

Contents

1. Introduction
2. Deflationary Token System
 - 2.1. Guaranteed Floor Price (GFP)
 - 2.2. GFP Implementation
 - 2.3. The GFP Reserve
 - 2.4. GFP Termination and Reserve Liquidation Condition
3. Dragon Factions
4. Dragon Ranks
5. Tier-based Staking
 - 5.1. Staking Options - Liquid Staking and Traditional Staking
 - 5.2. Staking Rewards Pool
 - 5.3. Staking Rewards Distribution
6. Story Events / Original Lore
7. Breeding
8. Gen-1 NFT Collection
9. Recap of Utility
10. Royalties
11. Roadmap

1. Introduction

Deflationary Dragons is a NFT collection of 888 uniquely designed dragons that will be minted on the Solana Blockchain. Deflationary Dragons NFT seeks to differentiate itself from other projects by providing holders with several distinct and innovative features including: a deflationary token system, tier-based staking, collaborative breeding, and participation in concurrent story events tied to authentically written original lore.

2. Deflationary Token System

The Deflationary Dragons NFT collection will implement a “**Guaranteed Floor Price**” (**GFP**) for each NFT in the collection by promising to repurchase every NFT which is ever listed below the GFP. NFTs which are repurchased will then be put up to a “*last chance auction*” with the starting bid at GFP and open to **holders only**. If the auction ends with zero bids, the NFT will be permanently burned, and thus the overall supply of the collection will decrease, hence creating a deflationary token system.

2.1. Guaranteed Floor Price (GFP)

If and when a Deflationary Dragon is listed on a secondary market below that Dragon’s Guaranteed Floor Price (specified under *Dragon Ranks*), it will automatically be bought back. This GFP system aims to serve 3 main functions:

1. A protective safety net to holders, guaranteeing that the project cannot go to 0
2. A method of immediate liquidity should a holder ever need to instantly sell
3. A means to create a deflationary token system given the consequences of a subsequent failed auction.

Beginning at the time a Deflationary Dragon is repurchased, there will be a 24 hour auction period open only to holders of Dragons in the Dragon-at-auction’s Faction (see *Dragon Factions*). This will be referred to as the “*last chance auction*” and will have a starting bid at the Dragon’s GFP. If no bids are received by the time the auction expires, there will be an additional 24 hour “*final chance auction*” open to holders of all Deflationary Dragon Factions with the same starting bid. If no bids are received by the time the auction expires, the Deflationary Dragon NFT will be burned permanently from the collection, and thus the overall supply of Deflationary Dragons will be decreased.

2.2. GFP Implementation

We will work towards developing an automatic program which will be able to continuously scan the secondary marketplace and purchase NFTs listed under GFP, however it is likely that immediately following mint, we will have to implement the GFP manually. This will be done in two ways: First, we will manually scan the secondary marketplace to purchase and protect the GFP. Second, we will offer holders the option to reach us directly for a direct sale if they wish to liquidate their NFT at GFP. While this initial system may not be exactly perfect, we strongly believe it will fulfill its purpose of sustaining the GFP, as an arbitrage opportunity would exist in the scenario where we miss a sub-GFP listing on secondary, a savvy trader could purchase the listing and then come directly to us for a

sale at GFP and profit. Given these dynamics the market would effectively step in to sustain the GFP in the case we were to miss a GFP purchase on secondary.

2.3. The GFP Reserve

In order to fulfill the GFP of the entire collection, we will hold the exact amount of SOL required to purchase all 888 Dragons at their respective GFP in a reserve wallet. The funds for the reserve wallet will come directly from our mint.

2.4. GFP Termination & Reserve Liquidation Condition

The purpose of the GFP is to protect holder value after mint and to help mitigate holder risk by allocating a portion of the risk to be carried by the project / team. Whereas with a standard NFT project, the holder accumulates 100% of the risk (left with 0 in the case in which the project goes to 0), in the case of our project, our team has committed to accumulate a portion of the risk after mint ourselves, as in the scenario where the project were to fail and become worthless, we would have to repurchase all Dragons at GFP, and thus holders will get back the GFP of their Dragons and therefore are not exposed to 100% risk. However, in the case where our project proves to be successful and the need for the GFP becomes irrelevant / unnecessary, there will be no further point in having the GFP reserve, and given the following conditions, we will liquidate the reserves and the GFP will be terminated.

