

KAWS: Gone and Beyond

*“His work is universal, and it **transcends the traditional market**. It bridges fine art and commercial art, and that **taps into a global, deep audience.**”*

- David Galperin, Head of Contemporary Art Evening Sale, Sotheby's

Background

Otis recently acquired a painting by Kaws. This document aims to share the story of Kaws and the artwork.

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What Is Otis

Everyone has their thing. Maybe yours is sneakers, or maybe it's contemporary art. Whatever it is, you get it — the value assigned to a certain item, its cultural significance, why it matters. But more often than not, ownership of grails is out of the picture, whether because fewer than 100 were made, or because that six-figure price tag just doesn't work with your budget.

At Otis, we turn aficionados into shareholders. We believe in transparency, liquidity, and trusting your own gut. We're democratizing an otherwise closed market and making these alternative assets accessible. Own shares in the things that you value, and whose value you understand and build a portfolio better suited to a museum than a stock ticker.

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Past performance may not be indicative of future results. Investments in alternatives, such as the investments offered on the Otis platform, are illiquid and carry the risk of complete loss of capital. Key risks include, but are not limited to, no operating history, limited diversification, risk of damage or theft and no voting rights. Investors should carefully review the risks located in the offering circular for a more comprehensive discussion of risk.

Securities offered through North Capital Private Securities Corporation, member FINRA/SIPC.

Otis is sponsoring a public offering pursuant to Regulation A under the Securities Act of 1933, as amended. The offering circular can be found [here](#).

Highlights

- 1. Purchased below fair market value:** Otis will be bringing *Gone and Beyond* to market at **\$325,000**. The average price of a 40 inch tondo sold through public auction in 2019 was **\$337,000** (3.7% above our purchase price).
- 2. Rewriting the norm:** Kaws flipped the script— instead of waiting for the art world to take notice, he developed a massive online following for his toy and collectibles that then translated to market success. With 2.7m Instagram followers, Christie's noted that “Kaws success on social media has been a big factor in his surge to the forefront of the contemporary art world.”
- 3. Millennial traction:** Bloomberg reported that there is high demand for Kaws' work from wealthy millennials, particularly in Asia. In a recent Sotheby's auction in Hong Kong, “millennials in hoodies” spent \$28M on art. Millennials currently represent the fastest growing collector segment, and have two differences compared to prior generations - they are 2x more likely to view art as a financial asset, and rely heavily on social media to discover artists and influence purchasing. Kaws is well-positioned to benefit from this demographic shift.

Highlights (continued)

4. Powerful collectors: According to Artnet, “Kaws has been promoted by some of the most powerful figures in the art world: namely, Alberto Mugrabi, whose family owns the world’s largest private collection of work by Andy Warhol.” His celebrity collectors include Travis Scott, Kylie Jenner, Pharrell Williams, and Swizz Beatz.

5. Record momentum: Artnet reported, “the steady burn that had characterized Kaws’ market for the past decade transformed into a full-blown inferno.” In 2018, his average price went from \$334k to \$713k in 2019. Auction demand spiked in April 2019 in Hong Kong when he broke his high-selling record. The Kaws Album sold for \$14.77M, 14x the initial auction estimates. His total auction turnover more than quadrupled in 2019, ending at \$71.987M compared to \$16M in 2018.

6. Historical appreciation: We purchased the painting directly from blue-chip gallery, Perrotin. It was part of a limited series of 27 paintings produced in 2012. Based on analysis of Kaws’ 40 inch Tondo paintings, we note historical appreciation is 14.28% and 113.03% over the last 1 and 3 years.

Art as an Asset Class

Art as an Alternative Investment

The 2019 edition of The Art Market report by UBS and Art Basel values the art market at \$67.4 billion, representing the second year of positive growth, up 6% year-on-year. A key driver of the art market is global wealth - the report references Credit Suisse estimates that by 2023, the number of millionaires worldwide will increase more than 30% and the number of of HNWI individuals with wealth over \$50 million will increase by 37%.

The 2019 edition of the Knight Frank Wealth Report indicates that art ranks #1 globally in the top 5 most collected investments of passion. The same report noted that art as a category appreciated 9% in the last 12 months, and 158% in the last 10 years.

