

# Gold Rush:

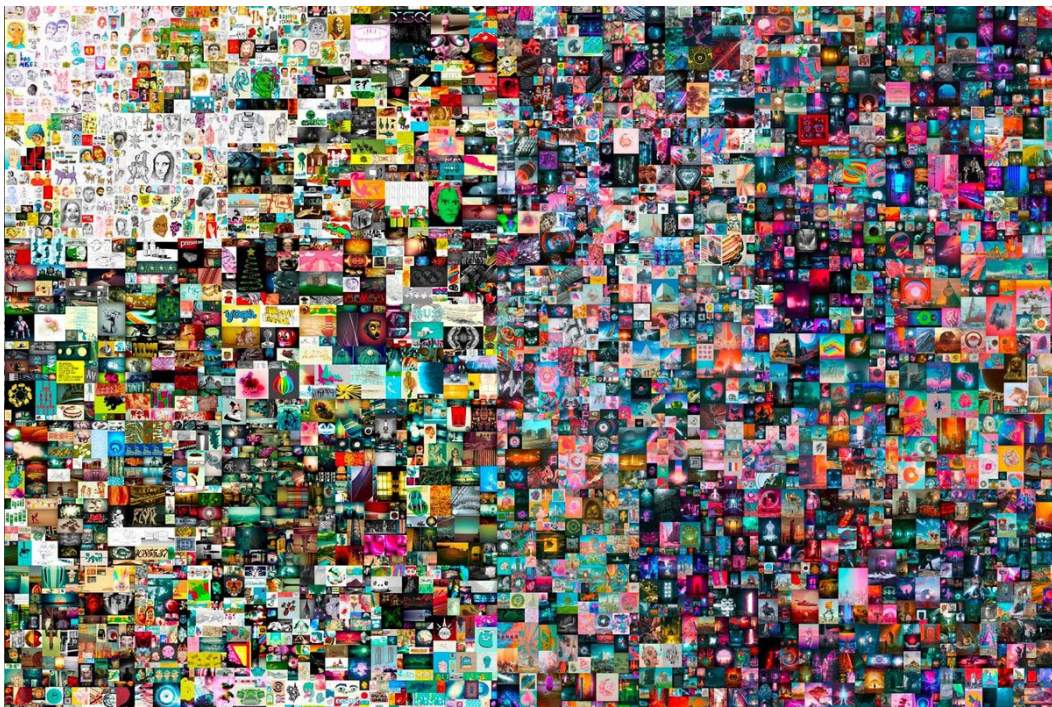
## Unlocking The NFT Windfalls



# Introduction - Would You Buy A Cartoon Ape For \$20 Million?

Christie's is a legendary auction firm that has sold some of the most important and irreplaceable items in the world. Yet between February 25 and March 11, Christie's held an auction like no other.

An artwork called "EVERYDAYS: THE FIRST 5,000 DAYS" was sold during that auction for \$69,346,250 (or 38,525 ETH). The artist was Mike Winkelmann, who is best known as "Beeple."



source: <https://nftnow.com/features/top-10-nft-sales-2021/>

I just showed you the artwork. If you want to examine it more closely, you can go to Christie's webpage and see for yourself. Are these pixels worth more than \$69 million if you can just save the image on your computer?

One might question whether this image is really of artistic worth. It was entirely digital, a compilation of each image that "Beeple" had made every day. Will Gompertz wrote for the BBC that the sale "will go down in history either as the moment before the short-lived cryptoart bubble burst, or as the first chapter in a new story of art."



The critic judged that the work had real artistic merit. The same might not be said of the simple forms of “CryptoPunks,” digital people that look like characters from the old 8-bit Nintendo Entertainment System. Yet some of them sold for the equivalent of 10, 11 or even over **\$20 million**.