If EITHER of the following conditions are met, the GFP will be terminated:

- a. The secondary market floor price of our collection holds above 3x the GFP continuously for 2 months. (On a per rank basis, i.e. one rank's GFP could be lifted if condition is met while another rank's GFP maintains. (see *Dragon Ranks*))
- b. No Dragon is burned as a result of a GFP repurchase and failed auction from the time of mint to the release of the Gen-1 Collection (See *Gen-1 NFT Collection*)

3. Dragon Factions

The Deflationary Dragons NFT collection will be composed of 8 Dragon Factions with each faction consisting of 111 Dragons, hence totaling an overall supply of 888 Dragons.

The 8 Dragon Factions are: Fire, Water, Earth, Air, Dark, Celestial, Lightning, and Cyborg.

Factions will serve to grow and expand community involvement and engagement by playing a key role within the community. There will be private faction discord channels for members of each faction. There will also be strong incentives for faction members to collaborate with one another as there will be heavy competition between factions. The strength or **power** of a faction will be determined by the total number of Dragons actively being **staked** (see *Tier-based Staking*) within a faction. Aside from a continuous **power ranking list** that will reward the top ranking factions, **power** will also be used to determine the outcomes of wars between factions (see *Story Events / Original Lore*). Faction members will also be able to participate in voting for faction decisions on story events (see *Story Events / Original Lore*).

4. Dragon Ranks

Within each Dragon Faction, there will be Dragons with different ranks. The guaranteed floor price of a Dragon will be directly based on rank. Within the 111 Dragons in each faction there will be:

1 Elder Dragon with a **8 SOL** guaranteed floor price

10 King Dragons with a **1.8 SOL** guaranteed floor price

100 Warrior Dragons with a **.8 SOL** guaranteed floor price

In total this will make **888 Dragons** with the following rank distribution:

8 x Elder Dragons (1 per faction)

80 x King Dragons (10 per faction)

800 x Warrior Dragons (100 per faction)

Aside from having a higher GFP, **Elder Dragons** and **King Dragons** will also have boosted staking rewards, better breeding results (see *Breeding*), a more significant role in story events (see *Story Events / Original Lore*), and they will act as leaders within their factions.

5. Tier-based Staking

Immediately following the mint, Deflationary Dragon NFT holders will have the option to stake their Dragon NFTs in exchange for rewards. Unlike other projects which reward staking with a separate native project token with little to no utility outside of the project, Deflationary Dragon NFT staking will be rewarded directly via airdropped SOL as well as with additional rewards in the form of whitelist tokens and free mints for the future Gen-1 Collection (see *Gen-1 NFT Collection*).

Deflationary Dragon NFT Holders will be categorized into 5 Tiers based on staking method and time staked. Staking rewards will vary depending on tier, with the highest tier earning the most rewards. Deflationary Dragon staking rewards include: a percentage share of royalties from secondary sales of the Deflationary Dragon Gen-0 NFT collection, a percentage share of mint and secondary sale royalties from the future Gen-1 NFT Collection (specified under *Gen-1 NFT Collection*), and whitelist tokens/free mints for the Gen-1 NFT Collection.

Staking Tiers

| |
|---|
| Tier 5 Requirements: No Requirements. All Deflationary Dragon NFTs will automatically be in Tier 5 Rewards: 1x Gen-1 WL Tokens + Base Gen-0/Gen-1 revenue share in SOL |
| Tier 4 Requirements: Total of 14 days of liquid or traditional staking Rewards: 1x Gen-1 WL Tokens , 1x Gen-1 Free Mint + 1.2x Base Gen-0/Gen-1 revenue share in SOL |
| Tier 3 Requirements: Total of 30 days of liquid or traditional staking Rewards: 2x Gen-1 WL Tokens , 2x Gen-1 Free Mint + 1.5x Base Gen-0/Gen-1 revenue share in SOL |
| Tier 2 Requirements: Total of 60 days of liquid or traditional staking Rewards: 3x Gen-1 WL Tokens , 3x Gen-1 Free Mint + 2x Base Gen-0/Gen-1 revenue share in SOL |
| Tier 1 Requirements: Traditional Staking Only. Must have been staked within 8 days of mint. Rewards: 5x Gen-1 WL Tokens , 5x Gen-1 Free Mint + 3x Base Gen-0/Gen-1 revenue share in SOL |

**Note: Elder and King Dragons staked will have an even further boost on top of tier rewards.
Elder Boost = 2x | King Boost = 1.5x*

5.1. Staking Options - Liquid Staking & Traditional Staking

There will be two staking options for Deflationary Dragon NFT Holders: **liquid staking** and **traditional staking**.

