



DENVER

STARTUP WEEK

SEPTEMBER 19-23, 2022

[DenverStartupWeek.org](https://denverstartupweek.org)  
[#DENStartupWeek](https://twitter.com/DENStartupWeek)



2022 TITLE SPONSORS





**MILGROM  
& DASKAM**  
*Legal Counsel Redefined*



MilgromLaw.com | 303-900-3804

#DENStartupWeek

## Don't Get NFTeased!

Thank you for joining us at the eleventh annual Denver Startup Week!

Thank you to our title sponsors Amazon, Capital One Cafe, Dell for Startups, and the Downtown Denver Partnership.

This session is part of the Designer Track, Sponsored by The Public Works and Battery621, one of eight programming tracks aimed at supporting the entire entrepreneurial team.

By attending this session you're agreeing to follow our Code of Conduct as well as to being photographed or recorded on video.

Be sure to share your experience at this session online using #DENStartupWeek and #MilgromDaskam!



# HEADLINE SPONSORS

---



# PARTNER SPONSORS

---

Bennett Thrasher  
Colorado Sun  
Contentful  
Denver Economic Development & Opportunity  
Endeavor  
Denver Place  
Geosnapshot  
Industry Denver  
Jake Jabs Center for Entrepreneurship | CU Denver Business School  
Molson Coors  
Metropolitan State University  
Newmark  
Park Central  
Strat Labs  
Sweater Ventures  
Tea With Tae  
Xactly

# MEMBER SPONSORS

---

Baden-Wuerttemberg International  
Big Compass  
British Consulate-General  
Canvas Community Credit Union  
Caruso Ventures  
Checkr  
Credera  
DAT Solutions  
Davis Graham & Stubbs LLP  
The Doyle Group  
Granicus  
Greenhouse Software  
Kalen Jesse Photography  
Red Rocks Community College  
SmartMomGig  
StickerGiant



# Don't Get NFTeased!

---

## Milgrom & Daskam

Jon Milgrom

Colin Fletcher

Jared Stipelman

This presentation is for informational purposes only and is not considered legal advice on any subject matter. By attending or viewing there is no attorney-client relationship between the attendees/viewers and the presenters. The presentation should not be used as a substitute for legal advice from a licensed professional attorney, and attendees/viewers are urged to consult their own legal counsel on any specific legal questions concerning a specific situation.

