Social Token Whitepaper

October 2022

Introduction

The Social Token is a new type of token that is designed to create a stable and growing community that enriches its members. In order to accomplish this goal we've implemented several unique and/or proven principles that we believe will combine to create a long lasting economy and a strong community. The main principles we are employing are an ultra fair launch, true proof of stake voting, and SNFT integration. This token will be governed by a council that will initially be appointed by the Digital Dust DAO and will later transition to being elected by the community. This whitepaper will cover each of those principles in more detail later, but first we need to define some important concepts about how we conceptualize the mechanics of a token and why we believe these particular mechanics will combine to make a more lasting and stable ecosystem.

Philosophy

In order to properly justify the mechanics of how a Social Token works it is important to first go over a few examples and define a few terms. Most investors like to think of the tokens that they hold as having a particular monetary value, and they assume that it is that *monetary* value that fluctuates over time. This way of evaluating a token network is not inaccurate, but in this whitepaper we prefer to judge a token's value in a different way.

We instead will judge the value of a token by considering the value of the network of holders, rather than the value of each individual token within that network. Each individual token, instead, gets its value from the fact that it gives the holder a share of that network. Changing your perception of a token from a static ‘price’ to a share of a network is important because it provides a far better context for the effect that issuing or distributing new tokens will have on the economy of the coin.

Almost every economy creates and/or distributes new tokens periodically. Many people say that Bitcoin has a fixed supply of 21 million BTC, but we would argue that that is not completely accurate since approximately 2 million (depending on when you are reading this) of those BTC have never been distributed. Coins that have never been circulated do not affect an economy until they are released for circulation. When some section of a coin has been created but not used in the real economy then the act of minting itself has no effect on the economy. The new coins only start affecting the economy the moment they start to interact with the open market. For BTC approximately 2 million of those coins have never entered the open market since they have yet to be distributed as miner rewards, and this means that the effective supply of BTC is

approximately 19 million, with more entering the market every day. The reason that this distinction is important is that those new coins entering the market affect the price of BTC when they enter the market, even though the mechanism by which they are entering the market was finalized over 10 years ago. If those 2 million coins had been minted at bitcoin's inception and were now being distributed to miners rather than the protocol conjuring them into existence it would be functionally equivalent, and the only thing that would matter is the time that they were first put on the market.

For example, take the fictional "Hundred coin". This coin decides to mint 1 billion $HUND and put only 100 of those $HUND onto the marketplace. Those 100 coins might end up being worth quite a lot on the market if there is enough interest in them, but that price would rapidly drop if *just one* of the other 999,999,900 coins were put into the market as well. The majority of the $HUND coin may have been minted a long time ago, but the coins that were never released onto the market are not affecting the price of the coin. The argument we are making is that *it is the method that the coin is distributed* that is important to that coin's economy. It does not matter if a coin has a fixed supply or a variable supply. In fact, when supply is defined as "the moment that a token first enters the open market" then it is nearly impossible to find an example of a token that *doesn't* have a variable supply. If all tokens have a variable supply, then selecting a token with "fixed supply" or "variable supply" doesn't actually matter. What really matters is that the supply of tokens is distributed intelligently.

Let's draw on another example to illustrate a few more important points. Another fictional coin named "Foo Coin" has 1 million coins issued and being held in 1000 different wallets that each belong to different people. Now let's assume that the decision is made to double the amount of $FOO tokens on the market. There are several ways that these new $FOO tokens can be distributed.

- Scenario A: The tokens are distributed evenly in proportion to how much each wallet is currently holding. If a wallet had 10 $FOO before then it now has 20 $FOO. The tokens inside any liquidity pools would also double. This distribution is often employed when a stock on the stock market splits. This would automatically cut the price of the token in those pools and wallets in half at the moment of the airdrop’s execution. This whole transaction would have no effect on the value of the network, or on the value held in any user's wallets.
- Scenario B: All the tokens are just deposited into a new wallet and that wallet sells its newly-minted coins onto the market. The act of selling those tokens onto the market would drop the value of the $FOO token. This would lower the value held in each existing community member’s wallet, even though the number of tokens in their wallet didn't change - through no action of their own and likely against their wishes. Value has been transferred from existing holders to this new wallet without ever actually taking any tokens from existing holders.
- Scenario C: Here the developers of Foo Coin thought ahead a little bit and distributed the coins into a "dev wallet" when the token was created. Now they don't have to notify or change anything in order to double the token supply, instead they can quietly start selling their extra coins. As the dev wallet is selling, value is being drained from existing

holders to the benefit of the dev wallet. In some cases the price of the token may not move if enough new people want to buy it to absorb the selling pressure. However, if the dev wallet hadn't been there then those new buyers would have enriched the entire network rather than just enriching the dev wallet. This method of extracting wealth from a token's community to its creators is a method that is employed by the vast majority of the crypto tokens in the space right now.