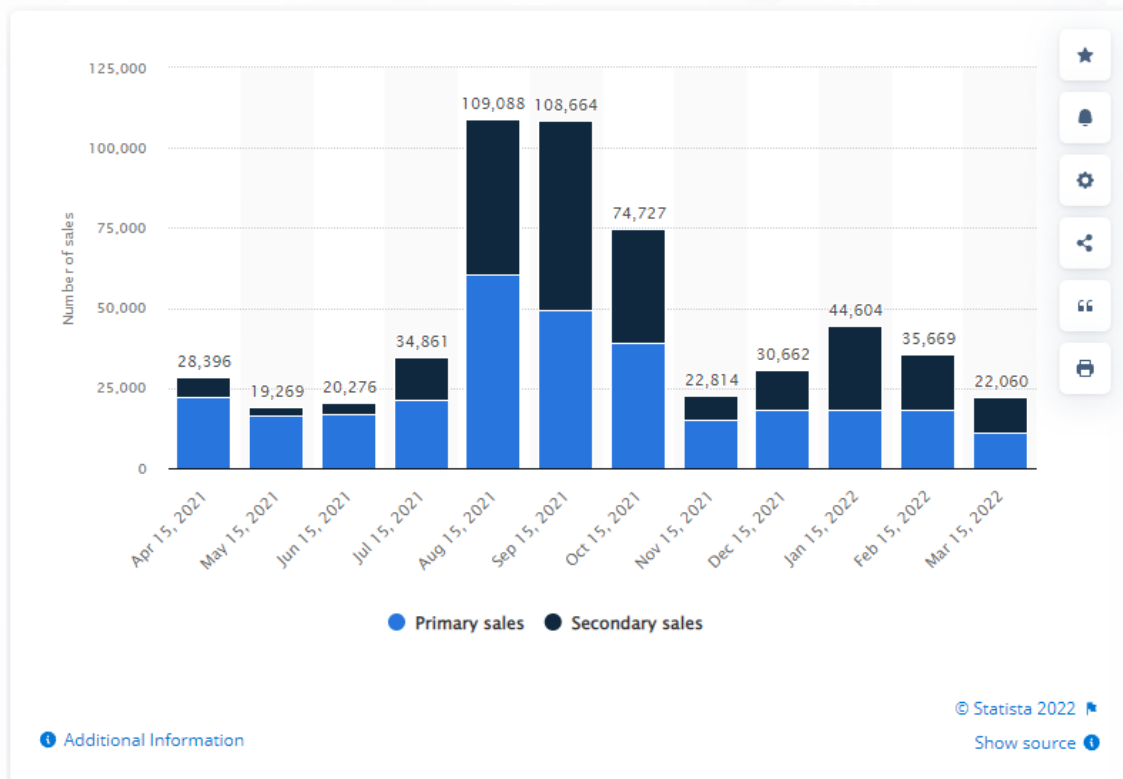


*Sourced under Fair Use by Wikipedia*

Worth it? Someone thinks so. NFT sales hit about **\$25 billion in 2021**. Yet you might think this is simply the latest example of something like the infamous Dutch “tulip mania” between 1634 and 1637. The entire nation was gripped in a speculative bubble that then collapsed.

Or, if you are old enough, you may remember people bankrupting themselves to buy Beanie Babies, plush toys that took the country by storm. This was a famous casualty of the first dot-com crash, where people used the Internet to speculate on “collectables” whose value collapsed around the year 2000.

At least, that's the story you've been told... but we'll get into that. The point is that some would argue that the NFT craze has already come and gone. Indeed, there is a decline in total NFT sales, which peaked in 2021.



Source: <https://www.statista.com/statistics/1235228/nft-art-monthly-sales-volume/>

Yet I would argue that the NFT “bubble” hasn’t even arrived. In fact, we’re just beginning to see what this technology can do. The spectacular sales prices for seemingly random pieces of digital artwork distract from the main focus - the technology behind NFTs. That is here to stay. The implications will be massive.

It’s no exaggeration to say that the NFT space has created an entirely new economy. It is pioneering a new form of art. It is changing the way we think about the Internet entirely.

It’s doing all that... but you’re probably also wondering why anyone would pay one dollar, let alone a million, for a picture that you can see online. (And right click and “save as” to store on your computer if you so desire.) What is the purpose of this? Why would you buy a stupid 8-bit picture when you could buy a mansion or an entire fleet of cars?

In this report, I'll show you what's really happening. I'd like you to keep these truths in mind simultaneously. An **NFT has no inherent value and yet will solve the question of valuation for the Internet and the metaverse.** In other words, though it initially looks like one of the dumbest fads in history, the underlying technology is here to stay and will only grow more important. In fact, it's utterly *necessary*.

Let's take the "bubble" question head on. Consider Beanie Babies, small plush toys that people are still trading for hundreds of dollars online. The bubble may have collapsed, but it unleashed forces that utterly transformed our world.

How did people find a niche item such as a specific plush toy? They needed the equivalent of a digital flea market. That led to eBay becoming massively popular. People then needed a way to send relatively small amounts of money quickly. That led to PayPal becoming widely used.

Who was involved in PayPal? Elon Musk, Peter Thiel, and other members of the "PayPal Mafia" who went on to start companies like Tesla, SpaceX, Palantir, YouTube, and countless others. You could argue that these small plushies weren't part of a "bubble," but the necessary fuel that created the modern economy.

The technology came first. The specific uses came later and were arguably less important. Once something like PayPal became widely accepted, we couldn't imagine life without it.

Author Eric Ries stated:

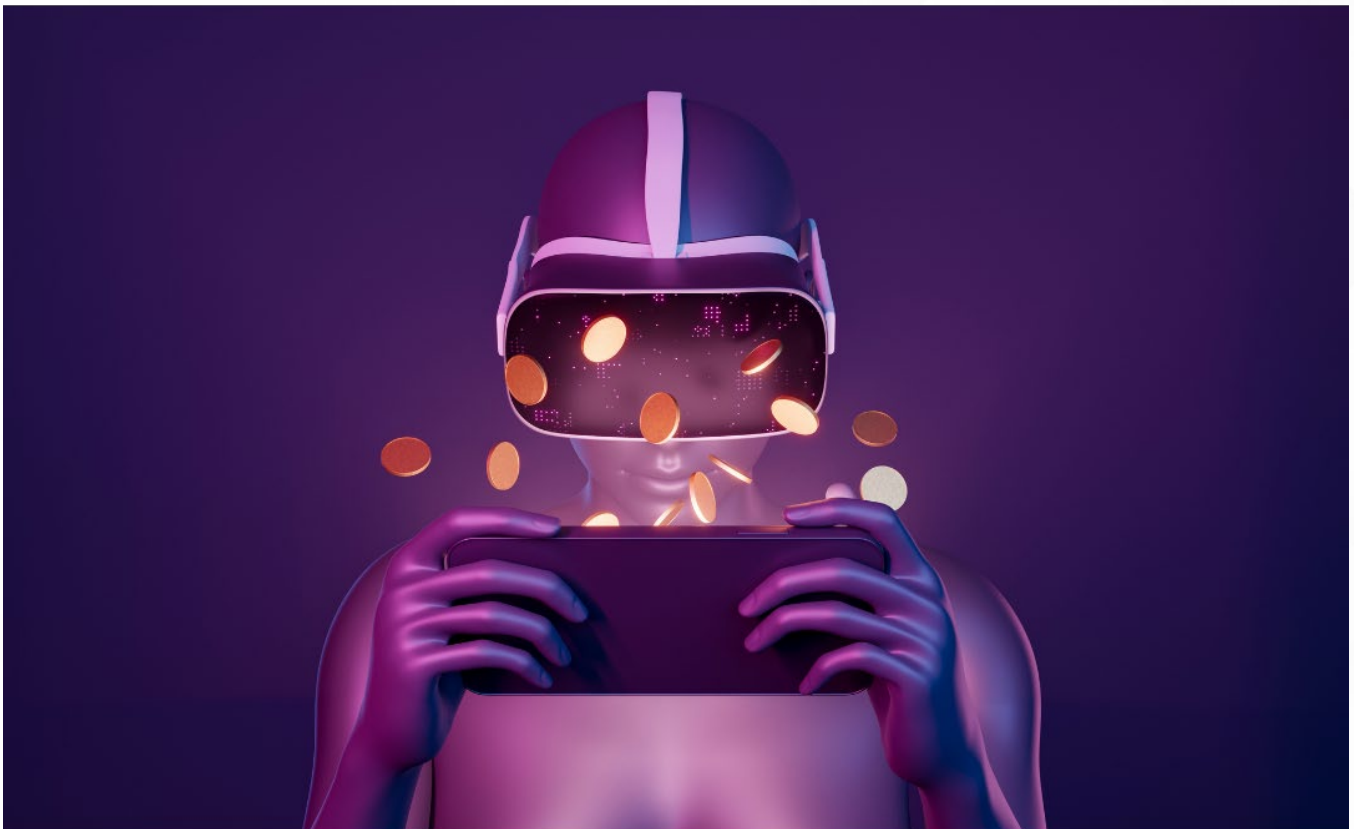
**"Nowadays people talk about PayPal's founders as prescient geniuses who would inevitably change the world. It was, however, not so obvious that PayPal would taste its first major success by helping people sell Beanie Babies on eBay. But they had a vision, a hope, and the perseverance to try multiple iterations until they got it right."**



You could also argue that they had the technology. Entrepreneurs who make tactical adjustments like the founders of PayPal will be able to build world-changing companies based on this technology. In fact, NFTs solve some of the problems that lie behind any bubble - specifically the question of authenticity. That's the key problem in most "art" investments - whether you are trying to determine the "authenticity" of a certain toy or of a painting supposedly created by one of the Old Masters.

What this technology can do is practically unlimited in gaming, the metaverse, art, investment, and social interactions. It is the essential technology for the Web 3.0. It transfers power away from social media companies and corporations and to individual creators.

So what IS an NFT and why does it matter?



# WHAT IS AN NFT?

An NFT is a Non-Fungible Token. If something is “*fungible*” that means that it is interchangeable with other goods of its kind. For example, if you go to the store to buy a box of cereal, you don’t care which box you get if it is the brand you wanted.

Currency is fungible – absent some sentimental attachment, one quarter is as good as another.

Ah, but that question of sentimentality raises the question of “value.” Remember the exchange from *No Country For Old Men*. The hitman Anton Chigurh is alone at a rural gas station with the shopkeeper. Without directly threatening him, it’s clear that he will kill the man if he doesn’t correctly guess a coin toss. The man guesses correctly. This leads to this exchange:

**Anton: Don’t put it in your pocket! It’s your lucky quarter.**

**Clerk: Where do you want me to put it?**

**Anton: Anywhere not in your pocket. Where it will get mixed in with all the others and become just a coin. *Which it is.***

*In other words, this quarter (if you follow Anton’s logic) is now “non-fungible.” It’s one of a kind. It’s irreplaceable. Other examples would be a certain painting, a historic item, or, as it turns out, bits of code.*

Things that are non-fungible tend to be more highly valued than the simple sum of their ingredients. A painting is, after all, usually just some wood and paint. It doesn’t have much inherent worth on the surface. Even if you like the original, you could always get a copy for practically nothing.

Nonetheless, we know that something which is *unique* has a special quality. We also know that owning the real thing is very different from owning a copy. Authenticity and scarcity are the critical factors.

For example, Leonardo da Vinci's painting of Jesus Christ as "Salvator Mundi" (Savior of the World) was lost for years. It was supposedly owned by King Charles I, the monarch executed in the English Civil War. Somehow, the painting found its way to a couple in Louisiana. In 2005, it sold for less than \$10,000. In 2017, Saudi Crown Prince Mohammed bin Salman paid \$450.3 million for it.

**That's a 4,502,900% increase. That's the value of authenticity and scarcity.**

**And as I said at the beginning, we're already in the multimillion dollar sphere when it comes to online NFTs.**

Still, "owning" an NFT sounds ridiculous. When you buy an original painting, doesn't everyone know that it is authentic? That's very different from a computer file. How can ownership be "verified" online?

This may be your first take on NFTs (it was mine) but that has it precisely backwards. Authenticating physical artwork is an *extremely* difficult job. Even an expert may be taken in by a painting that is supposedly from one of the world's greatest artists but was actually from an assistant. Sometimes there's outright fraud.

For example, more than 60 paintings that were forgeries were sold for more than \$80 million collectively by the Knoedler gallery over 15 years. Experts were fooled. The paintings looked good. Nothing about the appearance changed once you could prove that they were frauds. Yet their value essentially fell to nothing.