In Sotheby's 2019 Investor Presentation, it is reported that art has had a 0.05 correlation with the S&P 500 over 20 years (based on the Sotheby's Mei Moses Indices). That lack of correlation can reduce overall volatility when art is part of a larger diversified portfolio.

Artist Overview: KAWS



Photo: German Vizcarra @vzmaestro

Kaws

Brian Donnely (American, born 1974), also known as Kaws, is a contemporary artist who works in the tradition of Pop-Art. Kaws invented a cast of cartoon characters, some of which are his own creations while others are appropriations of popular characters such as Spongebob Square Pants or Snoopy, which he uses across his diverse body of work. While his work regularly sells at auction for millions of dollars, Kaws' career began as a graffiti artist in the 1990s.

CAREER ACHIEVEMENTS

Blue Chip

- Represented by blue-chip gallery, Skarstedt Gallery

Solo show at major institutions

- Brooklyn Museum (past and upcoming 2021), Brooklyn, NY, Contemporary Art Museum St. Louis, St. Louis, MI, Modern Art Museum of Fort Worth, Fort Worth, TX, High Museum of Art, Atlanta, GA

Reviewed by a major art publication

- Hyperallergic, frieze, Artforum

Highest auction record

- \$14.77M (*The Kaws Album* sold in 2019)

Collaborations

- Bathing Ape, Supreme, Kanye West, Nike

Social

- 2.8M Instagram followers
- 1.2M Instagram posts #kaws



Photo: Complex

From Graffiti Artist...

His career as an acclaimed artist and [pop-culture phenomenon](#) did not start out on the siloed walls of galleries, but rather, on the streets as a [graffiti artist](#). In the early 1990s, KAWS began [tagging](#) bus stops, train stations, and subway cars in Jersey City where he grew up. Speaking about his formative years as a street artist, KAWS [said](#) “it meant nothing to me to make paintings if I wasn’t reaching people.”



Photo: Perrotin Gallery

To Pioneering Artist...

In an interview with [Artnet](#), Kaws' dealer Emmanuel Perrotin said he “had a feeling that he was going to shake up our old art-world habits.” Instead of waiting for his work to be donated to museums to find a broader audience, Kaws worked backwards and developed a massive online following for his toys and collectibles. As [Artnet](#) notes, interest eventually trickled up to some of the most powerful players in the art world.



To 'Kawsmania'

For the past year, demand surrounding Kaws has been so great that the New York Times recently coined the term "Kawsmania" to describe the phenomenon.

Headlines from 2018-2019 include, "Inside the Craze for KAWS: How a New Jersey Graffiti Artist Achieved Art-Market Domination Without Following Any of the Rules," from Artnet, "Millennials in Hoodies Spend \$28 Million on Simpsons Art," and "Artist Kaws Sparks Frenzy in Miami" from Bloomberg, and "Wild Footage From China Shows Shoppers Fighting Over KAWS x Uniqlo Collab," from Highsnobiety.

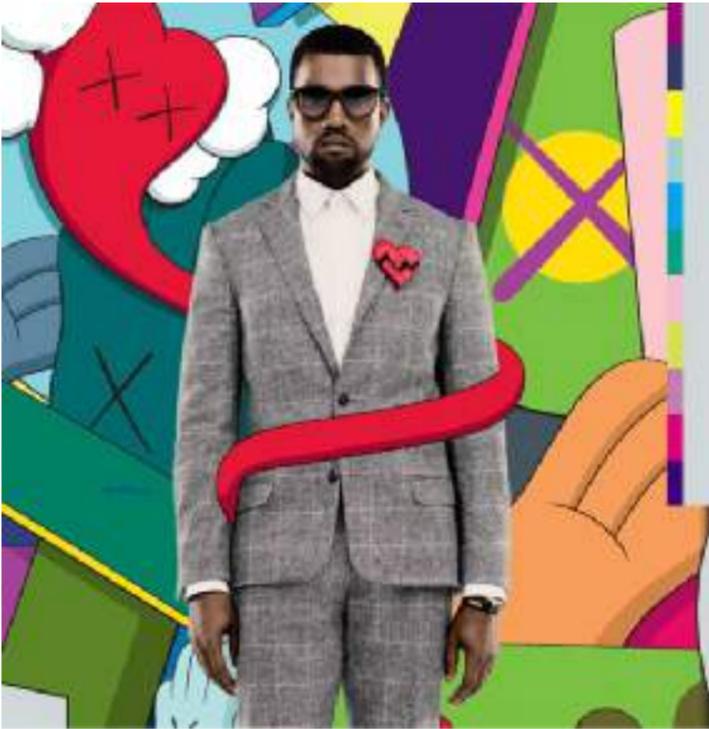


Swizz Beatz, KAWS, and Alicia Keys. Photo: Clint Spaulding/Patrick McMullan.