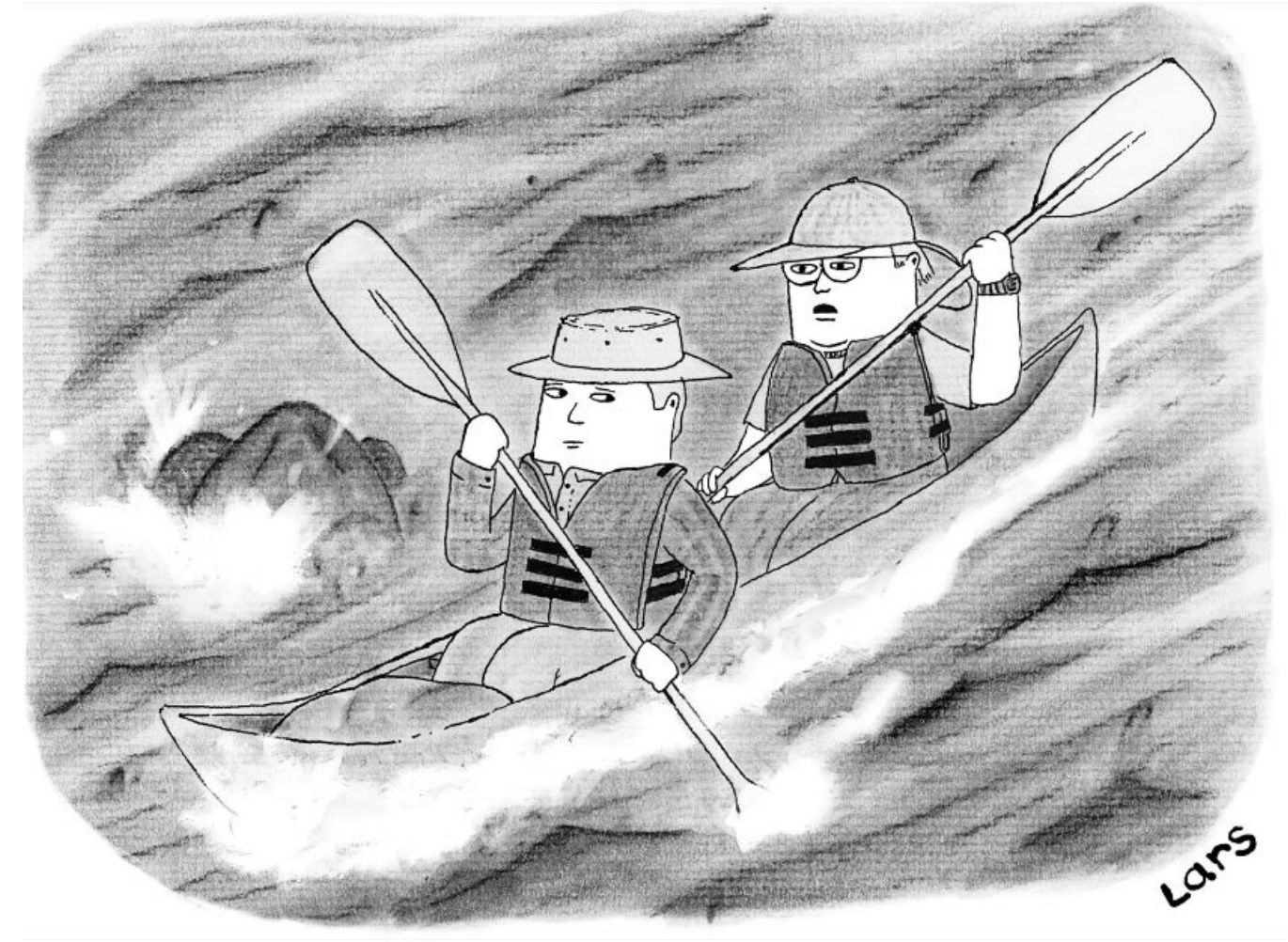
## Agenda: Don't Get NFTeased

- What the heck's an NFT?
- How do I make an NFT? What should I beware of?
- What artwork can I use?
- Are financial crimes an issue?
- What happens to your NFT's when you die
- Questions



## What Is a Non-Fungible Token (NFT)?

- Cryptographic assets (Digital Receipts/pieces of comp code)
- On a blockchain
- Unique identification codes and metadata (good for collectibles or otherwise unique items –deeds)
- Not crypto as they are NF;
- often purchased and sold using crypto
- Each NFT has smart contract embedded governing rights



*"After these rapids comes the really hard part—a bunch of guys we don't know talking about crypto at the same time."*





What is an NFT?  
<https://youtu.be/mrNOYudaMAc>



# Keys

- Unique cryptographic tokens (sections of computer code)
- On a blockchain
- Represent real-world or digital items
- Grant owners certain rights to the underlying assets (smart contract)

```
31
32 self.file = None
33 self.fingerprints = set()
34 self.logdupes = True
35 self.debug = debug
36 self.logger = logging.getLogger(__name__)
37
38 if path:
39     self.file = open(os.path.join(path, "requests.txt"),
40                     "a")
41     self.file.seek(0)
42     self.fingerprints.update(ex.request) for e in self.requests
43
44 @classmethod
45 def from_settings(cls, settings):
46     debug = settings.getbool("DEBUG_REQUESTS")
47     return cls(job_dir(settings), debug)
48
49 def request_seen(self, request):
50     fp = self.request_fingerprint(request)
51     if fp in self.fingerprints:
52         return True
53     self.fingerprints.add(fp)
54     if self.file:
55         self.file.write(fp + os.linesep)
56
57 def request_fingerprint(self, request):
58     return request_fingerprint(request)
```



DECENTRALISED  
(e.g. blockchain)



# NFT'S and Blockchain



**CENTRALISED**  
**(non-blockchain)**

In visual terms, the diagram on the left is a conventional, centralised database: the master copy is in the centre, and it is then duplicated by the other network users (all of which communicate with the central system, but not with each other).