**This problem simply doesn't happen with NFTs. NFTs are important because they are a way to establish ownership of online goods, with proof of ownership on the blockchain.**





The blockchain is a ledger. It is digitally distributed, decentralized, and exists across a network. What's important to understand about the blockchain is that it provides a way to *efficiently track important data – such as property records* – without having to go through a middleman. Think of it as an old-time stock ticker, with unchangeable data points that go back to its beginning.

Of course, unlike with a paper ticker, you can get information more quickly off a digital blockchain. Still, thinking of it as simply a very long and unchangeable list of data entries is a good way to conceptualize it. For example, if you buy a house, you need to fill out forms with private and public entities, all to create a record of ownership. On the blockchain, the data cannot be changed without providing your cryptographic private keys and changing the record in a new block.

To the blockchain program, that key is “proof” of ownership of a digital good. To put it another way, **you can absolutely verify the ownership of an NFT, whereas there's almost always some degree of uncertainty about who created a physical work of art.**

You can also prove the digital image is the original by creating a hash of the image in question and comparing it to the hash of the original image (which is also recorded on the blockchain).

This is also important because it solves the “valuation” problem of digital goods. “Value” is always socially determined. Something's value is what people are willing to pay for it. Marx was wrong. Value is not determined by the amount of labor or capital that it took to create something.

Value is a social construct, not a mathematical formula. There's a human element that goes beyond simple utility. That's why art as an investment even exists.

Ownership is also integral to any market. It's something we don't really think about online because we can see almost any photo or video clip that we want. We have social media accounts that we think are “ours.”

Unfortunately, they aren't really ours. If you tweet, record, build, publish, or create *anything* online, you may not actually own your creation. If you publish it on a social media platform, you may not have control over distribution. It may be removed. You may lose control over it in some other way. You could even lose your account.

This extends to the entire online space. For example, if you create a character in an online game, your avatar, items, experiences, rewards and other "belongings" have a real value. This is why some people play games simply to earn experience for other players and then sell them off. People want authenticity and proof of accomplishment, even in an "artificial" space.

We can already see this with the "achievements" or "badges" that players unlock in various games. These can then be displayed on a player's profile on Xbox Live, Steam, or other gaming network. The desire to show off or outdo others is also what drives many mobile phone games. They may be "free to play," but gamers usually need to subscribe or pay a fee to get certain avatars, weapons, or other advantages.

Players on PCs or consoles can pay normal currency to receive items or clothing that have value in the artificial world created by the game. However, the player doesn't truly own these assets. They are only useful in the setting of the game, something he or she doesn't control or own.

According to a study from Vorhaus Advisors, 63% of gamers polled said they would spend more money if in-game items had real world value. An almost two-thirds majority also said they would play games more often. Yet there's almost no way to do this with existing games.





Blockchain provides the answer by allowing people to take in-game items, establish ownership beyond any dispute, and take them outside a game and possibly into another game. It creates the possibility of players selling virtual items that can be tied to real world goods.

The same study found that almost a third of gamers thought the prices of virtual items were “arbitrary.” NFTs help solve this problem as well because they allow market dynamics to really work on digital goods. Instead of items being randomly sold by a developer or surreptitiously traded between players by switching accounts, the goods themselves can be sold directly by the owners to willing buyers.

It works with art, it works with games... but is there anything beyond that? There's certainly a broad market. Gaming-related NFTs brought in \$4.8 **billion** in 2021, and that was just 20% of all NFT sales. Yet game companies may not really understand what they have. For example, when Ubisoft introduced NFTs inside the shooting game *Ghost Recon Breakpoint*, it was a flop. Just \$400 worth of NFTs were sold.



The problem was simple. Players saw it as a cash grab, something unworthy of the amount of time and effort that it would take to obtain these items. It wasn't something generated from gamers themselves, but something being sold by the company with an unclear benefit. It wasn't inherent to the game. As one person said, it just felt “bolted on.”

Compare this to Zed.Run, something where NFTs are inherent to the project. Zed.Run is a digital horseracing game. You can breed digital horses, buy digital horses, race digital horses, and win real money. The horses are “living” NFTs whose performance depends on their breeds, bloodlines, and other factors.

At the time of this writing, in just the last seven days, about \$313,000 worth of NFTs were sold in the game.

<div>NFTs sold last 7 days</div> <div>2,576</div>	<div>Trading volume last 7 days</div> <div>\$313k</div>	<div>Average price last 7 days</div> <div>\$121</div>
<div>Floor Price Lowest Ask Price</div> <div>Ξ0</div>	<div>Total Supply Number of tokens</div> <div>162,344</div>	<div>Owners Number of owners</div> <div>20,251</div>

That's just one example. Think bigger. What about the "metaverse?"

According to Mark Zuckerberg, who changed Facebook to "Meta Platforms," we will all "live" in the metaverse. The metaverse is a virtual world that allows people to exist in an online reality and experience being inside that world. Certain hardware is still being created to simulate the sense of weight, touch, and even pain. Yet the entire concept doesn't make sense unless you have a way to establish ownership of goods and property, including "virtual real estate."

NFTs are the answer here. Without NFTs, the best you can do is "rent" digital assets. You don't really own them, because they are still owned by whoever owns the metaverse space. However, an NFT provides proof of ownership, allowing you to truly "own" a digital good, monetize it, or sell it. It's a necessary step for the metaverse to even potentially operate. Without NFTs, the "metaverse" would be no more than a large multiplayer game where no one really "owns" anything. NFTs create the potential for an entirely different world.