Collectors and Social Following

With over 2.7M Instagram followers and 1.2M hashtags, Kaws has more Instagram hashtags than Jeff Koons, Damien Hirst, Jean-Michel Basquiat, and Andy Warhol. His collectors include Travis Scott, Kylie Jenner, Pharrell Williams, and Swizz Beatz.

COLLABORATIONS



**Kaws x
Kanye West**



**Kaws x Air
Jordan 4**



**Kaws x
Supreme**

KAWS: DOWN TIME
Exhibition

NOTABLE EXHIBITION

Kaws: Down Time

February 18 - July 29, 2012

High Museum of Art, Atlanta



Photo: Perrotin Gallery

The *Gone and Beyond* series was first featured at the High Museum of Art in Atlanta in 2012. This exhibition was one of Kaws' first institutional retrospectives, displaying a combination of his paintings and sculptural works.

Gone and Beyond



The Story

Kaws made *Gone and Beyond*, a round acrylic painting featuring a cropped figure, in 2012. The work was produced as part of a series of 27 round paintings, first displayed in the *Kaws: Down Time* exhibition at the High Museum of Art, Atlanta. Together, the series of round paintings, also known as tondos, suggest a cinematic montage of images that depict moments of action or extreme emotion shown in close-up. Kaws produced his first tondo painting in 2010, which has since become a repeated theme in his work. *Gone and Beyond* features the recognizable cropped aesthetic along with his signature use of bright saturated colors.

Specifications of the painting

ARTIST Kaws

ARTWORK Gone and Beyond

SIZE 40 in. across

MEDIUM Acrylic on canvas

CREATION YEAR 2012

PURCHASED FROM Perrotin Gallery

PURCHASED FOR \$310,000

LINEAR PRICE PER IN. \$3,875

YEAR PURCHASED 2019

Provenance

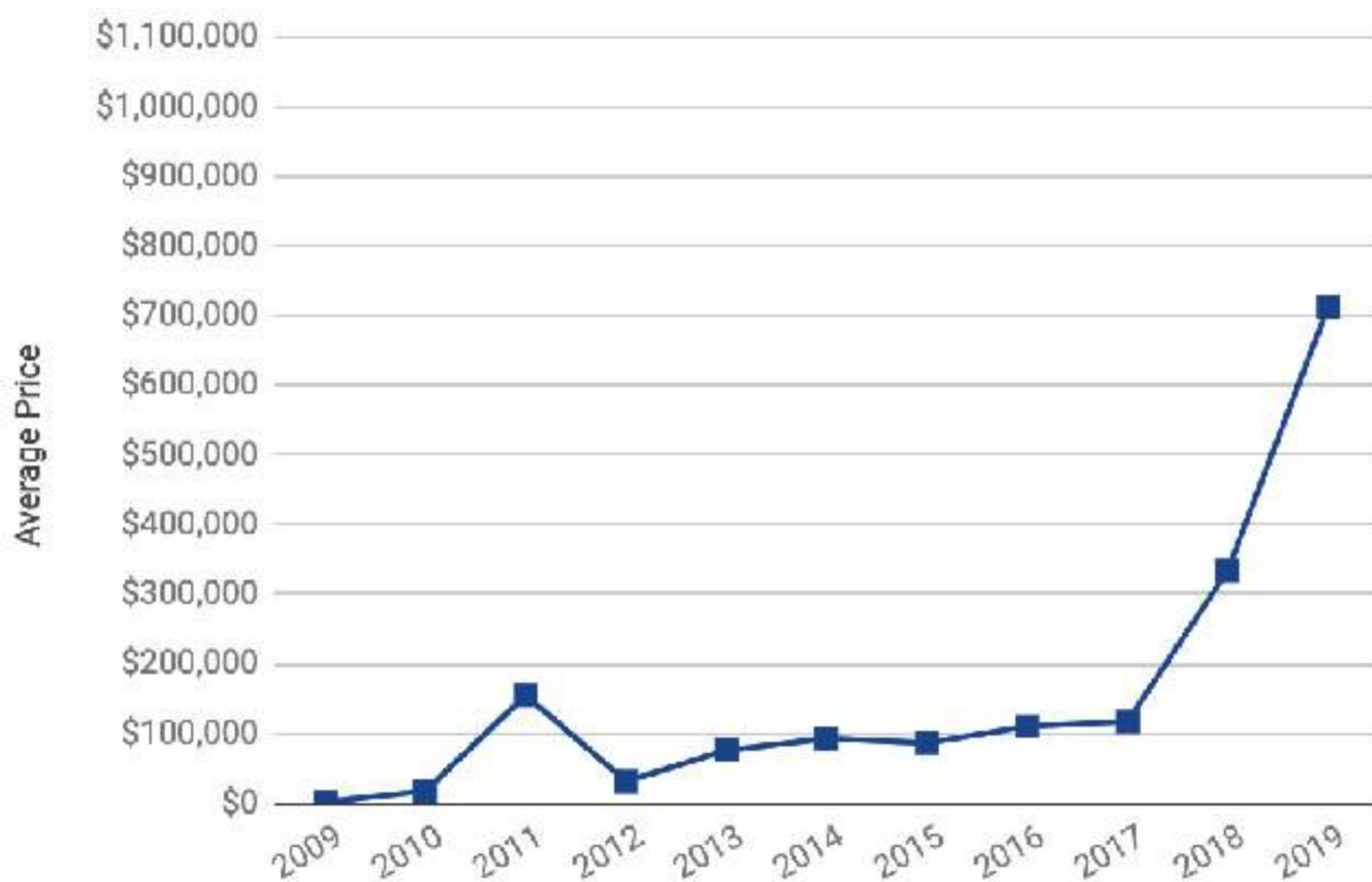
Otis acquired *Gone and Beyond* directly from Perrotin Gallery, who formerly represented Kaws.

