LIFETIME BRANDS, INC
Form 4
August 14, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
SIEGEL DANIEL

(Last) (First) (Middle)

C/O LIFETIME BRANDS, INC., 1000 STEWART AVENUE

(Street)

GARDEN CITY, NY 11530

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LIFETIME BRANDS, INC [LCUT]

3. Date of Earliest Transaction (Month/Day/Year)
08/12/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/12/2014		M		1,000	A	$ 2.19	292,863	D	
Common Stock	08/12/2014		S		1,000	D	$ 17.3362	291,863	D	
Common Stock	08/13/2014		M		52	A	$ 2.19	291,915	D	
Common Stock	08/13/2014		S		52	D	$ 17.4905	291,863	D	
Common Stock	08/13/2014		M		4,948	A	$ 10.79	296,811	D	

Common Stock	08/13/2014		S	4,948	D	$ 17.4905	291,863	D	
Common Stock							6,000	I	Trustee (1)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8 D S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Employee Stock Option	$ 2.19	08/12/2014		M			1,000	(2)	04/02/2019	Common Stock	1,000	
Employee Stock Option	$ 2.19	08/13/2014		M			52	(2)	04/02/2019	Common Stock	52	
Employee Stock Option	$ 10.79	08/13/2014		M			4,948	(3)	06/15/2021	Common Stock	4,948	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SIEGEL DANIEL C/O LIFETIME BRANDS, INC. 1000 STEWART AVENUE GARDEN CITY, NY 11530			President	

Signatures

/s/ Daniel Siegel	08/14/2014
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Reporting person is trustee for a trust for the benefit of Katherine & Juliana Wells.

(2) The options vested and became exercisable in four equal installments on each of April 3, 2010, 2011, 2012 and 2013.

(3) The options vest and become exercisable in four equal installments on each of June 16, 2012, 2013, 2014 and 2015.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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NOTE 19 EMPLOYEE BENEFIT ARRANGEMENTS

Kennedy-Wilson has a qualified plan under the provisions of Section 401(k) of the Internal Revenue Code. Under this plan, participants are able to make salary deferral contributions of up to 15% of their total compensation, up to a specified maximum. The 401(k) plan also includes provisions which authorize Kennedy-Wilson to make discretionary contributions. During 2008, 2007, and 2006, Kennedy-Wilson made matching contributions of $6,000, $100,000, and $71,000, respectively, to this plan and is included in compensation and related expenses in the accompanying consolidated statements of income and comprehensive income.

NOTE 20 SALE OF MINORITY INTEREST

In 2006, Kennedy-Wilson sold a 20% interest in its wholly-owned apartment management division to Kenedix, Inc., a Japanese real estate company, for $9 million. A gain on the sale in the amount of $7,060,000 was recognized after deduction of related expenses.

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2008, 2007 and 2006

NOTE 21 EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Year ended December 31,		
	2008	**2007**	**2006**
Income from continuing operations	$ 613,000	$ 6,596,000	$ 5,955,000
Income from discontinued operations, net of tax		2,797,000	
Less: Preferred stock dividend	(2,264,000)		
Net (loss) income available to common stockholders	$(1,651,000)	$ 9,393,000	$ 5,955,000
Basic (loss) earnings per share:			
(Loss) income from continuing operations	$ (0.32)	$ 1.30	$ 1.23
Income from discontinued operations, net of tax		0.55	
	$ (0.32)	$ 1.85	$ 1.23
Weighted average common shares	5,119,684	5,063,949	4,840,963
Diluted earnings per share:			
(Loss) income from continuing operations	$ (0.32)	$ 1.17	$ 1.07
Income from discontinued operations, net of tax		0.50	
	$ (0.32)	$ 1.67	$ 1.07
Weighted average common shares	5,119,684	5,063,949	4,840,963
Options and warrants		10,243	100,333
Non-vested stock		547,610	616,791
Total diluted shares	5,119,684	5,621,802	5,558,087

The dilutive shares from convertible preferred stock, convertible subordinated debt, options and non-vested stock have not been included in the diluted weighted average shares as Kennedy-Wilson has a net loss available to common stockholders. There were a total of 1,281,070 dilutive securities as of December 31, 2008.

NOTE 22 SEGMENT INFORMATION

Kennedy-Wilson's business activities currently consist of services and various types of real estate investments. Kennedy-Wilson's segment disclosure with respect to the determination of segment profit or loss and segment assets is based on these services and its various investments.

SERVICES Kennedy-Wilson provides a full range of commercial and residential real estate services. These services include property management, leasing, brokerage, asset management, and various other specialized commercial and residential real estate services.

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2008, 2007 and 2006

NOTE 22 SEGMENT INFORMATION (Continued)

INVESTMENTS With joint venture partners and on its own, Kennedy-Wilson invests in commercial and residential real estate which Kennedy-Wilson believes value may be added through Kennedy-Wilson's expertise or opportunistic investing. Kennedy-Wilson's current real estate portfolio focuses on commercial buildings and multiple-family residences.

Substantially all of the management fees and commissions related party revenues were generated via intersegment activity for the years ended December 31, 2008, 2007 and 2006. The amounts representing investments with related parties and non-affiliates are included in the investment segment. No single external customer provided Kennedy-Wilson with 10% or more of its revenues during any period presented in these financial statements.

The following tables summarize the income and expense activity by segment for the year ended December 31, 2008 and total assets as of December 31, 2008.

	Services	Investments	Corporate	Consolidated
Management fees and commissions	$ 16,577,000	$	$	$ 16,577,000
Management fees and commissions related party	12,675,000			12,675,000
Rental and sales revenue		2,409,000		2,409,000
Other income		564,000		564,000
Total revenue	29,252,000	2,973,000		32,225,000
Depreciation and amortization	(83,000)	(683,000)	(154,000)	(920,000)
Operating expenses	(23,910,000)	(2,195,000)	(5,546,000)	(31,651,000)
Total operating expenses	(23,993,000)	(2,878,000)	(5,700,000)	(32,571,000)
Equity in joint venture income		10,097,000		10,097,000
Total operating income (loss)	5,259,000	10,192,000	(5,700,000)	9,751,000
Interest income			221,000	221,000
Interest income related party			341,000	341,000
Interest expense		(1,974,000)	(6,622,000)	(8,596,000)
Other than temporary impairment on available for sale security			(445,000)	(445,000)
Income (loss) before provision for income taxes	$ 5,259,000	$ 8,218,000	(12,205,000)	1,272,000
Provision for income taxes			(605,000)	(605,000)
Net income			$ (12,810,000)	$ 667,000
Total assets	$ 39,791,000	$ 175,368,000	$ 40,724,000	$ 255,883,000
Expenditures for long lived assets	$	$ 41,460,000	$	$ 41,460,000

All of the revenues included in the table above are attributable to the United States, except for $198,000 in rental and sales revenue that is attributable to Japan. This rental and sales revenue was

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2008, 2007 and 2006

NOTE 22 SEGMENT INFORMATION (Continued)

generated from the office building in Japan that had a carrying value of $8,428,000 as of December 31, 2008. The only other activity outside the United States is conducted through Kennedy-Wilson's equity method investment KW Residential LLC (See Note 6).

The following tables summarize the income and expense activity by segment for the year ended December 31, 2007 and total assets as of December 31, 2007.

	Services	Investments	Corporate	Consolidated
Management fees and commissions	$ 14,093,000	$	$	$ 14,093,000
Management fees and commissions related party	19,202,000			19,202,000
Rental and sales revenue		98,000		98,000
Total revenue	33,295,000	98,000		33,393,000
Depreciation and amortization	(351,000)	(22,000)	(132,000)	(505,000)
Operating expenses	(22,663,000)	(481,000)	(19,531,000)	(42,675,000)
Total operating expenses	(23,014,000)	(503,000)	(19,663,000)	(43,180,000)
Equity in joint venture income		27,433,000		27,433,000
Total operating income (loss)	10,281,000	27,028,000	(19,663,000)	17,646,000
Interest income			487,000	487,000
Interest income related party			378,000	378,000
Interest expense		(333,000)	(4,757,000)	(5,090,000)
Income (loss) before provision for income taxes	$ 10,281,000	26,695,000	(23,555,000)	13,421,000
Provision for income taxes			(4,384,000)	(4,384,000)
Income (loss) from continuing operations			(27,939,000)	9,037,000
Income from discontinued operations, net of tax		2,797,000		2,797,000
Net income		$ 29,492,000	$ (27,939,000)	$ 11,834,000
Total assets	$ 45,053,000	$ 66,552,000	$ 34,209,000	$ 145,814,000
Expenditures for long lived assets	$	$ 38,458,000	$	$ 38,458,000

The only activity outside the United States is conducted through Kennedy-Wilson's equity method investment KW Residential LLC (See Note 6).

Explanation of Responses:

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2008, 2007 and 2006

NOTE 22 SEGMENT INFORMATION (Continued)

The following tables summarize the income and expense activity by segment for the year ended December 31, 2006 and total assets as of December 31, 2006.

	Services	Investments	Corporate	Consolidated
Management fees and commissions	$ 10,452,000	$	$	$ 10,452,000
Management fees and commissions related party	16,046,000			16,046,000
Total revenue	26,498,000			26,498,000
Depreciation and amortization	(327,000)		(361,000)	(688,000)
Operating expenses	(18,604,000)	(1,482,000)	(13,832,000)	(33,918,000)
Total Operating Expenses	(18,931,000)	(1,482,000)	(14,193,000)	(34,606,000)
Equity in joint venture income		14,689,000		14,689,000
Total operating income (loss)	7,567,000	13,207,000	(14,193,000)	6,581,000
Interest income		503,000	58,000	561,000
Interest income related parties			85,000	85,000
Gain on sale of asset			7,060,000	7,060,000
Interest expense		(569,000)	(2,614,000)	(3,183,000)
Income (loss) before provision for income taxes	$ 7,567,000	$ 13,141,000	(9,604,000)	11,104,000
Provision for income taxes			(4,563,000)	(4,563,000)
Net income			$ (14,167,000)	$ 6,541,000
Total assets	$ 37,748,000	$ 51,825,000	$ 18,173,000	$ 107,746,000
Expenditures for long lived assets	$	$ 7,637,000	$	$ 7,637,000

The only activity outside the United States is conducted through Kennedy-Wilson's equity method investment KW Residential LLC (See Note 6).

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

December 31, 2008, 2007 and 2006

NOTE 23 UNAUDITED QUARTERLY INFORMATION

Year ended December 31, 2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 6,601,000	$ 9,906,000	$ 8,158,000	$ 7,560,000
Operating expenses	6,357,000	8,366,000	7,995,000	9,853,000
Equity in joint venture income (loss)	1,317,000	216,000	4,130,000	4,434,000
Operating income	1,561,000	1,756,000	4,293,000	2,141,000
Non-operating income (expense)	(1,163,000)	(1,732,000)	(2,254,000)	(3,330,000)
Income (loss) before provision for income taxes	398,000	24,000	2,039,000	(1,189,000)
(Provision for) benefit from income taxes	(177,000)	(11,000)	(738,000)	321,000
Net income (loss)	$ 221,000	$ 13,000	$ 1,301,000	$ (868,000)
Basic earnings (loss) per share	$ 0.04	$ (0.07)	$ 0.07	$ (0.15)
Diluted earnings (loss) per share	$ 0.04	$ (0.07)	$ 0.07	$ (0.15)

Year ended December 31, 2007	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	$ 6,479,000	$ 10,772,000	$ 8,383,000	$ 7,759,000
Operating expenses	6,612,000	8,147,000	8,156,000	20,265,000
Equity in joint venture (loss) income	(86,000)	3,575,000	2,256,000	21,688,000
Operating (loss) income	(219,000)	6,200,000	2,483,000	9,182,000
Non-operating expense	(853,000)	(1,056,000)	(1,090,000)	(1,226,000)
(Loss) income before provision for income taxes	(1,072,000)	5,144,000	1,393,000	7,956,000
(Provision for) benefit from income taxes	560,000	(2,028,000)	(479,000)	(2,437,000)
(Loss) income from continuing operations	(512,000)	3,116,000	914,000	5,519,000
(Loss) income from discontinued operations, net of tax	(86,000)	(180,000)	1,000	3,062,000
Net (loss) income	$ (598,000)	$ 2,936,000	$ 915,000	$ 8,581,000
Basic (loss) earnings per share:				
(Loss) income from continuing operations	$ (0.15)	$ 0.64	$ 0.14	$ 0.67
(Loss) income from discontinued operations	(0.02)	(0.04)		0.60
	$ (0.17)	$ 0.60	$ 0.14	$ 1.27

Diluted (loss) earnings per share:				
(Loss) income from continuing operations	$ (0.15)	$ 0.57	$ 0.13	$ 0.61
(Loss) income from discontinued operations	(0.02)	(0.03)		0.55
	$ (0.17)	$ 0.54	$ 0.13	$ 1.16

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Kennedy-Wilson, Inc. and Subsidiaries

Consolidated Balance Sheets

	June 30, 2009 (Unaudited)	December 31, 2008
Assets		
Cash and cash equivalents	$ 16,206,000	$ 25,831,000
Accounts and notes receivable	14,358,000	9,548,000
Income tax receivable		1,414,000
Investment in real estate available for sale	34,260,000	
Investments in real estate, net	40,618,000	48,727,000
Investments in joint ventures ($15,263,000 and $15,088,000 carried at fair value as of June 30, 2009 and December 31, 2008, respectively)	147,581,000	142,188,000
Goodwill and other assets	30,393,000	28,175,000
Total assets	$283,416,000	$255,883,000
Liabilities and equity		
Liabilities		
Accounts payable and other liabilities	$ 19,050,000	$ 18,658,000
Mortgage loans payable on real estate held for sale	26,115,000	
Line of credit, notes payable, mortgages and other long-term debt	134,285,000	131,423,000
Total liabilities	179,450,000	150,081,000
Equity		
Convertible preferred stock, $0.01 par value: 5,000,000 shares authorized, 53,000 shares issued and outstanding as of December 31, 2008. The preferred stock is mandatorily convertible to common stock on the third anniversary from issue date of September 2008	1,000	1,000
Common stock, $0.01 par value: 50,000,000 shares authorized; 5,387,997 and 5,466,150 shares issued as of June 30, 2009 and December 31, 2008, respectively	54,000	55,000
Other stockholders' equity	98,042,000	105,495,000
Total Kennedy-Wilson stockholders' equity	98,097,000	105,551,000
Noncontrolling interests	5,869,000	251,000
Total equity	103,966,000	105,802,000
Total liabilities and equity	$283,416,000	$255,883,000

See accompanying notes to consolidated financial statements.

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Kennedy-Wilson, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

	Six months ended June 30,	
	2009	**2008**
Revenue		
Gross revenues	$ 19,300,000	$ 16,473,000
Operating expenses		
Costs and expenses related to revenue	17,918,000	11,096,000
General, administrative, depreciation and amortization	2,684,000	3,627,000
Total operating expense	20,602,000	14,723,000
Equity in joint venture (loss) income	(461,000)	1,533,000
Total operating income	(1,763,000)	3,283,000
Non-operating income (expense)		
Interest income	182,000	542,000
Interest expense	(5,061,000)	(3,403,000)
Other than temporary impairment on available-for-sale security	(323,000)	
(Loss) income before provision for income taxes	(6,965,000)	422,000
Benefit from (provision for) income taxes	2,215,000	(188,000)
Net (loss) income	(4,750,000)	234,000
Net loss (income) attributable to the noncontrolling interest	267,000	(50,000)
Preferred stock dividends and accretion of beneficial conversion feature	(1,964,000)	(394,000)
Net loss attributable to Kennedy-Wilson common stockholders	(6,447,000)	(210,000)
Other comprehensive income, net of tax	117,000	
Total comprehensive loss attributable to Kennedy-Wilson common stockholders	$ (6,330,000)	$ (210,000)
Basic (loss) earnings per share:		
Net (loss) income attributable to Kennedy-Wilson common stockholders	$ (1.24)	$ (0.04)
Weighted average number of common shares outstanding basic	5,195,273	5,098,855
Diluted (loss) earnings per share:		
Net (loss) income attributable to Kennedy-Wilson common stockholders	$ (1.24)	$ (0.04)
Weighted average number of common shares outstanding diluted	5,195,273	5,098,855

See accompanying notes to consolidated financial statements.

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Kennedy-Wilson, Inc. and Subsidiaries

Consolidated Statement of Equity

(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Noncontrolling	
	Shares	Amount	Shares	Amount	Capital	Earnings	Loss	Interests	Total
Balance, January 1, 2008		$	5,619,224	$ 56,000	$ 9,921,000	$ 47,118,000	$ (238,000)	$ 219,000	$ 57,076,000
Issuance of preferred stock	53,000	1,000			52,353,000				52,354,000
Issuance of common stock exercise of stock options			11,250	1,000	92,000				93,000
Repurchase of common stock			(164,324)	(2,000)	(6,168,000)				(6,170,000)
Amortization of equity compensation					1,015,000				1,015,000
Discount on convertible subordinated debt					2,813,000				2,813,000
Other comprehensive loss:									
Foreign currency translation							240,000		240,000
Dividends paid preferred stock						(2,264,000)			(2,264,000)
Net income						613,000		54,000	667,000
Contributions from noncontrolling interests								482,000	482,000
Distributions to noncontrolling interests								(504,000)	(504,000)
Balance, December 31, 2008	53,000	1,000	5,466,150	55,000	60,026,000	45,467,000	2,000	251,000	105,802,000
Issuance of common stock exercise of stock options			540		5,000				5,000
Repurchase of common stock			(78,693)	(1,000)	(2,393,000)				(2,394,000)
Amortization of equity compensation					507,000				507,000
Stock compensation expense					650,000				650,000
Other comprehensive loss:									
Foreign currency translation							(77,000)		(77,000)
Unrealized loss on marketable security, net of tax							194,000		194,000
Dividends paid and accrued preferred stock						(1,856,000)			(1,856,000)
Accretion of preferred stock beneficial conversion					108,000	(108,000)			
Net income (loss)						(4,483,000)		(267,000)	(4,750,000)
Contributions from noncontrolling interests								5,885,000	5,885,000
Distributions to noncontrolling interests									
Balance, June 30, 2009 (unaudited)	53,000	$ 1,000	5,387,997	$ 54,000	$ 58,903,000	$ 39,020,000	$ 119,000	$ 5,869,000	$ 103,966,000

See accompanying notes to consolidated financial statements.

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Kennedy-Wilson, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Six months ended June 30, 2009 and 2008

(Unaudited)

	Six months ended June 30,	
	2009	**2008**
Net cash used in operating activities	$ (3,009,000)	$ (13,021,000)
Cash flows from investing activities:		
Additions to notes receivable related party	(2,663,000)	
Net proceeds from sale of real estate	6,368,000	
Purchases of and additions to real estate	(34,869,000)	(27,976,000)
Capital distributions from joint ventures	404,000	8,136,000
Contributions to joint ventures	(7,533,000)	(55,187,000)
Other	(198,000)	28,000
Net cash used in investing activities	(38,491,000)	(74,999,000)
Cash flow from financing activities:		
Borrowings under notes payable	9,000,000	20,450,000
Repayment of notes payable	(16,188,000)	(5,973,000)
Borrowings under lines of credit	12,500,000	13,000,000
Repayment of lines of credit		(18,000,000)
Borrowings under mortgage loans payable	30,286,000	23,290,000
Repayment of mortgage loans payable	(4,738,000)	(2,911,000)
Debt issue costs	(625,000)	(1,009,000)
Issuance of preferred stock		51,951,000
Issuance of common stock	5,000	
Repurchase of common stock	(2,394,000)	(2,909,000)
Dividends paid preferred stock	(1,856,000)	(394,000)
Contributions from (distributions to) noncontrolling interests	5,885,000	(200,000)
Net cash provided by financing activities	31,875,000	77,295,000
Net decrease in cash and cash equivalents	(9,625,000)	(10,725,000)
Cash and cash equivalents, beginning of year	25,831,000	24,248,000
Cash and cash equivalents, end of year	$ 16,206,000	$ 13,523,000

Non-Cash Items

In 2008, Kennedy-Wilson converted notes receivable from various executives and directors of Kennedy-Wilson related to a joint venture investment in Japan into equity in the Japanese joint venture resulting in an increase in investments in joint ventures of $4,397,000 and a decrease in notes receivable of $4,397,000.

In 2009, the debt on a piece of land that was sold was assumed by the buyer resulting in a decrease of proceeds from the sale of real estate of $2,025,000 and reduction of repayment of mortgage loans payable of $2,025,000.

At June 30, 2009, $809,000 of preferred dividends were declared and not paid resulting in an increase in accured expenses and other liabilities.

See accompanying notes to consolidated financial statements.

Explanation of Responses:

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

Kennedy-Wilson's unaudited interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles used in the preparation of its annual financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of Kennedy-Wilson, all adjustments, consisting of only normal and recurring items, necessary for a fair presentation of the results of operations for the six-month periods ended June 30, 2009 and 2008 have been included. The results of operations for six months ended June 30, 2009 are not necessarily indicative of results that might be expected for the full year ended December 31, 2009. For further information, your attention is directed to the footnote disclosures found in Kennedy-Wilson's 2008 Financial Statements.

The consolidated financial statements include the accounts of Kennedy-Wilson and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. In addition, Kennedy-Wilson evaluates its relationships with other entities to identify whether they are variable interest entities as defined by FASB Interpretation No. 46 (revised December 2003) *Consolidation of Variable Interest Entities* ("FIN 46R") and to assess whether it is the primary beneficiary of such entities. If the determination is made that Kennedy-Wilson is the primary beneficiary, then that entity is included in the consolidated financial statements in accordance with FIN 46R.

The ownership of the other interest holders of consolidated subsidiaries is reflected as noncontrolling interests. The preparation of the accompanying consolidated financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosure about contingent assets and liabilities, and reported amounts of revenues and expenses. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Kennedy-Wilson acquired a condominium project located in Los Angeles, California. The Project was purchased for the purposes of resale and was classified as held for sale at the date of acquisition. Management having the authority has committed to a plan of disposal and is actively marketing the property and expects to dispose of all of the condominium units within one year.

Kennedy-Wilson has evaluated all subsequent events through the date of the filing of this form S-4.