In a decentralised blockchain database, as shown on the right, the same information is held by each user, and all of the users are interconnected. There is no master copy.



**DECENTRALISED**  
**(e.g. blockchain)**



# Examples- Digital and Real Property

- Beeple's Opus - at Christies
- NBA Top Shot (Lebron James)
- Bored Ape Yacht Club
- Car titles? House Deeds?
- Nike v. StockX
- Hermes v. Rothschild (metabirkin)
- \$41B mkt in 2022 □ \$147B by 2026 (Technavio)





# COMMON WALLETS AND PLATFORMS

WALLETS	PLATFORMS
1. Exodus	1. OpenSea
2. MetaMask	2. Axie Marketplace
3. Trust Wallet	3. Rarible
4. Coinbase Wallet	4. Crypto.com
5. Electrum Crypto Wallet	5. NFT Launchpad

## Complexities

- Easy to make: OpenSea, Rarible etc.
- Web of IP rights- often are not cleared;
- 80%+ of NFTs on OpenSea were fraudulent or plagiarized (Vice Jan 2022)
- Hard to get rid of!
- Significant anonymity
- Computer security and crypto wallets



# HOW TO MAKE YOUR OWN NFT



Microsoft Teams

## Meeting with Jared Stipelman

2022-09-21 16:30 UTC

Recorded by  
Jared Stipelman

Organized by  
Jared Stipelman

# Make Your Own NFT Pt. 2

Microsoft Teams

## Meeting with Jared Stipelman

2022-09-21 17:23 UTC

Recorded by

Jared Stipelman

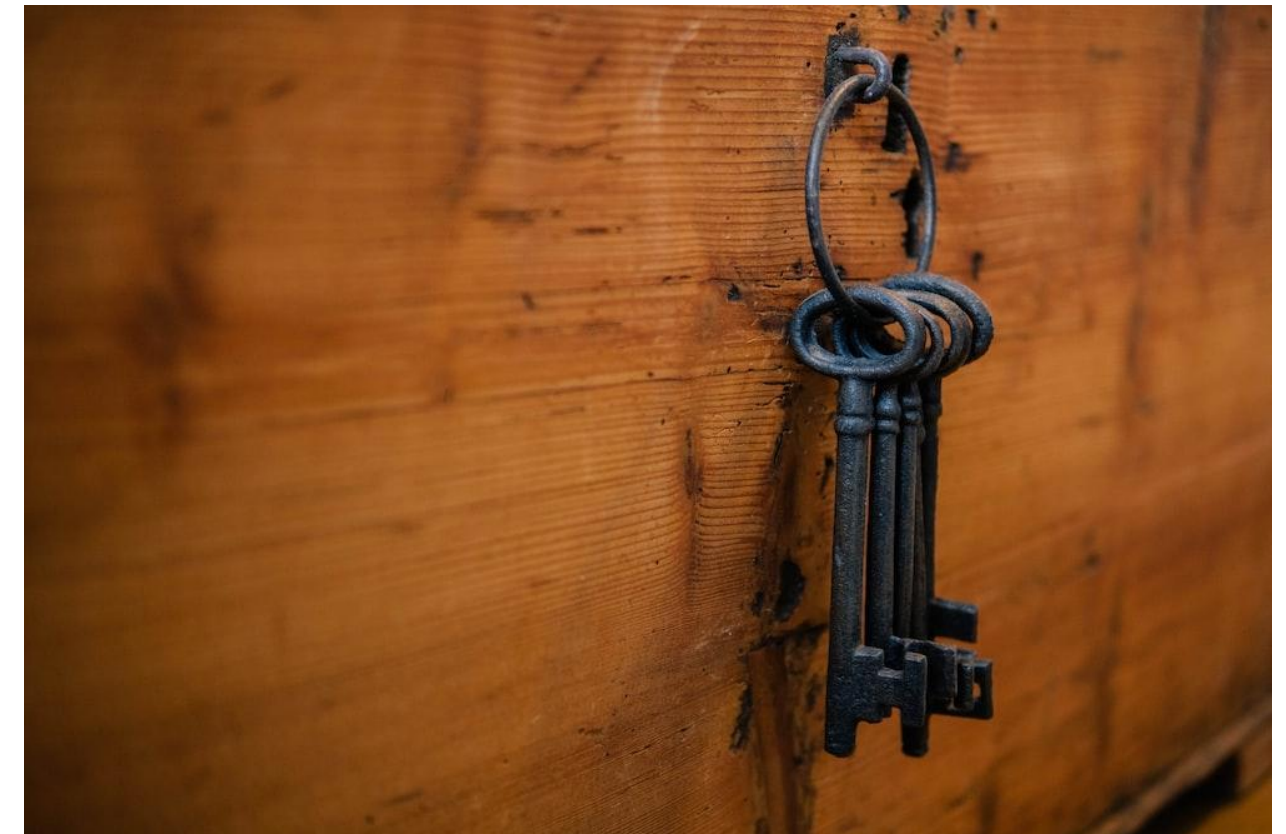
Organized by

Jared Stipelman



## Jared's Key Takeaways

- Making an NFT is easy but presents certain security and IP issues
- Beware of “rug pulling” or other schemes to access items on your computer (wallet, passwords, etc.)
- There is no third party process for ensuring one has the appropriate IP rights in the NFT they are minting
- Beware of buying fraudulent NFT's and be sure you have rights in the NFT's you are creating.



# What Artwork Can I Use



1. Your Own Designs

2. Artwork in the Public Domain



