

Kennedy-Wilson Holdings, Inc.
Form 8-K
October 03, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

October 3, 2011

KENNEDY-WILSON HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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(State or other jurisdiction

(Commission

(IRS Employer

of incorporation)

File Number)

Identification No.)

9701 Wilshire Blvd., Suite 700 Beverly Hills, California 90212

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 887-6400

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2.):

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

This Current Report on Form 8-K is filed by Kennedy-Wilson Holdings, Inc., a Delaware corporation (the Company), in connection with the matters described herein. In accordance with Rule 3-14 and Article 11 of Regulation S-X, the Company hereby files the following financial statement and pro forma information relating to its acquisitions of 303-333 Hegenberger, an office portfolio located in Oakland, California, and 9320 Telstar Avenue, an office property located in El Monte, California.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

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(d) Exhibits

23.1 Consent of KPMG LLP, dated October 3, 2011

Independent Auditors Report

The Board of Directors

Kennedy-Wilson Holdings, Inc.:

We have audited the accompanying historical summaries of gross income and direct operating expenses (Historical Summaries) of 303-333 Hegenberger (the Property) for each of the years in the three-year period ended December 31, 2010. These Historical Summaries are the responsibility of the Property's management. Our responsibility is to express an opinion on the Historical Summaries based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summaries are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summaries, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summaries. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summaries were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in note 1. The presentation is not intended to be a complete presentation of the Property's gross income and direct operating expenses.

In our opinion, the Historical Summaries referred to above present fairly, in all material respects, the gross income and direct operating expenses described in note 1, of 303-333 Hegenberger for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Los Angeles, California

October 3, 2011

303-333 HEGENBERGER

Historical Summaries of Gross Income and Direct Operating Expenses

Six months ended June 30, 2011 (Unaudited) and

years ended December 31, 2010, 2009 and 2008

| | Six months ended June 30, 2011 (Unaudited) | 2010 | 2009 | 2008 |
|------------------------------------------------------------|-------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Gross income: | | | | |
| Rent | \$ 1,116,000 | \$ 2,150,000 | \$ 2,274,000 | \$ 2,096,000 |
| Parking and other | 171,000 | 290,000 | 306,000 | 261,000 |
| Tenant recoveries | 49,000 | 173,000 | 187,000 | 158,000 |
| | 1,336,000 | 2,613,000 | 2,767,000 | 2,515,000 |
| Direct operating expenses: | | | | |
| Property operating and maintenance | 563,000 | 1,118,000 | 1,145,000 | 1,119,000 |
| Property taxes | 247,000 | 497,000 | 483,000 | 460,000 |
| Insurance | 42,000 | 90,000 | 98,000 | 132,000 |
| Management fees paid to affiliate | 55,000 | 109,000 | 113,000 | 103,000 |
| Other | 17,000 | 62,000 | 65,000 | 64,000 |
| | 924,000 | 1,876,000 | 1,904,000 | 1,878,000 |
| Gross income in excess of direct operating expenses | \$ 412,000 | \$ 737,000 | \$ 863,000 | \$ 637,000 |

See accompanying notes to historical summaries of gross income and direct operating expenses.

303-333 HEGENBERGER

Notes to Historical Summaries of Gross Income and Direct Operating Expenses

Six months ended June 30, 2011 (Unaudited) and
years ended December 31, 2010, 2009, and 2008

(1) Basis of Presentation

The historical summaries of gross income and direct operating expenses relate to the operations of 303-333 Hegenberger (the Property). The Property comprises two suburban office buildings totaling approximately 197,000 rentable square feet with surface parking, located in the airport submarket of Oakland, California. KWI Property Fund I, L. P. formed KWP Fund I Hegenberger, L.P. (the Partnership), which acquired the Property on May 4, 2006 for \$32,400,000, including capitalized acquisition costs of \$400,000. A wholly owned subsidiary of Kennedy-Wilson Holdings, Inc. (KWH) owned an equity interest in KWI Property Fund I, L.P. and on June 30, 2011, KWH acquired full ownership of the Partnership by assuming its assets and liabilities and contributing sufficient funds to refinance the Property.

