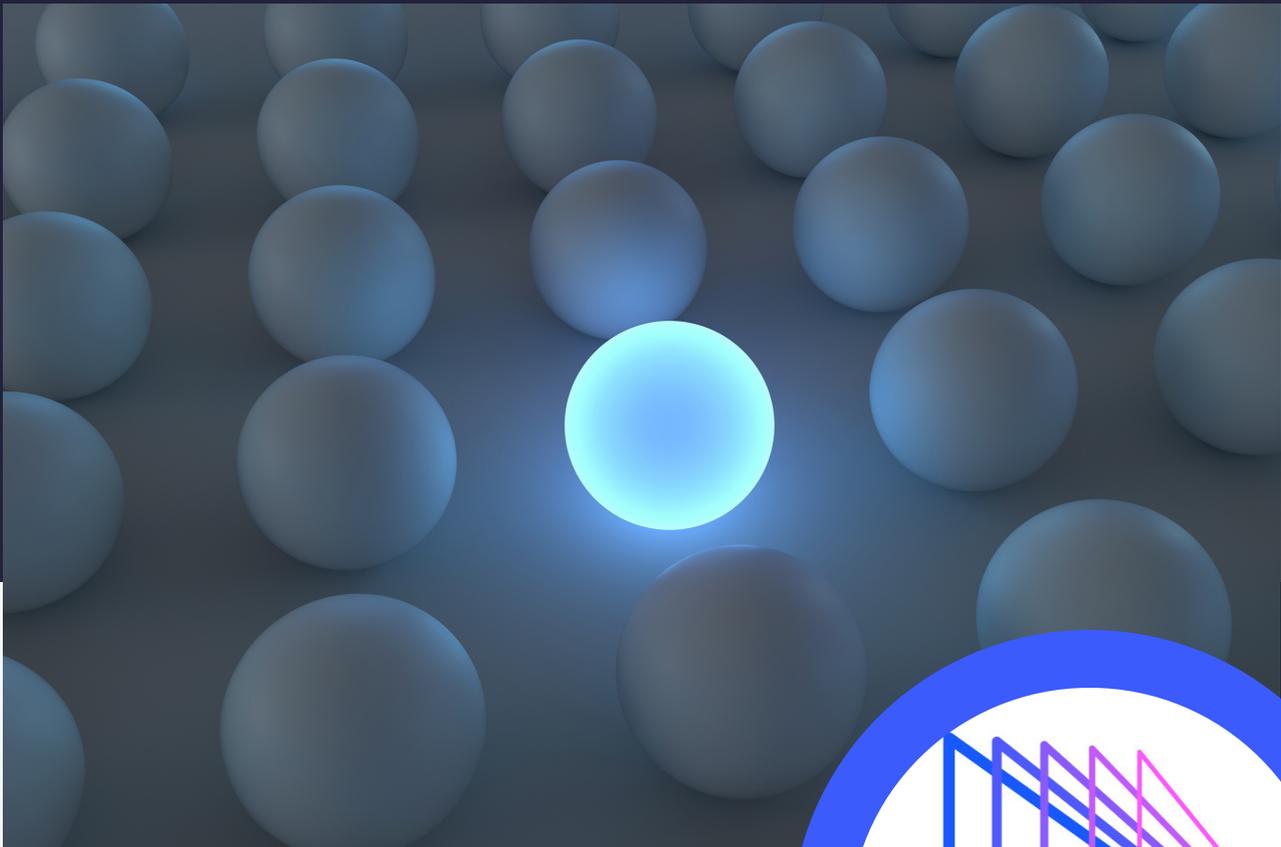
CHARACTERISTICS

1. UNIQUE

As mentioned previously, a foundational element of all NFTs is that they are all absolutely unique and identifiable. Even when there are multiple tokens of a similar asset, each NFT is unique to one another.

For example, CryptoPunks is the most well-known exemplification of NFT uniqueness. Cryptopunks is an NFT collection established on Ethereum in 2017, featuring 10,000 unique tokens which were produced via an art algorithm. Here, no two tokens are exactly alike - and neither is their ownership history.