| Liquid Staking | Traditional Staking |
|---|--|
| <p>Holders can actively stake and un-stake at any time. No penalty for unstaking. Tier will be determined by overall time staked. However time staked will reset to 0 and the NFT will revert to Tier 5 if sold on a secondary market or the NFT is sent to a different holder wallet.</p> <p>For example: Holder stakes for 7 days, unstakes for 2 days, resumes staking for 7 days. Total time staked will be $7 + 7 = 14$ days. On the 14th day of staking, the Dragon staked will reach tier 4 and begin earning tier 4 rewards.</p> | <p>Holders will choose to stake and <u>lock up</u> their NFT for 88 days following the mint date. This action cannot be undone. Once locked, the NFT will be held in our stake escrow wallet and will be released and sent back to the original holder's wallet 88 days from mint on August 1st. While staked under this method, the holder will still be able to access their NFT from our staking platform and receive rewards earned by their staked NFT. Once the NFT is sent back, the NFT will hold Tier 1 status forever, UNLESS it is sold or changes wallets, in which it will revert back to Tier 5.</p> <p>Traditional Stakers will immediately unlock tier access at the time of staking. <i>Note 1: The only way to access Tier 1 is to traditional stake within 8 days of mint.</i> <i>Note 2: Past 8 days of mint, a holder can still elect to opt-in to traditional staking, which will result in immediate access to the highest qualified tier, based on the time difference between August 1st (traditional stake end time) and time traditional stake was elected.</i></p> <p>For example: Holder chooses to lock up Dragon through traditional staking within 8 days of mint. Dragon staked will immediately reach tier 1 and begin earning tier 1 rewards.</p> <p>Example 2: Holder chooses to lock up Dragon through traditional staking on June 1st. This is 61 days from August 1st, which qualifies for the 60 day requirement for Tier 2. Dragon staked will immediately reach tier 2 and begin earning tier 2 rewards.</p> |

5.2. Staking Rewards Pool

As a reminder, Deflationary Dragons will **NOT** have a separate project token. The staking rewards pool and rewards sent to holders will be directly in SOL. There will be 3 main sources which contribute towards the SOL rewards pool (Note that there will be additional staking rewards provided in the form of Gen-1 Collection WL Tokens & Free Mints):

- 60% of Gen-0 Collection Royalties
- 20% of Gen-1 Collection Mint
- 60% of Gen-1 Collection Royalties

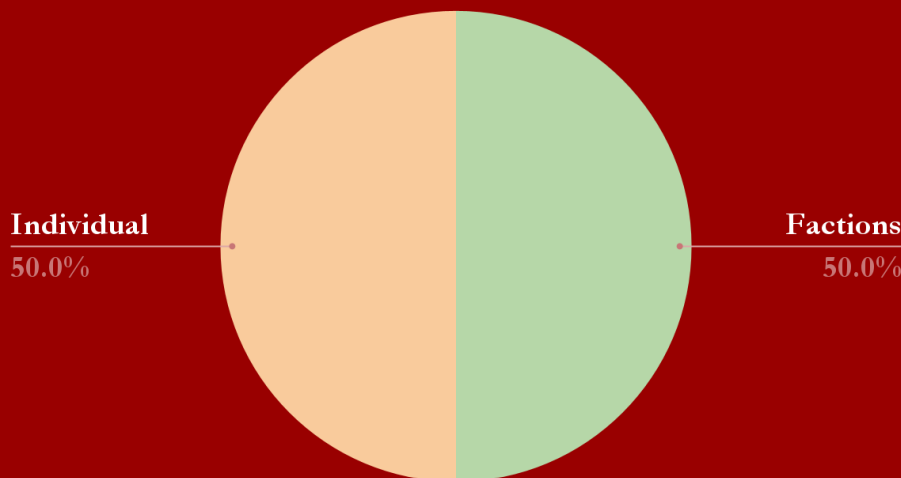
Additional possible rewards pool streams

- % of Mint and Royalties from future collections beyond Gen-1
- Portion of GFP reserves liquidated in the event of GFP termination determined by team at point of termination

5.3. Staking Rewards Distribution

The Staking Rewards Pool as outlined in the previous section will initially be equally divided into two halves: the **individual rewards pool** and the **factions reserves pool**.

DD Rewards Pool



The base share mentioned in the staking tiers rewards chart is equal to .0356% of the Individual Rewards Pool. King Dragon individual rewards are boosted by 1.5x and Elder Dragon individual rewards are boosted by 2x. Additionally, a Dragon's individual rewards share can be boosted by entering higher staking tiers (outlined in the staking tiers rewards chart above).