The historical summaries of gross income and direct operating expenses have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, are not representative of the actual results of operations of the Property for the six months ended June 30, 2011 and the years ended December 31, 2010, 2009, and 2008 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization

Mortgage interest expense since the Property was refinanced at the time of the change in ownership

Federal and state income taxes

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results, except as discussed in note 4.

(2) Summary of Significant Accounting Policies

(a) Revenue Recognition

Rental revenue from tenants is recognized on a straight-line basis over the noncancelable lease term when collectibility is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset.

Tenant recoveries related to the reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. The reimbursements are recognized and presented gross, since the Partnership is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier, and bears the associated credit risk.

(Continued)

303-333 HEGENBERGER

Notes to Historical Summaries of Gross Income and Direct Operating Expenses

Six months ended June 30, 2011 (Unaudited) and

years ended December 31, 2010, 2009, and 2008

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of gross income and direct operating expenses during the reporting period to prepare the historical summaries of gross income and direct operating expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

(3) Minimum Future Lease Rentals

There are various lease agreements in place with tenants to lease space at the Property with lease terms ranging from one month to seven years. As of December 31, 2010, the minimum future cash rents receivable under noncancelable operating leases in each of the next five years are as follows:

| | |
|------|--------------|
| 2011 | \$ 1,996,000 |
| 2012 | 1,370,000 |
| 2013 | 1,077,000 |
| 2014 | 920,000 |
| 2015 | 731,000 |
| | \$ 6,094,000 |

Leases generally require reimbursement of the tenant's proportionate share of common area, real estate taxes, and other operating expenses, which are excluded from the amounts above.

As of June 30, 2011, the Property is leased to a total of 45 tenants, of which four tenants accounted for approximately 52% (unaudited) of base rental revenue for the six months then ended.

As of December 31, 2010, the Property is leased to a total of 41 tenants, of which four tenants accounted for approximately 55% of base rental revenue for the year then ended.

As of December 31, 2009, the Property was leased to a total of 42 tenants, of which four tenants accounted for approximately 56% of base rental revenue for the year then ended.

As of December 31, 2008, the Property was leased to a total of 48 tenants, of which three tenants accounted for approximately 45% of base rental revenue for the year then ended.

(4) Future Operating Results

Due to the acquisition of the Property in June 2011, it is anticipated that future property taxes will decrease approximately \$84,000 as a result of the Property value reassessment.

(5) Related Parties

The Partnership has a management agreement with KW Properties, Ltd. (KWP), which is an affiliate of KWH. In accordance with the management agreement, KWP receives 3% of gross rental revenues as compensation for managing the Property plus an accounting fee of \$3,000 per month.

For the six months ended June 30, 2011 and the years ended December 31, 2010, 2009, and 2008, the Partnership incurred \$55,000 (unaudited), \$109,000, \$113,000, and \$103,000, respectively, in property management fees and accounting fees. These amounts are reflected as management fees paid to affiliate on the historical summaries of gross income and direct operating expenses.

Independent Auditors Report

The Board of Directors

Kennedy-Wilson Holdings, Inc.:

We have audited the accompanying historical summary of gross income and direct operating expenses (Historical Summary) of 9320 Telstar Avenue (the Property) for the year ended December 31, 2010. This Historical Summary is the responsibility of the Property's management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in note 1. The presentation is not intended to be a complete presentation of the Property's gross income and direct operating expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in note 1 of 9320 Telstar Avenue for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Los Angeles, California

October 3, 2011

9320 TELSTAR AVENUE

Historical Summary of Gross Income and Direct Operating Expenses

Six-Months Ended June 30, 2011 (Unaudited) and

Year Ended December 31, 2010

| | Six-Months Ended June 30, 2011 (Unaudited) | Year Ended December 31, 2010 |
|-----------------------------------------------------|-----------------------------------------------------------|---------------------------------------------|
| Gross income: | | |
| Rent | \$ 1,996,000 | \$ 4,034,000 |
| Tenant recoveries | 223,000 | 629,000 |
| | 2,219,000 | 4,663,000 |
| Direct operating expenses: | | |
| Property taxes and insurance | 301,000 | 618,000 |
| Utilities | 239,000 | 612,000 |
| Property operating and maintenance | 196,000 | 378,000 |
| Management fees | 56,000 | 121,000 |
| Other | 9,000 | 17,000 |
| | 801,000 | 1,746,000 |
| Gross income in excess of direct operating expenses | \$ 1,418,000 | \$ 2,917,000 |

See accompanying notes to the historical summary of gross income and direct operating expenses.