CHARACTERISTICS

2. TRACEABLE

Dreamster™
Dreams + Blockchain=NFT

The second most enticing characteristic of NFTs is the fact that ownership can be traced from the very beginning. Every time a token is purchased or traded, it is denoted on the ledger, with the idea that digital transactions should remain completely transparent. This level of transparency leads to higher levels of trust in the actual system, especially when a token represents a real-world asset.

It should also be noted that ownership of a token can easily be made fractional - something that is especially relevant in the world of art and music.

CHARACTERISTICS

3. RARE

The characteristic of rarity comes into play when determining the intrinsic value of NFTs. Going back to the CryptoPunk example, as there are only 10,000 of these tokens available, and each one is completely unique, their value is now considerably high. This can be compared to any sort of tangible collectible item.

Rarity can be determined both by intrinsic differences in each token, as well as by the numerical amount available. This second can be easily compared to signed physical copies of an artist's work. As there will likely be a limited amount of those copies, their rarity affects the value. Likewise, digital signatures can be applied to NFTs and, as they are traceable, they can easily be verified.

Finally, NFTs also can increase or decrease in value due to their historical rarity. If an NFT is from the first wave of releases or owned by socially important individuals, then their value will be affected.

For example, a digitally signed copy of an artist's work may increase in value if owned by famous art collectors, whereas other copies of the same work won't feature the same value.

CHARACTERISTICS

4. IMMUTABLE

Last but not least, one of the most important traits of NFTs is their complete immutability - they cannot be altered. Once an NFT is created, it is incredibly difficult to tamper or otherwise change the token itself.

This immutability, combined with the high level of ownership transparency, creates a high level of trust in the NFT marketplace. As tangible works of art are open to tampering and fraudulent copies, NFTs on a blockchain allow for a way for artists to distribute their work without fear of having it stolen. And, of course, these inherent characteristics of NFTs can prove to be beneficial for many other markets outside of digital art, as well.

GENERAL HISTORY

AS CRYPTOCURRENCY BEGAN TO TAKE OFF

…in the late 2000s, into the turn of the second decade, experiments began to find ways to digitally mark these currencies, as bitcoins at the time were completely fungible.

CryptoPunks released the first major collection of digital NFTs in 2017, using an algorithm to create digital art which was all completely unique. The resulting token were simple images of people with varying characteristics and are now some of the most highly-valued NFTs available.

Later on, the game CryptoKitties became incredibly important as it allowed for the average person to partake in the NFTs. Within the game, users can digitally breed kittens (each of which were NFTs) and then create new cats, which could have specific characteristics that varied in terms of value and rarity.

Since 2018, the use of NFT marketplaces has skyrocketed. Digital artists have naturally found them to be an effective way of selling and tracking their work. This has led to a wealth of marketplaces offering different advantages to buyers and sellers, such as Known Origin, OpenSea, Rare Art Labs, and Dreamster.

Finally, within the last year, it has become incredibly easy for non-developers to create (through a process known as minting) their own NFTs. This has led to a number of alternative uses, including ticketing to events, crowdfunding, and large auctions, as well as being found in several different industries, including music and sports.

Dreamster™
Dreams + Blockchain=NFT

Daily News

Politics

Sed ut perspiciatis unde omnis iste natus error sit voluptatem accusantium doloremque laudantium

totam rem aperiam, eaque ipsa quae ab illo inventore veritatis et quasi architecto beatae vitae dicta sunt explicabo. Nemo enim ipsam voluptatem quia voluptas sit aspernatur aut odit aut fugit, sed quia consequuntur magni dolores eos qui ratione voluptatem sequi nesciunt. Neque porro quisquam est, qui dolorem ipsum quia dolor sit amet, consectetur, adipisci velit, sed quia non numquam eius modi tempora incidunt ut labore et dolore magnam aliquam quaerat voluptatem.