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the FASB issued FASB Statement No. 141(R), *Business Combinations*. Statement 141(R) requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at "full fair value" and require noncontrolling interests (previously referred to as minority interests) to be reported as a component of equity, which changes the accounting for transactions with noncontrolling interest holders. Statement 141(R) is effective for periods beginning on or after December 15, 2008, and earlier adoption is prohibited. FASB No. 141(R) was adopted on January 1, 2009, and there was no material impact to the accompanying consolidated financial statements.

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

June 30, 2009 and 2008

(Unaudited)

NOTE 2 RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In April 2008, the FASB issued FASB Staff Position FAS 142-3, "Determination of the Useful Life of Intangible Assets." FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under Statement 142. FSP FAS 142-3 was adopted on January 1, 2009, and there is no material impact to the accompanying consolidated financial statements.

In November 2008, the FASB's Emerging Issues Task Force reached a consensus on EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations". EITF 08-6 continues to follow the accounting for the initial carrying value of equity method investments in APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock,* which is based on a cost accumulation model and generally excludes contingent consideration. EITF 08-6 also specifies that other-than-temporary impairment testing by the investor should be performed at the investment level and that a separate impairment assessment of the underlying assets is not required. An impairment charge by the investee should result in an adjustment of the investor's basis of the impaired asset for the investor's pro-rata share of such impairment. In addition, EITF 08-6 reached a consensus on how to account for an issuance of shares by an investee that reduces the investor's ownership share of the investee. An investor should account for such transactions as if it had sold a proportionate share of its investment with any gains or losses recorded through earnings. EITF 08-6 also addresses the accounting for a change in an investment from the equity method to the cost method after adoption of Statement 160. EITF 08-6 affirms the existing guidance in APB 18, which requires cessation of the equity method of accounting and application of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* or the cost method under APB 18, as appropriate. EITF 08-6 was adopted on January 1, 2009, and did not materially impact Kennedy-Wilson's financial position or results of operations.

NOTE 3 GUARANTEES

Kennedy-Wilson has certain guarantees associated with loans secured by assets held in various joint venture partnerships. The maximum potential amount of future payments (undiscounted) Kennedy-Wilson could be required to make under the guarantees was approximately $69 million and $46 million at June 30, 2009 and December 31, 2008, respectively. The guarantees expire through 2011 and Kennedy-Wilson's performance under the guarantees would be required to the extent there is a shortfall in liquidation between the principal amount of the loan and the net sales proceeds of the property. Based upon Kennedy-Wilson's evaluation of guarantees under FIN 45, the estimated fair value of guarantees made as of June 30, 2009 is immaterial.

NOTE 4 INVESTMENT IN REAL ESTATE

Kennedy-Wilson disposed of residential land with a historical cost basis of $5.7 million during the six month period ended June 30, 2009 for a gain of $0.5 million. Kennedy-Wilson has continuing involvement with the property and as a result has not included this transaction in discontinued operations. Additionally, a condominium project was acquired for $33 million and is presented as real estate held for sale.

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

June 30, 2009 and 2008

(Unaudited)

NOTE 5 INVESTMENTS IN JOINT VENTURES

Kennedy-Wilson has a number of joint venture interests, with ownership generally ranging from 5% to 50%, which were formed to acquire, manage, develop and/or sell real estate. Kennedy-Wilson has significant influence over these entities, but not voting or other control and accordingly, these investments are accounted for under the equity method.

During the six months ended June 30, 2009, Kennedy-Wilson made contributions to joint ventures totalling $6.7 million, received distributions from joint ventures of $0.9 million, and recorded equity in joint ventures losses of $0.5 million.

NOTE 6 FAIR VALUE MEASUREMENTS AND THE FAIR VALUE OPTION

FAIR VALUE MEASUREMENTS

The following table presents fair value measurements (including items that are required to be measured at fair value and items for which the fair value option has been elected) as of June 30, 2009 classified according to the Statement 157 valuation hierarchy:

	Level 1	Level 2	Level 3	Total
Available-for-sale security	$28,000	$	$	$ 28,000
Investment in joint ventures			15,235,000	15,235,000
	$28,000	$	$15,235,000	$15,263,000

The following table presents changes in Level 3 investments for the six months ended June 30, 2009:

	December 31, 2008	Net Purchases or sales	Realized gains or losses	Unrealized appreciation or (depreciation)	Net transfers in or out of Level 3	Total
Investment in joint ventures	$ 15,088,00	$ 75,000	$	$ 72,000	$	$15,235,000

Kennedy-Wilson has an investment in an investment company (the "Fund") and records its investment based on the amount of net assets that would be allocated to its interests in the Fund assuming the Fund was to liquidate its investments at fair value. The investment company reports its investments in real estate at fair value based on valuations of the underlying real estate holdings and indebtedness securing the real estate. The indebtedness securing the real estate and the investments in debt securities were valued, in part, by a third party valuation firm also using an income approach. During the six months ended June 30, 2009, Kennedy-Wilson made contributions to the joint venture of $0.2 million, received distributions from the joint venture of $0.1 million, and recorded equity in the joint venture's income of $0.1 million. Kennedy-Wilson's investment balance in the Fund was $2,569,000 at June 30, 2009.

FAIR VALUE OPTION Kennedy-Wilson has elected the fair value option for two investments in joint venture entities that were acquired during 2008. The first investment in joint venture has a partial interest in a condominium development located in Richmond, California that was acquired from the developer in June of 2008. The developer retained an ownership interest in the condominium project that is subordinated to all of the other ownership interests in the entity that holds the fee simple interest in the real estate. The second investment in joint venture has a partial ownership interest in an

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

June 30, 2009 and 2008

(Unaudited)

NOTE 6 FAIR VALUE MEASUREMENTS AND THE FAIR VALUE OPTION (Continued)

entity that has two investments. The first investment is a partial interest in the same condominium development as the first investment in joint venture and the second is an interest in an office building located in San Francisco, California. Kennedy-Wilson elected to record these investments at fair value to more accurately reflect the timing of the value created in the underlying investments and report those results in current operations. Kennedy-Wilson does not believe the other investments in joint ventures will demonstrate these characteristics. Kennedy-Wilson determines the fair value of these investments based upon the income approach, utilizing estimates of future cash flows, discount rates and liquidity risks. As of June 30, 2009, investments for which fair value treatment was elected under SFAS 159 totaled $12,665,000.

NOTE 7 MORTGAGE LOANS PAYABLE ON REAL ESTATE HELD FOR SALE

During the six month period ended June 30, 2009 Kennedy-Wilson entered into two mortgage loans payable totaling $26.1 million that bear interest at 9% and 15%. The mortgage loans are secured by 149 condominium units. Kennedy-Wilson also repaid two mortgage loans totaling $6.0 million.

NOTE 8 LINE OF CREDIT, MORTGAGE AND OTHER LONG-TERM DEBT

During the six month period ended June 30, 2009 Kennedy-Wilson borrowed an additional $12.5 million from its line of credit which bears interest from prime to prime plus 0.50% or, at the borrower's option, LIBOR plus 2.50% to LIBOR plus 3.00%, bringing the outstanding balance to $26.0 million as of June 30, 2009.

During the six month period ended June 30, 2009, two loans totaling $16.2 million, which bore interest at 12% and 14% as of December 31, 2008 were repaid. Kennedy-Wilson entered into two new loans totaling $9.0 million with Pacific Western bank and both bear interest at the lender's base lending rate, which was 4% at June 30, 2009.

NOTE 9 RELATED PARTY TRANSACTIONS

For the six months ended June 30, 2009, the firm of Kulik, Gottesman & Mouton Ltd. was paid $112,000 for legal services provided by the firm and $9,000 for director's fees for Kent Mouton, a partner in the firm and a member of Kennedy-Wilson's board of directors, respectively. For the six months ended June 30, 2008 the amounts were $143,000 and $15,000, respectively.

The firm of Solomon, Winnett & Rosenfield was paid $52,000 and $97,000 for income tax services provided by the firm during the six months ended June 30, 2009 and 2008, respectively. Jerry Solomon is a partner in the firm and a member of Kennedy-Wilson's board of directors. For the six months ended June 30, 2009 and 2008, Mr. Solomon was paid director's fees in the amounts of $7,000 and $14,500, respectively.

NOTE 10 CAPITAL STOCK TRANSACTIONS

During the six month period ended June 30, 2009 Kennedy-Wilson repurchased approximately 79,000 of its common shares for total consideration of approximately $2.4 million.

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

June 30, 2009 and 2008

(Unaudited)

NOTE 11 EMPLOYEE BENEFIT ARRANGEMENTS

During 2009, Kennedy-Wilson adopted the 2009 Equity Participation Plan (the "Plan") which allows for the grant of up to 750,000 shares of common stock. On March 25, 2009, Kennedy-Wilson granted 375,000 performance awards and 375,000 service awards with an exercise price of $30 that was equal to the fair value on the date of grant. The performance and service awards vest ratably over a seven year period and are settled in shares of common stock of Kennedy-Wilson. The option awards expire at the end of ten year. The Plan allows participates to settle vested awards with cash, a full recourse note, or net share settlement. Kennedy-Wilson has determined the compensation expense to be recorded under the Plan using the Black-Scholes-Merton option pricing model. The option pricing model inputs used to determine grant date fair value were, expected stock option term of 7 years, expected volatility of 43.5%, expected risk free rate of 2.5%, and no expected dividends.

Kennedy-Wilson has elected to recognize the compensation expense for the service awards on a straight-line basis over the vesting period and is grade vesting the performance awards over the vesting period. The total compensation expense recorded for the six months ended June 30, 2009 was $650,000.

NOTE 12 EARNINGS PER SHARE

The dilutive shares from convertible preferred stock, convertible subordinated debt, options and non-vested stock have not been included in the diluted weighted average shares as Kennedy-Wilson has a net loss available to common stockholders. There were a total of 2,634,033 and 696,019 dilutive securities as of June 30, 2009 and 2008, respectively. See accompanying consolidated statement of income and comprehensive income.

NOTE 13 COMPREHENSIVE INCOME

Comprehensive income consists of net income and other comprehensive income. Accumulated other comprehensive income consists of foreign currency translation adjustments.

NOTE 14 SEGMENT INFORMATION

Kennedy-Wilson's business activities currently consist of services and various types of real estate investments. Kennedy-Wilson's segment disclosure with respect to the determination of segment profit or loss and segment assets is based on these services and its various investments.

SERVICES Kennedy-Wilson provides a full range of commercial and residential real estate services. These services include property management, leasing, brokerage, asset management, and various other specialized commercial and residential real estate services.

INVESTMENTS With joint venture partners and on its own, Kennedy-Wilson invests in commercial and residential real estate which Kennedy-Wilson believes value may be added through Company expertise or opportunistic investing. Kennedy-Wilson's current real estate portfolio focuses on commercial buildings and multiple-family residences.

Substantially all of the gross revenue related party revenues were generated via intersegment activity for the six months ended June 30, 2009 and 2008. The amounts representing investments with related parties and non-affiliates are included in the investment segment. No single external customer provided Kennedy-Wilson with 10% or more of its revenues during any period presented in these financial statements.

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Kennedy-Wilson, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

June 30, 2009 and 2008

(Unaudited)

NOTE 14 SEGMENT INFORMATION (Continued)

There have been no changes in the basis of segmentation or in the basis of measurement of segment profit or loss since the December 31, 2008 financial statements.

The following tables summarize Kennedy-Wilson's income activity by segment for the six-month period ended June 30, 2009 and balance sheet data as of June 30, 2009:

	Services	Investments	Corporate	Consolidated
Gross revenue	$ 8,756,000	$ 7,546,000	$ 26,000	$ 16,328,000
Gross revenue related party	2,972,000			2,972,000
Total revenue	$ 11,728,000	$ 7,546,000	$ 26,000	$ 19,300,000
Net Loss	$ 741,000	$ (1,040,000)	$ (4,451,000)	$ (4,750,000)
Total assets	$ 29,831,000	$ 210,659,000	$ 42,926,000	$ 283,416,000

The following tables summarize Kennedy-Wilson's income activity by segment for the six-month period ended June 30, 2008 and balance sheet data as of December 31, 2008.

	Services	Investments	Corporate	Consolidated
Gross revenue	$ 8,634,000	$ 1,012,000	$	$ 9,646,000
Gross revenue related party	6,827,000			6,827,000
Total revenue	$ 15,461,000	$ 1,012,000	$	$ 16,473,000
Net Income	$ 3,725,000	$ 829,000	$ (4,320,000)	$ 234,000
Total assets	$ 39,791,000	$ 175,368,000	$ 40,724,000	$ 255,883,000

NOTE 15 INCOME TAXES

Kennedy-Wilson's effective tax rates for the six months ended June 30, 2009 and 2008 were 31.8% and 44.5%, respectively. Permanent items that impacted Kennedy-Wilson's effective tax rates as compared to the U.S. federal statutory rate of 35% were not materially different in amount during both periods.

NOTE 16 SUBSEQUENT EVENTS

On September 8, 2009, Kennedy-Wilson entered into an Agreement and Plan of merger (the "merger agreement") by and among Kennedy-Wilson, Prospect and merger Sub, a newly formed and wholly-owned subsidiary of Prospect, pursuant to which merger Sub will merge with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and a wholly-owned subsidiary of Prospect.

Pursuant to the merger agreement, common stockholders of Kennedy-Wilson will receive as consideration 3.8031 shares of Prospect common stock for each share of Kennedy-Wilson's common stock outstanding and preferred stockholders will receive as consideration 105.6412 shares of Prospect's common stock for each share of preferred stock outstanding, for an aggregate consideration of 26 million shares of Prospect common stock. In addition, 2.475 million shares of Prospect common stock will be reserved for issuance to employees, nonemployees and management of Kennedy-Wilson pursuant to an equity compensation plan adopted by Prospect's board of directors and submitted to Prospect's stockholders for approval.

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Annex A

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

PROSPECT ACQUISITION CORP.,

KW MERGER SUB CORP.

AND

KENNEDY-WILSON, INC.

Dated as of September 8, 2009

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of September 8, 2009 (this "***Agreement***"), by and among PROSPECT ACQUISITION CORP., a company incorporated under the laws of Delaware ("***Prospect***"), KW MERGER SUB CORP., a company incorporated under the laws of Delaware and a wholly owned subsidiary of Prospect ("***Merger Sub***") and KENNEDY-WILSON, INC., a company incorporated under the laws of Delaware ("***KW***"). Each of the Parties to this Agreement is individually referred to herein as a "***Party***" and collectively as the "***Parties***." Capitalized terms used herein that are not otherwise defined herein shall have the meanings ascribed to them in Annex A hereto.

BACKGROUND

Prospect has formed a wholly owned subsidiary, Merger Sub, solely for the purposes of the merger of Merger Sub with and into KW pursuant to Section 251 of the General Corporation Law of the State of Delaware (the "***DGCL***"), in which KW will be the surviving corporation (the "***Merger***").

The board of directors of KW has declared this Agreement advisable and fair to, and in the best interests of, KW.

The Merger requires the affirmative vote of the holders of a majority of the issued and outstanding shares of common stock, par value $0.01 per share of KW (the "***KW Common Stock***") and (ii) the affirmative vote of the holders of a majority of the shares of common stock of Prospect, par value $0.0001 per share (the "***Prospect Common Stock***") sold in the Prospect Public Offering voted at the Prospect Stockholders' Meeting, *provided*, that the Merger will only proceed if holders of fewer than 30% of the shares of the Prospect Common Stock sold in the Prospect Public Offering exercise their conversion rights. Prior to the Closing, the holders of the convertible preferred stock of KW (the "***KW Preferred Stock***" and collectively with the KW Common Stock, the "***KW Securities***"), will agree to amend the Certificate of Designation of the KW Preferred Stock to provide that, upon the Closing, each share of KW Preferred Stock will be converted into the right to receive shares of Prospect Common Stock at the Preferred Stock Exchange Ratio.

Concurrently with the execution of this Agreement, Prospect, the Prospect Founders, De Guardiola Advisors, Inc. ("***DGA***"), De Guardiola Advisors Holdings, Inc. ("***DGAH***") and KW are entering into a letter agreement, of even date herewith (the "***Forfeiture Agreement***"), in the form attached hereto as ***Exhibit A***, pursuant to which, subject to the terms and conditions set forth therein (i) the Prospect Founders have agreed to the forfeiture and cancellation of 2.575 million shares of Prospect Common Stock and (ii) Prospect has agreed to issue to DGAH an aggregate of 375,000 shares of Prospect Common Stock upon the closing of the transactions contemplated by this Agreement in satisfaction of an obligation of Prospect under its engagement letter with DGA.

The parties intend that the Merger contemplated herein constitute a tax-free reorganization with the meaning of Section 368(a) of the Code and hereby adopt this Agreement as a plan of reorganization within the meaning of the Code.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, and intending to be legally bound hereby, the Parties agree as follows:

ARTICLE I

The Merger

Section 1.1 *The Merger.* At the Merger Effective Time (as defined in Section 1.2), Merger Sub will be merged with and into KW in accordance with Section 251 of the DGCL and this Agreement, and the separate corporate existence of Merger Sub will thereupon cease. KW (sometimes hereinafter

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referred to as the "***Surviving Corporation***") will be the surviving corporation in the Merger. The Merger will have the effects specified in the DGCL. The name of the Surviving Corporation will be Kennedy-Wilson, Inc.

Section 1.2 *Merger Effective Time.* As soon as practicable following the satisfaction or, to the extent permitted by applicable Law, waiver of the conditions to the Closing set forth in Article VIII, if this Agreement shall not have been terminated prior thereto as provided in Article X, the parties hereto shall cause the Merger to be consummated by filing a certificate of merger (the "***Certificate of Merger***") meeting the requirements of Section 251 of the DGCL to be properly executed and filed in accordance with the applicable requirements of the DGCL. The Merger shall become effective at the time designated in the Certificate of Merger as the effective time of the Merger that the Parties shall have agreed upon and designated, or if no such time has been designated, on filing (the "***Merger Effective Time***").

Section 1.3 *Effect of the Merger.* At the Merger Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Merger Effective Time, except as otherwise provided herein, all the property, rights, privileges, powers and franchises of Merger Sub and KW shall become the debts, liabilities and duties of the Surviving Corporation.

Section 1.4 *Certificate of Incorporation; By-Laws.* The Certificate of Incorporation of KW in effect immediately prior to the Merger Effective Time shall be the Certificate of Incorporation of the Surviving Corporation, until duly amended in accordance with applicable Law. The bylaws of KW in effect immediately prior to the Merger Effective Time shall be the bylaws of the Surviving Corporation, until duly amended in accordance with applicable Law.

Section 1.5 *Directors of Surviving Corporation.* Immediately prior to the Merger Effective Time, one of the directors of KW shall resign. The remaining directors of KW immediately prior to the Merger Effective Time shall be the directors of the Surviving Corporation along with one additional director to be appointed by Prospect, until the earlier of their death, resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Section 1.6 *Officers of Surviving Corporation.* The officers of KW immediately prior to the Merger Effective Time shall be the officers of the Surviving Corporation, until the earlier of their death, resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

Section 1.7 *Conversion of Stock in the Merger.* At the Merger Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares:

(a) *Conversion of KW Securities*. Subject to Section 1.7(f), each share of KW Common Stock issued and outstanding immediately prior to the Merger Effective Time shall be automatically converted into the right to receive 3.8031 shares of Prospect Common Stock ("***Common Stock Exchange Ratio***"). Each share of KW Preferred Stock issued and outstanding immediately prior to the Merger Effective Time shall be automatically converted into the right to receive 105.6412 shares of Prospect Common Stock ("***Preferred Stock Exchange Ratio***," and together with the Common Stock Exchange Ratio, the "***Exchange Ratio***"). The total number of shares of Prospect Common Stock issued in the Merger as a result of the conversion of the KW Securities into shares of Prospect Common Stock ("***Conversion Shares***") shall equal 26 million shares, *minus* any shares of Prospect Common Stock that would otherwise have been issuable to holders of Dissenting Shares had such holders not exercised Dissent Rights, *plus* the aggregate number of additional shares paid pursuant to Section 1.7(g).

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(b) *Conversion of Merger Sub Shares*. Each issued and outstanding share of the capital stock of Merger Sub shall be converted into and become one fully-paid and nonassessable common share, no par value, of the Surviving Corporation.

(c) *KW Stock Rights Become Prospect Stock Rights*. All KW Stock Rights then outstanding shall remain outstanding and shall be assumed by Prospect and thereafter become Prospect Stock Rights. Each KW Stock Right by virtue of becoming a Prospect Stock Right shall be exercisable upon the same terms and conditions as in effect immediately prior to the Merger, except that upon the exercise of such Prospect Stock Rights, shares of Prospect Common Stock shall be issuable in lieu of KW Common Stock. The number of shares of Prospect Common Stock issuable upon the exercise of a Prospect Stock Right immediately after the Merger Effective Time and the exercise price of each such Prospect Stock Right shall be equal to the number of shares and price as in effect immediately prior to the Merger Effective Time multiplied by the Common Stock Exchange Ratio (in the case of the number of shares) and the inverse of the Common Stock Exchange Ratio (in the case of the exercise price).

(d) *KW Securities Become Rights for Prospect Common Stock*. From and after the Merger Effective Time, all of the certificates which immediately prior to that time represented outstanding KW Securities (the "***KW Certificates***") shall be deemed for all purposes to evidence ownership of, and to represent, the shares of Prospect Common Stock into which such KW Securities have been converted as herein provided. The registered owner on the books and records of the Surviving Corporation or its transfer agent of any such KW Certificate shall have and be entitled to exercise any voting and other rights with respect to and to receive any dividend and other distributions upon the shares of Prospect Common Stock evidenced by such KW Certificate as above provided.

(e) *No Transfers of Pre-Merger KW Securities*. At or after the Merger Effective Time, there shall be no transfers on the stock transfer books of KW of the KW Securities which were outstanding immediately prior to the Merger Effective Time. If, after the Merger Effective Time, KW Certificates are presented to Prospect, the Surviving Corporation or their respective transfer agent or the Exchange Agent (defined in Section 1.8), the presented KW Certificates shall be cancelled and exchanged for certificates for shares of Prospect Common Stock deliverable in respect thereof pursuant to this Agreement in accordance with the procedures set forth herein.