9320 TELSTAR AVENUE

Notes to Historical Summary of Gross Income and Direct Operating Expenses

Six-Months Ended June 30, 2011 (Unaudited) and

Year Ended December 31, 2010

(1) Basis of Presentation

The historical summary of gross income and direct operating expenses relate to the operations of 9320 Telstar Avenue (the Property). The Property is an office building totaling approximately 247,000 rentable square feet, located in El Monte, California, in which Kennedy-Wilson Holdings, Inc. owns an equity interest in the entity that owns the Property.

The accompanying historical summary of gross income and direct operating expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and, accordingly, is not representative of the actual results of operations of the Property for the six months ended June 30, 2011 and the year ended December 31, 2010 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

Depreciation and amortization,

Mortgage interest expense since the Property was refinanced at the time of the change in ownership, and

Federal and state income taxes

Management is not aware of any material factors relating to the Property other than those already described above that would cause the reported financial information not to be necessarily indicative of future operating results, except as disclosed in note 4.

(2) Summary of Significant Accounting Policies

(a) Revenue recognition

Rental revenue from tenants is recognized on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset.

Tenant recoveries related to the reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. The reimbursements are recognized and presented gross, since the Company is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier, and bears the associated credit risk.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare statements of revenue and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

9320 TELSTAR AVENUE

Notes to Historical Summary of Gross Income and Direct Operating Expenses

Six-Months Ended June 30, 2011 (Unaudited) and

Year Ended December 31, 2010

(3) Minimum Future Lease Rentals

As of December 31, 2010, the minimum future cash rents receivable under noncancelable operating leases in each of the next five years are as follows:

| | |
|------|--------------|
| 2011 | \$ 3,086,000 |
| 2012 | 300,000 |
| 2013 | 300,000 |
| 2014 | 300,000 |
| 2015 | 293,000 |
| | \$ 4,279,000 |

Leases generally require reimbursement of the tenant's proportionate share of common area, real estate taxes and other operating expenses, which are excluded from the amounts above.

As of June 30, 2011, the Property was leased to two tenants, of which one tenant accounted for approximately 92.3% (unaudited) of base rental revenue for the six months then ended.

As of December 31, 2010, the Property was leased to two tenants, of which one tenant accounted for approximately 91.5% of base rental revenue for the year then ended.

(4) Future Operating Results

Due to the acquisition of the property in June 2011, it is anticipated that future property taxes will decrease approximately \$83,000 as a result of the property value reassessment.

(5) Subsequent Events

Management of the Property has evaluated subsequent events through the date these financial statements are available for issuance.

KENNEDY-WILSON HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA FINANCIAL INFORMATION

This pro forma information should be read in conjunction with the consolidated financial statements of Kennedy-Wilson Holdings, Inc. and its subsidiaries (the Company or our) included in the Company's Form 10-K for the fiscal year ended December 31, 2010 and the Company's Form 10-Q for the quarterly period ended June 30, 2011, as filed with the Securities and Exchange Commission.

A pro forma balance sheet is not presented since the acquisitions are already reflected in our historical balance sheet as of June 30, 2011.

The following unaudited pro forma consolidated statement of operations and comprehensive (loss) income of the Company for the year ended December 31, 2010 and the six months ended June 30, 2011 has been prepared to give effect to the acquisition of (1) 303-333 Hegenberger (Hegenberger), consisting of two suburban office properties totaling approximately 197,000 rentable square feet with surface parking, located in the airport submarket of Oakland, California and (2) 9320 Telstar Avenue (Telstar), consisting of an office building totaling approximately 247,000 rentable square feet, located in El Monte, California, in which the Company owns an equity interest in the entity that owns the Property. The pro forma consolidated statements of operations and comprehensive (loss) income assume that each acquisition had occurred on January 1, 2010.