Nam libero tempore, cum soluta nobis est eligendi optio cumque nihil impedit quo minus id quod maxime placeat facere possimus

omnis voluptas assumenda est, omnis dolor repellendus. Temporibus autem quibusdam et aut officiis debitis aut rerum necessitatibus saepe eveniet ut et voluptates repudiandae sint et molestiae non recusandae. Itaque earum rerum hic tenetur a sapiente delectus, ut aut reiciendis voluptatibus maiores alias consequatur aut perferendis doloribus asperiores repellat. Sed ut perspiciatis unde omnis iste natus error sit voluptatem accusantium doloremque laudantium, totam rem aperiam, eaque ipsa quae ab illo inventore veritatis et quasi architecto beatae vitae dicta sunt

Business

Quis autem vel eum iure reprehenderit qui in ea voluptate velit esse quam nihil molestiae consequatur

Technology

NOTABLE USES

1. DIGITAL CONTENT

As previously mentioned, different NFT marketplaces and platforms have become an exciting avenue for artists to create, display, and sell their work. The advantage here is that the artists can trust that their work will be successfully traced and monitored so that they know no counterfeit copies will be made.

This idea may be the most difficult concept for those new to the world of NFTs. As digital files are inherently made to facilitate copying, sharing, and distribution of content, it is therefore difficult for some to immediately grasp this principle.

In the case of NFT art, the problem of ownership exclusivity is solved. This means that, even though the visual data hidden in the artwork's file is replicable, the ownership is not.

This concept can be compared to the image of the Mona Lisa. Anyway can use the Mona Lisa's image or have it printed on a t-shirt, but its ownership belongs to the French State. Likewise, NFT Art could still be copied by others - but the traceable ownership throughout the blockchain cannot.

1. DIGITAL CONTENT

MUSIC ROYALTIES

For this reason, artists have found a huge benefit in this area economically, as well, as they are able to sell directly to their intended audience with little to know 3rd party costs. Most platforms charge a small 5% fee to both the buyer and the seller, which is associated with the costs of running the platform. Comparing this to the typically 20-50% intermediary fees that are normally associated with art platforms, NFT marketplaces also become a cost-saving strategy.

Depending on the type of content created, buyers other than the original creator may choose to continue selling their purchased token, in which case the original creator may receive funds from each subsequent purchase through fractal ownership. When comparing this to established industries (such as record labels), this presents a chance for artists to sell directly to their audience, while still earning from indirect purchases. Therefore, an NFT marketplace can prove to be economically more sensible for artists when compared to other traditional selling methods.

NOTABLE USES

2. IN-GAME TOKENS

In-game assets are a type of NFT that have been used for quite some time now, though not in the exact way discussed in this report. The largest game develops - EA, Nintendo, Ubisoft, Blizzard, Microsoft, Sony, Epic, etc., all use in-game purchases that allow for digital assets to be owned by the account holder.

To quickly summarize, in-game items are collectibles that can have different degrees of value. The most common desired items are ones that show a player's skills and are usually earned. As a collectible, therefore, it has an intrinsic value.

Other items, however, are rare items that must be gained through special events or purchases. So, even when a particular item is identical in value (in terms of gameplay/usefulness), if it is a rare collectible, then an inherent value is placed upon it.