3. (Creative Commons Licenses are useful)

4. Works that have been assigned to you (Works for Hire Agreements; make sure the author is the real author)



# Financial Crimes and NFTs

- Financial crimes related to NFTs are on the rise.
  - Various state and federal law enforcement agencies are taking interest in the burgeoning market for NFTs.
  - Certain qualities of the NFT market, not unlike the high-value art market, make it a particularly attractive for criminals to commit a range of financial crimes.
- 
- A decorative graphic at the bottom of the slide consisting of several overlapping, stylized mountain peaks in various shades of teal and light blue.

# Financial Crimes and NFTs

- On February 2, 2022, the U.S. Department of the Treasury published a study on money laundering and financing terrorism through the high-value art market.
- The report discusses that the NFT market is particularly susceptible to money laundering and other financial crimes.

## Link to Report:

[https://home.treasury.gov/system/files/136/Treasury\\_Study\\_WoA.pdf](https://home.treasury.gov/system/files/136/Treasury_Study_WoA.pdf)

# Financial Crimes and NFTs

- The U.S. Department of Justice recently indicted six people in connection with a cryptocurrency fraud case.
- One case involved Le Anh Tuan, who was charged with conspiracy to commit wire fraud and conspiracy to commit international money laundering in connection with “Baller Ape” NFTs, an apparent rip-off of Bored Ape Yacht Club.

# Financial Crimes and NFTs



- Le Anh Tuan and his co-conspirators allegedly “rug-pulled” investors by ceasing operations after gaining access to investor’s digital wallets.
- Approximately \$2.6 million was allegedly stolen, and then laundered through “chain-hopping”.