(f) *KW Dissenting Shares*. Notwithstanding any other provisions of this Agreement to the contrary, KW Securities that are outstanding immediately prior to the Merger Effective Time and that are held by stockholders who shall not have voted in favor of the Merger or consented thereto in writing and who shall have demanded properly in writing appraisal ("***Dissent Rights***") for such shares (collectively, the "***Dissenting Shares***") in accordance with Section 262 of the DGCL or, if applicable, pursuant to Chapter 13 of the California General Corporation Law (the ("***CGCL***"), shall not be converted into or represent the right to receive shares of Prospect Common Stock. Such stockholders shall be entitled to receive payment of the appraised value of the Dissenting Shares held by them in accordance with the provisions of said Section 262 or, if applicable, said Chapter 13, except that all Dissenting Shares held by stockholders who shall have failed to perfect or who effectively shall have withdrawn or lost their rights to appraisal of such Dissenting Shares under such Section 262 or, if applicable, such Chapter 13, shall thereupon be deemed to have been converted into and to have become exchangeable, as of the Merger Effective Time, for the right to receive, without any interest thereon, the shares of Prospect Common Stock in the manner provided in subparagraph (a) above.

(g) *Fractional Shares*. No certificates or scrip representing fractional shares of Prospect Common Stock will be issued in the Merger, but in lieu thereof, the number of shares of Prospect Common Stock to be delivered to each holder of shares of KW Securities shall be rounded up to the nearest whole share.

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(h) *Lost, Stolen or Destroyed Certificates*. In the event any KW Certificates shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed certificates upon the making of an affidavit of that fact by the holder thereof, the shares of Prospect Common Stock contemplated to be paid and transferred to the holder of KW Securities represented by such KW Certificates; provided, however, that Prospect may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificates to deliver a bond in such sum as it may reasonably direct as indemnity against any claim that may be made against Prospect with respect to the certificates alleged to have been lost, stolen or destroyed.

(i) *Withholding Rights*. Each of Prospect, the Surviving Corporation and the Exchange Agent shall be entitled to deduct and withhold from the number of shares of Prospect Common Stock otherwise deliverable under this Agreement (or any payments made in respect of any Dissenting Shares), such amounts as Prospect, the Surviving Corporation and the Exchange Agent may reasonably determine are required to be deducted and withheld with respect to such delivery and payment under the Code or any provision of state, local, provincial or foreign tax law. To the extent that any amounts are so withheld all appropriate evidence of such deduction and withholding, including any receipts or forms required in order for the Person with respect to whom such deduction and withholding occurred to establish the deduction and withholding and payment to the appropriate authority as being for its account with the appropriate authorities, shall be delivered to the Person with respect to whom such deduction and withholding has occurred, and such withheld amounts shall be treated for all purposes as having been delivered and paid to the Person otherwise entitled to the consideration in respect of which such deduction and withholding was made. Notwithstanding the foregoing, Prospect or the Exchange Agent, at its option, may require any such amounts required to be deducted and withheld from any Prospect Common Stock or payments made in respect of any Dissenting Shares deliverable hereunder to be reimbursed in cash to Prospect or the Exchange Agent, as the case may be, prior to the issuance of such Prospect Common Stock hereunder.

Section 1.8 *Exchange Agent.* As of the Merger Effective Time, Prospect shall enter into an agreement with the transfer agent of Prospect Common Stock (the "***Exchange Agent***") authorizing such Exchange Agent to act as exchange agent in connection with the Merger. The Exchange Agent shall, pursuant to irrevocable instructions, deliver the Prospect Common Stock contemplated to be paid and transferred to the holders of KW Securities hereunder upon surrender of a KW Certificate. Each KW Certificate representing shares of KW Common Stock or KW Preferred Stock shall be deemed at any time after the Merger Effective Time to evidence only the right to receive upon such surrender the consideration described in Section 1.7(a).

Section 1.9 *Closing.* The Closing (the "***Closing***") of the Merger and the other transactions contemplated hereby shall take place on or prior to November 13, 2009 at the offices of Loeb & Loeb LLP in New York, New York commencing at 9:00 a.m. local time on the third business day following the satisfaction or waiver of all conditions and obligations of the Parties to consummate the transactions contemplated hereby (other than conditions and obligations with respect to the actions that the respective Parties will take at Closing) on such date and at such time as the Parties may mutually determine (the "***Closing Date***").

Section 1.10 *Further Assurances.* Subject to the terms and conditions of this Agreement, at any time or from time to time after the Closing, each of the Parties shall execute and deliver such other documents and instruments, provide such materials and information and take such other actions as may be commercially reasonable, to the extent permitted by law, to fulfill its obligations under this Agreement and to effectuate and consummate the transactions contemplated hereby.

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ARTICLE II

Representations and Warranties of KW

Subject to the exceptions set forth in the Disclosure Schedule of KW attached hereto as *Schedule II* (the "***KW Disclosure Schedule***"), KW represents and warrants to Prospect as of the date hereof and as of the Closing as follows:

Section 2.1 *Corporate Existence and Power.*

(a) *Corporate Existence and Power*. Each of KW and its Subsidiaries is duly organized, validly existing and in good standing (or such analogous concept as shall be applicable in the relevant jurisdiction) under the laws of its jurisdiction of incorporation. Each of KW and its Subsidiaries is duly qualified to do business in each of the jurisdictions in which property owned, leased or operated by it or the nature of the business which it conducts requires qualification, except where the failure to so qualify would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect. Each of KW and its Subsidiaries has all requisite power and authority to own, lease and operate its assets and properties and to carry on its business as now being conducted and, subject to necessary approvals of the relevant Governmental Authorities, as presently contemplated to be conducted. KW has delivered to Prospect true and complete copies of KW Constituent Instruments.

(b) *Capital Structure*. The registered capital of KW and the total number of shares and type of all authorized, issued and outstanding capital stock of KW and all shares of capital stock of KW reserved for issuance under KW's various option and incentive plans, are set forth in Section 2.1(b) of the KW Disclosure Schedule and included therein is a list of the record holders of the outstanding shares of capital stock of KW prepared by Mellon Investor Services, LLC, transfer agent for KW, which list indicates the number of KW Securities held by each such record holder. Except as set forth in Section 2.1(b) of the KW Disclosure Schedule: (i) no shares of capital stock or other voting securities of KW are issued, reserved for issuance or outstanding; (ii) all outstanding shares of the capital stock of KW are duly authorized, validly issued, fully paid and nonassessable and are not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of KW Constituent Instruments or any Contract to which KW is a party or otherwise bound; (iii) there are no bonds, debentures, notes or other indebtedness of KW having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which holders of the shares of capital stock of KW may vote ("***Voting KW Debt***"); (iv) there are no options, warrants, rights, convertible or exchangeable securities, "phantom" stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which KW is a party or is bound (A) obligating KW to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity interests in, or any security convertible or exercisable for or exchangeable into any capital stock of or other equity interest in, KW or any Voting KW Debt, (B) obligating KW to issue, grant, extend or enter into any such option, warrant, call, right, security, commitment, Contract, arrangement or undertaking or (C) giving any Person the right to receive any economic benefit or right similar to or derived from the economic benefits and rights occurring to holders of the capital stock of KW; (v) as of the date of this Agreement, there are no outstanding contractual obligations of KW to repurchase, redeem or otherwise acquire any shares of KW capital stock; and (vi) there are no arbitrations or litigation proceedings involving KW with respect to the share capital of KW or its Subsidiaries.

Section 2.2 *Authority; Execution and Delivery; Enforceability.* KW has all requisite corporate power and authority to execute and deliver this Agreement and the Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and

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delivery by KW of this Agreement and the consummation by it of the transactions contemplated hereby have been duly authorized and approved by the board of directors of KW and no other corporate proceedings on the part of it are necessary to authorize this Agreement and the transactions contemplated hereby (other than the approval of the KW stockholders). All action, corporate and otherwise, necessary to be taken by KW to authorize the execution, delivery and performance of this Agreement, the Transaction Documents and all other agreements and instruments delivered by KW in connection with the transactions contemplated hereby has been duly and validly taken. Each of this Agreement and the Transaction Documents to which KW is a party has been duly executed and delivered by it and constitutes the valid, binding, and enforceable obligation of it, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws of general application now or hereafter in effect affecting the rights and remedies of creditors and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 2.3 *Subsidiaries.* Section 2.3 of the KW Disclosure Schedule lists, as of the date hereof, all Subsidiaries of KW and indicates as to each the type of entity, its jurisdiction of organization and, its stockholders or other equity holders. Except as set forth in Section 2.3 of the KW Disclosure Schedule, KW does not directly or indirectly own any other equity or similar interest in, or any interest convertible or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity. Except as set forth in Section 2.3 of the KW Disclosure Schedule, KW is the direct or indirect owner of all outstanding shares of capital stock of its Subsidiaries, and all such shares are duly authorized, validly issued, fully paid and nonassessable and are owned by KW free and clear of all Liens (except for Permitted Liens). There are no outstanding subscriptions, options, warrants, puts, calls, rights, exchangeable or convertible securities or other commitments or agreements of any character relating to the issued or unissued capital stock or other securities of any Subsidiaries of KW or otherwise obligating any Subsidiaries of KW to issue, transfer, sell, purchase, redeem or otherwise acquire any such securities.

Section 2.4 *No Conflicts.* The execution and delivery of this Agreement or any of the Transaction Documents by KW and the consummation of the transactions contemplated hereby and compliance with the terms hereof and thereof will not, (a) except as set forth in Section 2.4(a) of the KW Disclosure Schedule, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien (other than a Permitted Lien) upon any of the assets and properties of KW and its Subsidiaries under, any provision of: (i) any KW Constituent Instrument; or (ii) any Material Contract to which KW or any of its Subsidiaries is a party or to or by which it (or any of its assets and properties) is subject or bound; (b) subject to the filings and other matters referred to in Section 2.5, conflict with any material Judgment or Law applicable to KW and its Subsidiaries, or their respective properties or assets, (c) result in any suspension, revocation, impairment, forfeiture or nonrenewal of any Permit applicable to KW or its Subsidiaries; (d) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any Contract to which KW or any of its Subsidiaries is a party; (e) cause KW or any of its Subsidiaries to become subject to, or to become liable for the payment of, any Tax; or (f) to KW's knowledge, cause any of the assets owned by KW or any of its Subsidiaries to be reassessed or revalued by any Governmental Authority, except, in the case of clauses (a)(ii), (b), (c), (d), (e) and (f) above, any such items that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on KW.

Section 2.5 *Consents and Approvals.* Except as set forth in Section 2.5 of the KW Disclosure Schedule and except for the KW Stockholder Approval, no consent, approval, license, permit, order or authorization of, or registration, declaration or filing with (each, a "***Consent***"), or permit from any third party or any Governmental Authority is required to be obtained or made by or with respect to KW, in

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connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, including pursuant to any Material Contract, except for (a) such Consents as may be required under applicable state securities laws and the securities laws of any foreign country; and (b) such other Consents which, if not obtained or made, would not have a Material Adverse Effect on KW and would not prevent, or materially alter or delay, the consummation of any of the transactions contemplated hereby.

Section 2.6 *Financial Statements.*

(a) KW has delivered to Prospect its audited consolidated financial statements as of and for the fiscal years ended December 31, 2006, 2007 and 2008 and its unaudited consolidated financial statements for the six-month period ended June 30, 2009 (collectively, the "***KW Financial Statements***") prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods indicated, *provided* that the financial statements as of and for the six months ended June 30, 2009 are subject to normal year end audit adjustments that are not expected to have a Material Adverse Effect on KW and such statements do not contain notes. The KW Financial Statements fairly present in all material respects the financial condition and operating results, change in stockholders' equity and cash flow of KW and its Subsidiaries, as of the dates, and for the periods, indicated therein, and are accompanied by an unqualified opinion of an internationally recognized and U.S. registered independent public accounting firm qualified to practice before the Public Company Accounting Oversight Board. KW does not have any material liabilities or obligations, contingent or otherwise, other than (a) liabilities incurred in the ordinary course of business subsequent to June 30, 2009, and (b) obligations under contracts and commitments incurred in the ordinary course of business and not required under U.S. GAAP to be reflected in KW Financial Statements, which, in both cases, individually or in the aggregate, would not be reasonably expected to result in a Material Adverse Effect on KW.

(b) KW does not have any Off-Balance Sheet Arrangements.

Section 2.7 *Internal Accounting Controls.* KW has implemented and maintains a system of internal accounting controls sufficient to provide reasonable assurance that (a) transactions are executed in accordance with management's general or specific authorizations, (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (c) access to assets is permitted only in accordance with management's general or specific authorization, and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 2.8 *Absence of Certain Changes or Events.* Except as disclosed in the KW Financial Statements and except for changes as a result of actions taken in the ordinary course of business or pursuant to the terms of this Agreement or the Transaction Documents and the transactions contemplated hereby or thereby, from June 30, 2009 to the date of this Agreement, KW and its Subsidiaries have not taken any action which would result in:

(a) any change in the assets, liabilities, financial condition or operating results of KW or any of its Subsidiaries, except changes in the ordinary course of business that have not caused, in the aggregate, a Material Adverse Effect on KW;

(b) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder;

(c) other than the cancellation of the loan in the aggregate principal amount of $3,543,127, plus accrued interest, to William McMorrow, any waiver or compromise by KW or any of its Subsidiaries of a valuable right or of a material debt owed to it;

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(d) any material loan, promissory note, mortgage, pledge, transfer of a security interest in, or Lien, created by KW or any of its Subsidiaries, with respect to any of their respective material properties or assets, except for Permitted Liens;

(e) any loans or guarantees made by KW or any of its Subsidiaries to or for the benefit of its employees, officers or directors, or any members of their immediate families, in each case, other than travel advances and other advances made in the ordinary course of its business;

(f) any declaration, accrual, set aside or payment of dividend or any other distribution of cash or other property or redemption, in respect of any shares of capital stock of KW or any of its Subsidiaries, other than up to $3 million in connection with KW's stock buyback program and any dividend payments on the KW Preferred Stock required by KW's Certificate of Designation for the KW Preferred Stock;

(g) any issuance of equity securities to any officer, director or Affiliate, except pursuant to existing KW option plans;

(h) any amendment to any KW Constituent Instruments, or any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction involving KW or any of its Subsidiaries; or

(i) any negotiations, arrangement or commitment by KW or any of its Subsidiaries to do any of the things described in this Section 2.8.

Section 2.9 *No Undisclosed Liabilities.* Except as set forth in Section 2.9 of the KW Disclosure Schedule, neither KW nor any of its Subsidiaries has any material obligations or liabilities of any nature (matured or unmatured, fixed or contingent, including any obligations to issue capital stock or other securities of KW) due after the date hereof, other than (a) those set forth or adequately provided for in the KW Balance Sheet, (b) those incurred in the ordinary course of business and not required to be set forth in the KW Balance Sheet under U.S. GAAP, (c) those incurred in the ordinary course of business since the KW Balance Sheet date and not reasonably likely to result in a Material Adverse Effect to KW, and (d) those incurred in connection with the execution of this Agreement.

Section 2.10 *Litigation.* There is no private or governmental action, suit, inquiry, notice of violation, claim, arbitration, audit, proceeding (including any partial proceeding such as a deposition) or investigation ("***Action***") pending or to the Knowledge of KW, threatened in writing against or affecting KW, any of its officers or directors (in their capacities as such), any of its Subsidiaries or any of their properties, before or by any Governmental Authority which (a) adversely affects or challenges the legality, validity or enforceability of this Agreement or (b) could, if there were an unfavorable decision, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect on KW. There is no Judgment imposed upon KW, or to the Knowledge of KW, any of its officers or directors (in their capacities as such), any of its Subsidiaries or any of their respective properties, that would prevent, enjoin, alter or materially delay any of the transactions contemplated by this Agreement, or that would reasonably be expected to have a Material Adverse Effect on KW. Neither KW nor any of its Subsidiaries nor, to the Knowledge of KW, any director or officer thereof (in his or her capacity as such), is or has been the subject of any Action involving a material claim or material violation of or material liability under the securities laws of any Governmental Authority or a material claim of breach of fiduciary duty.

Section 2.11 *Licenses, Permits, Etc.* KW and its Subsidiaries possess or will possess prior to the Closing all Material Permits. Such Material Permits are described or set forth on Section 2.11 of the KW Disclosure Schedule. True, complete and correct copies of the Material Permits issued to KW and its Subsidiaries have previously been delivered to Prospect. As of the date of this Agreement, all such Material Permits are in full force and effect. Unless otherwise stipulated herein, KW, its Subsidiaries and each of their respective officers, directors, employees, representatives and agents have complied

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with all terms of such Material Permits, except where instances of such noncompliance, individually or in the aggregate, have not had and would not reasonably be expected to have, a Material Adverse Effect on KW.

Section 2.12 *Title to Properties.*

(a) *Real Property*. Section 2.12(a) of the KW Disclosure Schedule contains an accurate and complete list and description of all real properties with respect to which KW directly or indirectly holds a 50% or greater interest (collectively, the "***Real Property***"). Neither KW nor any of its Subsidiaries is in default under any of the Real Estate Leases and the officers of KW are not aware of any default by any of the lessors thereunder, except any such default that, individually or in the aggregate, have not had and would not be reasonably expected to have, a Material Adverse Effect on KW. Section 2.12(a) of the KW Disclosure Schedule also sets forth a complete list of each Real Estate Lease which involves an annual rental payment of $750,000 or more.

(b) *Tangible Personal Property*. Except as would not reasonably be expected to have a Material Adverse Effect on KW, KW and its Subsidiaries are in possession of and have good title to, or have valid leasehold interests in or valid contractual rights to use all material tangible personal property used in the conduct of their business, including the tangible personal property reflected in the KW Financial Statements and material tangible personal property acquired since June 30, 2009 (collectively, the "***Tangible Personal Property***"). All Tangible Personal Property is free and clear of all Liens, other than Permitted Liens, and is in good order and condition, ordinary wear and tear excepted, and its use complies in all material respects with all applicable Laws.

(c) *Accounts Receivable*. The accounts receivable of KW and each of its Subsidiaries reflected on the KW Financial Statements and created after June 30, 2009 but prior to the Closing Date are bona fide accounts receivable created in the ordinary course of business.

Section 2.13 *Intellectual Property.* KW and its Subsidiaries own or are validly licensing or otherwise have the right to use any patents, trademarks, trade names, service marks, domain names, copyrights, and any applications therefore, trade secrets, computer software programs, and tangible or intangible proprietary information or material which are material to the conduct of their business taken as a whole (the "***Intellectual Property Rights***"). No claims are pending or, to the Knowledge of KW, threatened in writing that KW or any of its Subsidiaries is infringing or otherwise adversely affecting the rights of any Person with regard to any Intellectual Property Right. To the Knowledge of KW, no Person is infringing the rights of KW or any of its Subsidiaries with respect to any Intellectual Property Right. None of KW or its Subsidiaries has received any notice regarding the infringement, misappropriation or other violation by KW or any of its Subsidiaries of any intellectual property rights of any third party. To the knowledge of KW, neither the conduct of the business of KW or any Subsidiary, nor the provision of services by KW or any Subsidiary has infringed, misappropriated or otherwise violated, or infringes, misappropriates or otherwise violates, any intellectual property rights of any third party.

Section 2.14 *Taxes.* Except as disclosed in Section 2.14 of the KW Disclosure Schedule:

(a) KW and its Subsidiaries have timely filed, or have caused to be timely filed on their behalf, all Tax Returns that are or were required to be filed by or with respect to any of them, either separately or as a member of a group of corporations, pursuant to applicable Legal Requirements, except to the extent any failure to timely file any Tax Returns, either individually or in the aggregate, have not and would not reasonably be expected to have a Material Adverse Effect on KW. All Tax Returns filed by (or that include on a consolidated basis) KW and its Subsidiaries are (and, as to a Tax Return not filed as of the date hereof, and filed on or before the Closing Date, will be) in all respects true, complete and accurate, except to the extent any inaccuracies in any filed Tax Returns, individually or in the aggregate, have not and would not

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reasonably be expected to have a Material Adverse Effect on KW. To the Knowledge of KW, there are no unpaid Taxes claimed to be due by any Governmental Authority in charge of taxation of any jurisdiction, nor any claim for additional Taxes for any period for which Tax Returns have been filed, except to the extent any failure to file or any inaccuracies in any filed Tax returns, individually or in the aggregate, have not and would not reasonably be expected to have a Material Adverse Effect on KW.

(b) Neither KW nor any of its Subsidiaries has received any written notice that any Governmental Authority will audit or examine (except for any general audits or examinations routinely performed by such Governmental Authorities), seek information with respect to, or make material claims or assessments with respect to any Taxes for any period since January 1, 2004.

(c) The KW Financial Statements reflect an adequate reserve, established in in accordance with U.S. GAAP, for all Taxes known to be payable by KW and its Subsidiaries (in addition to any reserve for deferred Taxes to reflect timing differences between book and Tax items) for all taxable periods and portions thereof through the date of such financial statements. None of KW or its Subsidiaries is a party to or bound by any Tax indemnity, Tax sharing or similar agreement and KW and its Subsidiaries currently have no material liability, and will not have any material liabilities, for any Taxes of any other Person under any agreement or by the operation of any Law. No deficiency with respect to any Taxes has been proposed, asserted or assessed against KW or its Subsidiaries, except to the extent any such deficiency, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on KW.

(d) Neither KW nor any of its Subsidiaries has executed any outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(e) There are no Tax Liens upon any of the assets or properties of KW or any of its Subsidiaries, other than with respect to Taxes not yet due and payable.

(f) All Taxes required to be withheld, collected or deposited by or with respect to KW and each of its Subsidiaries have been timely withheld, collected or deposited, as the case may be, and to the extent required, have been paid to the relevant taxing authority.

Section 2.15 *Employment and Employee Benefits Matters.*

(a) Section 2.15 of the KW Disclosure Schedule sets forth a complete and accurate list of each bonus, pension, profit sharing, deferred compensation, incentive compensation, stock ownership, stock purchase, stock option, phantom stock, retirement, vacation, severance, disability, death benefit, hospitalization, medical or other material plan, arrangement or understanding, including, but not limited to, each employee benefit plan as defined in ERISA Section 3(3), whether or not subject to ERISA, which is maintained by KW or any of its Subsidiaries, which is intended to provide benefits to current or former employees, directors, officers or independent contractors of KW or any of its Subsidiaries and/or their beneficiaries, or for which KW or any of its Subsidiaries has any liability, whether actual or contingent (collectively, the "***KW Benefit Plans***").