Ultimately, these in-game items resulted in value that was only sentimental to players. They only represented effort on behalf of the player, with no monetary benefit due to the centralized system developed by the game developer. However, when these in-game items are connected to a blockchain, the gaming industry is revolutionized, as players are able to participate economically.
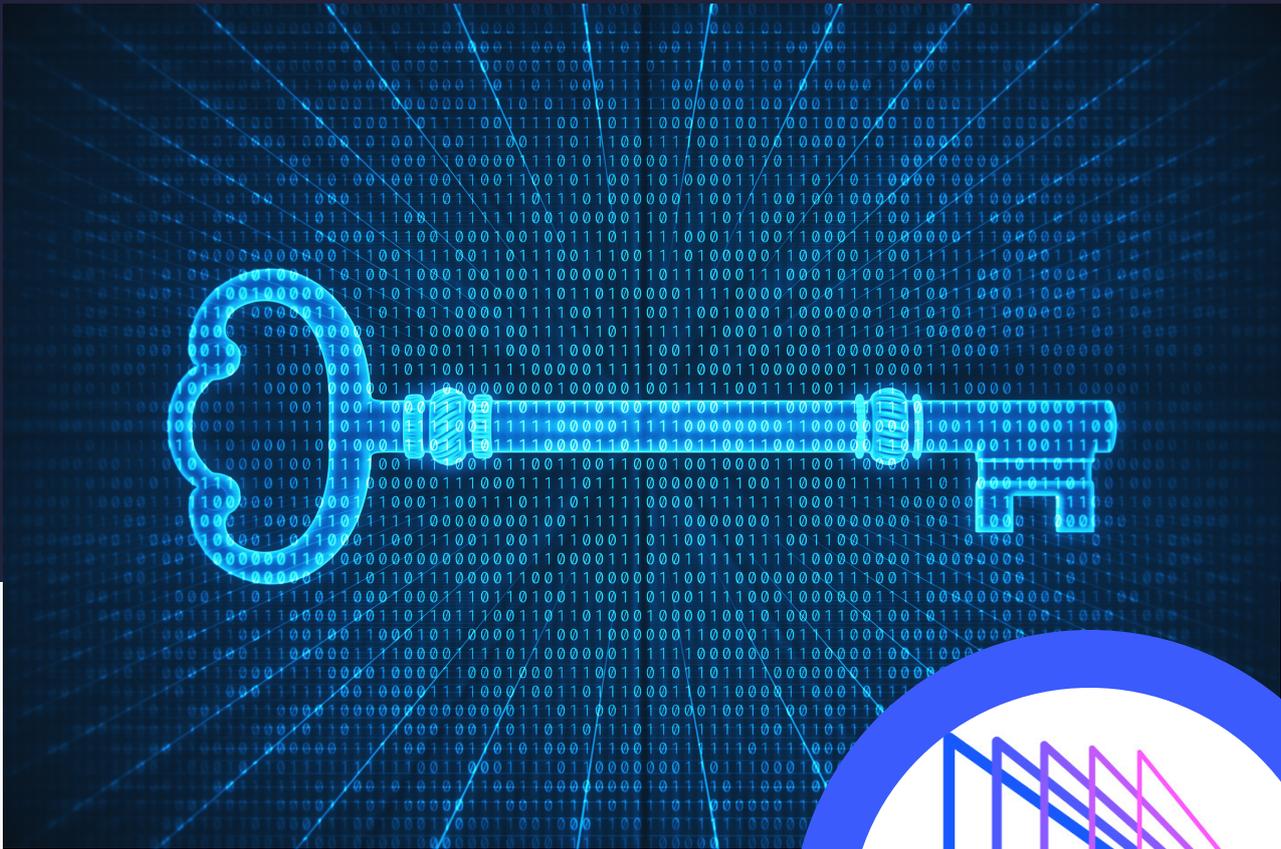
NOTABLE USES

2. IN-GAME TOKENS

Now with the ability to carry out these transactions through a blockchain, digital assets become a way for players to exchange collectibles such as in-game weapons, skins, tools, etc. In addition to allowing for a larger marketplace to form around these previously one-time purchases, it creates a new way for gamers to create a source of revenue. For example, a well-known gamer could sell their in-game armor through an NFT marketplace, which would increase the value of that token due to its previous ownership.

This has also led to the onset of a play-to-earn business model, wherein gamers are able to own in-game assets while playing. This way, the more a gamer plays, the more the value of those items appreciate. Therefore, when users are playing their favorite games, they are likewise increasing the value of it, and its assets, both for developers and for users themselves. Needless to say, this creates an entirely new economic model for the gaming industry.

https://dreamster.world

NOTABLE USES

3. TICKETS

Although relatively new, tickets to large events can also be created in a digital form. If minted on a blockchain, it allows for event organizers to easily verify the validity of a ticket and make it easier to track. Simultaneously, it facilitates the process for a ticket-purchaser to resell their ticket.