Read the indictment here:  
<https://www.justice.gov/criminal-vns/case/file/1516756/download>



# Financial Crimes and NFTs



Read the indictment here:  
<https://www.justice.gov/usao-sdny/press-release/file/1509701/download>

- Consider the first NFT insider trading scheme by Nathaniel Chastain.
- As a product manager at OpenSea, Mr. Chastain allegedly knew which NFTs would be featured on OpenSea and purchased those NFTs in advance, reselling them at a profit.
- Mr. Chastain made a whopping \$67,000.



# Financial Crimes and NFTs



- My Advice? Don't commit financial crimes in the NFT market!
- Seek counsel early on: It is easier to prevent problems than to fix them.
- Also! Be on alert for scams! They are prevalent.
- Understand who you are doing business with.
- There is opportunity in this space if you do it right!



# Securities and Taxation



Classification of crypto and NFTs, while currently somewhat ambiguous, can and will have securities and tax implications as regulations develop.



# Securities and Taxation

- Most NFTs are purchased using crypto currency, like bitcoin or Ethereum.
- Most Crypto looks like a security and many ICOs have come under SEC regulation and enforcement.
- The purchase of an NFT involves the sale of crypto, which can result in the sale of a security and a taxable event (gain/loss).

# Securities and Taxation

- NFTs are not presently classified as securities, and there is ongoing to debate as to how to regulate them.
- However, the sale of NFTs (like art or other assets) may result in capital gains or losses.
- If an NFT is sold for more than it was purchased (basis), the difference in the sale price and basis may be taxed as a capital gain or loss.

# Estate Planning and NFTs



- Digital Legacy in the context of estate planning generally means what digital assets you own, where they are located and how to access those accounts on your death or incapacity.
- Ensuring that your fiduciaries may access these assets can be tricky.

# Estate Planning and NFTs

- Generally, you cannot name a beneficiary of your crypto and NFT assets, as you would with a bank account or a life insurance policy.
- “Transfer on Death” or “Payable on Death” designations are being examined by the Ethereum and Coinbase, but no such designation presently exists.
- Additionally, it can be difficult to register accounts in the name of a trust.

# Estate Planning and NFTs

- Interactive Example: Assume you own some crypto and NFTs stored in a thumb drive crypto wallet accessible only with your key. You bequeath these assets in your will to your niece on your death and name your sister the personal representative of your estate. How might you ensure your sister's access to your crypto wallet on your death, while maintaining the security of your crypto wallet during your life?

# Estate Planning and NFTs

- *My Advice?* Work with an estate planning attorney that understands, at least generally, the unique nature of crypto and NFT assets.
- **Also!** Be sure to provide clear instructions to your Personal Representative (or other fiduciary) for what you want done with your crypto and NFT assets on your death or incapacity, and ensure you provide clear instructions on how to access those assets while maintaining security during your lifetime.

## Takeaways

- NFTs are nonfungible tokens that are stored on the block chain and represent digital or tangible goods.
- The market is large and growing
- They are easy to create but, as a result, there are a number of frauds and scams
- Be sure you understand the rights of the smart contract and of the holder in the underlying IP
- Beware of tax implications and securities issues related to crypto- while NFTs are not yet regulated as securities they may soon be
- Include crypto in your estate plan
- Crypto is sexy! Avoid the pitfalls and make some \$\$







**MILGROM  
& DASKAM**  
*Legal Counsel Redefined*



## THANK YOU FOR ATTENDING

*For more resources, please reach out to:*

**Jon Milgrom** at [jon.milgrom@milgromlaw.com](mailto:jon.milgrom@milgromlaw.com)

**Colin Fletcher** at [colin.fletcher@milgromlaw.com](mailto:colin.fletcher@milgromlaw.com)

**Jared Stipelman** at [jared.stipelman@milgromlaw.com](mailto:jared.stipelman@milgromlaw.com)

Slides will be posted on [MilgromLaw.com](http://MilgromLaw.com)