- Scenario D: In this scenario the coins are given out only to wallets that have neither bought nor sold the $FOO token recently. Assuming that this distribution was known in advance by the market this distribution would likely have the effect of encouraging some behaviors while discouraging others, and the people that "played by the rules" would be the ones that benefited from the token distribution. In this case the people that got an increased share would be the ones that hadn't traded recently, and if encouraging people to not trade the token was deemed to be desirable then the distribution of the token would not be *just* a transfer of value, but it would *also* incentivise desirable behavior.

These examples are meant to make a few points:

1. The act of printing or distributing new coins does not necessarily have any effect on the value of the token, instead the important factor is which group gets the new tokens.
2. Any (unequal) distribution of tokens can be seen as an incentive that makes some behavior or trait financially advantageous to possess.
3. Every time new tokens are put on the marketplace that is inherently a transfer of value from one group to another.
4. Printing new tokens is acceptable (and usually required) as long as that printing is done to incentivise desirable behavior among token holders.
5. Giving yield for no reason or giving it evenly to practically all holders is deceptive to investors since it provides no real value.
6. To maximize the effectiveness of distributions they should always be done in accordance with an algorithm that is known in advance.
7. Tokens should **never** be distributed to *any* group of people for *any* reason other than to incentivize desirable behavior.
8. It doesn't matter to a token's economy if tokens which are distributed today were created at the coin's inception or later in the token's life cycle.
9. The incentives that are employed by the network should not be random. Scenario D is an example of an incentive that would not necessarily have a positive effect on the economy or the operation of the token. Incentives should always be crafted to encourage behavior that supports the value or the operation of the network. No incentives should *ever* be given for cases where that support is not clear. We understand that having a clear justification for every distribution is not a common practice in the space right now, but we plan to carefully follow that principle for this Social Token anyway.

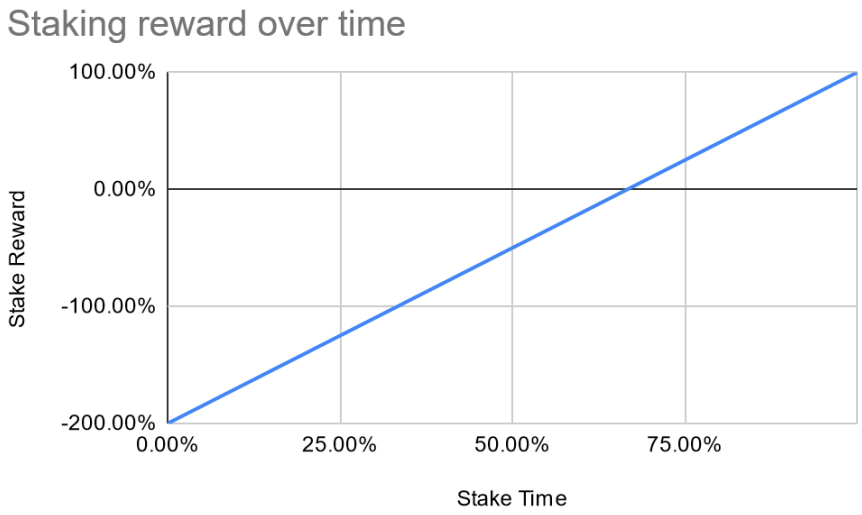
Tokenomics

With all of the above in mind the Social Token will have a few metrics:

- The Social Token will initially **not** be given to **any** party. No coins will be given to the developers, VC investors, or be distributed in any sort of "premine." Every single initial Social Token will be added to a Defi liquidity pool (like Uniswap).
- There will be an initial cost incurred to instantiate the smart contract for the Social Token and to fund the liquidity pool. This initial cost will be paid by the Digital Dust DAO as a donation to the community with no expectation of reward. It is expected that the initial price of the Social Token in the liquidity pool will be set to a "very low" price in order to keep the cost of instantiation to a minimum.
- Defi liquidity pools give out tokens which represent your stake in the liquidity pool. In order to ensure that these liquidity pool tokens are not locked up forever, the liquidity pool tokens that are created by the contract during minting will be given out as rewards when users provide their own liquidity to the pool until the contract runs out of them. After that point, the contract will switch to issuing rewards in the Social Token for the remainder of its lifetime. In that way 100% of the value contained in the network will be forever in the hands of the community.
- Rewards in the token are given out for four reasons: For mining, staking the Social Token, providing liquidity to the liquidity pool, and for contributing to the SNFT library associated with Social Token.
    - Mining rewards are given to any community member who calls the mine function while there are mining tasks in the queue to be performed.
        - The reason that mining tasks are necessary is that smart contracts cannot initiate any actions by themselves. All actions that the smart contract performs must be initiated by a user wallet or by some external computer. In order to avoid relying on a centralized (or even distributed) server that initiates transactions to perform these periodic maintenance tasks we have chosen to rely on the community to initiate them. This serves the mission of creating a community token that avoids centralized aspects.
        - The bulk of the mining tasks will be to distribute any stakes that have ended but have not yet been redeemed back to the wallets that they belong to. Doing this automatically as a batch transaction is a service to the community since it costs significantly less "gas" for the miner to perform the batch transaction than it would for every staker to do it individually.
        - Mining will also be used to adjust the base staking APR automatically. This automatic adjustment will be disabled initially and until it is implemented staking APR will be adjusted manually. There are more details about how and when this automatic adjustment of APR will be implemented in the Token Governance section.
    - Community members are allowed to stake any amount of the Social Token above the minimum stake. (The minimum stake is a small fraction of a Social Token and it is just there to keep griefers from exploiting the mine function.) The reward that

each stake gets for staking will be calculated as a base amount multiplied by a bonus amount that increases as the amount of time that the user selects for the stake increases. An additional bonus is also added for any of the token's NFTs that the user may be holding in that wallet.

- Users can unstake at any time, but if they unstake before the "time that the user selected when they staked" has expired then they will be charged a penalty to unstake. The penalty will be calculated as shown in the following graph. Additionally, while any stakes that are held until the end of their term will be automatically returned to the stake owner's wallet, unstaking early requires the stake owner to pay "gas" to retrieve it.



- What is not shown on the above graph is that withdrawing your stake on the same day as you created it will not incur any penalty. If you choose to take advantage of this grace period, be aware that the current day advances at a specific time for all stakes (GMT-2), so this does not mean that you have 24 hours to cancel a stake without a penalty. If you are within 2 hours of the threshold your stake's start day will be assigned to the following day, so you always have at least 2 hours to cancel a stake without a penalty.

- The various interest rates that the token uses will be adjusted periodically by the council in the interest of maintaining a healthy and stable economy. It is expected that the base rate will start out high and decrease over time as the size of the token economy grows. The other two rates will be adjusted as needed.
- The reason why this particular incentive structure was chosen is to encourage holders of the Social Token to make purchase decisions based on their own financial objectives rather than based on the current state of the market. We believe that community members that interact with the token in this way are the most valuable to the token's economy. We also believe that prohibiting the free flow of capital or charging any form of taxes would be wrong, unless the user is given a choice to opt in to that restriction. Incentivizing the users of our economy to interact with it in a more constructive way by offering staking rewards is a win-win for all parties.

- Users who interact with the token based on long term market conditions tend to decrease the volatility of the token, whereas users who buy and sell based on short term market conditions increase it. In tokens that don't have this staking mechanic "staying liquid" and "daytrading" tend to perform better than long term market strategies like "buy and hold". This disparity between the two types of strategies increases as *the volatility of the price of the token* increases. The base staking rate should be adjusted based on how volatile the token is currently expected to be, and it should be set high enough that a long term market perspective will be likely to be slightly more profitable than a short term market perspective. This is why the base rate is expected to be very high early in the coin's lifetime and generally reduce over time.
    - In the beginning the council will adjust these values manually, but once a model for what the interest rate values should be can be proven the council will abdicate that responsibility to a smart contract that will do it automatically.