For example, "The Sandbox" is one of the largest emerging "metaverse" spaces. It is a giant virtual map made up of 166,464 LANDS, measurements of virtual real estate. This virtual land can be bought, developed, manipulated, and monetized by users.



In late November, Republic Realm bought a plot of virtual land in The Sandbox for \$4.3 million. That may sound like a lot, but it is just the beginning. According to cryptocurrency asset manager Grayscale, the metaverse has the potential to generate \$1 TRILLION a year in revenue. People will “live” in the space and spend money while they are there. As with physical real estate, it’s all about location, location, location. Yet without NFTs, throwing money at “virtual real estate” is a waste of time.

Why are NFTs essential? They fix **five key problems**.

- 1. Ownership - NFTs allow a person to own a digital good in its own right which can theoretically be used across different digital worlds.**
- 2. Authenticity - NFTs prevent fraud because the blockchain ensures that there is a provable record of who owns a digital good.**
- 3. Scarcity - NFTs, by definition, are one of a kind and thus create value because they are irreplaceable.**
- 4. Creator control - Digital items are independent of any particular universe and can be transferred directly from person to person.**
- 5. Monetization - NFTs allow people to profit from their digital good, either by winning games, getting payments from licensing, renting out digital real estate, or any other benefit that people are willing to pay for.**

Whenever you hear “The Metaverse,” understand that NFTs are the absolutely *necessary* component for it to work. Otherwise... it’s just *World of Warcraft* or some other online game. That’s why NFTs will endure. They transcend any particular project. They provide the technological foundation that entire virtual universes can be built upon.

And yes, before you ask, you can buy insurance now for your digital assets. IMA Financial Group unveiled insurance for NFTs earlier this month.

# THE FIRST NFTS AND MAJOR SALES

The first NFT is “Quantum,” created by digital artist Kevin McCoy in 2014. It is a polygon that pulses and creates interesting, hypnotic digital patterns. It sold for almost \$1.5 million in a Sotheby’s auction in 2021. Unlike most other NFTs, it was registered on the Namecoin blockchain.

Most NFTs today operate on the Ethereum blockchain. The first NFT on the Ethereum blockchain was called “Terra Nullius,” minted on August 7, 2015. It was essentially just a way to “claim” part of the blockchain and have a short message. Blockplots, minted on October 29, 2015, were able to be transferred - the critical step to creating the NFT economy of today.

In 2017, Larva Labs Studio created the “CryptoPunks” project. 10,000 characters were algorithmically created via a computer program, with no two alike. There were also rare categories of punks, notably zombies (88) and aliens (9). As you might expect, these rarer categories sold for more.

In summer 2021, CryptoPunks really took off, reaching more than \$40 million in volume daily in late July. The average price rose by 53% over the last week in July. From there, it only got wilder.

For example, CryptoPunk #8857, a zombie, sold for about \$6.6 million (2,000 ETH) in September 2021.

**CryptoPunk #9684 was “flipped” within 12 hours of initially being purchased for a profit of about \$100,000 in December 2021.**

**Another user made almost a million dollars in 48 hours with a CryptoPunk.**



Why did CryptoPunks take off? For those who see NFTs as an investment, CryptoPunks are historic. They weren't just one of the first projects, but they also pioneered the EIP-721: Non-Fungible Token Standard. This was a protocol that allowed those on the Ethereum network to transfer NFTs and track ownership separately. It was an essential building block for the marketplace.

Celebrities also helped generate value by buying their own CryptoPunks. Jay-Z, Snoop Dogg, Serena Williams, Jason Derulo, Logan Paul and others all bought CryptoPunks. Some celebrated on social media. This was important because the cachet inspired by celebrity ownership pushed prices up.

The most notorious NFT group is the "Bored Ape Yacht Club." This was a key example of scarcity, celebrity, and media attention being used to drive up prices. In contrast to the more gritty CryptoPunks, the "Bored Ape Yacht Club" was a collection of more refined looking apes wearing various costumes and apparel. There were only 10,000. Buyers included Paris Hilton, Eminem, and "Tonight Show" host Jimmy Fallon, who paid over \$200,000 for his. Much like with CryptoPunks, some of the apes had various "rare" traits like golden fur. This was seen as making them more valuable.

Practical? Not really, but then neither is a Rolex, a bottle of wine that sells for six figures, or foods covered in gold leaf that are sold at restaurants for outrageous prices. The sheer fact that elites were trading these made NFTs be seen as valuable.

The Bored Ape Yacht Club ultimately became more valuable than CryptoPunks on average by the end of 2021. Total market capitalization at the end of 2021 was about **\$3.22 billion** for the Bored Ape Yacht Club and about **\$2.55 billion** for CryptoPunks. Existing Bored Apes could also be turned into "Mutant Apes" by exposing them to a "mutant serum." There were also "mutants" who were exposed to "mutant serum." **One of these sold for 888.88 ETH in December 2021 - or about \$3.6 million.** As with the digital racehorses, the idea of "breeding" new creations seems extremely popular with the public.

Ultimately, Yuga Labs, which created Bored Ape Yacht Club, bought CryptoPunks and Meetbits, another influential NFT project.

Currently, OpenSea is the largest Ethereum-based decentralized application for buying and selling NFTs. However, scams and hacks tend to accompany online fame and success. In February 2022, 32 users reportedly fell for a phishing scam, allowing hackers to steal their NFTs. Though some were recovered, the incident struck at the idea of security which is at the heart of NFTs. To respond, OpenSea switched to a more secure protocol, and trading volume still surpassed \$3.7 billion from late January to late February 2022. Nonetheless, the phishing attack coincided with NFT sales declining in popularity.