(b) KW has delivered to Prospect a true and complete copy of the following documents, to the extent that they are applicable, with respect to each KW Benefit Plan:

(i) the current plan document, any related funding agreements (e.g., trust agreements or insurance contracts), and any custodial, administrative, recordkeeping, investment management and other service agreements, including all amendments thereto;

(ii) the current summary plan description and all subsequent summaries of material modifications;

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(iii) the most recent Internal Revenue Service determination letter for each KW Benefit Plan that is intended to qualify for favorable income tax treatment under Code Section 401(a) or 501(c)(9);

(iv) the three (3) most recent Form 5500s (including all applicable schedules and the opinions of the independent accountants) that were filed on behalf of the KW Benefit Plan and the three most recent actuarial reports; and

(v) any governmental advisory opinions, rulings, compliance statements, closing agreements and similar materials.

(c) Except to the extent that any failure to comply would not reasonably be expected to result in material liability to KW, each KW Benefit Plan has at all times been operated in accordance with its terms, and complies currently, and has complied in the past, both in form and in operation, and whether as a matter of substantive law or in order to maintain any intended tax qualification, with all applicable Legal Requirements, including COBRA, ERISA and the Code (including, but not limited to, Section 409A of the Code). All material contributions required to be made to each KW Benefit Plan under the terms of the plan, ERISA, the Code, or any other applicable Legal Requirements have been timely made.

(d) The Internal Revenue Service has issued a favorable determination letter with respect to each KW Benefit Plan that is intended to qualify under Section 401(a) of the Code and each trust intended to qualify under Section 501(a) of the Code (or, where such KW Benefit Plan is based upon a master and prototype or volume submitter form, the sponsor of such form has received a current opinion or advisory letter as to the form upon which KW is entitled to rely under applicable Internal Revenue Service procedures). No event has occurred and no condition has existed which could reasonably be expected to result in any KW Benefit Plan that is intended to qualify under Code Section 401(a) or Section 501(c)(9) to fail to so qualify or which requires or could reasonably be expected to require action under the compliance resolution program of the Internal Revenue Service to preserve its qualification.

(e) Other than routine claims for benefits under the KW Benefit Plans and those relating to qualified domestic relations orders, there are no (i) pending or (ii) threatened lawsuits, governmental investigations or other claims against or involving any KW Benefit Plan or any fiduciary (within the meaning of Section 3(21)(A) of ERISA) or service provider of any KW Benefit Plan, in any such case which could reasonably be expected to result in material liability of KW, nor is KW aware of any reasonable basis for any such lawsuit, investigation or claim.

(f) No KW Benefit Plan provides (or will provide) medical or other welfare benefits to one or more former employees or independent contractors (including retirees), other then benefits that are required to be provided pursuant to COBRA.

(g) No KW Benefit Plan holds any assets that include securities issued by KW or any of its Subsidiaries.

(h) KW and its Subsidiaries have not undertaken to maintain any KW Benefit Plan for any period of time and each such plan is terminable at the sole discretion of the sponsor thereof, subject only to such constraints as may imposed by applicable law.

(i) No KW Benefit Plan is, and none of KW or any of its Subsidiaries or ERISA Affiliates maintains or contributes to, or has within the last six years maintained or contributed to, or has any liability, whether actual or contingent, under, a plan subject to Title IV of ERISA or to the minimum funding requirements of Section 302 of ERISA or Section 412 of the Code. No KW Benefit Plan is or was within the last six years a multiemployer plan, as defined in Section 3(37) of ERISA, or a multiple employer plan, as described in Code Section 413(c) or ERISA Sections 4063

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or 4064, and neither KW nor any of its Subsidiaries or ERISA Affiliates have within the last six years contributed to or had an obligation to contribute to any such plan. None of the KW Benefit Plans are part of, or have at any time been part of, a multiple employer welfare arrangement, as that term is defined in ERISA Section 3(40).

(j) Except as disclosed in Section 2.15(j) of the KW Disclosure Schedule, the consummation of the transactions contemplated by this Agreement will not alone trigger any severance or termination agreements or arrangements between KW or any of its Subsidiaries and any of their respective current or former employees, officers or directors. Except as disclosed in Section 2.15(j) of the KW Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will alone result in, cause the funding, accelerated vesting or delivery of, or increase the amount or value of, any payment or benefit to any employee of KW or any of its Subsidiaries. Except as disclosed in Section 2.15(j) of the KW Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will alone result in excess parachute payments (within the meaning of Code Section 280G). Since June 30, 2009, there has not been any adoption or amendment in any material respect of any KW Benefit Plan.

(k) There are no collective bargaining or other labor union agreements to which KW or any of its Subsidiaries is a party or by which it is bound; (ii) no labor dispute exists or, to the Knowledge of KW, is imminent with respect to the employees of KW or any of its Subsidiaries; (iii) there is no strike, work stoppage or other labor dispute involving KW or any of its Subsidiaries pending or, to the Knowledge of KW, threatened; (iv) no complaint, charge or Actions by or before any Governmental Authority brought by or on behalf of any employee, prospective employee, former employee, retiree, labor organization or other representative of its employees is pending or threatened in writing against KW or any of its Subsidiaries; (v) no material grievance is pending or threatened in writing against KW or any of its Subsidiaries; (vi) neither KW nor any of its Subsidiaries is a party to, or otherwise bound by, any consent decree with, or citation by, any Governmental Authorities relating to employees or employment practices; and (vii) except to the extent that any such failure to comply would not reasonably be expected to result in material liability of KW, KW and its Subsidiaries have complied in all material respects with all applicable Legal Requirements relating to employment, employment termination, equal employment opportunity, nondiscrimination, nonharassment, nonretaliation, immigration, wages and other compensation, penalties, hours, benefits, workers' compensation, collective bargaining, the payment of social security and similar taxes, occupational safety and health, lay offs, and plant closings.

Section 2.16 *Transactions with Affiliates and Employees.* Except as disclosed in the KW Financial Statements or in Section 2.16 of the KW Disclosure Schedule, none of the officers, directors or employees of KW is presently a party, directly or indirectly, to any transaction with KW or any of its Subsidiaries that is required to be disclosed under Rule 404(a) of Regulation S-K (other than for services as employees, officers and directors), including any Contract providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any such officer, director or employee or, to the Knowledge of KW, any entity in which any such officer, director, or employee has a substantial interest or is an officer, director, trustee or partner.

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Section 2.17 *Insurance.* KW has previously made available to Prospect, prior to the date of this Agreement, true and correct schedules summarizing the terms of all contracts of insurance or indemnification to which KW or any of its Subsidiaries is a party, each of which is listed in Section 2.17 of the KW Disclosure Schedule. All such insurance policies are in full force and effect, all premiums due thereon have been paid and, to the Knowledge of KW, KW and each Subsidiary has complied with the material provisions of such policies. Neither KW nor any such Subsidiary has been advised of any defense to coverage in connection with any claim to coverage asserted or noticed by KW or any such Subsidiary under or in connection with any of their extant insurance policies. KW and its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged and in the geographic areas where any of them engages in such businesses. KW and its Subsidiaries have no reason to believe that KW or its Subsidiaries will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their business on terms consistent with market for KW's or any of its Subsidiaries' respective lines of business.

Section 2.18 *Material Contracts.*

(a) KW is not in material violation of or in material default under (nor does there exist any condition which upon the passage of time or the giving of notice would cause such a violation of or default under) any Material Contract to which it or any of its Subsidiaries is a party or by which they or any of their respective properties or assets is bound, except for violations or defaults that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on KW; and, to the Knowledge of KW, no other Person has violated or breached, or committed any default under, any Material Contract, except for violations, breaches and defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on KW.

(b) Each Material Contract is listed in Section 2.18 of the KW Disclosure Schedule and was previously provided to Prospect (provided that Prospect acknowledges that KW has listed debt instruments for only five of the properties in which it has an interest) and has provided all of the guarantees by KW of debt relating to properties in which it has an interest. Assuming due authorization and execution by the other parties thereto, each Material Contract is a legal, valid and binding agreement, and is in full force and effect, and (i) neither KW nor any of its Subsidiaries is in breach or default of any Material Contract to which it is a party in any material respect; (ii) to the Knowledge of KW, no event has occurred or circumstance has existed that (with or without notice or lapse of time), will or would reasonably be expected to, (A) contravene, conflict with or result in a violation or breach of, or become a default or event of default under, any provision of any Material Contract; (B) permit KW or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Material Contract; (iii) neither KW nor any of its Subsidiaries has received written notice of any proposed cancellation, revocation or termination of any Material Contract to which it is a party; and (iv) there are no renegotiations of, or attempts to renegotiate, any material terms of any Material Contract. Since June 30, 2009, neither KW nor any of its Subsidiaries has received any written notice regarding any actual or possible violation or breach of, or default under, any Material Contract, except in each such case for defaults, acceleration rights, termination rights and other rights that have not had and would not reasonably be expected to have a Material Adverse Effect on KW.

Section 2.19 *Compliance with Applicable Laws.* To the Knowledge of KW, KW and its Subsidiaries are in compliance with all applicable Laws, including those relating to occupational health and safety and the environment, except for instances of noncompliance that, individually and in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on

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KW. Neither KW nor any of its Subsidiaries has received any written communication during the past two (2) years from a Governmental Authority alleging that KW or any such Subsidiary is not in compliance in any material respect with any applicable Law. This Section 2.19 does not relate to matters with respect to Taxes, which are the subject of Section 2.14.

Section 2.20 *Foreign Corrupt Practices.* None of KW or any of its Subsidiaries, nor any of their respective Representatives, has, in the course of its actions for, or on behalf of, KW or any of its Subsidiaries, directly or indirectly, (a) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payment to any Governmental Authority or any foreign or domestic government official or employee from corporate funds; (c) violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "***FCPA***"); or (d) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment in connection with the operations of KW or any such Subsidiary to any foreign or domestic government official or employee, except, in the case of clauses (a) and (b) above, any such items that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on KW.

Section 2.21 *Money Laundering Laws.* KW and its Subsidiaries have conducted their business at all times in compliance with money laundering statutes in all applicable jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Authority (collectively, the "***Money Laundering Laws***") and no proceeding involving KW with respect to the Money Laundering Laws is pending or, to the Knowledge of KW, was threatened in writing.

Section 2.22 *Governmental Inquiry.* Neither KW nor any of its Subsidiaries has received any material written inspection report, questionnaire, inquiry, demand or request for information from a Governmental Authority.

Section 2.23 *Records.* The books of account, minute books and shareholder records of KW and its Subsidiaries made available to Prospect are complete and accurate in all material respects, and there have been no material transactions involving KW or any of its Subsidiaries which are required to be set forth therein and which have not been so set forth.

Section 2.24 *Brokers; Schedule of Fees and Expenses.* Except as set forth in Section 2.24 of the KW Disclosure Schedule, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with this Agreement or the transactions based upon arrangements made by or on behalf of KW or any of its Subsidiaries.

Section 2.25 *OFAC.* None of KW, any director or officer of KW, or, to the Knowledge of KW, any agent, employee, affiliate or Person acting on behalf of KW is currently identified on the specially designated nationals or other blocked person list or otherwise currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("***OFAC***"); and KW has not, directly or indirectly, used any funds, or loaned, contributed or otherwise made available such funds to any Subsidiary, joint venture partner or other Person, in connection with any sales or operations in Cuba, Iran, Syria, Sudan, Myanmar or any other country sanctioned by OFAC or for the purpose of financing the activities of any Person currently subject to, or otherwise in violation of, any U.S. sanctions administered by OFAC in the last five (5) fiscal years.

Section 2.26 *Environmental Matters.* To the Knowledge of KW, each of KW and its Subsidiaries is, and at all times has been, in substantial compliance with, and has not been and is not in material violation of or subject to any material liability under, any Environmental Law, and no proceeding involving KW or its Subsidiaries with respect to any Environmental Law is pending or, to the

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Knowledge of KW, has been threatened in writing. Except as listed on Schedule 2.26, KW has not (i) entered into any indemnification arrangements relating to Environmental Laws, or (ii) reserved any amounts on its balance sheet for violations of Environmental Laws. KW and its Subsidiaries are in compliance with the material terms of any settlements or other accommodations relating to Environmental Laws entered into with respect to any real property owned directly or indirectly by KW or its Subsidiaries.

Section 2.27 *Board Approval.* The Board of Directors of KW (including any required committee or subgroup of the KW Board of Directors) has, as of the date of this Agreement, (i) adopted resolutions approving the Merger and setting forth the terms and conditions thereof, and declared the advisability of and approved this Agreement and the transactions contemplated hereby and (ii) determined that the transactions contemplated hereby are in the best interests of the stockholders of KW.

Section 2.28 *Proxy Statement/Prospectus.* The information to be supplied in writing by KW for inclusion in Prospect's proxy statement/prospectus (such proxy statement/prospectus as amended or supplemented is referred to herein as the "***Proxy Statement/Prospectus***"), which shall be included in Prospect's Registration Statement on Form S-4 (the "***Registration Statement***") shall not at the time the Proxy Statement/Prospectus is first mailed, at the time of the Prospect Stockholders' Meeting and at the time of the filing with the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading. If at any time prior to the Closing, any event relating to KW, any of its Subsidiaries or their respective officers or directors should be discovered by KW which should be set forth in a supplement to the Proxy Statement/Prospectus, KW shall promptly inform Prospect. Notwithstanding the foregoing, KW makes no representation or warranty with respect to any information supplied by Prospect or any Person other than KW which is contained in the Proxy Statement/Prospectus.

Section 2.29 *Tax Representations Regarding Tax-Free Reorganization.*

(a) Immediately following the Merger, KW will hold at least seventy percent (70%) of the fair market value of its net assets and at least ninety percent (90%) of the fair market value of its gross assets that it held immediately prior to the Merger. For purposes of this representation, amounts paid by KW to dissenters, amounts paid by KW to stockholders who receive cash or other property, amounts used by KW to pay expenses incurred in connection with the Merger, and all redemptions and distributions (other than regular, normal dividends) made by KW are included as assets of KW immediately prior to the Merger.

(b) KW has no plan or intention to issue additional shares of its stock that would result in Prospect losing control of KW within the meaning of Section 368(c) of the Code. At the time of the Merger, KW will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in KW that, if exercised or converted, would affect Prospect's acquisition of control of KW as defined in Section 368(c) of the Code.

(c) KW is not an investment company as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code.

(d) KW is not under the jurisdiction of the court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A) of the Code.

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ARTICLE III

Representations and Warranties of Prospect

Except as set forth in the Disclosure Schedule of Prospect attached hereto as *Schedule III* (the "***Prospect Disclosure Schedule***"), Prospect represents and warrants to KW as follows:

Section 3.1 *Capital Structure.*

(a) Section 3.1(a) of the Prospect Disclosure Schedule sets forth, as of the date hereof, the share capitalization of Prospect and Merger Sub and all the outstanding options, warrants or rights to acquire any share capital of Prospect and Merger Sub. Other than as set forth in Section 3.1(a) of the Prospect Disclosure Schedule: (i) there are no options, warrants or other rights outstanding which give any Person the right to acquire any share capital of Prospect or Merger Sub or to subscribe to any increase of any share capital of Prospect or Merger Sub; and (ii) there are no disputes, arbitrations or litigation proceedings involving Prospect or Merger Sub with respect to the share capital of Prospect or Merger Sub.

(b) Except as set forth in Section 3.1(b) of the Prospect Disclosure Schedule: (i) no shares of capital stock or other voting securities of Prospect or Merger Sub were issued, reserved for issuance or outstanding and there have not been any issuances of capital securities or options, warrants or rights to acquire the capital securities of Prospect or Merger Sub; (ii) all outstanding shares of the capital stock of Prospect and Merger Sub are, and all such shares that may be issued prior to the date hereof will be when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, call option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the DGCL, Prospect Constituent Instruments (as defined in Section 3.2) or any Contract to which Prospect or Merger Sub is a party or otherwise bound; and (iii) there are no outstanding contractual obligations of Prospect or Merger Sub to repurchase, redeem or otherwise acquire any shares of capital stock of Prospect or Merger Sub.

(c) Except as set forth in Section 3.1(c) of the Prospect Disclosure Schedule, as of the date of this Agreement: (i) there are no bonds, debentures, notes or other indebtedness of Prospect or Merger Sub having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which holders of Prospect Common Stock may vote ("***Voting Prospect Debt***"); and (ii) there are no options, warrants, rights, convertible or exchangeable securities, "phantom" stock rights, stock appreciation rights, stock-based performance units, commitments, Contracts, arrangements or undertakings of any kind to which Prospect or Merger Sub is a party or by which it is bound (A) obligating Prospect or Merger Sub to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other equity interests in, or any security convertible or exercisable for or exchangeable into any capital stock of or other equity interest in, Prospect or Merger Sub or any Voting Prospect Debt, or (B) obligating Prospect or Merger Sub to issue, grant, extend or enter into any such option, warrant, call, right, security, commitment, Contract, arrangement or undertaking.

Section 3.2 *Organization and Standing.* Each of Prospect and Merger Sub is duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Prospect and Merger Sub is duly qualified to do business in each of the jurisdictions in which the property owned, leased or operated by Prospect or Merger Sub or the nature of the business which it conducts requires qualification, except where the failure to so qualify would not reasonably be expected to have a Material Adverse Effect on Prospect. Each of Prospect and Merger Sub has the requisite power and authority to own, lease and operate its tangible assets and properties and to carry on its business as now being conducted and, subject to necessary approvals of the relevant Governmental Authorities, as presently contemplated to be conducted. Prospect has delivered to KW true and complete copies of the

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certificate of incorporation of Prospect and Merger Sub, as amended to the date of this Agreement and the bylaws of Prospect and Merger Sub, as amended to the date of this Agreement (the "***Prospect Constituent Instruments***").

Section 3.3 *Authority; Execution and Delivery; Enforceability.* Each of Prospect and Merger Sub has all requisite corporate power and authority to execute and deliver this Agreement and the Transaction Documents to which it is a Party and to consummate the transactions contemplated hereby. The execution and delivery by Prospect of this Agreement and the consummation by Prospect and Merger Sub of the transactions contemplated hereby have been duly authorized and approved by the Prospect Board and no other corporate proceedings on the part of Prospect and Merger Sub are necessary to authorize this Agreement and the transactions contemplated hereby. Other than the Prospect Stockholder Approval, all action, corporate and otherwise, necessary to be taken by Prospect and Merger Sub to authorize the execution, delivery and performance of this Agreement, the Transaction Documents and all other agreements and instruments delivered by Prospect and Merger Sub in connection with the transactions contemplated hereby has been duly and validly taken. Each of this Agreement and the Transaction Documents to which Prospect and Merger Sub is a Party has been duly executed and delivered by Prospect and Merger Sub and constitutes the valid, binding, and enforceable obligation of Prospect and Merger Sub, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or similar laws of general application now or hereafter in effect affecting the rights and remedies of creditors and by general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity).

Section 3.4 *No Subsidiaries or Equity Interests.* Neither Prospect nor Merger Sub owns, directly or indirectly, any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person other than Prospect's ownership interest in Merger Sub prior to the Merger Effective Time.

Section 3.5 *No Conflicts.* Except as set forth in Section 3.5 of the Prospect Disclosure Schedule, the execution and delivery of this Agreement or any of the Transaction Documents by Prospect and Merger Sub and the consummation of the transactions and compliance with the terms hereof and thereof will not, (a) conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien (other than a Permitted Lien) upon any of the assets and properties of Prospect and Merger Sub under, any provision of: (i) any Prospect Constituent Instrument; (ii) any Prospect Material Contract (as defined in Section 3.21 hereof) to which Prospect or Merger Sub is a party or to or by which it (or any of its assets and properties) is subject or bound; or (iii) any Material Permit; (b) subject to the filings and other matters referred to in Section 3.6, conflict with any material Judgment or Law applicable to Prospect or Merger Sub, or its properties or assets; (c) result in any suspension, revocation, impairment, forfeiture or nonrenewal of any Permit applicable to Prospect or Merger Sub; (d) terminate or modify, or give any third party the right to terminate or modify, the provisions or terms of any Prospect Material Contract; or (e) cause any of the assets owned by Prospect or Merger Sub to be reassessed or revalued by any Governmental Authority, except, in the case of clauses (a)(ii), (a)(iii), (b), (c), (d) and (e) above, any such items that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Prospect.

Section 3.6 *Consents and Approvals.* Except as set forth in Section 3.6 of the Prospect Disclosure Schedule, no consent of, or registration, declaration or filing with, or permit from, any Governmental Authority is required to be obtained or made by or with respect to Prospect or Merger Sub in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, other than (i) the filing of the Certificate of Merger with the Secretary of State of the State of Delaware as provided in Section 1.2; (ii) the filing with, clearance and

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declaration of effectiveness by the SEC of the Registration Statement and the Prospect Stockholder Approvals and the approval of the Prospect Warrant Agreement Amendment at the Prospect Warrant holders Meeting; (iii) consents, waivers, approvals, orders, authorizations, registrations, declarations, notices and filings required under the HSR Act and other applicable antitrust or competition Laws, if any; (iv) the filing of a Form 8-K with the SEC within four (4) business days after the execution of this Agreement and of the Closing Date; (v) any filings as required under applicable securities laws of the United States and the securities laws of any foreign country; (vi) any filing required by the AMEX; and (vii) the procurement of such other consents, authorizations, filings, approvals and registrations which, if not obtained or made, would not have a Material Adverse Effect on Prospect and would not prevent, or materially alter or delay, consummation of any of the transactions contemplated hereby.