Token Governance

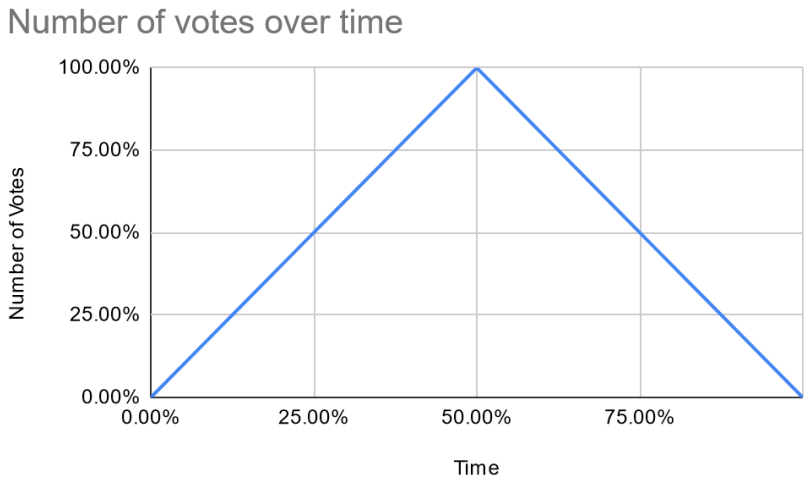
It is the goal of the Social Token to be an entirely community-run and managed project. However, there are numerous examples of tokens that have tried to instigate an open community governance model too early and have failed to attract significant adoption as a result. Investors in general can be expected to hold the interest of their own finances above the interest of the economy as a whole. When a token has a small circulating supply it is too easy for an investor to take control of any governance token or similar metric to manufacture situations that are financially advantageous to them, but which harm the economy in general.

In order to address this situation the initial governance of the token will be handled by a small group of trusted individuals from the Digital Dust DAO. This group will initially form the council and make decisions for the betterment of the Social Token. We will call this "stage 1" of the council.

Once the economy matures enough to be able to create a contract that automatically adjusts the base interest rate governance will progress into stage 2. During stage 2 the operating variables will be handled by a smart contract that will adjust them periodically and automatically as part of the mining process. The council will still maintain administrative privileges in case anything goes wrong. Stage 2 is expected to be a relatively short stage.

Once the controlling contract is proven to be stable governance will progress to stage 3. In stage 3 all major decisions will be decided by a voting process known as "True Proof Of Stake." TPOS gives every wallet votes based on the amount of uncollected interest they are due to receive from their top performing Social Token stakes. This voting power is also reduced by how close you are to the beginning or end of your stake. The calculation for the number of votes you receive is not based on the number of tokens you would receive for early withdrawal, so penalties that you would (or later do) receive do not factor into the number of votes. You get the maximum voting power when your stake is exactly 50% of the way through its term, and the

voting power that you receive from the stake reduces linearly as your stake approaches either the beginning or end of its term.



In stage 4 of governance the members of the council will also be elected by the TPOS process. At this point the token economy will be fully and irrevocably governed by the community.

The reason for this rather novel approach to voting stems from the fact that a wallet is not the same as an identity. There is nothing keeping a single individual from keeping 1000s of wallets so having votes be given to each wallet, or even each wallet that performs a particular action, will be easy to overpower for anyone who can make an automated script. There is, in fact (at present), no way to establish wallet-identity based voting that cannot be griefed by a clever script.

Since identity-based voting is currently impossible to implement, the next best system is Proof Of Stake. The objective with this system is to give a voice to users in proportion to how "bought in" to the network they are. The theory is that if you own a bunch of the token your objectives would be aligned with the objectives of the network. While this is true in a lot of cases, there are many situations in which the objectives of large holders can be misaligned with the objectives of the network as a whole. As an example, if a token allowed an operation that could lock wallets using a governance process then anyone with enough funds available to them could buy a majority of the token and then lock all wallets other than their own before selling their own stake.

The objective of TPOS is to improve on the POS system by reducing the ability of large holders to make decisions that are in their own interest, but not in the interest of the network. It does this by removing the ability for anyone to gain a large amount of votes quickly and by giving the most significant amount of votes to users who are staking tokens and are not too near the beginning or end of their staking terms.

The council will be composed of people who have actual identities. Those people will make many of the smaller decisions, like which pieces of art can be approved into the SNFT set. Meanwhile large decisions and elections will be done with the help of the TPOS voting process.

Inflation and Absorption

Token emissions are the number of new tokens released onto the market per annum. The Social Token's staking mechanism results in token emissions, which will decrease the value of each individual Social Token over time. To counter these mechanisms the Social Token is also implementing a mechanic that results in the opposite of emissions; absorption. Emissions lead to a decrease in the theoretical average value of each token, while absorption leads to an average increase in token value.