Additionally, these tickets can have specific authentification requirements placed onto them, making sure that only ticket holders are able to access digital events. In this sense, NFT tickets are like access keys that allow a holder to log into or view large-scale digital events.

Finally, these tickets can also serve as a type of collectible, as they are easy to trace and store.

3. TICKETS

MUSEUM EXPERIENCES

One of the biggest trends of NFT tickets is connected to museums. Due to the pandemic, many museum attractions had to either close or go digital. As a result, many museums auctioned off NFT tickets to allow holders to have virtual tours or to experience specific artifacts.

In many ways, the philosophy behind NFTs and museums fit together nicely. For example - what makes Michaelangelo's Pietà valuable? The statue's material has a fungible value, but the entire work does not. As the history of the statue is recorded, and society puts an inherent worth onto it based on generations of people's appreciation for it, it is now worthy of being in a museum. The same can be considered for NFTs - the history of the token is as important, if not more so than the asset itself.

NOTABLE USES

4. CERTIFICATES

In many ways, this use of certificates isn't revolutionary. Depending on the certification, most providers have an internal database that tracks the identifier number associated with the certificate. For example, academic certifications are usually tracked through internal structures with individual student IDs.

However, using a blockchain, certifications become public and transparent, making it far more difficult for counterfeits to be produced, or for individual certificates to be tampered with.

4. CERTIFICATES

REAL-WORLD ASSETS

NFTs can also be applied to real-world assets by providing authenticity certificates associated with any sale. For example, if any specific collectible item is created (a trading card, a signed copy of an album, athletic memorabilia, items owned by celebrities, etc.), then a certificate can be produced using an NFT to verify and trace its authenticity.

In this way, digital certificates can be associated with tangible items to allow for a universal tracking system and to facilitate reliable trading and selling.

NOTABLE USES

5. METAVERSE

Next, NFTs are certainly an integral part of the metaverse. Considering the metaverse is meant to represent, virtually, the physical world, NFTs are an obvious way for ownership to be established and traced to assets placed there.

NOTABLE USES

6. REAL-WORLD SUPPLY

Connected to the idea of establishing ownership to real-world assets, any industry that relies on authenticity being connected to the product can benefit from NFTs. As many brands are completely dependent on their image and fame for their value, the veracity of their products becomes a major issue.

6. REAL-WORLD SUPPLY

PRODUCT CERTIFICATION

Considering counterfeit markets are a large concern for any supply-based industry, NFTs can alleviate this issue by providing unique identifying certifications. For example, Nike is one of the first major companies to have taken advantage of this opportunity. They have patented their project "Cryptokicks", which will ultimately make an attempt to stop forgeries, or, at least, make it easier to spot them. By including an identifier NFT with each purchase, associated with every pair of shoes, anyone can guarantee authenticity.

This also can help supply chains in the international sector. As international transactions can become incredibly complicated and bore down by paperwork, NFTs allow for an easy way to trace ownership via the blockchain.

NFT TECH

In a practical sense, current NFT technology can be described as having two layers. The first layer consists of a decentralized blockchain ecosystem, whereas layer two is explained as including sidechains and scalability protocols.

Originally, NFTs started with only the first layer, but as the number of users grew (i.e., increased need for scalability), it become increasingly more necessary to apply higher security measures. To handle the volume of transactions, many ecosystems now apply the second layer to deal with the influx of users. For example, Polygon is an Ethereum Layer 2 is a well-known protocol solution.

https://dreamster.world

TOKENS

In terms of the tokens themselves, rules are applied within the blockchain, which are known as smart contract standards. These smart contracts can include a variety of properties or requirements. For example, they can specify the name registry, the standards for the tokens, and the requirements to perform actions involving the tokens.