Section 3.7 *SEC Documents.* Prospect has filed all reports, schedules, forms, statements and other documents required to be filed by Prospect with the SEC since November 13, 2007, pursuant to Sections 13(a), 14(a) and 15(d) of the Exchange Act (the "***Prospect SEC Documents***"). As of its respective filing date, each Prospect SEC Document complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to such Prospect SEC Document, and did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent that information contained in any Prospect SEC Document has been revised or superseded by a later filed Prospect SEC Document, none of the Prospect SEC Documents contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The consolidated financial statements of Prospect included in the Prospect SEC Documents (the "***Prospect Financial Statements***") comply as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with U.S. GAAP (except, in the case of unaudited statements, as permitted by the rules and regulations of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the financial position of Prospect as of the dates thereof and the results of its operations and cash flows as at the respective dates of and for the periods referred to in such financial statements (subject, in the case of unaudited financial statements, to normal year-end audit adjustments and the omission of notes to the extent permitted by Regulation S-X of the SEC).

Section 3.8 *Internal Accounting Controls.* Prospect maintains a system of internal accounting controls sufficient to provide reasonable assurance that (a) transactions are executed in accordance with management's general or specific authorizations, (b) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (c) access to assets is permitted only in accordance with management's general or specific authorization, and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Prospect's officers have established disclosure controls and procedures for Prospect and designed such disclosure controls and procedures to ensure that material information relating to Prospect is made known to the officers by others within those entities. Prospect's officers have evaluated the effectiveness of Prospect's controls and procedures and there is no material weakness, significant deficiency or control deficiency, in each case as such term is defined in Public Company Accounting Oversight Board Auditing Std. No. 2. Since June 30, 2009, there have been no significant changes in Prospect's internal controls or, to Prospect's Knowledge, in other factors that could significantly affect Prospect's internal controls.

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Section 3.9 *Absence of Certain Changes or Events.* Except as disclosed in Section 3.9 of the Prospect Disclosure Schedule, from the date of the most recent audited financial statements included in the filed Prospect SEC Documents to the date of this Agreement, there has not been:

(a) any change in the assets, liabilities, financial condition or operating results of Prospect, except changes in the ordinary course of business that have not caused, in the aggregate, a Material Adverse Effect on Prospect;

(b) any material change in any compensation arrangement or agreement with any employee, officer, director or stockholder;

(c) any resignation or termination of employment of the Chief Executive Officer, Chief Financial Officer, President or the Secretary of Prospect;

(d) any waiver or compromise by Prospect or Merger Sub of a valuable right or material debt owed to it;

(e) any loan, promissory note, mortgage, pledge, transfer of a security interest in, or Lien, created by Prospect or Merger Sub, with respect to any of its material properties or assets, except for Permitted Liens;

(f) any loans or guarantees made by Prospect or Merger Sub to or for the benefit of its employees, officers or directors, or any members of their immediate families, or any material loans or guarantees made by Prospect or Merger Sub to or for the benefit of any of its employees or any members of their immediate families, in each case, other than travel advances and other advances made in the ordinary course of its business;

(g) any declaration, setting aside or payment of a dividend or other distribution in respect of any of Prospect or Merger Sub's capital stock, or any direct or indirect redemption, purchase, or other acquisition of any of such stock by Prospect or Merger Sub;

(h) any issuance of equity securities to any officer, director or affiliate, except pursuant to existing Prospect option plans;

(i) any amendment to the Prospect Constituent Instruments, or any merger, consolidation, share exchange, business combination, recapitalization, reclassification of shares, stock split, reverse stock split or similar transaction involving Prospect or Merger Sub; or

(j) any negotiations, arrangement or commitment by Prospect to take any of the actions described in this Section 3.9.

Section 3.10 *Undisclosed Liabilities.* Except as set forth in Section 3.10 of the Prospect Disclosure Schedule, Prospect has no material liabilities or obligations of any nature matured or unmatured, fixed or contingent, including any obligations to issue capital stock or other securities of Prospect) due after the date hereof, other than (a) those set forth or adequately provided for in the most recent balance sheet included in the Prospect Financial Statements or (b) those not required to be set forth on a balance sheet of Prospect or in the notes thereto under U.S. GAAP.

Section 3.11 *Litigation.* As of the date hereof, there is no Action which (a) adversely affects or challenges the legality, validity or enforceability of this Agreement or (b) could, if there were an unfavorable decision, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect on Prospect. Neither Prospect, Merger Sub, nor any director or officer thereof (in his or her capacity as such) is or has been the subject of any Action involving a claim or violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty.

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Section 3.12 *Compliance with Applicable Laws.* Except as set forth in Section 3.12 of the Prospect Disclosure Schedule, each of Prospect and Merger Sub is in compliance with all applicable Laws, including those relating to occupational health and safety and the environment, except for instances of noncompliance that, individually and in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Prospect. Except as set forth in Section 3.12 of the Prospect Disclosure Schedule, Prospect has not received any written communication during the past two (2) years from a Governmental Authority alleging that Prospect is not in compliance in any material respect with any applicable Law.

Section 3.13 *Sarbanes-Oxley Act of 2002.* Prospect is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002 (the "***Sarbanes-Oxley Act***") applicable to it as of the date hereof and as of the Closing. There has been no change in Prospect's accounting policies since inception except as described in the notes to the Prospect Financial Statements. Each required form, report and document containing financial statements that has been filed with or submitted to the SEC since inception, was accompanied by the certifications required to be filed or submitted by Prospect's chief executive officer and chief financial officer pursuant to the Sarbanes-Oxley Act, and at the time of filing or submission of each such certification, such certification was true and accurate and materially complied with the Sarbanes-Oxley Act and the rules and regulations promulgated thereunder. Neither Prospect, nor, to the Knowledge of Prospect, any Representative of Prospect, has received or otherwise had or obtained knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of Prospect or its internal accounting controls, including any complaint, allegation, assertion or claim that Prospect has engaged in questionable accounting or auditing practices, except for (a) any complaint, allegation, assertion or claim as has been resolved without any resulting change to Prospect's accounting or auditing practices, procedures methodologies or methods of Prospect or its internal accounting controls, and (b) questions regarding such matters raised and resolved in the ordinary course of business in connection with the preparation and review of Prospect's financial statements and periodic reports. To the Knowledge of Prospect, no attorney representing Prospect, whether or not employed by Prospect, has reported evidence of a material violation of securities laws, breach of fiduciary duty or similar violation by Prospect or any of its officers, directors, employees or agents to the Prospect Board or any committee thereof or to any director or officer of Prospect. To the Knowledge of Prospect, no employee of Prospect has provided or is providing information to any law enforcement agency regarding the commission or possible commission of any crime or the violation or possible violation of any applicable law.

Section 3.14 *Certain Registration Matters.* Except as specified in Section 3.14 of the Prospect Disclosure Schedule, and except for registration rights granted in connection with the Prospect Public Offering, Prospect has not granted or agreed to grant to any Person any rights (including "piggy-back" registration rights) to have any securities of Prospect registered with the SEC or any other Governmental Authority that have not been satisfied.

Section 3.15 *Brokers' and Finders' Fees.* Except as specified in Section 3.15 of the Prospect Disclosure Schedule, neither Prospect nor Merger Sub has incurred, nor will it incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or investment bankers' fees or any similar charges in connection with this Agreement or any Transaction.

Section 3.16 *Records.* The books of account, minute books and shareholder records of Prospect and Merger Sub are complete and accurate in all material respects, and there have been no material transactions involving Prospect or Merger Sub which are required to be set forth therein and which have not been so set forth.

Section 3.17 *Board Approval.* The Prospect Board (including any required committee or subgroup of the Prospect Board) has, as of the date of this Agreement, (i) adopted resolutions

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approving the Merger and setting forth the terms and conditions thereof, and declared the advisability of and approved this Agreement and the transactions contemplated hereby, (ii) determined that the transactions contemplated hereby are in the best interests of the stockholders of Prospect, and (iii) determined that the fair market value of KW is equal to at least 80% of the balance in the Trust Fund (excluding deferred underwriting discounts and commissions).

Section 3.18 *AMEX.* The Prospect Common Stock and Warrants are quoted on the AMEX. There is no Action pending or, to the Knowledge of Prospect, threatened against Prospect by AMEX with respect to any intention by such entities to prohibit or terminate the quotation of such securities on the AMEX. The Prospect Common Stock and Prospect Warrants are registered pursuant to Section 12(b) of the Exchange Act, and Prospect has taken no action designed to, or which is likely to have the effect of, terminating the registration of such securities under the Exchange Act nor has Prospect received any notification that the SEC is contemplating terminating such registration.

Section 3.19 *Trust Fund.* Section 3.19 of the Prospect Disclosure Schedule sets forth as of June 30, 2009 the dollar amount (including an accrual for the earned but uncollected interest thereon) held in the trust account established in connection with Prospect's Public Offering for the benefit of its public shareholders (the "***Trust Fund***") for use by Prospect in connection with a business combination as set forth in the Prospect Constituent Instruments. Section 3.19 of the Prospect Disclosure Schedule sets forth as of June 30, 2009 the dollar amount of the Trust Fund that represents deferred underwriting commissions which will be paid to the underwriters of the Prospect Public Offering at the Closing.

Section 3.20 *Transactions with Affiliates and Employees.* Except as set forth in Section 3.20 of the Prospect Disclosure Schedule, none of the officers or directors of Prospect and, to the Knowledge of Prospect, none of the employees of Prospect is presently a party to any transaction with Prospect that is required to be disclosed under Rule 404(a) of Regulation S-K (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the Knowledge of Prospect, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

Section 3.21 *Material Contracts.*

(a) Prospect has made available to KW, prior to the date of this Agreement, true, correct and complete copies of each material contract which would be considered a material contract pursuant to Item 601(b)(10) of Regulation S-K or pursuant to which Prospect receives or pays amounts in excess of $100,000 (each a "***Prospect Material Contract***"). A list of each such Prospect Material Contract is set forth on Section 3.21 of the Prospect Disclosure Schedule. As of the date of this Agreement, Prospect is not in violation of or in default under (nor does there exist any condition which upon the passage of time, the giving of notice or both would cause such a violation of or default under) any Prospect Material Contract to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect on Prospect; and, to the Knowledge of Prospect, as of the date of this Agreement, no other Person has violated or breached, or committed any default under, any Prospect Material Contract, except for violations, breaches and defaults that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Prospect.

(b) Except as would not reasonably be expected to have a Material Adverse Effect on Prospect, each Prospect Material Contract is a legal, valid and binding agreement, and is in full force and effect, and (i) Prospect is not in breach or default of any Prospect Material Contract in any material respect; (ii) no event has occurred or circumstance has existed that (with or without

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notice or lapse of time), will or would reasonably be expected to, (A) contravene, conflict with or result in a violation or breach of, or become a default or event of default under, any provision of any Prospect Material Contract; (B) permit Prospect or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Prospect Material Contract; or (iii) Prospect has not received notice of the pending or threatened cancellation, revocation or termination of any Prospect Material Contract to which it is a party. Since June 30, 2009, Prospect has not received any notice or other communication regarding any actual or possible violation or breach of, or default under, any Prospect Material Contract, except in each such case for defaults, acceleration rights, termination rights and other rights that have not had and would not reasonably be expected to have a Material Adverse Effect on Prospect.

Section 3.22 *Taxes.* Except as disclosed in Schedule 3.22 of the Prospect Disclosure Schedule:

(a) Prospect has timely filed, or has caused to be timely filed on its behalf, all Tax Returns that are or were required to be filed by it pursuant to applicable Legal Requirements, except to the extent any failure to timely file any Tax Returns, either individually or in the aggregate, have not and would not reasonably be expected to have a Material Adverse Effect on Prospect. All such Tax Returns are (and, as to a Tax Return not filed as of the date hereof, and filed on or before the Closing Date, will be) in all respects true, complete and accurate, except to the extent any inaccuracies in any filed Tax Returns, individually or in the aggregate, have not and would not reasonably be expected to have a Material Adverse Effect on Prospect. To the Knowledge of Prospect, there are no unpaid Taxes claimed to be due by any Governmental Authority in charge of taxation of any jurisdiction, nor any claim for additional Taxes for any period for which Tax Returns have been filed, except to the extent any failure to file or any inaccuracies in any filed Tax returns, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on Prospect.

(b) Prospect has not received any written notice that any Governmental Authority will audit or examine (except for any general audits or examinations routinely performed by such Governmental Authorities), seek information with respect to, or make material claims or assessments with respect to any Taxes for any period. Prospect has made available to KW copies of all Tax Returns, examination reports, and statements of deficiencies filed by, assessed against or agreed to by Prospect since its inception.

(c) The Prospect Financial Statements reflect an adequate reserve, established in accordance with U.S. GAAP, for all Taxes known to be payable by Prospect (in addition to any reserve for deferred Taxes to reflect timing differences between book and Tax items) for all taxable periods and portions thereof through the date of such financial statements. Prospect is neither a party to nor is it bound by any Tax indemnity, Tax sharing or similar agreement and Prospect currently has no material liability, and will not have any material liabilities for any Taxes of any other Person under any agreement or by the operation of any Law. No deficiency with respect to any Taxes has been proposed, asserted or assessed against Prospect, except to the extent any such deficiency, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on Prospect.

(d) Prospect has not executed any outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(e) There are no Tax Liens upon any of the assets or properties of Prospect, other than with respect to Taxes not yet due and payable.

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(f) All Taxes required to be withheld, collected or deposited by or with respect to Prospect have been timely withheld, collected or deposited as the case may be, and to the extent required, have been paid to the relevant taxing authority.

(g) Prospect has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(l)(A)(ii) of the Code.

Section 3.23 *Foreign Corrupt Practices.* Neither Prospect nor Merger Sub, nor, to Prospect's Knowledge, any Representative of Prospect or Merger Sub has, in the course of its actions for, or on behalf of, Prospect (a) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (b) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (c) violated or is in violation of any provision of the FCPA; or (d) made any unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee, except, in the case of clauses (a) and (b) above, any such items that, individually or in the aggregate, have not had and would not reasonably be expected to have a Material Adverse Effect on Prospect.

Section 3.24 *Money Laundering Laws.* The operations of Prospect are and have been conducted at all times in compliance with Money Laundering Laws and no proceeding involving Prospect with respect to the Money Laundering Laws is pending or, to the Knowledge of the officers of Prospect, is threatened.

Section 3.25 *OFAC.* None of Prospect, Merger Sub, any director or officer of Prospect or Merger Sub, or, to the Knowledge of Prospect or Merger Sub, any agent, employee, affiliate or Person acting on behalf of Prospect or Merger Sub is currently identified on the specially designated nationals or other blocked person list or otherwise currently subject to any U.S. sanctions administered by OFAC; and neither Prospect nor Merger Sub has not, directly or indirectly, used any funds, or loaned, contributed or otherwise made available such funds to any joint venture partner or other Person, in connection with any sales or operations in Cuba, Iran, Syria, Sudan, Myanmar or any other country sanctioned by OFAC or for the purpose of financing the activities of any Person currently subject to, or otherwise in violation of, any U.S. sanctions administered by OFAC in the last five (5) fiscal years.

Section 3.26 *Proxy Statement/Prospectus.* None of the information in the Proxy Statement/Prospectus or incorporated by reference therein will, at the time the Proxy Statement/Prospectus is filed with the SEC or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading (provided that Prospect shall not be responsible for the accuracy or completeness of any information relating to KW or its Subsidiaries or any information furnished by them in writing for inclusion in the Proxy Statement/Prospectus). If any information is discovered or any event occurs, or any change occurs with respect to the other information included in the Proxy Statement/Prospectus which is required to be described in an amendment of, or a supplement to, the Proxy Statement/Prospectus so that such document does not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, Prospect shall notify KW promptly of such event.

Section 3.27 *Tax Representations Regarding Tax-Free Reorganization.*

(a) Merger Sub was organized solely for purposes of the Merger. Merger Sub has no assets or liabilities and has not conducted any business.

(b) Merger Sub is wholly owned by Prospect and will continue to be wholly owned by Prospect through the Merger Effective Time.

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(c) Prospect does not own any stock in KW and has not owned any stock in KW in the last five (5) years.

(d) Neither Prospect nor any person related to Prospect within the meaning of Treasury Regulation Section 1.368-1(e) has any plan or intention to redeem or acquire any of the Prospect Common Stock issued to KW stockholders in the Merger.

(e) Prospect has no plan or intention to liquidate KW, to merge KW with or into another corporation, to sell or otherwise dispose of the stock of KW except for transfers of stock described in Treasury Regulation Section 1.368-2(k), or to cause KW to sell or otherwise dispose of any of its assets except for dispositions made in the ordinary course of business or transfers of assets to a qualified group or qualified partnership within the meaning of and in accordance with Treasury Regulation Section 1.368-1(d)(4).

(f) Following the Merger, KW will continue its historic business or continue to use a significant portion of its historic business assets in a business within the meaning of Treasury Regulation Section 1.368-1(d).

(g) Prospect is not an investment company as defined in Section 368(a)(2)(F)(iii) and (iv) of the Code.

ARTICLE IV

Conduct Prior To The Closing

Section 4.1 *Covenants of KW.* During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing Date, KW agrees that KW and its Subsidiaries shall (i) use commercially reasonable efforts to (except to the extent expressly contemplated by this Agreement or as consented to in writing by Prospect) carry on their businesses in the ordinary course in substantially the same manner as heretofore conducted, to pay debts and Taxes when due (subject to good faith disputes over such debts or Taxes), to pay or perform other obligations when due, and to use all reasonable efforts consistent with past practice and policies to preserve intact their present business organizations, and (ii) use their commercially reasonable efforts consistent with past practice to keep available the services of their present executive officers and directors to preserve their relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with them, in each case, to the end that there shall not be a Material Adverse Effect in their ongoing businesses as of the Closing Date. KW agrees to promptly notify Prospect of any material event or occurrence not in the ordinary course of business that would have or reasonably be expected to have a Material Adverse Effect on KW. Without limiting the generality of the foregoing, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing Date, except as otherwise expressly permitted by or provided for in this Agreement, KW shall not take, allow, cause or permit any of the following actions to occur with respect to KW without the prior written consent of Prospect, which consent shall not be unreasonably delayed or withheld:

(a) *Charter Documents*. Cause or permit any amendments to any of the KW Constituent Instruments or any other equivalent organizational documents, except for such amendments made pursuant to a Legal Requirement or as contemplated by this Agreement;

(b) *Accounting Policies and Procedures*. Change any material method of accounting or accounting principles or practices by KW, except for any such change made pursuant to a Legal Requirement or by a change in U.S. GAAP;

(c) *Dividends; Changes in Capital Stock*. Except for the payment of quarterly dividends on the KW Preferred Stock in an amount and a manner consistent with past practices, declare or pay

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any dividends on or make any other distributions (whether in cash, stock or property) in respect of any of its capital stock, or split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

(d) *Material Contracts*. Enter into any new Material Contract, or violate, amend or otherwise modify or waive any of the terms of any existing Material Contract, other than in the ordinary course of business consistent with past practice;

(e) *Issuance of Securities*. Issue, deliver or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any such shares or other convertible securities;

(f) *Indebtedness*. Except in its ordinary course of business, issue or sell any debt securities or guarantee any debt securities of others in excess of $10,000,000;

(g) *Dispositions*. Sell, lease, license or otherwise dispose of or encumber any of its properties or assets which are material, individually or in the aggregate, to its business, taken as a whole, except in the ordinary course of business consistent with past practice;

(h) *Taxes*. Make or change any Tax election, change an annual accounting period, adopt or change any accounting method with respect to Taxes, file any amended Tax Return, enter into any closing agreement, settle or compromise any proceeding with respect to any Tax claim or assessment relating to KW or any of its Subsidiaries, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to KW or any of its Subsidiaries, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax;

(i) *New Line of Business*. Enter into any new line of business;

(j) *Liquidation*. Adopt a plan or effect any complete or partial liquidation or adopt resolutions providing for or authorizing such liquidation or adopt a plan of or effect any dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(k) *Officers and Employees*. (1) Increase the wages, salaries, bonus, compensation or other benefits of any of its officers or employees (other than non-material increases granted to retain employees, other than officers, who have been offered employment by another Person) or enter into, establish, amend or terminate any KW Benefit Plan or, except as contemplated by this Agreement, enter into any other employment, consulting, retention, change in control, collective bargaining, bonus or incentive compensation, profit sharing, health, welfare, stock option, equity, pension, retirement, vacation, severance, termination, deferred compensation or other compensation or benefit plan, policy, agreement, trust, fund or other arrangement with, for or in respect of any officer, director or employee other than as required by applicable Law or pursuant to the terms of agreements in effect on the date of this Agreement or in the ordinary course of business consistent with past practice with its employees (other than officers), (2) hire any employees except in the ordinary course of business consistent with past practice or (3) fail to make contributions to any KW Benefit Plan in accordance with the terms thereof or with past practice;

(l) *Material Adverse Effect*. Take or omit to take any action, the taking or omission of which could reasonably be expected to have a Material Adverse Effect on KW; and

(m) *Other*. Agree in writing or otherwise to take any of the actions described in Section 4.1(a) through (l) above.

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Section 4.2 *Covenants of Prospect.* During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing Date, Prospect agrees that Prospect shall (i) use commercially reasonable efforts, and cause Merger Sub to use commercially reasonable efforts, to (except to the extent expressly contemplated by this Agreement or as consented to in writing by KW), carry on its business in the ordinary course in substantially the same manner as heretofore conducted, to pay debts and Taxes when due (subject to good faith disputes over such debts or taxes), to pay or perform other obligations when due, and to use all reasonable efforts consistent with past practice and policies to preserve intact its present business organizations and (ii) use its commercially reasonable efforts consistent with past practice to keep available the services of its present officers, directors and employees and to preserve its relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with it, in each case to the end that there shall not be a Material Adverse Effect in its ongoing business as of the Closing Date. Prospect agrees to promptly notify KW of any material event or occurrence not in the ordinary course of its business and of any event that would have a Material Adverse Effect on Prospect. Without limiting the generality of the forgoing, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the Closing Date, except as listed on Section 4.2 of the Prospect Disclosure Schedule or as otherwise expressly permitted by or provided for in this Agreement, Prospect shall not do, allow, cause or permit any of the following actions to occur without the prior written consent of KW, which consent shall not be unreasonably delayed or withheld:

(a) *Charter Documents*. Cause or permit any amendments in any of their constituent instruments except for such amendments required by any Legal Requirement or the rules and regulations of the SEC or AMEX or as are contemplated by this Agreement (or such other applicable national securities exchange);

(b) *Accounting Policies and Procedures*. Change any method of accounting or accounting principles or practices by Prospect, except for any such change made pursuant to a Legal Requirement or by a change in U.S. GAAP;

(c) *Dividends; Changes in Capital Stock*. Declare or pay any dividends on or make any other distributions (whether in cash, stock or property) in respect of any of its capital stock, or split, combine or reclassify any of its capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, cancel or agree to cancel shares of its capital stock or repurchase, agree to repurchase or otherwise acquire or agree to acquire, directly or indirectly, any of its securities;

(d) *Material Contracts*. Enter into any new Prospect Material Contract, or violate, amend or otherwise modify or waive any of the terms of any existing Prospect Material Contract, other than in the ordinary course of business consistent with past practice;

(e) *Issuance of Securities*. Issue, deliver or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any such shares or other convertible securities;

(f) *Indebtedness*. Issue or sell any debt securities or guarantee any debt securities of others;

(g) *Dispositions*. Sell, lease, license or otherwise dispose of or encumber any of its properties or assets which are material, individually or in the aggregate, to its business, taken as a whole, except in the ordinary course of business consistent with past practice;

(h) *Taxes*. Make or change any Tax election, change an annual accounting period, adopt or change any accounting method with respect to Taxes, file any amended Tax Return, enter into any closing agreement, settle or compromise any proceeding with respect to any Tax claim or

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assessment relating to Prospect, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to Prospect, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax.