For example:

- A Elder Dragon in Tier 1 would earn the base share (.0356% of the individual rewards pool) x 2 (Elder Rank Boost) x 3 (Tier 1 Staking Boost)
- A King Dragon in Tier 4 would earn the base share x 1.5 (King Rank Boost) x 1.2 (Tier 4 Staking Boost)
- A Warrior Dragon in Tier 2 would earn the base share x 2 (Tier 2 Staking Boost)

The individual staking rewards pool will only be 100% claimed in the case that ALL 888 Dragons are staked in Tier 1. Obviously, this scenario is unlikely, therefore the portion of unearned rewards from the individual rewards pool will be directly deposited into the factions reserves pool.

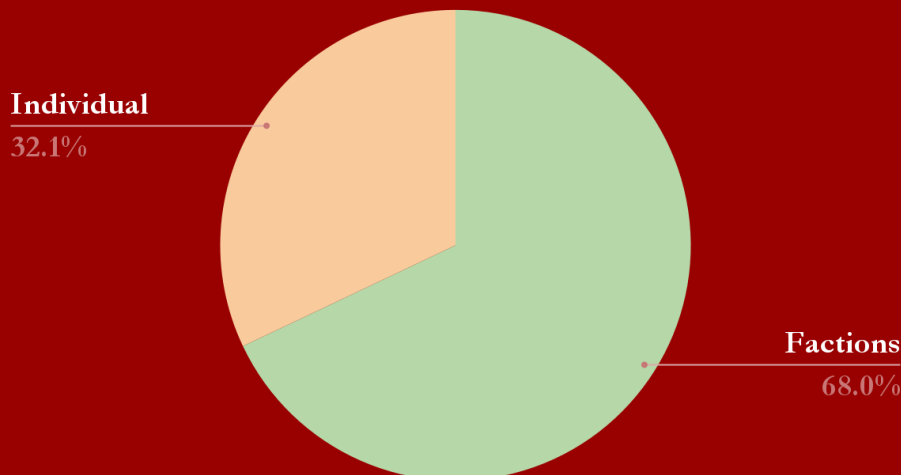
The following example is provided to help further illustrate this effect:

Example Scenario: 600 Warrior Dragons are staked at Tier 1. The rest are unstaked.

Individual Rewards Pool Earned: $600 \times .0356\%$ (Base Share) x 3 (Tier 1 Boost) = 64.1%

In this case, 64.1% of the individual reserves pool is earned, the 35.9% unearned from the individual reserves pool will now instead be added to the factions reserves pool resulting in the following adjusted distribution:

DD Scenario Adjusted Rewards Pool



Under base conditions and assuming all factions are at equal power level, the factions rewards pool will be distributed equally between the 8 factions, and then equally amongst the members within each faction. However, the distribution of a Faction's claim to the

factions rewards pool is highly subject to change, based on their power ranking and results of story events (see *Story Events / Original Lore*).

Power Ranking Distribution - Factions will be ranked based on their power (total dragons staked within faction) and receive the following share of the factions reserve pool:

1st - 30% | 2nd - 20% | 3rd - 15% | 4th - 10% | 5th - 10% | 6 - 5% | 7th - 5% | 8th - 5%

6. Story Events / Original Lore

The Deflationary Dragon NFT Collection comes with authentic lore and concurrent stories written by *The Founding Dragon*. As time passes, new “chapters” of stories about the universe and Dragons will be released. These story events will involve participation from holders such as through voting on faction decisions that will affect the storyline. Integration of events in stories may have significant impacts on the collection itself.

Story Event Example Scenario: *“The Dark Dragon Faction is seeking to wage war on the Celestial Dragon Faction and plunder their resources.”*

Dark Dragon Faction Holders will be able to vote yes or no to war.

All other Dragon Faction Holders will be able to vote to support/form an alliance with Dark Faction OR Celestial Faction / OR stay neutral.

Results of vote: Dark Faction votes in favor of war. Fire and Cyborg Factions vote to ally with Dark Faction. Air and Lightning Factions vote to ally with Celestial Faction. Earth and Water Factions vote to remain neutral.

Outcome of war will be decided by the “power” of the factions involved. Power is determined by the amount of dragons each faction has staked. Dark, Fire, and Cyborg Factions at time of war have a combined total of 250 staked dragons. Air, Lightning, and Celestial Factions at the time of war have a combined total of 210 staked dragons. Dark, Fire, and Cyborg Factions win the war. For the next rewards period, staked Dark, Fire, and Cyborg Dragons will receive boosted staking rewards while staked Air, Lightning, and Celestial Dragons will receive proportionally reduced staking rewards.

An Elder Dragon vote will have the weight of 10 votes, a King Dragon vote will have the weight of 5 votes, and a Warrior Dragon will have a singular vote to give.