Blockchains that support these smart contracts allow for specific token standards that designate how users may mint, register, and distribute new tokens. This is crucial, as it allows for specific rules to be listed within a blockchain network and allows for quick communication among different contracts.
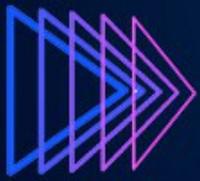
DREAMSTER BACKS ITS GOVERNANCE TOKENS WITH NFTS

ON MOST BLOCKCHAINS

...three separate types of tokens are listed: fungible, non-fungible, and hybrid tokens.

1. **Fungible tokens** are cryptocurrencies with established values like the ERC-20.

2. **Non-fungible tokens** would be tokens such as unique digital art. ERC-721 is the most common fungible token type.

3. **Hybrid tokens** combine characteristics of the two previous types, where individual tokens can be interchangeable, but only for assets within the same class. For example, hybrid tokens could be event tickets, where a token could be exchanged for another ticket on a different day, but the token couldn't be exchanged for merchandise or digital art. ERC-1155 is the standard practice for hybrid tokens.

NFT TECH

TOKEN STANDARDS

However, the three token standards listed (ERC-20, ERC-721, and ERC-1155) are the most common, they are far from the only token standards available. Several other token types are in use and in development throughout a variety of blockchain environments. These three listed are applied to the Ethereum blockchain, but others such as EOSIO feature four different NFT standards.

Naturally, the technology for NFT is relatively young and is continuing to advance daily. Different blockchains are constantly being developed, as well as different standards for tokens as the market reacts to arising needs.

NFT MARKETPLACE

By 2021, the popularity of NFTs has grown exponentially in the few years they have been available. With it, several marketplaces have come about to handle various types of transactions.

MARKETPLACES

OPEN SEA

By and large, Open Sea is the highest-earning NFT marketplace available. They are able to utilize both Ethereum and Polygon blockchain networks and are well-known as the original peer-to-peer NFT marketplace. In August 2021, they reported $3.4 billion worth of trades.

The marketplace charges a 2.5% fee to sellers and accepts multiple currencies in both timed auctions and fixed-price sales. For Open Sea, the largest categories of sales belonged to art, collectibles, and trading cards. Additionally, like many marketplaces, royalties can be established based on the artist's guidelines.

MARKETPLACES

RARIBLE + SUPERRARE

Rarible is the second-largest NFT marketplace at the moment and is a community-owned decentralized autonomous organization. On the contrary, they impose a 2.5% fee both to the seller and the buyer. As with several marketplaces, they accept several currencies, including their own $RARI.

SuperRare is currently the third-largest but functions quite differently from the first two marketplaces. It focuses primarily on digital art and functions as a social media platform to allow artists to promote their work. This allows for artists to have a close relationship with the platform itself. The downside, however, is that they have a 15% fee on sellers and only accept the $ETH currency.

MARKETPLACES

DREAMSTER

Dreamster is a decentralized autonomous organization (DAO) that is one of the newest NFT marketplaces. A primary feature of existing as a DAO marketplace is that users themselves have a say in the development and decision-making process of the platform.

They allow for exchanges across multiple blockchains, utilizing multiple currencies. They are unique in that they provide incredibly fast transaction speeds and allow for the minting of physically redeemable NFTs of real-world assets.

CHALLENGES

NFTs, while being an exciting new technology with high levels of potential uses, still has their downsides. The primary concerns facing NFTs is their implementation in money laundering schemes and possible security breaches.

Concurrently, one big issue that is yet to be resolved is the application of NFTs to the legal system. As it is a relatively new technology - well known to developers and some artists, but largely a mystery to the general public, the legal system has yet to establish regulations surrounding their validity.

CHALLENGES

MONEY LAUNDERING

In the art world, money laundering has long been a primary issue and, though authenticity and transparency are inherent qualities of NFTs, many schemes take advantage of these digital transactions.

Generally, money laundering schemes only take four steps.