(i) *New Line of Business*. Enter into any new line of business;

(j) *Liquidation*. Adopt a plan or effect any complete or partial liquidation or adopt resolutions providing for or authorizing such liquidation or adopt a plan of or effect any dissolution, merger, consolidation, restructuring, recapitalization or reorganization;

(k) *SEC Reports*. Fail to timely file or furnish to or with the SEC all reports, schedules, forms, statements and other documents required to be filed or furnished (except those filings by affiliates of Prospect required under Section 13(d) or 16(a) of the Exchange Act provided their failure to file such documents does not have a Material Adverse Effect on Prospect or the ability of Prospect to consummate the transactions contemplated hereby); and

(l) *Other*. Agree in writing or otherwise to take any of the actions described in Sections 4.2(a) through (k) above.

Section 4.3 *No Shop; Non-Solicit.*

(a) From and after the date hereof until the earlier of the (i) termination of this Agreement in accordance with its terms or (ii) the Merger Effective Time ("***Exclusivity Period***"): (A) Prospect shall not, and shall cause its stockholders and Representatives (collectively, with Prospect, the "***Prospect Group***") not to enter into any written agreement with any other person or entity (whether or not such written agreement is absolute, contingent or conditional) regarding a Prospect Third Party Acquisition other than the transactions contemplated by this Agreement, (B) Prospect shall not and shall cause the other members of the Prospect Group not to solicit, offer, initiate, knowingly encourage, conduct or seek to engage in any discussions, investigations or negotiations or enter into any agreement with any other person or entity (whether or not such agreement or understanding is absolute, revocable, contingent or conditional) regarding a Prospect Third Party Acquisition and (C) Prospect agrees that during the Exclusivity Period it shall promptly, after obtaining knowledge thereof, advise KW of any inquiry or proposal regarding a Prospect Third Party Acquisition that is received by any member of the Prospect Group, including the terms of the proposal and the identity of the inquirer or offeror; and

(b) During the Exclusivity Period: (A) KW shall not, and shall cause its stockholders and Representatives (collectively, with KW, the "***KW Group***") not to enter into any written agreement with any other person or entity (whether or not such written agreement is absolute, contingent or conditional) regarding a KW Third Party Acquisition other than the transactions contemplated by this Agreement, (B) KW shall not and shall cause the other members of the KW Group not to solicit, offer, initiate, knowingly encourage, conduct or seek to engage in any discussions, investigations or negotiations or enter into any agreement or understanding with any other person or entity (whether or not such agreement or understanding is absolute, revocable, contingent or conditional) regarding a KW Third Party Acquisition, other than the transactions contemplated in this Agreement; and (C) KW agrees that during the Exclusivity Period it shall promptly, after obtaining knowledge thereof, advise Prospect of any inquiry or proposal regarding a KW Third Party Acquisition that is received by any member of the KW Group, including the terms of the proposal and the identity of the inquirer or offeror.

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ARTICLE V

Additional Covenants of KW

Section 5.1 *Access to Information.* Except as required pursuant to any confidentiality agreement or similar agreement or arrangement to which KW is subject, between the date of this Agreement and the Closing Date, subject to Prospect's undertaking to use its commercially reasonable efforts to keep confidential and protect the Trade Secrets of KW and its Subsidiaries against any disclosure, KW and its Subsidiaries shall permit, upon reasonable request, Prospect and its Representatives access at dates and times agreed upon by the applicable entity and Prospect, to all of the books and records of KW and its Subsidiaries which Prospect determines are necessary for the preparation and amendment of the Proxy Statement/Prospectus and such other filings or submissions in accordance with SEC rules and regulations as are necessary to consummate the transactions contemplated hereby and as are necessary to respond to requests of the SEC staff, Prospect's accountants and relevant Governmental Authorities; *provided, however,* that Prospect may make a disclosure otherwise prohibited by this Section 5.1 if required by applicable law or regulation or regulatory, administrative or legal process (including, without limitation, by oral questions, interrogatories, requests for information, subpoena of documents, civil investigative demand or similar process) or the rules and regulations of the SEC or any stock exchange having jurisdiction over Prospect. In the event that Prospect or any of its Representatives is requested or required to disclose any Trade Secrets of KW or its Subsidiaries as provided in the proviso in the immediately preceding sentence, Prospect shall provide KW and its Subsidiaries with immediate written notice of any such request or requirement so that KW and is Subsidiaries may seek a protective order or other appropriate remedy.

Section 5.2 *Insurance.* Through the Closing Date, KW shall cause KW and its Subsidiaries to maintain insurance policies providing insurance coverage for the businesses in which KW and its Subsidiaries are engaged and the assets and properties of KW and its Subsidiaries of the kinds, in the amounts and against the risks as are commercially reasonable for such businesses and risks covered and for the geographic areas where KW and its Subsidiaries engage in such businesses.

Section 5.3 *Fulfillment of Conditions.* KW shall use its commercially reasonable efforts, and shall cause its Subsidiaries to use their commercially reasonable efforts, to fulfill the conditions specified in Article VIII to the extent that the fulfillment of such conditions is within their control. The foregoing obligation includes (a) executing and delivering documents necessary or desirable to consummate the transactions contemplated hereby, (b) engaging in a road show, at mutually agreed times and places, to seek the approval of the transactions, and (c) taking or refraining from such actions as may be necessary to fulfill such conditions (including using their commercially reasonable efforts to conduct their respective businesses in such manner that on the Closing Date the representations and warranties of the each of KW contained herein shall be accurate as though then made, except as contemplated by the terms hereof).

Section 5.4 *Disclosure of Certain Matters.* From the date hereof through the Closing Date, KW shall give Prospect prompt written notice of any event or development that occurs that (a) is of a nature that, individually or in the aggregate, would have or reasonably be expected to have a Material Adverse Effect on KW, or (b) would require any amendment or supplement to the Proxy Statement/Prospectus.

Section 5.5 *Regulatory and Other Authorizations; Notices and Consents.*

(a) KW shall use its commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of Governmental Authorities and all material Consents that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and the Transaction Documents including the consents set forth on Section 5.5 of the KW Disclosure Schedule ("***Required Consents"***) will cooperate with Prospect in promptly

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seeking to obtain all such Required Consents (and in such regard use commercially reasonable efforts to cause the relevant Governmental Authorities to permit Prospect and/or its counsel to participate in the conversation and correspondence with such Governmental Authorities together with KW's counsel).

(b) KW shall give promptly such notices to third parties under any Material Contract.

(c) KW shall use its commercially reasonable efforts to obtain, prior to the date of the mailing of the Proxy Statement/Prospectus, all necessary approvals from holders of KW Securities for the Merger, including the KW Stockholder Approvals.

(d) KW shall promptly notify Prospect if KW determines that it may be unable to obtain a Required Consent prior to November 13, 2009.

Section 5.6 *Related Taxes.* From the date hereof through the Closing Date, each of KW and its Subsidiaries, consistent with past practice, shall (i) duly and timely file all Tax Returns and other documents required to be filed by it with applicable Governmental Authorities, the failure to file of which could have a Material Adverse Effect on KW, subject to extensions permitted by law and properly granted by the appropriate authority; *provided,* that KW shall (i) promptly notify Prospect that any of KW and its Subsidiaries is availing itself of such extensions, and (ii) pay all Taxes shown as due on such Tax Returns.

Section 5.7 *Proxy Statement/Prospectus.* KW shall use commercially reasonable efforts to provide promptly to Prospect such information concerning the business affairs and consolidated financial statements of KW and any required financial statements of its Subsidiaries as may reasonably be required for inclusion in the Proxy Statement/Prospectus and shall direct that its counsel cooperate with Prospect's counsel in the preparation of the Proxy Statement/Prospectus and shall request the cooperation of KW's auditors in the preparation of the Proxy Statement/Prospectus.

Section 5.8 *Employment Agreements.* KW will enter into amended employment agreements with each of William McMorrow, Mary Ricks and Donald Herrema substantially in the forms attached hereto as ***Exhibits B-1, B-2*** and ***B-3*****,** respectively.

Section 5.9 *Lock-Up Agreements.* Each of those Persons listed in Section 5.9 of the KW Disclosure Schedule will enter into a lock-up agreement substantially in the form of ***Exhibit C*** attached hereto.

Section 5.10 *No Claim Against Trust Fund.* Notwithstanding anything else in this Agreement, KW acknowledges that it has read Prospect's final prospectus dated November 14, 2007 and understands that Prospect has established the Trust Fund for the benefit of Prospect's public stockholders and that, subject to the limited exceptions described therein, Prospect may disburse monies from the Trust Fund only (a) to Prospect's public stockholders in the event they elect to convert their shares into cash in accordance with Prospect's certificate of incorporation and/or the liquidation of Prospect or (b) to Prospect after it consummates a business combination. KW further acknowledges that, if the transactions contemplated by this Agreement, or, upon termination of this Agreement, another business combination, are not consummated by November 14, 2009, Prospect shall be obligated to return to its public stockholders the amounts being held in the Trust Fund. Accordingly, KW, for itself and each of its Subsidiaries, hereby waives all rights, title, interest or claim of any kind against Prospect to collect from the Trust Fund any monies that may be owed to them by Prospect or KW for any reason, including but not limited to a breach of this Agreement by Prospect or any negotiations, agreements or understandings with Prospect (whether in the past, present or future), and shall not seek recourse against the Trust Fund at any time for any reason other than a breach by Prospect of Section 4.3 hereof. This paragraph shall survive this Agreement and shall not expire and may not be altered in any way without the express written consent of Prospect. Notwithstanding the foregoing, KW does not waive a claim for damages, not to exceed $10 million, against Prospect if such damages arise from Prospect's breach of Section 4.3 hereof.

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ARTICLE VI

Additional Covenants of Prospect

Section 6.1 *Proxy Statement/Prospectus Filing, SEC Filings and Special Meeting.*

(a) Prospect shall cause a meeting of its stockholders (the "***Prospect Stockholders' Meeting***") to be duly called and held as soon as reasonably practicable for the purpose of voting on the adoption and approval of, among others, this Agreement and the transactions contemplated hereby. Prospect shall cause a meeting of the holders of Prospect Warrants (the "Prospect Warrant holders Meeting") to be duly called and held as soon as reasonably practicable for the purpose of voting to approve the Prospect Warrant Agreement Amendment. The board of directors of Prospect shall recommend to its stockholders and the holders of Prospect Warrants that they vote in favor of the adoption of such matters. In connection with the Prospect Stockholders' Meeting and the Prospect Warrant holders Meeting, Prospect (a) shall use commercially reasonable efforts to file with the SEC as promptly as practicable the Proxy Statement/Prospectus, (b) upon receipt of approval from the SEC, will mail to its stockholders and the holders of Prospect Warrants the Proxy Statement/Prospectus and other proxy materials, (c) will use commercially reasonable efforts to obtain the necessary approvals by its stockholders of this Agreement and the transactions contemplated hereby, (d) will use commercially reasonable efforts to obtain the necessary approvals by the holders of Prospect Warrants of the Warrant Agreement Amendment and (e) will otherwise comply with all Legal Requirements applicable to the Prospect Stockholders' Meeting and the Prospect Warrant holders Meeting.

(b) Prospect shall timely provide to KW all correspondence received from and to be sent to the SEC and shall not file any amendment to the filings with the SEC without (i) providing KW the opportunity to review and comment on any responses to the SEC and (ii) the prior consent of KW, which consent shall not be unreasonably delayed or withheld. In addition, Prospect shall use commercially reasonable efforts to cause the SEC to permit KW and/or its counsel to participate in the SEC conversations on issues related to Prospect's SEC filings together with Prospect's counsel.

Section 6.2 *Fulfillment of Conditions.* From the date hereof to the Closing Date, Prospect shall use its commercially reasonable efforts to fulfill the conditions specified in Article VIII. The foregoing obligation includes, without limitation, (a) executing and delivering documents necessary or desirable to consummate the transactions contemplated hereby, (b) engaging in a road show, at mutually agreed to times and places, to seek the approval of the transactions contemplated hereby, and (c) taking or refraining from taking such actions as may be necessary to fulfill such conditions (including using its commercially reasonable efforts to conduct the business of Prospect in such manner that on the Closing Date the representations and warranties of Prospect contained herein shall be accurate as though then made).

Section 6.3 *Disclosure of Certain Matters.* From the date hereof through the Closing Date, Prospect shall give KW prompt written notice of any event or development that occurs that (a) is of a nature that, individually or in the aggregate, would have or reasonably be expected to have a Material Adverse Effect on Prospect, or (b) would require any amendment or supplement to the Proxy Statement/Prospectus.

Section 6.4 *Regulatory and Other Authorizations; Notices and Consents.* Prospect shall use its commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Authorities that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and the Transaction Documents to which it is a party and shall cooperate fully with KW in promptly seeking to obtain all such authorizations, consents, orders and approvals (and in such regard use commercially reasonable efforts to cause the

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relevant Government Authorities to permit KW and/or its counsel to participate in the conversation and correspondence with such Government Authorities together with Prospect's counsel). Subsequent to the Closing, Prospect shall use commercially reasonable efforts to inform former market-makers in KW Common Stock of the Closing and that trades should no longer be made in KW Common Stock.

Section 6.5 *Related Taxes.* From the date hereof through the Closing Date, Prospect, consistent with past practice, shall (i) duly and timely file all Tax Returns and other documents required to be filed by it with applicable Governmental Authorities, the failure to file of which could have a Material Adverse Effect on Prospect, subject to extensions permitted by law and properly granted by the appropriate authority; *provided*, that Prospect shall (i) promptly notify KW that Prospect is availing itself of such extensions, and (ii) pay all Taxes shown as due on such Tax Returns.

Section 6.6 *Valid Issuance of Prospect Common Stock.* Prospect shall ensure that the authorized share capital of Prospect be sufficient to enable Prospect to issue the Prospect Common Stock in the Merger and to meet its obligations under the Prospect Stock Rights issued and outstanding as of such time. At the Closing, the shares of Prospect Common Stock to be issued in the Merger hereunder will be duly authorized, validly issued, fully paid and nonassessable and will have been issued in compliance with all applicable federal and state securities laws.

Section 6.7 *Securities Purchases.* Prospect agrees, either itself or through any affiliate, that it shall not, without the prior written consent of KW, purchase, agree to purchase or otherwise acquire or agree to acquire, directly or indirectly, any of Prospect's securities other than in accordance with the terms of the Transaction Documents.

Section 6.8 *Management Incentive Plan.* Prior to Closing, Prospect shall adopt an equity incentive plan ("***Management Incentive Plan***"), for the issuance of up to 4.0 million shares of Prospect Common Stock (the "***Management Incentive Shares***") and, at the Closing, Prospect shall grant awards under the Management Incentive Plan for the aggregate number of Management Incentive Shares to key employees of the Surviving Corporation in the amounts and upon terms and conditions to be mutually agreed upon between Prospect and KW.

Section 6.9 *Director and Officer Liability.* Prospect shall, or shall cause the Surviving Corporation, to do the following:

(a) For six years after the Merger Effective Time, the Surviving Corporation shall provide each current and former director and officer of Prospect (collectively, the "***Indemnified D&Os***") with "tail" insurance (to the extent available in the market) in respect of acts or omissions occurring prior to the Merger Effective Time covering each such Person on terms with respect to coverage and amount not materially less favorable than those currently covered by Prospect's officers' and directors' liability insurance policy, provided that the premium for such coverage will not exceed $200,000 (the "***Tail Coverage Amount***"). Without limiting the generality of the foregoing (and not withstanding any other provision of this Agreement), prior to the Merger Effective Time, and with the prior consent of Prospect, KW and Prospect shall be entitled to obtain prepaid insurance policies providing for the coverage contemplated by this Section 6.9 with annual premiums not to exceed the Tail Coverage Amount. If such prepaid policies are obtained prior to the Merger Effective Time, Prospect shall not cancel such policies or permit such policies to be cancelled. Notwithstanding the foregoing, neither Prospect nor the Surviving Corporation shall be required to pay annual premiums for such policy in excess of the Tail Coverage Amount and, in the event any future annual premiums for such policy exceeds such amount, Prospect or the Surviving Corporation will be entitled to reduce the amount of coverage that can be obtained for an annual premium equal to the Tail Coverage Amount.

(b) For six years after the Merger Effective Time, maintain in effect the provisions in its certificate of incorporation and bylaws providing for indemnification of such Persons with respect

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to the facts or circumstances occurring at or prior to the Merger Effective Time to the fullest extent permitted from time to time under the DGCL, which provisions shall not be amended except as required by changes in Law or except to make changes permitted by Law that would enlarge the scope of such Persons' indemnification rights thereunder.

(c) The provisions of this Section 6.9 (i) are intended to be for the benefit of, and will be enforceable by, each Indemnified D&O, his or her heirs and his or her representatives and (ii) are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by contract or otherwise. The obligations of Prospect and the Surviving Corporation under this Section 6.9 shall not be terminated or modified in such a manner as to adversely affect the rights of any indemnified party to whom this Section 6.9 applies unless (x) such termination or modification is required by applicable Law or (y) the affected indemnified party shall have consented in writing to such termination or modification.

ARTICLE VII

Additional Agreements and Covenants

Section 7.1 *Disclosure Schedules.* Each of the Parties shall, as of the Closing Date, have the obligation to supplement or amend its respective Disclosure Schedules being delivered concurrently with the execution of this Agreement and annexes and exhibits hereto with respect to any matter hereafter arising or discovered which resulted in, or could reasonably be expected to result in a Material Adverse Effect on such Party. The obligations of the Parties to amend or supplement their respective Disclosure Schedules being delivered herewith shall terminate on the Closing Date. Notwithstanding any such amendment or supplementation, the representations and warranties of the Parties shall be made with reference to the Disclosure Schedules as they exist at the time of execution of this Agreement.

Section 7.2 *Confidentiality.* Between the date hereof and the Closing Date, each of Prospect and KW shall hold and shall cause its Affiliates and Representatives to hold in strict confidence, unless compelled to disclose by judicial or administrative process or by other requirements of law or by the rules and regulations of, or pursuant to any agreement, rules or regulations of, the relevant stock exchange or trading system, all documents and information concerning the other Party furnished to it by such other Party or its Representatives in connection with the transactions contemplated hereby, except to the extent that such information can be shown to have been (a) previously known by the Party to which it was furnished with no obligation of confidentiality, (b) in the public domain through no fault of such Party, or (c) later lawfully acquired by the Party to which it was furnished from other sources, which source is not an Affiliate or Representative of the other Party, and each Party shall not release or disclose such information to any other Person, except its Affiliates and Representatives in connection with this Agreement. Each Party shall be deemed to have satisfied its obligations to hold confidential information concerning or supplied by the other Party in connection with the transactions contemplated hereby, if it exercises the same care as it takes to preserve confidentiality for its own similar information. For the avoidance of doubt, any disclosure of information required to be included by Prospect or KW in their respective filings with the SEC as required by applicable Laws will not be a violation of this Section 7.2 provided that the other Party was given notice of such disclosure prior to its release and did not object to its release.

Section 7.3 *Public Announcements.* From the date of this Agreement until the Closing or termination of this Agreement, Prospect and KW shall cooperate in good faith to jointly prepare all press releases and public announcements pertaining to this Agreement and the transactions contemplated hereby, and neither of them shall issue or otherwise make any public announcement or communication pertaining to this Agreement or the transactions contemplated hereby without the prior consent of Prospect (in the case of KW) or KW (in the case of Prospect), except as required by

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applicable Law or by the rules and regulations of, or pursuant to any agreement, rules or regulations of, the relevant stock exchange or trading system. Each Party will not unreasonably withhold approval from the other with respect to any press release or public announcement. If any Party determines with the advice of counsel that it is required to make this Agreement and the terms of the transactions contemplated hereby public or otherwise issue a press release or make public disclosure with respect thereto, it shall, at a reasonable time before making any public disclosure, consult with the other Parties regarding such disclosure, seek such confidential treatment for such terms or portions of this Agreement or the transactions contemplated hereby as may be reasonably requested by the other Parties and disclose only such information as is legally compelled to be disclosed. This provision will not apply to communications by any Party to its Representatives.

Section 7.4 *HSR.* If required pursuant to the HSR Act, as promptly as practicable after the date of this Agreement, Prospect and KW shall each prepare and file the notification required of it thereunder in connection with the transactions contemplated hereunder and shall promptly and in good faith respond to all information requested of it by the Federal Trade Commission and Department of Justice in connection with such notification and otherwise cooperate in good faith with each other and such Governmental Authorities. Prospect and KW shall (a) promptly inform the other of any communication to or from the Federal Trade Commission, the Department of Justice or any other Governmental Authority regarding the transactions contemplated hereunder, (b) give the other prompt notice of the commencement of any action, suit, litigation, arbitration, proceeding or investigation by or before any Governmental Authority with respect to such transactions, and (c) keep the other reasonably informed as to the status of any such action, suit, litigation, arbitration, proceeding or investigation. Each of Prospect and KW shall pay one-half of the filing fees with respect to the notifications required under the HSR Act.