Let's confront the questions directly. Did the bubble burst? Do NFTs do more





# CRITICISM

Vitalik Buterin, who created Ethereum, is arguably more responsible than anyone else for making all of this possible. And his opinion of the Bored Ape Yacht Club is simple - he hates it. "Ultimately the goal of crypto is not to play games with million-dollar pictures of monkeys, it's to do things that accomplish meaningful effects in the real world," he told Time in his recent cover story.

The environmental impact of NFTs, as with crypto in general, is also the subject of heavy criticism. ArtStation attempted to launch an NFT project, but received scathing reviews from those who said that it would cause catastrophic environmental damage. "It was our bad," ArtStation said, backing down. "It's our hope that at some point in the future we'll be able to find a solution that is equitable and ecologically sound."

NFTs are also extremely volatile. Over the last few months, there's been a notable decline in NFT purchases and value. From January to March, cumulative daily sales fell from about \$160 million to \$26 million, and the average price declined from about \$6,800 to \$2,000. NFTs also become a subject for mockery, with South Park taking a poke at NFTs in an episode focusing on a dystopian future.



# RESPONSES AND THEORETICAL USES

Let's be blunt. We can't go back in time. You can no longer sell a CryptoPunk you could have gotten almost for free a few years ago for hundreds of thousands of dollars today. To return to the Beanie Baby example, there may have been a bubble that has burst when it comes to simple art projects.

However, this misses the point. The technology is more important than whatever brand caught the public's interest. What mattered was eBay and PayPal, not stuffed animals. A sudden drop in valuation also seems to be an inevitable step as a new market sector matures and becomes mainstream.

There was once a time when you could buy an entire bitcoin for just pennies. Today, it costs well over \$40,000 - and that's a major decline from last year. Yet few would dispute that cryptocurrency has carved out a permanent market. While the market may not grow by 21,000% again this year, the infrastructure for a more durable, secure, and mainstream NFT space has been created.

Major companies have already begun minting and selling NFTs, including the NBA. Fans can buy NFTs of iconic plays, participate in an auction, and obtain rewards. The easy comparison here is to trading cards. This is the digital version and its valuation will operate along the same lines.

The environmental criticism can be leveled against the cryptocurrency space in general. Most NFT projects (though not all) are based on the Ethereum blockchain. The Ethereum blockchain still operates based on a Proof of Work protocol. Computers essentially compete against each other to complete sophisticated mathematical problems.



The result is a never-ending arms race in which expensive, highly sophisticated and custom made hardware is used to “mine.” When a puzzle is solved, the miner can create a “block” (essentially a group of transactions) which is then verified by “nodes.” If everything in the block is as it should be, the miner gains crypto.

Proof-of-stake operates differently. Instead of “miners,” “validators” put forward their existing financial resources in order to verify transactions. Coins are “staked” and can’t be used by validators while blocks of transactions are processed. If validators put forward an accurate block of transactions, they earn more crypto. If they put forward something with a mistake, they lose it. Because they have an interest in the network’s continued success and acceptance, the system uses self-interest to drive the blockchain forward.

Ethereum is not the only blockchain that is used to host NFT projects. Others, such as Cardano, already operate on a proof-of-stake model. However, Ethereum is by far the largest. Ethereum is in the midst of a series of changes and upgrades as it moves from a proof-of-work model to a proof-of-stake model. Because the emphasis is on using existing financial resources instead of massive computing power, the energy consumption for a proof-of-stake model is far, far lower than proof-of-work. Transactions can be carried out more quickly, making the network run more smoothly and efficiently.

Ethereum faces the technical challenge of merging its previous proof-of-work blockchain into the concurrently running proof-of-stake chain. This will ultimately lead to Ethereum 2.0. While it is impossible to say exactly when this will take place, Ethereum successfully tested the “merge” just last week. When this is completed, much of the criticism about carbon outputs and environmental damage will fade. The upgrade will almost certainly happen this year.

**In other words, the NFT market is going to become less wasteful, suffer from fewer transaction costs, and become more politically defensible.**



What about the flippancy of crypto art projects? One could make the same criticisms of modern art in general. Yet during times of inflation, art is often one of the best investments.

If we are talking about “value,” it is inherently subjective, but we see certain patterns emerging again and again. One repeating theme is that people like pursuing digital items that they can modify in some way to make them truly their own.

For example, “CryptoKitties” allows people who have existing NFTs to “breed” and create a new NFT entirely. In October 2017, so many people were excited about CryptoKitties that it clogged the entire Ethereum network, massively slowing transactions. This is another issue that is expected to be solved by the upgrade.

Yet once this is done, it allows for the possibility of truly interactive art projects, with creators, consumers, and investors all working together to build things that simply can't be done in the physical world. It creates the possibility of ever-changing, interactive, digital art that can be experienced, not just passively viewed. At the same time, this isn't just entertainment - if you have the resources, you can buy it and sell it later. If it's a game, you can win real money and gain assets just by participating.



The prospect of spending and winning real money through projects like blockchain based “horse racing” also avoids some of the moral problems that real-life equivalents present. Fantastical sports, competitions, and virtual worlds can be experienced. Rather than just passing time, as with most games, you can own real assets that have serious value. NFTs are also already being used to rapidly raise funds for a real world crisis. For example, the Ukrainian government and others are using NFTs to get funding for humanitarian and military causes.