1. **Artwork creation.** An artist quickly creates a low-effort NFT to be sold.
2. **Artist creation.** As artist personas and accounts can be made anonymous, they simply create a buyer and seller account.
3. **International servers.** In order to avoid international policing, servers from uncooperative jurisdictions are created.
4. **NFT trading.** They simply inflate the price of individual works or buy several at higher rates. Often, the buyer and seller accounts belong to the same person.

CHALLENGES

Dreamster™
Dreams + Blockchain=NFT

SECURITY THREATS

NFTs' main value in the market is their immutability, authenticity, and traceability. For this reason, possible security threats are a primary concern among marketplaces.

In April 2021, an individual exposed some vulnerabilities of the NFT marketplace by successfully duplicating one of the most well-known pieces of digital art - Everydays by Beeple. Using a technique termed sleepminting, he was able to mint a replicated version, but they were subsequently taken down by Open Sea and Rarible.

This raises two primary concerns: NFT ecosystems are not yet impenetrable and NFT marketplaces have the power to delist any token.

CHALLENGES

OWNERSHIP OF REAL-WORLD ASSETS

A clear issue with NFTs is transferring established ownership on the blockchain to have real-world legal effects. This means that NFT standards will need to comply with existing Intellectual Property rights and courts will need to create legal standards that reflect the new realities of digital property.

At the moment, NFTs are treated as ownership titles to physical assets. Therefore, when you transfer an NFT, you are transferring ownership of an asset, rather than the asset itself. However, with blockchain ledgers, all movement is recorded at an international level rather than at a county office.

CHALLENGES

OWNERSHIP OF REAL-WORLD ASSETS

Therefore, in terms of artwork - who owns the copyright? At the moment this remains legally ambiguous. It could be compared to purchasing a physical version of a musician's album - a copy is purchased, but the copyright still belongs to the original creator. Even if a copyright is transferred, the original creator still stands as the author of the NFT.
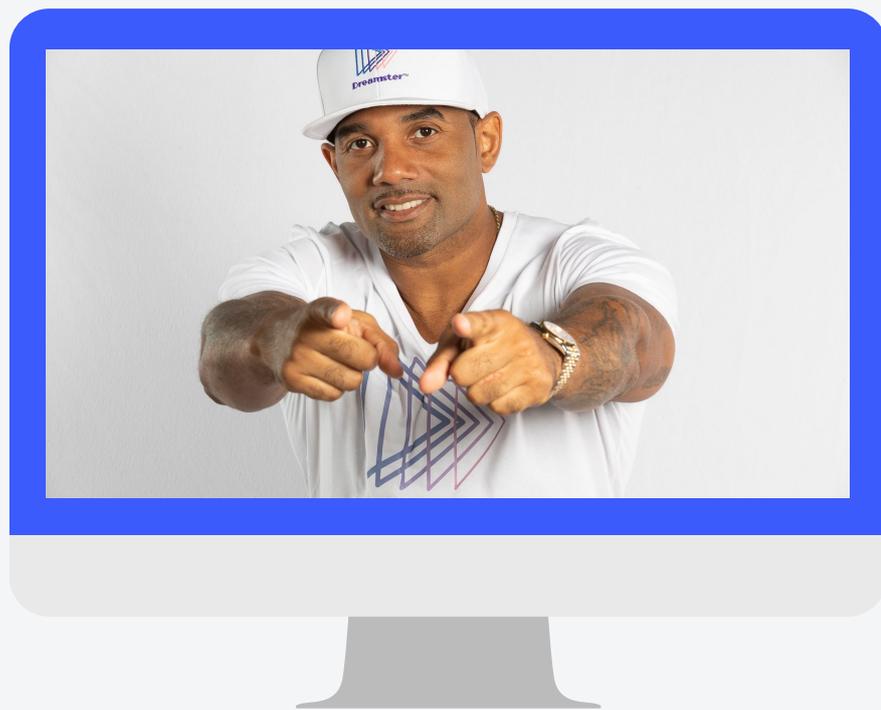
This legal gap also becomes even more pervasive when an individual steals another's artwork and mints it as their own NFT. Therefore, higher levels of security, both legal and technological, need to be put into place to protect artists.
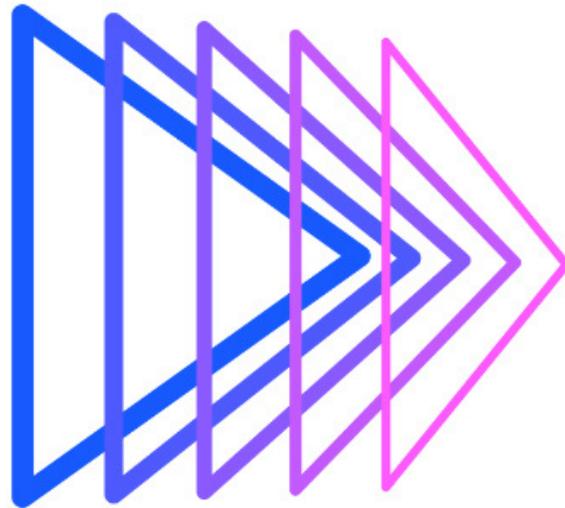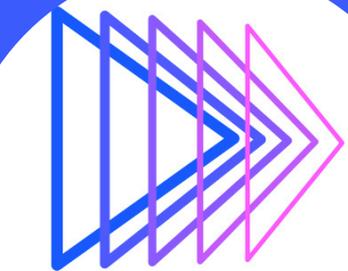
DREAMSTER