Section 7.5 *Fees and Expenses.* Except as provided in Section 7.4, in the event that there is no Closing of the transactions contemplated by this Agreement, all fees and expenses incurred in connection with this Agreement shall be paid by the Party incurring such fees or expenses.

Section 7.6 *Reporting.* From and after the date of this Agreement, each of the Parties will, and will cause its Affiliates to, (i) act in a manner consistent with the treatment of the Merger contemplated by this Agreement as a reorganization under Section 368(a) of the Code and (ii) consistently take the position on all Tax Returns, before any taxing authority, and in any judicial proceeding, that the Merger contemplated by this Agreement qualifies as a reorganization under Section 368(a) of the Code.

Section 7.7 *Counsel Tax Letters.* Prospect and KW will each use its reasonable best efforts to cause its respective counsel to provide it with an opinion with respect to certain statements of United States federal income tax law as set forth in the Proxy Statement/Prospectus under the caption "Material United States Federal Income Tax Consequences of the Merger" (the ***"Proxy Statement/Prospectus Tax Section"***). In the case of the opinion provided by KW's counsel, such opinion shall be subject to the assumptions, limitations and qualifications stated in such opinion and in the Proxy Statement/Prospectus Tax Section, and shall relate to the statements made in the Proxy Statement/Prospectus Tax Section regarding the United States federal income tax consequences of the Merger to United States holders (as such term is defined in the Proxy Statement/Prospectus Tax Section) of KW Securities. In the case of the opinion provided by Prospect's counsel, such opinion shall be subject to the assumptions, limitations and qualifications stated in such opinion and in the Proxy Statement/Prospectus Tax Section, and shall relate to the statements made in the Proxy Statement/Prospectus Tax Section regarding the United States federal income tax consequences of the Merger to Prospect and to United States holders of Prospect Common Stock. Each of the Parties, to the extent reasonably requested by counsel for a Party, shall timely provide to such requesting counsel, to the extent possible, reasonable and customary tax representations in connection with the United States federal income tax consequences of the Merger that are described in the Proxy Statement/Prospectus Tax Section.

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ARTICLE VIII

Conditions to Closing

Section 8.1 *KW Conditions Precedent.* The obligations of KW to enter into and complete the Closing are subject, at the option of KW, to the fulfillment on or prior to the Closing Date of the following conditions by Prospect, any one or more of which may be waived by KW in writing:

(a) *Representations and Covenants*. The representations and warranties of Prospect contained in this Agreement shall be true on and as of the Closing Date, except where the failure of such representations or warranties to be so true and correct, individually or in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect on Prospect (disregarding for purposes of determining a Material Adverse Effect for purposes of this Section 8.1(a) any materiality qualifier set forth in Prospect's representations and warranties), and Prospect shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with by it on or prior to the Closing Date.

(b) *Litigation*. No action, suit or proceeding shall have been instituted before any court or governmental or regulatory body or instituted by any Governmental Authorities (i) to restrain, modify or prevent the carrying out of the transactions contemplated by this Agreement, or to seek damages or a discovery order in connection with the transactions contemplated by this Agreement, or (ii) which has or may have, in the reasonable opinion of KW, a Material Adverse Effect on Prospect.

(c) *Filing of Proxy Statement/Prospectus; Effectiveness of Registration Statement*. Prospect shall have filed the definitive Proxy Statement/Prospectus with the SEC and mailed it to Prospect's stockholders. The SEC shall have declared the Registration Statement effective and no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued by the SEC and no proceeding for that purpose shall have been initiated or, to the Knowledge of Prospect or KW, be threatened by the SEC.

(d) *Approval by Prospect's Stockholders*. (i) The Merger and this Agreement shall have been approved by the affirmative vote of the holders of a majority of the shares of Prospect Common Stock sold in the Prospect Public Offering voted at the meeting in accordance with Prospect Constituent Instruments, (ii) a majority of the issued and outstanding shares of Prospect Common Stock shall have approved an amendment to Prospect's certificate of incorporation in the form attached as ***Exhibit D***, (iii) to the extent required, a majority of the shares of Prospect Common Stock present or represented by proxy shall have approved the issuance to the holders of KW Securities of the Prospect Common Stock to be issued hereunder, and (iv) the aggregate number of shares of Prospect Common Stock held by public stockholders of Prospect who exercise their redemption rights with respect to their Prospect Common Stock in accordance with the Prospect Constituent Instruments shall not constitute thirty percent (30%) or more of the Prospect Common Stock sold in the Prospect Public Offering (collectively, the approvals described in clauses (i)-(iv), the "***Prospect Stockholder Approvals***").

(e) *Approval by KW's Stockholders*.

(i) The Merger shall have been approved by a majority of the issued and outstanding KW Common Stock in accordance with Section 251 of the DGCL and other applicable laws, and this Agreement shall have been approved by the affirmative vote of the holders of a majority of the shares of KW Common Stock in accordance with KW Constituent Instruments (the "***KW Common Approvals***").

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(ii) Prior to the Closing Date, the Certificate of Designation of the KW Preferred Stock, shall have been amended pursuant to a majority vote of the holders of the KW Preferred Stock such that each share of KW Preferred Stock issued and outstanding immediately prior to the Merger Effective Time shall be automatically converted into the right to receive shares of Prospect Common Stock at the Preferred Stock Exchange Ratio (the "***KW Preferred Approval***" and, collectively with the KW Common Approvals, the "***KW Stockholder Approvals***").

(f) *No Material Adverse Effect*. Since the date of this Agreement, there shall not have been any occurrence, event, change, effect or development that, individually or in the aggregate, has had or is reasonably expected to have a Material Adverse Effect on Prospect.

(g) *Amendment of Warrants*. The holders of Prospect Warrants shall have approved the Prospect Warrant Agreement Amendment.

(h) *Notice to Trustee*. Prospect shall have delivered to the trustee of the Trust Fund instructions to disburse on the Closing Date the monies in the Trust Fund in accordance with the documents governing the Trust Fund.

(i) *Transaction Documents*. Prospect shall have executed and delivered each of the Transaction Documents to which it is a party.

(j) *Merger Documents*. Merger Sub shall have executed and delivered the Certificate of Merger to be filed in accordance with the DGCL as of the Merger Effective Time.

(k) *Resignations*. Effective as of the Closing, the directors and officers of Prospect who are not continuing as directors or officers of Prospect after the Closing shall have resigned and the copies of the resignation letters of such directors and officers shall have been delivered to Prospect, stating, among others, that they shall have no claim for employment compensation in any form from Prospect except for any reimbursement of outstanding expenses existing as of the date of such resignation.

(l) *Opinion*. KW shall have received the legal opinion of Bingham McCutchen LLP as to corporate matters which opinions shall be in form and substance reasonably satisfactory to KW.

(m) *Officer's Certificate*. KW shall have received a certificate from Prospect, signed by an authorized officer, certifying that the attached copies of the Prospect Constituent Instruments and resolutions of the Prospect Board approving the Agreement and the transactions contemplated hereby are all true, complete and correct and remain in full force and effect.

(n) *Compliance Certificate*. KW shall have received a certificate from Prospect signed by an authorized officer, certifying that the conditions specified in Section 8.1(a), (b) and (f) have been fulfilled.

(o) *Certificate of Good Standing*. KW shall have received a certificate of good standing under the applicable Law for Prospect.

(p) *Injunctions or Restraints on Conduct of Business*. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint provision limiting or restricting Prospect's conduct or operation of the business of Prospect following the Merger shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other Governmental Authority, domestic or foreign, seeking the foregoing be pending.

(q) *Completion of the Merger and Conversion*. The Merger shall have become effective under the DGCL.

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(r) *Governmental Approvals*. Each of KW and Prospect shall have timely obtained from each Governmental Authority all approvals, waivers and consents, if any, necessary for consummation of or in connection with this Agreement and the transactions contemplated hereby, and the waiting period under the HSR Act shall have lapsed.

(s) *SEC Reports*. Each of Prospect or Merger Sub, as appropriate, shall have filed all reports and other documents required to be filed by it under the U.S. federal securities laws through the Closing Date.

(t) *Transaction Documents*. The Transaction Documents shall have been executed and delivered by Prospect.

(u) *SEC Actions*. No formal or informal SEC investigation or proceeding shall have been initiated by the SEC against Prospect or any of its officers or directors.

(v) *AMEX Listing*. Prospect shall have maintained its status as a company whose common stock and warrants are listed on AMEX and no reason shall exist as to why such status shall not continue immediately following the Closing.

(w) *Prospect Founder Forfeited Shares*. The Prospect Founders will have delivered certificates representing 2.575 million shares of Prospect Common Stock duly endorsed in blank with executed blank stock powers pursuant to the terms of the Forfeiture Agreement.

(x) *Trust Fund Minimum*. Upon the Closing, Prospect will have available for use by the Surviving Corporation, after taking into account all expenses and liabilities of Prospect and KW and other payments ("***Trust Fund Expenses***") required to be made by Prospect and KW at or immediately after the Closing, a minimum of (i) $75,000,000, plus (ii) and amount equal to (x) the number of shares of Prospect Common Stock which would have been issuable pursuant to Dissenting Shares if such Dissenting Shares had not exercised dissenter's rights, multiplied by (y) $37.00, up to a maximum of $11,370,026. Trust Fund Expenses does not include (a) amounts paid to KW officers and directors in connection with the Merger and (b) any KW debt that is accelerated by the failure of KW to obtain a Consent.

Section 8.2 *Prospect Conditions Precedent.* The obligations of Prospect to enter into and complete the Closing are subject, at the option of Prospect, to the fulfillment on or prior to the Closing Date of the following conditions by KW, any one or more of which may be waived by Prospect in writing (subject to the limitation set forth in Section 8.2(r)):

(a) *Representations and Covenants*. The representations and warranties of KW contained in this Agreement shall be true on and as of the Closing Date, except where the failure of such representations or warranties to be so true and correct, individually or in the aggregate, has not had or would not reasonably be expected to have a Material Adverse Effect on KW (disregarding for purposes of determining a Material Adverse Effect for purposes of this Section 8.2(a) any materiality qualifier set forth in KW's representations and warranties), and KW shall have performed and complied in all material respects with all covenants and agreements required by this Agreement to be performed or complied with it on or prior to the Closing Date.

(b) *Litigation*. No action, suit or proceeding (i) shall have been instituted before any court or governmental or regulatory body or instituted by any Governmental Authorities to restrain, modify or prevent the carrying out of the transactions contemplated by this Agreement, or to seek damages or a discovery order in connection with such transactions, or (ii) has or may have, in the reasonable opinion of Prospect, a Material Adverse Effect on KW.

(c) *Effectiveness of Registration Statement*. The SEC shall have declared the Registration Statement effective and no stop order suspending the effectiveness of the Registration Statement

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or any part thereof shall have been issued by the SEC and no proceeding for that purpose shall have been initiated or, to the Knowledge of Prospect or KW, be threatened by the SEC.

(d) *Approval by Prospect's Stockholders*. Prospect Stockholder Approvals shall have been obtained.

(e) *Approval by KW's Stockholders*. The KW Stockholder Approvals shall have been obtained.

(f) *No Material Adverse Effect*. Since the date of this Agreement, there shall not have been any occurrence, event, change, effect or development that, individually or in the aggregate, has had or is reasonably expected to have a Material Adverse Effect on KW.

(g) *Amendment of Warrants*. The holders of Prospect Warrants shall have approved the Prospect Warrant Agreement Amendment.

(h) *Employment Agreements*. KW and each of the employees named in Section 5.8 shall have entered into the employment agreements contemplated by Section 5.8.

(i) *Transaction Documents*. KW shall have executed and delivered each of the Transaction Documents to which it is a party.

(j) *Merger Documents*. KW shall have executed and delivered the Certificate of Merger to be filed in accordance with the DGCL as of the Merger Effective Time.

(k) *Cancellation of Options and Equity Compensation*. Prior to the Closing, (i) the holders of all outstanding options granted under KW's 1992 Incentive and Nonstatutory Stock Option Plan shall have exercised such options for shares of KW Common Stock, (ii) holders of all options and other equity compensation granted under KW's 2009 Equity Participation Plan shall have agreed to cancel all such options and other equity compensation owned by them, and (iii) KW shall have terminated its 1992 Incentive and Nonstatutory Stock Option Plan and 2009 Equity Participation Plan.

(l) *Opinions*. Prospect shall have received the legal opinion of KW's legal counsel, which opinion shall be in form and substance reasonably satisfactory to Prospect.

(m) *Officer's Certificate*. Prospect shall have received a certificate from KW signed by an authorized officer, certifying that the attached copies of the KW Constituent Instruments and resolutions or other authorizing documents approving the Agreement and the transactions contemplated hereby are all true, complete and correct and remain in full force and effect.

(n) *Compliance Certificate*. Prospect shall have received a certificate from KW signed by an authorized officer, certifying that the conditions specified in Section 8.2(a), (b) and (f) have been fulfilled.

(o) *Certificate of Good Standing*. Prospect shall have received a certificate of good standing or equivalent under the applicable Law of KW.

(p) *Injunctions or Restraints on Conduct of Business*. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal or regulatory restraint provision limiting or restricting KW's conduct or operation of its business or the business of any of its Subsidiaries following the Merger shall be in effect, nor shall any proceeding brought by an administrative agency or commission or other Governmental Authority, domestic or foreign, seeking the foregoing be pending.

(q) *Completion of the Merger*. The Merger shall have become effective under the DGCL.

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(r) *Dissent Rights*. The number of shares of KW Preferred Stock that have validly exercised their Dissent Rights shall not exceed 10% of the outstanding number of shares of KW Preferred Stock, and the number of shares of KW Common Stock that have validly exercised their Dissent Rights shall not exceed 10% of the outstanding number of shares of KW Common Stock. Prospect shall not waive this condition if the number of Dissenting Shares as of the Closing Date is such that, pursuant to the transactions contemplated by this Agreement, Prospect will not be acquiring "control" of KW as defined in Section 368(c) of the Code solely in exchange for Prospect Common Stock.

(s) *Governmental Approvals*. Each of KW and Prospect shall have timely obtained from each Governmental Authority all approvals, waivers and consents, if any, necessary for consummation of or in connection with this Agreement and the transactions contemplated hereby, and the waiting period under the HSR Act shall have lapsed.

(t) *Required Consents*. KW shall have delivered to Prospect evidence that all Required Consents have been obtained.

(u) *Transaction Documents*. The Transaction Documents shall have been executed and delivered by KW.

(v) *SEC Actions*. No formal or informal SEC investigation or proceeding shall have been initiated by the SEC against KW or any of its officers or directors.

ARTICLE IX

Indemnification

Section 9.1 *Survival.* All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing for a period of twelve (12) months and shall thereafter be of no further force and effect; *provided, however*, that the representations and warranties contained in Sections 2.14, 2.24 and 2.26 and Sections 3.15 and 3.22, shall survive the Closing for a period equal to any applicable statute of limitations (including any waivers or extensions thereof). All of the covenants and obligations of the Parties contained in this Agreement shall survive the Closing unless they expire sooner in accordance with their terms. The term during which any representation, warranty, or covenant survives hereunder is referred to as the "***Survival Period***." Except as expressly provided in this paragraph, no claim for indemnification hereunder may be made after the expiration of the Survival Period.

Section 9.2 *Indemnification by KW.* KW shall, subject to limitations set forth in this Article IX hereof, indemnify, defend and hold harmless Prospect (which term, for the purposes of this Article IX shall include any of Prospect's successors) and permitted assigns (the "***Prospect Indemnified Parties***") from and against any liabilities, loss, claims, damages, fines, penalties, expenses (including costs of investigation and defense and reasonable attorneys' fees and court costs) (collectively, "***Damages***") arising from: (i) any breach of any representation or warranty made by KW in Article II hereof or in any certificate delivered by KW pursuant to this Agreement; or (ii) any breach by KW of its covenants or obligations in this Agreement to be performed or complied with by KW at or prior to the Closing.

Section 9.3 *Indemnification by Prospect.* Prospect shall, subject to the terms hereof, indemnify, defend and hold harmless KW (which term, for the purposes of this Article IX shall include any of KW's successors) and permitted assigns (the "***KW Indemnified Parties***") from and against any Damages arising from: (i) any breach of any representation or warranty made by Prospect in Article III hereof or in any certificate delivered by Prospect pursuant to this Agreement; or (ii) any breach by Prospect of its covenants or obligations in this Agreement to be performed or complied with by Prospect at or prior to the Closing.

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Section 9.4 *Limitations on Indemnity.* Notwithstanding any other provision in this Agreement to the contrary, the Prospect Indemnified Parties and the KW Indemnified Parties shall not be entitled to indemnification pursuant to Section 9.2 or Section 9.3, unless and until the aggregate amount of Damages under Section 9.2 or Section 9.3, as applicable, collectively exceeds $1,000,000 (the "***Deductible***"). The aggregate amount of Damages for which a Party may be liable under this Agreement shall not exceed $10,000,000 (the "***Cap***").

Section 9.5 *Defense of Third Party Claims.* If any Prospect Indemnified Party or KW Indemnified Party determines to make a claim for indemnification under Section 9.2 or 9.3 (each an "***Indemnitee***"), such Indemnitee shall notify the indemnifying party (an "***Indemnitor***") of the claim in writing promptly after receiving notice of any action, lawsuit, proceeding, investigation, demand or other claim against the Indemnitee (if by a third party), describing the claim, the amount thereof (if known and quantifiable) and the basis thereof in reasonable detail (such written notice, an "***Indemnification Notice***"); provided that the failure to so notify an Indemnitor shall not relieve the Indemnitor of its obligations hereunder except to the extent that (and only to the extent that) such failure shall have caused the damages for which the Indemnitor is obligated to be greater than such damages would have been had the Indemnitee given the Indemnitor prompt notice hereunder. Any Indemnitor shall be entitled to participate in the defense of such action, lawsuit, proceeding, investigation or other claim giving rise to an Indemnitee's claim for indemnification at such Indemnitor's expense, and at its option shall be entitled to assume the defense thereof by appointing a reputable counsel reasonably acceptable to the Indemnitee to be the lead counsel in connection with such defense; *provided*, that the Indemnitee shall be entitled to participate in the defense of such claim and to employ counsel of its choice for such purpose; *provided, however*, that the fees and expenses of such separate counsel shall be borne by the Indemnitee and shall not be recoverable from such Indemnitor under this Article IX. If the Indemnitor shall control the defense of any such claim, the Indemnitor shall be entitled to settle such claims; *provided*, that the Indemnitor shall obtain the prior written consent of the Indemnitee (which consent shall not be unreasonably withheld, conditioned or delayed) before entering into any settlement of a claim or ceasing to defend such claim if, pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief will be imposed against the Indemnitee or if such settlement does not expressly and unconditionally release the Indemnitee from all liabilities and obligations with respect to such claim. If the Indemnitor assumes such defense, the Indemnitor shall not be liable for any amount required to be paid by the Indemnitee that exceeds, where the Indemnitee has unreasonably withheld or delayed consent in connection with the proposed compromise or settlement of a third party claim, the amount for which that third party claim could have been settled pursuant to that proposed compromise or settlement. In all cases, the Indemnitee shall provide its reasonable cooperation with the Indemnitor in defense of claims or litigation, including by making employees, information and documentation reasonably available. If the Indemnitor shall not assume the defense of any such action, lawsuit, proceeding, investigation or other claim, the Indemnitee may defend against such matter as it deems appropriate; provided that the Indemnitee may not settle any such matter without the written consent of the Indemnitor (which consent shall not be unreasonably withheld, conditioned or delayed) if the Indemnitee is seeking or will seek indemnification hereunder with respect to such matter.

Section 9.6 *Determining Damages.* The amount of Damages subject to indemnification under Section 9.2 or 9.3 shall be calculated net of (i) any Tax Benefit inuring to the Indemnitee on account of such Damages, (ii) any reserves set forth in any of KW Financial Statements relating to such Damages and (iii) any insurance proceeds or other amounts under indemnification agreements received or receivable by the Indemnitee on account of such Damages. If the Indemnitee receives a Tax Benefit on account of such Damages after an indemnification payment is made to it, the Indemnitee shall promptly pay to the Person or Persons that made such indemnification payment the amount of such Tax Benefit at such time or times as and to the extent that such Tax Benefit is realized by the Indemnitee. For purposes hereof, "***Tax Benefit***" shall mean any refund of Taxes to be paid or reduction

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in the amount of Taxes which otherwise would be paid by the Indemnitee, in each case computed at the highest marginal tax rates applicable to the recipient of such benefit. To the extent Damages are recoverable by insurance, the Indemnitees shall take all commercially reasonable efforts to obtain maximum recovery from such insurance. In the event that an insurance or other recovery is made by any Indemnitee with respect to Damages for which any such Person has been indemnified hereunder, then a refund equal to the aggregate amount of the recovery shall be made promptly to the Person or Persons that provided such indemnity payments to such Indemnitee. The Indemnitors shall be subrogated to all rights of the Indemnitees in respect of Damages indemnified by the Indemnitors. The Indemnitees shall take all commercially reasonable efforts to mitigate all Damages upon and after becoming aware of any event which could reasonably be expected to give rise to Damages. For Tax purposes, the Parties agree to treat all payments made under this Article IX as adjustments to the consideration received for KW Securities.

Section 9.7 *Right of Setoff.* To the extent that any Party is obligated to indemnify any other Party after Closing under the provisions of this Article IX for Damages reduced to a monetary amount, such Party after Closing shall have the right to decrease any amount due and owing or to be due and owing under any agreement with the other Party, whether under this Agreement or any other agreement between such Parties on the one hand, and any of the other Party or any of their respective Affiliates, Subsidiaries or controlled persons or entities on the other.

Section 9.8 *Limitation on Recourse; No Third Party Beneficiaries.*

(a) No claim shall be brought or maintained by any Party or its respective successors or permitted assigns against any officer, director, partner, member, agent, representative, Affiliate, equity holder, successor or permitted assign of any Party which is not otherwise expressly identified as a Party, and no recourse shall be brought or granted against any of them, by virtue of or based upon any alleged misrepresentation or inaccuracy in or breach of any of the representations, warranties, covenants or obligations of any Party set forth or contained in this Agreement or any exhibit or schedule hereto or any certificate delivered hereunder.