Carefully evaluating a token's emissions and absorption mechanics is important to counter an effect that plagues many tokens in the crypto world; inflation. The Social Token aims to produce an economy that can remain stable for at least 100 years. Over such a long timeframe, the emissions created by the staking rewards would tend towards a serious reduction in the value of each individual Social Token if they were not countered somehow. While this may not seem like a major issue from an economic standpoint since the important factor is the value of the network, for the user it would be simpler if the value of each token was indicative roughly of the value of the network as a whole. Issuing an exponentially growing number of coins that have a continuously shrinking value also makes accounting and taxes difficult to manage, makes it uncomfortable to hold the asset for any period of time without getting yield, and is generally a deceptive practice.

There are several ways to implement an absorption mechanic. We would classify absorption into two categories: voluntary and involuntary. The most common involuntary absorption mechanic is to implement a "tax" system. Taxes are widely used outside of the crypto world and recently have been employed by many tokens inside the crypto world. Taxes are often implemented in the crypto world by hooking into the API of a defi exchange like Uniswap and siphoning off some percentage of each transfer that occurs on that platform. All taxes are involuntary absorption mechanics because the user cannot opt in or out of the mechanic. (In the example above users technically could opt out of the tax by using a different exchange, but that is just a flaw in the *implementation* of the tax and not in its design. If the coins that impose taxes could impose their tax across all platforms then they certainly would, but the technology does not usually support it.)

We believe that it is important to create a stable economy that cancels out emissions through absorption, but we also believe that involuntary absorption is not an ideal way to create a community based Social Token and should be avoided if possible. It is for this reason that we've decided to avoid any taxing mechanism and instead implement a voluntary absorption mechanic.

Voluntary absorption is implemented by giving community members something of value that can be purchased using the Social Token. In our case that thing of value is an NFT with a few special properties of its own which makes it into an SNFT. The economies of the Social Token and its SNFT are intimately linked. All Social Tokens that are used to mint new SNFTs or forge higher level ones will be burned (forging will be explained later in this paper), and thus removed from the economy during the process. This voluntary absorption will create a deflationary effect that will work to counter the effect to the token price that the staking rewards produce.

In order to make this system work it is important that the SNFT has enough value on its own that community members will voluntarily choose to mint and forge it using the Social Token. For that reason the Social Token gives a bonus staking APR to any stakes that are initiated from a wallet that holds an SNFT. There will be more detail about the exact nature of that bonus later, but this is the same bonus that was mentioned earlier in the Tokenomics section. This feedback loop is designed to give community members who may not normally be interested in owning an NFT a reason to consider owning this one.

Creating Stable Economies

A major problem in the cryptocurrency space is that most cryptocurrency networks are *just* financial products. To be clear we are not, by any means, saying that a financial product is a bad thing. Financial products are essential infrastructure, especially in the cryptocurrency space. However, financial products are a derivative financial activity. They are not primary sources of value.

A primary source of value is anything that would be purchased for any reason other than the belief that it could be sold later at a higher price. The cryptocurrency space is currently in a state where there is a large pool of derivative financial activity chasing a very small pool of primary sources of value.

The vast majority of the NFT projects that have recently been released have not been designed to be integrated into a stable economy. Most of the existing NFT projects attempt to replicate the business model of collectable trading cards. However, every successful collectable trading card presents collectors with a reason why they would want to collect that particular trading card apart from the expectation that the card could go up in value.

Collectable sports trading cards tap into the popularity of whatever sports franchise they reference. Card systems that have a game attached to them entice users to purchase collectable cards in order to play that game. All of these collectable cards can be said to tap into one common thing in order to support their value: Community. It could even be argued that the collectable component of all other collectable items (like famous paintings or ancient artifacts) is also supported by a kind of community that is built around how much the general population accepts their significance. Because community is so important for collectable items we have decided to create a structure for NFTs built primarily around the principle of community rather than the principle of scarcity.

Existing NFTs

Thousands of NFT collections have been released recently with no focus on community building. Many of these NFT collections have a roadmap that focuses heavily on the promise of utility. Utility seems to resonate with investors but if you look at the history of collectable items you can only find a tenuous link between a collectable item that has utility and one that holds value well over time. We would argue that the only correlation there is between utility and collectableness is when that utility is actually used to spark some sort of community.