Condition

According to a condition report prepared on April 23, 2019, the painting was in perfect condition at the time of the examination.



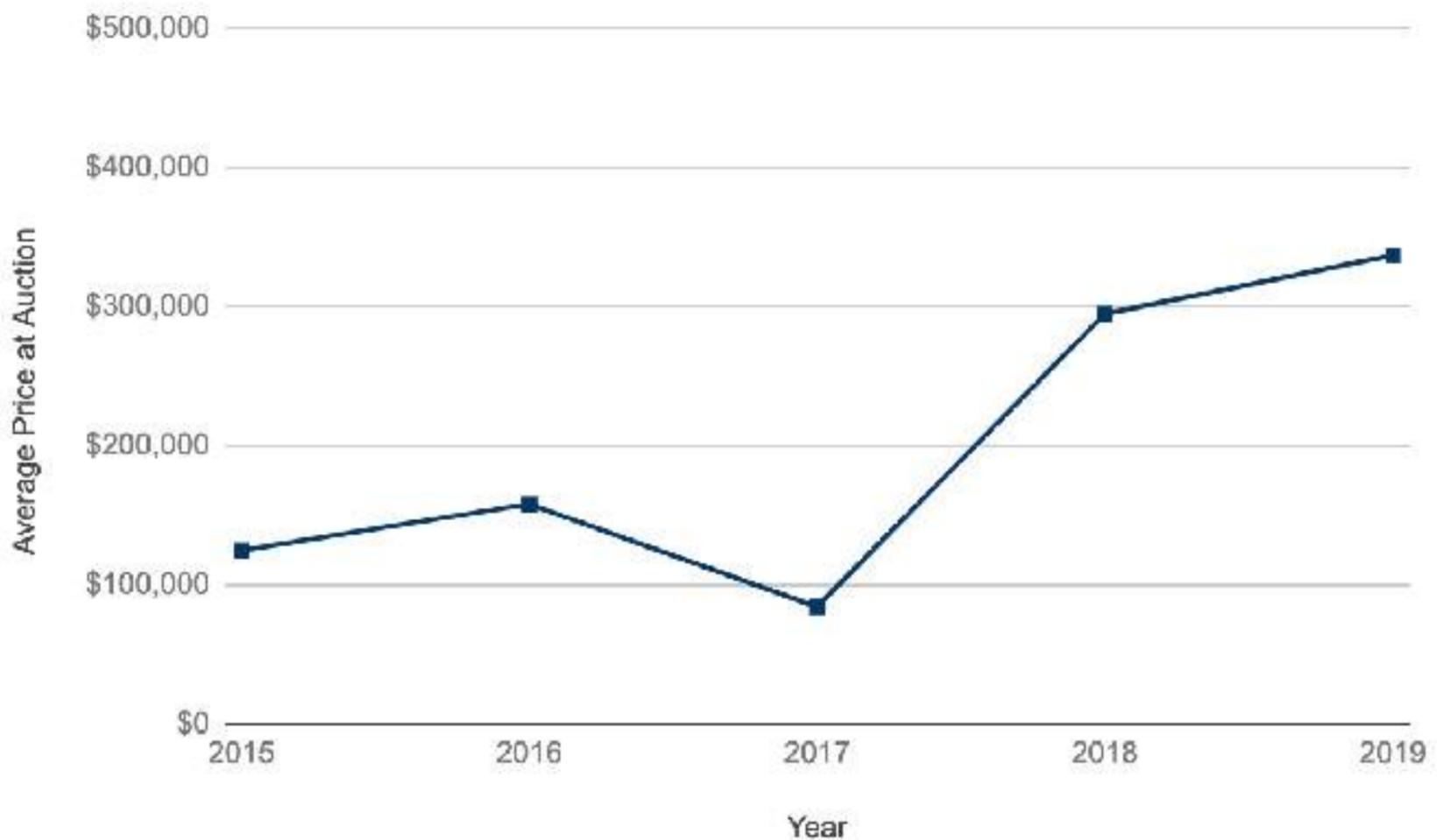
Summary of Historical Average Prices: Kaws Paintings