As NFTs become more accepted, secure, and mainstream, we will also see the more serious projects that cryptocurrency can enable. It won't just be games and art. The whole point of an NFT is that the token can represent *anything* - not just an item in a game but something "serious" like land titles. Thus, NFTs can be used to more quickly and efficiently carry out notary services.

Because NFTs can be tracked on the blockchain, intellectual property and copyright laws can be enforced. NFTs, by their very nature, have "passability," the ability for users to obtain information from something *without changing it*. Again, this is the whole point of the blockchain - there is a record of everything that happens which cannot be changed unless there is a "fork" or the creation of a new blockchain.

"Smart contracts," which run predetermined programs if conditions are met, also create the potential for more serious financial uses. Decentralized finance is already an important part of the crypto sector, but we're seeing it be used in NFTs. For example, a "flash loan" generated by a DeFi program can be used to purchase an NFT. Because a token can represent just about anything, an NFT can also be used to authenticate digital items or show sensitive information to a single person, once.

One key advantage of NFTs is that they can be stored on other blockchains and then transferred into an Ethereum wallet. This is also why NFT's will be important in what is called Web 3.0. If the Web 1.0 was the Internet defined as content (static web pages) and the Web 2.0 was the Internet defined as a platform (social media such as Twitter, Facebook, and Instagram), Web 3.0 is the the Internet defined as a decentralized network in which people have ownership of their own data. NFTs make this possible because a token could be used to show membership in a group, gain access to a virtual space in the metaverse, or transfer digital goods independently of any given game, platform, or blockchain.



What makes this so exciting - and yet frustrating - to talk about is that we have very little idea about what the Web 3.0 and the Metaverse will really look like. We can broadly understand the idea of a user owning his own data, people being able to operate organizations without being reliant on (and therefore owned by) Big Tech platforms, or using tokens to participate in an online economy. We might even be able to imagine what the Metaverse might “feel” like, walking through a virtual world and engaging with others in a digital space.

Yet the technology is not there yet. Online worlds like “Decentraland” or “The Sandbox” already exist, but in terms of how it looks and works, it doesn’t seem much different from something like Minecraft or Roblox. They have simplistic graphics, little (if any) sensory experience besides sight and sound, and questionable value. For example, Heineken created a “virtual beer” in the metaverse, but the joke is that, of course, you can’t actually taste it.

**Yet these are all problems that will be solved with technology.**

Already, companies are working on more sophisticated virtual reality devices and mechanisms that will allow people to experience weight, contact, or even pain (if you would want that for some reason). But none of this can happen unless there is a way for people to own, trade, and secure digital assets. NFTs make that possible.

That is why they are the essential first step to Web 3.0 or really anything that comes next. We don’t know what being “online” will look like in five years, or if we will ever really be “offline” anymore. We do know that NFTs allow us to have experiences limited only by our imagination and immersive technology. More important for us as investors, NFTs are the essential and necessary component for users to monetize anything that’s happening in the digital world.

**Today, NFTs are mostly art - something to see and own.  
Tomorrow, NFTs will be mostly action - something to  
experience and share.**



# HOW TO BUY OR MINT AN NFT

What is the best way to get started with NFTs? Marketplaces like OpenSea are simple when it comes to buying an existing NFT, but sometimes you don't even need to pay. "Airdrops" occur when NFT projects distribute tokens in order to encourage participation. If you are beginning, it is important to make sure any NFTs you purchase or obtain are ERC-721 compatible. While Ethereum is the most common blockchain for NFT projects, it's not the only one. However, you probably want to begin here if you've never done it before.

If you want to use the largest exchange, OpenSea, you need to create a cryptocurrency wallet and connect it to an account on the exchange. From there, it's simply a matter of uploading whatever you've created or captured.