Dreamster's Marketplace was developed as a way to give digital artists, musicians, videographers, gamers, and game developers the power to utilize a powerful and lightning-fast platform. As one of the biggest drawbacks to some major NFT marketplaces is their slow transaction speed - limiting an artist's business capabilities - Dreamster finds a way to remove this major barrier.

In addition to providing a space for digital works, the platform has a unique method of minting physically redeemable NFTs that are compliant with KYC/AML protocol that eliminates the possibility of fraudulent transactions - leading to rapid, trustworthy transactions for both parties.

https://dreamster.world

DECENTRALIZED

DAO

As a decentralized marketplace, authenticity and transparency are foundational elements to Dreamster. Transactions can take place cross-blockchain, allowing for seamless integration.

Consistent with its foundational structure as a decentralized system, the marketplace itself is incredibly user-centric. Presenting complex tech functions in a beginner-friendly interface, artists don't need an advanced understanding of coding and developing to form a part of the ecosystem. The marketplace itself has been designed to offer a user-friendly, hassle-free experience at every level.

Dreamster™
Dreams + Blockchain=NFT

https://dreamster.world

DREAMSTER'S PAYMENT ASSISTANCE

DREAMSTER WALLET

The Dreamster wallet integrates several different currencies, allowing for a seamless transaction process. It's a one-stop solution to managing any digital asset on a decentralized system with onion-style security levels.

Through the Marketplace integration, global transactions can occur swiftly and flawlessly, and as the Dreamster Wallet is equipped with advanced security protocols, the foundational elements of NFTs are preserved: authenticity, transparency, and security.

DREAMSTER CEO

Mario L. Butler

The founder of Dreamster, Mario L. Butler, established Dreamster in March of 2021 with the vision of creating the world's largest, secure, and compliant NFT marketplace. He is an accredited investor in blockchain infrastructure projects and is a certified smart contract practitioner.

He is the author of Hard Wallet Organizer, a guide on how to securely and effectively write private security keys for Cryptocurrency exchange accounts.

After receiving his MBA, he worked in healthcare management, founding an outpatient rehabilitation center in 2008. He went on to have an impressive track record within the healthcare industry, earning the Accreditation Award four consecutive times.

Mario has garnered success in multiple sectors and now aims to direct Dreamster to become the world's largest non-fungible token marketplace with his futuristic visions of implementing higher levels of security, regulations, and anti-money laundering practices.