These unaudited pro forma consolidated financial statements are presented for informational purposes only and should be read in conjunction with the historical financial statements of Hegenberger and Telstar and their related notes thereto included elsewhere in this filing. The adjustments to our pro forma consolidated financial statements are based on available information and assumptions that we consider reasonable. Our pro forma consolidated financial statements do not purport to represent (1) the results of our operations that would have actually occurred had the acquisition of Hegenberger and Telstar occurred on January 1, 2010 or (2) an estimate of the results of our operations as of any future date or for any future period, as applicable.

Kennedy Wilson Holdings, Inc.

Pro Forma Consolidated Statement of Operations and Comprehensive (Loss) Income

For the Six Months Ended June 30, 2011

| | Kennedy Wilson Holdings, Inc. (a) | Hegenberger | Telstar | Eliminations | Company Pro Forma |
|--------------------------------------------------------------------------------------------|--------------------------------------------|--------------------|----------------|----------------|----------------------|
| Revenue | | | | | |
| Management and leasing fees | \$ 4,795,000 | \$ | \$ | \$ | \$ 4,795,000 |
| Management and leasing fees related party | 5,162,000 | | | | 5,162,000 |
| Commissions | 3,513,000 | | | | 3,513,000 |
| Commissions related party | 1,657,000 | | | | 1,657,000 |
| Sale of real estate | 417,000 | | | | 417,000 |
| Rental and other income | 1,693,000 | 1,336,000 (b) | | | 3,029,000 |
| Total revenue | 17,237,000 | 1,336,000 | | | 18,573,000 |
| Operating expenses | | | | | |
| Commission and marketing expenses | 1,373,000 | | | | 1,373,000 |
| Compensation and related expenses | 16,089,000 | | | | 16,089,000 |
| Cost of real estate sold | 397,000 | | | | 397,000 |
| General and administrative | 5,853,000 | | | | 5,853,000 |
| Depreciation and amortization | 897,000 | 1,016,000 (c) | | | 1,913,000 |
| Rental operating expenses | 1,053,000 | 924,000 (b) | | | 1,977,000 |
| Total operating expenses | 25,662,000 | 1,940,000 | | | 27,602,000 |
| Equity in joint venture income (loss) | 7,807,000 | | 450,000 (f) | 594,000 (g) | 8,851,000 |
| Interest income from loan pool participations and notes receivable | 4,787,000 | | | | 4,787,000 |
| Operating income (loss) | 4,169,000 | (604,000) | 450,000 | 594,000 | 4,609,000 |
| Non-operating income (expense) | | | | | |
| Interest income | 190,000 | | | | 190,000 |
| Interest income related party | 477,000 | | | | 477,000 |
| Remeasurement gain | 6,348,000 | | | | 6,348,000 |
| Gain on extinguishment of debt | | | | | |
| Interest expense | (7,757,000) | (437,000) (d) | | | (8,194,000) |
| Income before provision for income taxes | 3,427,000 | (1,041,000) | 450,000 | 594,000 | 3,430,000 |
| (Provision for) benefit from income taxes | (835,000) | 414,000 (e) | (179,000) (e) | (236,000) (e) | (836,000) |
| Net income | 2,592,000 | (627,000) | 271,000 | 358,000 | 2,594,000 |
| Net income attributable to the noncontrolling interests | (1,337,000) | | | | (1,337,000) |
| Net income attributable to Kennedy-Wilson Holdings, Inc. | 1,255,000 | (627,000) | 271,000 | 358,000 | 1,257,000 |
| Preferred dividends and accretion of preferred stock issuance costs | (4,672,000) | | | | (4,672,000) |
| Net (loss) income attributable to Kennedy-Wilson Holdings, Inc. common shareholders | (3,417,000) | (627,000) | 271,000 | 358,000 | (3,415,000) |
| Other comprehensive income, net of tax | 207,000 | | | | 207,000 |