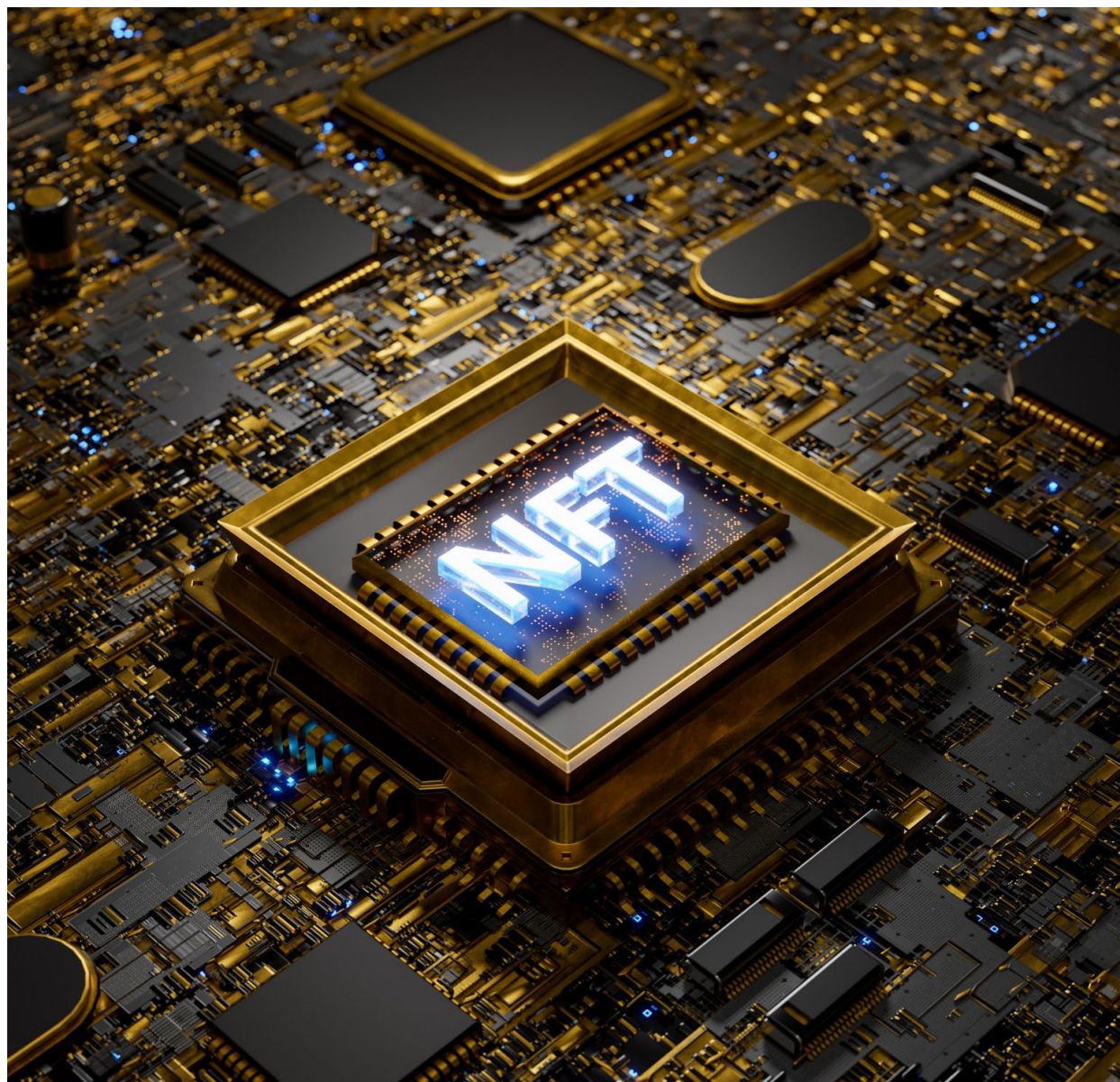
Remember - just about anything can be an NFT. It can be a picture, a sound, a static image or something that is always moving. It will then be "minted." If you are looking to generate passive income, you can expect about 5% to 10% as a royalty if your NFT is resold again after you originally sell it.

Yet you can't just list it for free. Until the Ethereum upgrade is completed, "gas fees," or transaction costs, will be part of the process. Sometimes these fees can be considerable, depending on what's happening on the larger network. You will need ETH (or whatever cryptocurrency you are using depending on the blockchain) in your wallet before you can list it for sale. These costs are expected to decline once Ethereum is fully upgraded.

From there, it's a question of marketing. The most successful and influential NFT projects focus on the idea of community. Consider even the name of the Bored Ape Yacht Club. Unless you are a celebrity or have a connection to a major media outlet, think about what niche you are trying to capture. Social media is extremely important here in building a following.



As you grow in creative experience and programming, don't neglect the interactive possibilities of NFTs. If users can combine your NFTs to create new tokens, they may be more likely to buy. It's not surprising that "breeding" apes, mutants, horses, and (the Internet's favorite animal) cats seem to lead to success.



A social or political message may also be welcome. World of Women ([worldofwomen.art](https://worldofwomen.art)) calls itself "a thriving community celebrating representation inclusivity, and equal opportunities for all." It's also the 12th largest collection on OpenSea as of this writing, with a market cap of over \$350 million.



# CONCLUSION

It is, as Winston Churchill said, the end of the beginning. Buying a cartoon ape for pennies and selling it for a million dollars probably won't happen. However, the real NFT economy is just getting started. Many of the uses of NFTs are only now being explored.

We can identify three keys to success if your goal is to create NFTs. These keys will also be important when you are looking at potential NFT purchases because you think they will increase in value.

1. Scarcity - NFTs, and capitalism itself, is a response to the problem of scarcity. Collections should be limited in size or be utterly singular.
2. Community - Unless you are already well-known as an artist, the value of NFTs will be in community. Whether you are creating NFTs, purchasing them, or both, identify a niche or cause that you are passionate about. If one doesn't exist, create it. Twitter has been indispensable when it comes to marketing the major NFT collections, notably the Bored Ape Yacht Club.
3. Interaction - The best NFTs are those that do things ordinary art can't. They can be used in a game, "bred" to create something new, or deployed to send a message or advance a cause in real time, without having to personally interact with others. The point of cryptocurrency is to be able to trade with people whom you don't know or trust. NFTs allow an "anonymous community" to be created, something you can participate in and profit from without having to "out" yourself like a traditional artist.

Ultimately, NFTs will not just be limited to art or games. They will gradually become the way we do business online, the same way logins are used to interact with social media now. Jeffries investment bank estimates that NFT market-cap will hit \$35 billion this year and over \$80 billion by 2025.



Once more people begin participating in virtual worlds like The Sandbox, we almost lose the ability to project growth because it will be so massive. If Mark Zuckerberg is right, the metaverse will be our world, and NFTs will be the building block. Their economic value will be incalculable.

There is still more work to be done before the Internet becomes the Metaverse and is something we are in rather than on. But the cornerstone of this entire project, the indispensable ingredient, is the NFT. Its potential uses are only now being explored and its consequences will go beyond anything we can imagine today.