Elder Dragons will also be able to suggest and initiate these types of story events. An Elder Dragon initiated event can be **vetoed** by a majority vote of the Elder faction’s King Dragons.

7. Breeding

Deflationary Dragon NFTs will have a male/female trait. Holders of both a male and female Dragon will be able to breed them and earn a dragon egg, which effectively acts as a free pre-mint of the Gen-1 NFT Collection (see *Gen-1 NFT Collection*). Holders of only one Dragon will be able to participate in collaborative breeding by partnering with the holder of a Dragon with the opposite sex. A collaborative breeding matchmaking system will be provided.

More details on breeding will come later.

8. Gen-1 NFT Collection

The Gen-1 NFT Collection will serve as the next generation collection following the original Gen-0 NFT Deflationary Dragons Collection. The Gen-1 NFT Collection will consist of an initial 8888 total supply of Dragon Eggs. Eggs can be incubated (staked) in order to hatch into the true Gen-1 NFT Collection of Baby Dragons. Neglected Eggs will be permanently burned. There will be early access to the Gen-1 NFT Collection via free pre-minting of eggs obtained by breeding Gen-0 Dragon NFTs. The rest of the 8888 that are not pre-minted through breeding will be sold via a whitelist/public mint. Whitelists and free mints to the Gen-1 NFT Collection can be obtained through holding and staking Gen-0 Dragons NFTs, as well as through future giveaways and promotional events. Holders and Stakers of the Gen-0 NFT Collection will be rewarded with a share of the Gen-1 NFT Collection mint and secondary sale royalties.

Dragon Eggs Minted → Incubation/Staking Period → Hatching/Burning Event → Gen-1 NFT Baby Dragon Collection

9. Recap of Utility

The following is a full list of utilities which will be captured by future holders of Deflationary Dragon NFTs beyond just the ownership of the art and NFT itself:

- Access to private holder-only and faction-only discord channels in server
- Access to immediate liquidity at GFP if one is desperate to sell
- Rewards share of royalties from sales in secondary market
- Rewards share of mint and royalties from future Gen-1 Collection and any other future collections
- Ability to stake the Dragon NFT for an increased share of the above reward streams proportional to how long one is staking for. Longer stake = larger percentage share of rewards
- Those who stake their Dragon NFT will also earn rewards in the form of WL tokens and FREE mints for the future Gen-1 Collection. Quantity will be determined by how long one has been staking for
- Ability to breed their Dragon NFT which will result in a free mint of the Gen-1 Collection
- Lore Participation. Ability to participate in story events, vote on faction decisions, etc. (More detail on this to come)

10. Royalties

Both the Gen-0 and Gen-1 NFT Collections will have an 8% royalty on secondary sales. This relatively high royalty fee is intended to discourage flippers and further incentivize holding. This rate will also reward and be beneficial to holders and stakers who will be earning a majority share of all royalties.

11. Roadmap

Stage 1 - Build the Community

- Announce Project (Twitter/Discord Launch)
- Build strong community and fill 888 whitelist spots
- Award WL spots through meaningful giveaways to active members & believers in project
- Prepare project for mint and determine mint date

Stage 2 - Mint & Staking

- Mint out original 888 Deflationary Dragons Gen-0 NFT collection to WL members
- Listing on Secondary Market (MagicEden)
- Staking mechanism immediately available for holders.

Stage 3 - Breeding & Lore

- Breeding mechanism and collaborative breeding matchmaking system released.
- Story and Lore Events commence. Holders can participate via voting on faction decisions. King and Elder Dragons holders may play a bigger role.
- Preparations for Gen-1 NFT Collection Launch

Stage 4 - Gen-1 NFT Collection Launch

- Launch of Gen-1 NFT Collection. The Dragons are repopulating the Earth.
- Listing of Gen-1 NFT Egg Collection on Secondary Market
- Gen-0 Deflationary Dragon NFT Holders/Stakers will be rewarded and airdropped share of revenue in SOL from Gen-1 mint and secondary sale royalties based on their tier.
- Staking/Incubation immediately available in order to prepare eggs to hatch into baby dragons.

Stage 5 - Gen-1 NFT Collection Hatch

- Staked eggs hatch and reveal into the true Gen-1 NFT collection of baby dragons. All eggs that fail to hatch are BURNED, therefore total supply of Gen-1 collection is unknown.
- Listing of Gen-1 NFT Baby Dragon Collection on Secondary Market
- Story and Lore events continue with participation now from Gen-1 Holders as well

Stage 6 - To Be Revealed

Ready To Enter The Dragon Verse?

<https://forms.gle/djjAkgb4TVuKYmE77>