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| | | | | | |
|------------------------------------------|----------------|--------------|------------|------------|----------------|
| Total comprehensive (loss) income | \$ (3,210,000) | \$ (627,000) | \$ 271,000 | \$ 358,000 | \$ (3,208,000) |
|------------------------------------------|----------------|--------------|------------|------------|----------------|

Basic and diluted loss per share

| | | | | | |
|------------------------------------------------------------------------------------------|-----------|--|--|--|-----------|
| Basic and diluted loss attributable to Kennedy-Wilson Holdings, Inc. common shareholders | \$ (0.09) | | | | \$ (0.09) |
|------------------------------------------------------------------------------------------|-----------|--|--|--|-----------|

| | | | | | |
|------------------------------------------------------|------------|--|--|--|------------|
| Weighted average number of common shares outstanding | 39,015,395 | | | | 39,015,395 |
|------------------------------------------------------|------------|--|--|--|------------|

- (a) Reflects our historical consolidated statement of operations and comprehensive income (loss) for the six month period ended June 30, 2011, which is included in Kennedy-Wilson Holdings, Inc.'s previously filed Quarterly Report on Form 10-Q for the quarter ended June 30, 2011.
- (b) Pro forma results of Hegenberger, assuming the acquisition of Hegenberger had occurred on January 1, 2010. Hegenberger was acquired on June 28, 2011.
- (c) Depreciation and amortization includes \$137,000 of monthly amortization related to \$2,469,000 of in-place lease value recorded at acquisition.
- (d) Interest expense on Hegenberger mortgage payable of \$12,000,000 at a fixed rate of 6.75% per annum plus monthly amortization of deferred financing costs of \$5,000.
- (e) Combined U.S. federal statutory and State of California income tax rates of 39.8%.
- (f) Pro forma results of Telstar, which the Company has direct and indirect ownership interests in totaling 37.83% and is accounted for under the equity method, assuming the acquisition of Telstar had occurred on January 1, 2010. The equity method investment in Telstar was made on June 15, 2011.
- (g) Elimination of the equity in joint venture loss recorded by the Company related to its previous 5% indirect ownership in Hegenberger. \$556,000 of this loss relates to the loss on the sale of the entity when it was acquired by the Company.

Kennedy Wilson Holdings, Inc.

Pro Forma Consolidated Statement of Operations and Comprehensive (Loss) Income

For the Year Ended December 31, 2010

| | Kennedy Wilson Holdings, Inc. (a) | Hegenberger | Telstar | Eliminations | Company Pro Forma |
|--------------------------------------------------------------------|--------------------------------------------|--------------------|----------------|---------------|-------------------------|
| Revenue | | | | | |
| Management and leasing fees | \$ 8,913,000 | \$ | \$ | \$ | \$ 8,913,000 |
| Management and leasing fees related party | 12,417,000 | | | | 12,417,000 |
| Commissions | 6,359,000 | | | | 6,359,000 |
| Commissions related party | 5,375,000 | | | | 5,375,000 |
| Sale of real estate | 3,937,000 | | | | 3,937,000 |
| Sale of real estate related party | 9,535,000 | | | | 9,535,000 |
| Rental and other income | 4,000,000 | 2,613,000 | (b) | | 6,613,000 |
| Total revenue | 50,536,000 | 2,613,000 | | | 53,149,000 |
| Operating expenses | | | | | |
| Commission and marketing expenses | 3,186,000 | | | | 3,186,000 |
| Compensation and related expenses | 38,155,000 | | | | 38,155,000 |
| Merger-related compensation and related expenses | 2,225,000 | | | | 2,225,000 |
| Cost of real estate sold | 2,714,000 | | | | 2,714,000 |
| Cost of real estate sold related party | 8,812,000 | | | | 8,812,000 |
| General and administrative | 11,314,000 | | | | 11,314,000 |
| Depreciation and amortization | 1,618,000 | 2,032,000 | (c) | | 3,650,000 |
| Rental operating expenses | 1,913,000 | 1,876,000 | (b) | | 3,789,000 |
| Total operating expenses | 69,937,000 | 3,908,000 | | | 73,845,000 |
| Equity in joint venture income (loss) | 10,548,000 | | 611,000 | (f) 75,000 | (g) 11,234,000 |
| Interest income from loan pool participations and notes receivable | 11,855,000 | | | | 11,855,000 |
| Operating income (loss) | 3,002,000 | (1,295,000) | 611,000 | 75,000 | 2,393,000 |
| Non-operating income (expense) | | | | | |
| Interest income | 192,000 | | | | 192,000 |
| Interest income related party | 662,000 | | | | 662,000 |
| Remeasurement gain | 2,108,000 | | | | 2,108,000 |
| Gain on extinguishment of mortgage debt | 16,670,000 | | | | 16,670,000 |
| Loss on early extinguishment of corporate debt | (4,788,000) | | | | (4,788,000) |
| Interest expense | (7,634,000) | (869,000) | (d) | | (8,503,000) |
| Income before provision for income taxes | 10,212,000 | (2,164,000) | 611,000 | 75,000 | 8,734,000 |
| (Provision for) benefit from income taxes | (3,727,000) | 861,000 | (e) (243,000) | (e) (30,000) | (e) (3,139,000) |
| Net income | 6,485,000 | (1,303,000) | 368,000 | 45,000 | 5,595,000 |
| Net income attributable to the noncontrolling interests | (2,979,000) | | | | (2,979,000) |
| Net income attributable to Kennedy-Wilson Holdings, Inc. | 3,506,000 | (1,303,000) | 368,000 | 45,000 | 2,616,000 |
| | (4,558,000) | | | | (4,558,000) |