Smartphones are a good example of an item that has a great deal of utility but is not very collectable. The major smartphone makers don't want someone to become attached to their current phone because that would discourage them from upgrading, so they don't focus on attaching value to the current phone that a user is using but rather to an account and all the things they can do with the phone. If each phone looked and acted unique then users might start to consider them collectable, but that wouldn't fit the smartphone maker's objectives.

We don't think it's entirely the fault of the NFT creators that most of them have failed to properly understand the key principles of what creates value in their market. The ERC-721 standard that defines NFTs on Ethereum makes no mention of community building. Many of the recent NFT projects are just attempting to replicate the success of popular NFT sets like cryptopunks or bored apes yacht club. Those NFT sets do not explicitly say that community building is a part of their model, so it's easy to overlook that aspect of what they do.

In the gaming space NFTs are often employed to support microtransactions or play-to-earn scenarios. Outside of the gaming space using NFTs as an access pass to some sort of club, to track supply chains, or to represent ownership of something outside the digital world (like property) are all applications for NFTs that almost universally could be better implemented using other technologies. It turns out that the mere fact that something *can* be done with an NFT does not mean that it *should* be done that way. As with any technology the potential applications for that technology should speak to its unique strengths, and out of all of the applications listed in this paragraph only play-to-earn games actually do that, and they have problems for other reasons.

NFTs do have a list of unique strengths. They interact really well with distributed and community controlled projects. They provide a way to apply a uniqueness to a digital asset that can be accepted as valuable by a community. They denote ownership in a way that is entirely separate from the legal sense of ownership.

The above strengths are not the easiest strengths to integrate into a healthy economic engine, but they do speak to one truly valuable use for NFTs: As a way to create the "cannon" or official version of a community storytelling effort. In our modern society online communities and group storytelling is an activity that a lot of people value, and NFTs have the ability to provide needed

structure to these communities while still allowing them to grow and develop in their own unique way.

Social NFTs

We feel like it is time to expand the classical notion of a non-fungible token (NFT) into an improved form called the social non-fungible token (SNFT). Several key principals lead us to make this decision:

- An NFT set should belong to the community of holders of that NFT.
- We feel that the current incentive structure for the project creators encourages them to get as much money as possible from minting the NFT and then either effectively or actually abandon the set. This leads to a situation where most NFT sets feel like they are a cheap cash grab.
- NFT creators that take an "artist's commission" from a set's sales are behaving poorly. Those commissions were designed for small artists, not for large sets of over 1000 items. Many times these large sets have already been abandoned by their creators so when they take a commission it is in even poorer taste.
- Artificial limits (like only minting 10,000 of a set) are only necessary when an NFT set is part of an incomplete economy. A well designed NFT set should not need to impose this type of limit.

Pfp sets tend to be released using an initial PR blitz followed by an optional period in which the set is in "maintenance mode". The pfp sets that achieve the most long term success are the ones that manage to find something for holders to engage with while they are in maintenance mode. The reason for this typical progression for pfp NFT sets is that they see their value as primarily driven by leveraging scarcity. In pursuit of this, pfp NFT sets often attempt to mint their entire set within a short period of time. After the mint the project creators, most of whom are primarily motivated by profit, receive only a small commission from sales. At that point a profit driven creator will typically realize that they can make far more from releasing a new set than they can from fulfilling the promises they made while releasing the old set, and that there is very little that the existing community can do to force the creators to fulfill their promises.

The practice of trying to mint your entire set at one time is actually harmful to the buyers of the NFT since it drives up gas prices on the network while mint is happening and favors bot activity. Behind the scenes that bot activity can sometimes account for more than 80% of the sales of an NFT set. This has developed into an environment where some pfp NFT set creators will hire a bot developer to buy a large chunk of their set in the hopes of spurring further bot activity that the set creators didn't pay for. These bot purchases are then sold on the marketplace, often below mint price, and often before the NFT is even revealed. This has left many legitimate buyers confused as to why new NFT sets will often have listings on NFT marketplaces for below mint price before the set is even revealed. We feel that the entire NFT space would be far better served if pfp NFT set creators spent less of their time and money catering to bots and more catering to human collectors.