Note: Data represents the average price at auction for a Kaws painting, sourced from [Artprice](#) on January 14, 2020. Data excludes buyer's premium and other acquisition-related costs.

	Change in Average Price for Kaws' Paintings at Auction
1 Year	113.4%
3 Year	546.9%
5 Year	667.7%
All-time (10 Years)	39,169.8%

Summary of Historical Average Prices: Kaws 40-Inch Tondo Paintings



Note: Data represents the sale price for all Kaws 40-inch tondo paintings sold at auction between 2011-December 2019.

	Total Appreciation	Annualized Appreciation
1Y	14.3%	14.3%
2Y	299.5%	99.9%
3Y	113.0%	28.7%
4Y	169.6%	28.1%

Note: Data represents the average sale price at auction for a Kaws 40-inch tondo paintings, sourced from [CollectorIQ](#) on January 14, 2020.

Data includes the buyer's premium. Results have been covered to USD at exchange rates from the month of sale.

Interpreting Pricing Data

While interpreting the pricing and metrics on the previous page, it is important to note that condition, provenance, subject matter, size, color palette, and individual auction dynamics vary for each artwork, and thus significantly affect the price realized. Averages may be affected by these factors.

A full list of auction results are included in the appendix.

The auction market is idiosyncratic, and can result in prices that are above retail in certain situations because of buyer price insensitivity and auction momentum. Because of this, outliers are quite common.

Investment Risks

1. **Supply Risk:** In the event that Kaws increases his output or the market is flooded with supply of his work, prices may fall. We aimed to mitigate this risk by purchasing a work from an exhibition with limited supply.
2. **Momentum Risk:** We acquired this work shortly after his record-breaking sale of *The Kaws Album* for \$14.77M at the Nigo Sotheby's auction in Hong Kong in April 2019. If his momentum doesn't continue, our purchase will have been at the higher end of his market
3. **Market Concentration Risk:** Compared to other artists, Kaws' collector base appears concentrated among millennials. However, the market is starting to see signs of interest from other demographics of collectors. Scott Nussbaum, Phillips' head of 20th Century and Contemporary Art in New York, told the [New York Times](#) that "we're now seeing older, established collectors from the US and Europe walking into our galleries and asking to see the KAWS as well as the de Kooning."
4. **Investment Risks:** Past performance may not be indicative of future results. Investments in alternatives, such as the investments offered on the Otis platform, are illiquid and carry the risk of complete loss of capital. Key risks include, but are not limited to, no operating history, limited diversification, risk of damage or theft and no voting rights. Investors should carefully review the risks located in the offering circular for a more comprehensive discussion of risk.