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Preferred dividends and accretion of preferred stock issuance costs

Net (loss) income attributable to

Kennedy-Wilson Holdings, Inc. common shareholders

| | | | | | |
|----------------------------------------|-------------|-------------|---------|--------|-------------|
| | (1,052,000) | (1,303,000) | 368,000 | 45,000 | (1,942,000) |
| Other comprehensive income, net of tax | 6,440,000 | | | | 6,440,000 |

| | | | | | |
|------------------------------------------|--------------|----------------|------------|-----------|--------------|
| Total comprehensive (loss) income | \$ 5,388,000 | \$ (1,303,000) | \$ 368,000 | \$ 45,000 | \$ 4,498,000 |
|------------------------------------------|--------------|----------------|------------|-----------|--------------|

Basic and diluted loss per share

Basic and diluted loss attributable to

Kennedy-Wilson Holdings, Inc. common shareholders

| | | | | |
|--|-----------|--|--|-----------|
| | \$ (0.03) | | | \$ (0.05) |
|--|-----------|--|--|-----------|

Weighted average number of common

shares outstanding

| | | | | |
|--|------------|--|--|------------|
| | 38,978,272 | | | 38,978,272 |
|--|------------|--|--|------------|

- (a) Reflects our historical consolidated statement of operations and comprehensive income (loss) for the year ended December 31, 2010, which is included in Kennedy-Wilson Holdings, Inc.'s previously filed Annual Report on Form 10-K for the year ended December 31, 2010.
- (b) Pro forma results of Hegenberger, assuming the acquisition of Hegenberger had occurred on January 1, 2010. Hegenberger was acquired on June 28, 2011.
- (c) Depreciation and amortization includes \$137,000 of monthly amortization related to \$2,469,000 of in-place lease value recorded at acquisition.
- (d) Interest expense on Hegenberger mortgage payable of \$12,000,000 at a fixed rate of 6.75% per annum plus monthly amortization of deferred financing costs of \$5,000.

- (e) Combined U.S. federal statutory and State of California income tax rates of 39.8%.
- (f) Pro forma results of Telstar, which the Company has direct and indirect ownership interests in totaling 37.83% and is accounted for under the equity method, assuming the acquisition of Telstar had occurred on January 1, 2010. The equity method investment in Telstar was made on June 15, 2011.
- (g) Elimination of the equity in joint venture loss recorded by the Company related to its previous 5% indirect ownership in Hegenberger.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

KENNEDY-WILSON HOLDINGS, INC.

By: /s/ FREEMAN A. LYLE
Freeman A. Lyle
Chief Financial Officer

Date: October 3, 2011