An SNFT does not replicate the common practice among NFTs of minting only a specific predefined number into the set. The number of SNFTs that can be created is instead capped by the limited supply of the Social Token that the SNFT is paired with. Creating and upgrading the SNFT burns a set number of the Social Token with every operation. If too many SNFTs are created too quickly then the cost to buy more of the Social Token in order to mint new SNFTs will become prohibitively large. Conversely, the Social Token that is paired with the SNFT contains staking rewards and other mechanisms that will increase its own supply, but those rewards require time to pass and depend on community interaction in order to replenish that supply. In this way a social token is driven by the principle that interaction creates abundance, rather than the principle that scarcity drives up the price.

Of course this change to the economy of the SNFT changes the way that the set can be expected to develop over time. An SNFT will not be able to "sell out" in the first hour of mint. Instead it will attempt to create a community and an economy that will steadily grow over a period of months and years. This will eliminate the phenomenon that plagues most pfp NFT projects where the NFT buyers who often make the most from a set are the ones who "race for door" the quickest.

Another very important difference between an SNFT and an NFT is that SNFTs are designed to work in conjunction with a community. Part of the SNFT model is to create systems that compensate a community of artists to create art for the set over time. It does this by creating a "council" that issues bounties and maintains quality standards for the art. Approved pieces are added to the set and the council member who worked on the art gets a small fraction of the bounty for their trouble.

The initial values are that 75% of each bounty gets assigned to the artist that drew it (or in some special cases the person who paid the artist to add it to the set). 15% of the bounty will go to the council member that coordinated the bounty, and the last 10% will be assigned as a tip to anyone who may have contributed to or touched up the art. The council member cannot assign the tip to themselves, but can assign it to the artist. These percentages can be changed if the community decides that a different split would be more optimal.

This system creates a decentralized way for artists to get paid for their work that doesn't depend on any structures outside of the cryptocurrency space. By nurturing a community and encouraging the development of artistic talent SNFTs enrich society as a whole. This creates a much needed non-derivative source of value within the cryptocurrency space.

Structure of an SNFT

In order to accommodate the wider variety of content that can be produced by a community than can be produced by a single artist the SNFT set itself is structured differently than most NFTs.

An SNFT contains tiers, groups, and items. All newly minted SNFTs start at tier 1. Generally a "group" would pertain to a particular person, place, or thing that is a topic inside the set.

New minters are more likely to get the more recent additions to the set. In that way the oldest items and characters in the set will eventually become the most difficult items to obtain through minting, and the only practical way to obtain them will be to buy them from existing holders on an NFT marketplace. This will produce a natural scarcity, rather than the artificial scarcity that is produced by the pfp NFT model. An SNFT does not guarantee that each item in the set will be a unique image that no one else has, but as the set grows over time duplicates will become proportionally more rare.

Forging is the act of combining two SNFTs of the same tier into one SNFT of the next tier up. Tier 1 SNFTs don't have a group assigned, but once they are forged to tier 2 a group is selected for them. The group that is assigned to the newly forged SNFT is whichever group has the fewest non-burned SNFTs assigned to it. The forge function will always upgrade the first item passed into it and burn the second item, so every user can always be in control of which item to keep and which to discard.

As you forge to higher tiers the SNFTs that weren't burned by the process will remain in the group they were first assigned to, so a low tier SNFT in a group you like can be turned into a high tier one at the expense of a few other SNFTs from the same or different groups. Holding at least one SNFT in your wallet of any tier will give you a bonus to your staking APR on the Social Token. This bonus does stack for different tiers, so the maximum staking bonus can be obtained by having one or more SNFT of every tier in your wallet when you stake. The group that the SNFT is in does not matter to the staking bonus.

Licensing

We believe that legal questions over licensing and ownership are incompatible with the community based philosophy of the Social Token. For this reason all art in the set that is not already public domain will be licensed under the CC BY license (https://creativecommons.org/licenses/by/4.0/) at the point that the art is added to the set. In a nutshell, CC BY is a license that makes the art unrestricted and free to use for any purpose, so long as you credit the source (credit should include a reference to both the Social Token and the artist who drew the art you're using). CC BY does not require you to own the SNFT in order to use the art, and the art can legally be used for any purpose including commercial works so long as you follow the referencing requirements.

With that said it is considered very poor taste to abuse the community by using the artwork to represent your profile picture without owning at least one SNFT of it. Just because the pieces in this set have opted out of *legal* punishments for using or developing this content does not mean that it is socially or morally correct to use it in any way that you want. Also, any derivative works, works in progress, works not yet released into the set, rejected bounty submissions, alternative

versions that were not added to the set, or fan art should be assumed to be fully copyrighted by their authors.