Appendix

COMPARABLE

Untitled - Tondo



ARTIST Kaws

ARTWORK Untitled

SIZE 40 in. across

MEDIUM Acrylic on canvas

CREATION YEAR 2013

PURCHASED FROM Sotheby's Hong Kong

PURCHASED FOR \$477,938

LINEAR PRICE PER IN. \$6,011.80

YEAR PURCHASED 2019

COMPARABLE

Untitled - Tondo



ARTIST Kaws

ARTWORK Untitled

SIZE 39.75 in across

MEDIUM Acrylic on canvas

CREATION YEAR 2011

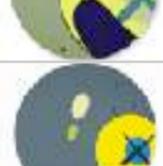
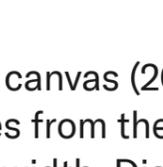
PURCHASED FROM Sotheby's Hong Kong

PURCHASED FOR \$382,350

LINEAR PRICE PER IN. \$4,809.43

YEAR PURCHASED 2019

Kaws 40-Inch Tondo Auction Transactions

Transaction Date	Year of Work	Title	Sale price in USD	Linear Pricing*	Size (inches)	Image of Work	Link
11/14/2019	2012	Gone and Beyond - B-9	\$287,500	\$3,593.75	40		Link
10/07/2019	2013	Untitled	\$477,938	\$6,011.80	40		Link
10/07/2019	2011	After Limbo	\$382,350	\$4,809.43	40		Link
09/28/2019	2013	Untitled	\$275,000	\$3,426.79	40		Link
09/28/2019	2012	Don't Sink	\$250,000	\$3,125.00	40		Link
06/28/2019	2012	Gone and Beyond	\$349,443	\$4,368.03	40		Link
10/04/2018	2018	Untitled	\$511,725.30	\$6,396.57	40		Link
06/08/2018	2012	Make the Run	\$223,073.00	\$2,779.73	40		Link
03/01/2018	2012	Don't Sink	\$150,000.00	\$1,886.79	40		Link
12/07/2017	2010	Until I'm Gone	\$87,500.00	\$1,093.75	40		Link
09/19/2017	2010	Untitled	\$81,250.00	\$1,012.46	40		Link
9/29/2016	2013	NYT	\$187,500.00	\$2,336.45	40		Link
6/23/2016	2012	NYT	\$128,920.00	\$1,606.48	40		Link
11/12/2015	2012	Gone and Beyond	\$125,000.00	\$1,562.50	40		Link

Note: Data examines all auction transactions of Kaws' 40-inch tondo paintings on canvas (2014 - 2019) and includes the buyer's premium. Results have been covered to USD at exchange rates from the month of sale. *Linear pricing is calculated by dividing the price by the sum of the length and the width. Discrepancies may exist between the linear pricing calculation and the dimensions as decimal places are not shown.

Glossary

Bought-In: If there are no bids on a lot, or if bidding does not reach the reserve price, the lot is “bought in,” meaning it is left unsold and remains the property of the owner.

CAGR: Compound annual growth rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each year of the investment’s lifespan.

Gross Returns: The gross rate of return is the total rate of return on an investment before the deduction of any fees, commissions, or expenses. The gross rate of return is quoted over a specific period of time, such as a month, quarter or year. This can be contrasted with the net rate of return, which deducts such fees and costs to provide a more realistic return measure.

CIQ Liquidity: A liquidity score given by the art analytics tool, CollectorIQ. A liquidity score of over 75 is considered good.

Linear Price Per Inch: A metric used to evaluate the fair market value of an artwork, adjusting for the size of the work. The linear pricing formula is: $\text{Price}/(\text{Height} + \text{Width})$.

Lock-up: A lock-up period is a window of time when investors in a hedge fund or another closely held investment vehicle are not allowed to redeem or sell shares. The lock-up period helps portfolio managers avoid liquidity problems while capital is put to work in sometimes illiquid investments.

Provenance: An important part of the authentication process, provenance establishes the chain of ownership back (if possible) to the date an item was created. Provenance can significantly impact the value of an object.

Realized Price/Estimate: The percentage that an item sold at auction was purchased for over or under the estimate.

Sell-Through Rate: The percentage of lots that were offered at auction and purchased.

Total Turnover: The total amount of money spent at auction on works by a particular artist or asset.