(b) The provisions of this Article IX are for the sole benefit of the Parties and nothing in this Article IX, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Article IX.

Section 9.9 *Fraud.* Notwithstanding anything to the contrary in this Agreement, the limitations and thresholds set forth in this Article IX shall not apply with respect to fraud, intentional misrepresentation or willful misconduct.

ARTICLE X

Termination

Section 10.1 *Methods of Termination.* Unless waived by the Parties hereto in writing, the transactions contemplated by this Agreement may be terminated and/or abandoned at any time but not later than the Closing:

(a) by mutual written consent of the Parties;

(b) by either Prospect or KW, if the Closing has not occurred by November 13, 2009;

(c) by either Prospect or KW, if a Governmental Authority shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order, in each case which has become final and non-appealable, and which permanently restrains, enjoins or otherwise prohibits the transactions contemplated hereby;

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(d) by KW if it is not in material breach of this Agreement, and if there has been a breach by Prospect of any representation, warranty, covenant or agreement contained in this Agreement which has prevented the satisfaction of the conditions to the obligations of KW at the Closing under Section 8.1 and such violation or breach has not been waived by KW or cured by Prospect within ten (10) business days after written notice thereof from KW;

(e) by Prospect, if it is not in material breach of this Agreement, and if (i) there has been a breach by KW of any representation, warranty, covenant or agreement contained in this Agreement which has prevented the satisfaction of the conditions to the obligations of Prospect at the Closing under Section 8.2 and such violation or breach has not been waived by Prospect or cured by KW within ten (10) business days after written notice thereof from Prospect, or (ii) KW has notified Prospect that KW will be unable to obtain a Required Consent prior to October 15, 2009;

(f) by KW, if the Prospect Board (or any committee thereof) shall have failed to recommend or shall have withdrawn or modified in a manner adverse to KW its approval or recommendation of this Agreement and the transactions contemplated hereunder;

(g) by Prospect, if the board of directors of KW (or any committee thereof) shall have failed to recommend or shall have withdrawn or modified in a manner adverse to Prospect its approval or recommendation of this Agreement and the transactions contemplated hereunder;

(h) by either Prospect or KW if, at the Prospect Stockholders' Meeting (including any adjournments thereof), the Prospect Stockholder Approvals shall not have been obtained, or the aggregate number of shares of Prospect Common Stock held by public stockholders of Prospect who exercise their redemption rights with respect to their Prospect Common Stock in accordance with the Prospect Constituent Instruments shall constitute thirty percent (30%) or more of the Prospect Common Stock sold in the Prospect Public Offering.

(i) by either Prospect or KW if the KW Common Approval shall not have been obtained on or prior to November 13, 2009.

Section 10.2 *Effect of Termination.*

(a) In the event of termination by either Prospect or KW, or both of them, pursuant to Section 10.1 hereof, written notice thereof shall forthwith be given to the other Party, and except as set forth in this Article X and subject to Section 5.10 hereof, all further obligations of the Parties shall terminate, no Party shall have any right against the other Party hereto, and each Party shall bear its own costs and expenses.

(b) If the transactions contemplated by this Agreement are terminated and/or abandoned as provided herein:

(i) each Party hereto shall destroy all documents, work papers and other material (and all copies thereof) of the other Party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the Party furnishing the same; and

(ii) all confidential information received by either Party hereto with respect to the business of the other Party hereto shall be treated in accordance with Section 7.2 hereof, which shall survive such termination or abandonment. The following other provisions shall survive termination of this Agreement: Section 5.10, Section 7.5, Article XI and this Section 10.2.

(c) If this Agreement is terminated by either Party pursuant to Section 10.1(i), KW shall be obligated to pay Prospect, as liquidated damages, $10,000,000 within thirty (30) days following the

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date of such termination. If KW shall have failed to pay such liquidated damages on or before the thirtieth (30th) day following termination, interest will begin to accrue on such amount at a rate equal to 2% per month (compounded monthly), provided that in no event will such rate be higher than the highest rate permitted by law.

ARTICLE XI

Miscellaneous

Section 11.1 *Notices.* All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given upon receipt by the Parties at the addresses set forth on the signature pages (or at such other address for a Party as shall be specified in writing to all other Parties).

Section 11.2 *Amendments; Waivers.* No provision of this Agreement may be waived or amended except in a written instrument signed by all of the Parties hereto. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any Party to exercise any right hereunder in any manner impair the exercise of any such right.

Section 11.3 *Interpretation.* When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The terms "hereof," "herein," and "hereby" and words of similar import will, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement.

Section 11.4 *Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated by this Agreement are fulfilled to the extent possible.

Section 11.5 *Counterparts; Facsimile Execution.* This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties. Facsimile or electronic execution and delivery of this Agreement is legal, valid and binding for all purposes.

Section 11.6 *Entire Agreement; Third Party Beneficiaries.* This Agreement, taken together with all Exhibits, Annexes and Schedules hereto (a) constitute the entire agreement, and supersede all prior agreements and understandings, both written and oral, among the Parties with respect to the transactions contemplated hereby and (b) are not intended to confer upon any Person other than the Parties any rights or remedies; *provided* that Section 6.9 of this Agreement is intended to benefit the Indemnified D&Os, each Indemnified D&O shall be deemed a third-party beneficiary of Section 6.9 of this Agreement, and Section 6.9 of this Agreement shall be enforceable by the Indemnified D&Os.

Section 11.7 *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

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Section 11.8 *Consent to Jurisdiction.*

(a) Each of the Parties irrevocably agrees that any legal action or proceeding with respect to this Agreement and the rights and obligations arising hereunder, or for recognition and enforcement of any judgment in respect of this Agreement and the rights and obligations arising hereunder brought by the other party hereto or its successors or assigns, shall be brought and determined exclusively in state or federal court within the City and State of New York. Each of the Parties hereby irrevocably submits with regard to any such action or proceeding for itself and in respect of its property, generally and unconditionally, to the personal jurisdiction of the aforesaid courts and agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than the aforesaid courts. Each of the Parties hereby irrevocably waives, and agrees not to assert as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to serve in accordance with this Section 11.8, (ii) any claim that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (iii) to the fullest extent permitted by applicable Law, any claim that (1) the suit, action or proceeding in such court is brought in an inconvenient forum, (2) the venue of such suit, action or proceeding is improper or (3) this Agreement, or the subject mater hereof, may not be enforced in or by such courts.

(b) EACH OF THE PARTIES IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS, THE TRANSACTION OR THE ACTIONS OF THE PARTIES IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

Section 11.9 *Assignment.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by any of the Parties without the prior written consent of the other Parties. Any purported assignment without such consent shall be void. Subject to the preceding sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and permitted assigns.

[*Signature Page Follows*]

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

PROSPECT ACQUISITION CORP.

By: /s/ DAVID A. MINELLA

Name: David A. Minella
Title: Chairman & CEO
Address: 9130 Galleria Court, Suite 318
Naples, FL 34109

With a copy to:

Bingham McCutchen LLP
399 Park Avenue
New York, NY 10022
Attention: Floyd I. Wittlin, Esq.

KW MERGER SUB CORP.

By: /s/ DAVID A. MINELLA

Name: David A. Minella
Title: President & Secretary
Address: c/o Prospect Acquisition Corp.
9130 Galleria Court, Suite 318
Naples, FL 34104

KENNEDY-WILSON, INC.

By: /s/ WILLIAM J. MCMORROW

Name: William J. McMorrow
Title: Chief Executive Officer
Address: 9601 Wilshire Blvd.
Beverly Hills, CA 90210

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ANNEX A

Definitions

"*Action*" has the meaning set forth in Section 2.10 of the Agreement.

"*Affiliate(s)*" means any Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by Contract or otherwise and, in any event and without limitation of the previous sentence, any Person owning fifty percent (50%) or more of the voting securities of a second Person shall be deemed to control that second Person. For the purposes of this definition, a Person shall be deemed to control any of his or her immediate family members.

"*Agreement*" has the meaning set forth in the preamble to this Agreement.

"*Amended Public Warrant*" means an amended and restated Public Warrant (as defined in the Prospect Warrant Agreement) having the same terms as the Public Warrants except that it shall have an exercise price of $12.50 per share, a redemption price of $19.50 per share and a termination date of November 14, 2013.

"*Amended Sponsor Warrant*" means an amended and restated Sponsor Warrant (as defined in the Prospect Warrant Agreement) having the same terms as the Sponsor Warrants except that it shall have an exercise price of $12.50 per share, a redemption price of $19.50 per share and a termination date of November 14, 2013.

"*AMEX*" means the NYSE Amex LLC.

"*Business Day*" means a day (excluding Saturdays, Sundays and public holidays) on which commercial banks are generally open for banking business in the United States.

"*Cap*" has the meaning set forth in Section 9.4 of the Agreement.

"*Cash Consideration*" means $0.55 in cash.

"*Certificate of Merger*" has the meaning set forth in Section 1.2 of the Agreement.

"*CGCL*" has the meaning set forth in Section 1.7(f) of the Agreement.

"*Closing*" has the meaning set forth in Section 1.9 of the Agreement.

"*Closing Date*" has the meaning set forth in Section 1.9 of the Agreement.

"*COBRA*" means Code Section 4980B, Part 6 of Subtitle B of Title I of ERISA and any applicable state law providing for similar group health or welfare plan continuation coverage.

"*Code*" means the United States Internal Revenue Code of 1986, as amended.

"*Common Stock Exchange Ratio*" has the meaning set forth in Section 1.7(a) of the Agreement.

"*Consent*" has the meaning set forth in Section 2.5 of the Agreement.

"*Contract*" means a contract, lease, license, indenture, note, bond, agreement, permit, concession, franchise or other instrument.

"*Conversion Shares*" has the meaning set forth in Section 1.7(a) of the Agreement.

"*Damages*" has the meaning set forth in Section 9.2 of the Agreement.

"*Deductible*" has the meaning set forth in Section 9.4 of the Agreement.

"*DGA*" has the meaning set forth in the background to the Agreement.

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"*DGAH*" has the meaning set forth in the background to the Agreement.

"*DGCL*" has the meaning set forth in the background to the Agreement.

"*Disclosure Schedules*" means the KW Disclosure Schedule and the Prospect Disclosure Schedule.

"*Dissent Rights*" has the meaning set forth in Section 1.7(f) of the Agreement.

"*Dissenting Shares*" has the meaning set forth in Section 1.7(f) of the Agreement.

"*Environment*" means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.

"*Environmental Law*" means any Legal Requirement that requires or relates to:

(a) advising appropriate authorities, employees, and the public of intended or actual releases of pollutants or hazardous substances or materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment;

(b) preventing or reducing to acceptable levels the release of pollutants or hazardous substances or materials into the Environment;

(c) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

(d) assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of;

(e) protecting resources, species, or ecological amenities;

(f) reducing to acceptable levels the risks inherent in the transportation of hazardous substances, pollutants, oil, or other potentially harmful substances;

(g) cleaning up pollutants that have been released, preventing the threat of release, or paying the costs of such clean up or prevention; or

(h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended.

"*ERISA Affiliate*" means any trade or business (whether or not incorporated) which is or which has at any time in the last six (6) years been considered a single employer with KW or any of its Subsidiaries within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended, supplemented or otherwise modified from time to time.

"*Exchange Agent*" has the meaning set forth in Section 1.8 of the Agreement.

"*Exchange Ratio*" has the meaning set forth in Section 1.7(a) of the Agreement.

"*Exclusivity Period*" has the meaning set forth in Section 4.3(a) of the Agreement.

"*Expenses*" means all out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, experts and consultants to a party hereto and its Affiliates) incurred

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by a party on its behalf in connection with or related to the authorization, preparation, diligence, negotiation, execution and performance of this Agreement and the Transaction Documents.

"*Forfeiture Agreement*" has the meaning set forth in the background to the Agreement.

"*FCPA*" has the meaning set forth in Section 2.20 of the Agreement.

"*Governmental Authority*" means any national, federal, state, provincial, local or foreign government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial or arbitral body of competent jurisdiction, or other governmental authority or instrumentality, domestic or foreign.

"*HSR Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Indemnitee*" has the meaning set forth in Section 9.5 of the Agreement.

"*Indemnitor*" has the meaning set forth in Section 9.5 of the Agreement.

"*Indemnification Notice*" has the meaning set forth in Section 9.5 of the Agreement.

"*Indemnified D&Os*" has the meaning set forth in Section 6.9(a) of the Agreement.

"*Intellectual Property Rights*" has the meaning set forth in Section 2.13 of the Agreement.

"*Judgment*" means any judgment, order or decree.

"*Knowledge*", (i) with respect to KW, means the actual knowledge of its executive officers and members of its board of directors, and (ii) with respect to Prospect, means the actual knowledge of its executive officers and the members of its board of directors.

"*KW*" has the meaning set forth in the preamble to the Agreement.

"*KW Balance Sheet*" means the unaudited balance sheet as of June 30, 2009 included in the KW Financial Statements.

"*KW Benefit Plans*" has the meaning set forth in Section 2.15(a) of the Agreement.

"*KW Certificates*" has the meaning set forth in Section 1.7(d) of the Agreement.

"*KW Common Stock*" has the meaning set forth in background to the Agreement.

"*KW Common Approval*" has the meaning set forth in Section 8.1(e) of the Agreement.

"*KW Constituent Instruments*" means the certificate of incorporation and bylaws, or other constitutive documents, of KW and each of its Subsidiaries each as amended to the date of the Agreement.

"*KW Disclosure Schedule*" has the meaning set forth in Article II of the Agreement.

"*KW Financial Statements*" has the meaning set forth in Section 2.6(a) of the Agreement.

"*KW Group*" has the meaning set forth in Section 4.3(b) of the Agreement.

"*KW Indemnified Parties*" has the meaning set forth in Section 9.3 of the Agreement.

"*KW Preferred Approval*" has the meaning set forth in Section 8.1(e) of the Agreement.

"*KW Preferred Stock*" has the meaning set forth in the background to the Agreement.

"*KW Securities*" has the meaning set forth in the background to the Agreement.

"*KW Stock Rights*" means that certain 7% convertible subordinated note due November 3, 2018 issued by KW to the Guardian Life Insurance Company of America, as the same is in effect on the date of this Agreement.

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"*KW Stockholder Approvals*" has the meaning set forth in Section 8.1(e) of the Agreement.

"*KW Third Party Acquisition*" means (a) any sale of 15% or more of the consolidated assets of KW and its Subsidiaries, or 15% or more of the equity or voting securities of KW or any Subsidiary whose assets, individually or in the aggregate, constitute 15% or more of the consolidated assets of KW (each, a "*Material Subsidiary*"), (b) any tender offer or exchange offer that, if consummated, would result in a third party beneficially owning 15% or more of the equity or voting securities of KW or of any Material Subsidiary, (c) a merger, consolidation, business combination, share exchange, sale of substantially all the assets, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving KW or any Material Subsidiary, in each such case in this clause (c) that would result in either (x) a third party beneficially owning 15% or more of any class of equity or voting securities of KW or any Material Subsidiary, or 15% or more of the consolidated assets of KW or (y) the stockholders of KW receiving securities traded in the U.S. on any nationally-recognized exchange or over-the-counter market.

"*Law(s)*" means any law, statute, ordinance, rule, regulation, order, writ, injunction or decree.

"*Legal Requirement*" means any federal, state, local, municipal, provincial, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, edict, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Authorities (or under the authority of any national securities exchange upon which a Party's securities are then listed or traded)

"*Liens*" means any liens, security interests, pledges, equities and claims of any kind, voting trusts, shareholder agreements and other encumbrances.

"*Management Incentive Shares*" has the meaning set forth in Section 6.8 of the Agreement.

"*Management Incentive Plan*" has the meaning set forth in Section 6.8 of the Agreement.

"*Material Adverse Effect*" means any event, change or effect that is materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of such Person and its Subsidiaries, taken as a whole. Notwithstanding the foregoing, none of the following shall be deemed, either alone or in combination, to constitute, and none of the following shall be taken into account in determining whether there has been or would be, a "Material Adverse Effect" with respect to any Person: any facts, changes, developments, events, occurrences, actions, omissions or effects (i) generally affecting (A) the economy, or financial or capital markets, in the United States or elsewhere in the world, to the extent that they do not disproportionately affect such Person in relation to other companies in the industry in which such Person primarily operates or (B) the industry in which such Person operates to the extent that they do not disproportionately affect such Person in relation to other companies in the industry in which such Person primarily operates, or (ii) arising out of, resulting from or attributable to (1) changes (after the date of this Agreement) in Law or in generally accepted accounting principles or in accounting standards or (2) any decline in the market price, or change in trading volume, of the capital stock of such Person or any failure to meet publicly announced revenue or earnings projections or internal projections, or (iii) changes related to or arising from the execution, announcement or performance of, or compliance with, this Agreement or the consummation of the transactions contemplated hereby, including the impact thereof on relationships, contractual or otherwise, governmental authorities, customers, cooperators, suppliers, distributors or employees;

"*Material Contract*" means a written Contract, as amended and supplemented to which KW or any of its Subsidiaries is a party or by which any of their respective assets and properties is currently bound, that is material to KW's business, properties, assets or condition (financial or otherwise), results of operations or prospects and was not executed in the ordinary course of business, including contracts

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that have expired by their terms or otherwise terminated but have liabilities that continue to attach to KW or any of its Subsidiaries.

"*Material Permits*" means all Permits other than such franchises, licenses, permits, authorizations and approvals the lack of which, individually or in the aggregate, has not had and would not reasonably be expected to have a Material Adverse Effect on any Parties.

"*Merger*" has the meaning set forth in the background to the Agreement.

"*Merger Sub*" has the meaning set forth in the preamble to the Agreement.

"*Merger Effective Time*" has the meaning set forth in Section 1.2 of the Agreement.

"*Money Laundering Laws*" has the meaning set forth in Section 2.21 of the Agreement.

"*OFAC*" has the meaning set forth in Section 2.25 of the Agreement.

"*Off-balance Sheet Arrangement*" means with respect to any Person, any securitization transaction to which that Person or its Subsidiaries is party and any other transaction, agreement or other contractual arrangement to which an entity unconsolidated with that Person is a party, under which that Person or its Subsidiaries, whether or not a party to the arrangement, has, or in the future may have: (a) any obligation under a direct or indirect guarantee or similar arrangement; (b) a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement; or (c) derivatives to the extent that the fair value thereof is not fully reflected as a liability or asset in the financial statements.

"*Party*" or "*Parties*" has the meaning set forth in the preamble to the Agreement.

"*Permits*" means all governmental franchises, licenses, permits, authorizations and approvals necessary to enable a Person to own, lease or otherwise hold its properties and assets and to conduct its businesses as presently conducted.

"*Permitted Lien*" means (a) any restriction on transfer arising under applicable securities law; (b) any Liens for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings for which adequate reserves have been established in accordance with U.S. GAAP; (c) any statutory Liens arising in the ordinary course of business by operation of Law with respect to a liability that is not yet due and delinquent and which are not, individually or in the aggregate, significant; (d) minor title defects, recorded easements, and zoning, entitlement, building and other minor land use regulations imposed by governmental agencies having jurisdiction over the Real Property, which minor title defects, recorded easements, and regulations do not, individually or in the aggregate, impair the continued use, occupancy, value or marketability of title of the property to which they relate and are not violated by the current or proposed use and operation of the Real Property; (e) covenants, conditions, restrictions, easements and other similar matters of record affecting title to the Real Property which do not materially impair the occupancy or use of the Real Property for the purposes for which it is currently used or proposed to be used in connection with the such relevant Person's business; (f) Liens identified on title policies, title opinions or preliminary title reports or other documents or writings included in the public records; (g) Liens arising under worker's compensation, unemployment insurance, social security, retirement and similar legislation; (h) Liens of lessors and licensors arising under lease agreements or license arrangements; and (i) those Liens set forth in KW Disclosure Schedule.

"*Person(s)*" means an individual, partnership, corporation, joint venture, unincorporated organization, cooperative or a governmental entity or agency thereof.

"*Preferred Stock Exchange Ratio*" has the meaning set forth in Section 1.7(a) of the Agreement.

"*Prospect*" has the meaning set forth in the preamble to the Agreement.

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"*Prospect Board*" means the board of directors of Prospect prior to the Merger.

"*Prospect Common Stock*" means the Common Stock of Prospect, $0.001 par value per share.

"*Prospect Constituent Instruments*" has the meaning set forth in Section 3.2 of the Agreement.

"*Prospect Disclosure Schedule*" has the meaning set forth in Article III of the Agreement.

"*Prospect Financial Statements*" has the meaning set forth in Section 3.7 of the Agreement.

"*Prospect Founders*" shall mean Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P., Capital Management Systems, Inc., SJC Capital LLC, Michael P. Castine, Daniel Gressel, Michael Downey, James J. Cahill and John Merchant.

"*Prospect Group*" has the meaning set forth in Section 4.3(a) of the Agreement.

"*Prospect Indemnified Parties*" has the meaning set forth in Section 9.2 of the Agreement.

"*Prospect Material Contract*" has the meaning set forth in Section 3.21(a) of the Agreement.

"*Prospect Public Offering*" means the initial public offering of Prospect completed on November 14, 2007, in which Prospect sold 25,000,000 Units at a price of $10.00 per unit.

"*Prospect SEC Documents*" has the meaning set forth in Section 3.7 of the Agreement.

"*Prospect Stockholder Approvals*" has the meaning set forth in Section 8.1(d) of the Agreement.

"*Prospect Stockholders' Meeting*" has the meaning set forth in Section 6.1(a) of the Agreement.

"*Prospect Share(s)*" has the meaning set forth in the background to the Agreement.

"*Prospect Stock Right*(s)" shall mean a warrant or other right to purchase a share of common stock of Prospect.

"Prospect Third Party Acquisition" means: (a) any purchase of 15% or more of the consolidated assets of a third party and its subsidiaries, or 15% or more of the equity or voting securities of a third party or a Material Subsidiary (as defined in KW Third Party Acquisition definition) thereof, (b) any tender offer or exchange offer that, if consummated, would result in Prospect beneficially owning 15% or more of a third party's equity or voting securities or any Material Subsidiary thereof, (c) a merger, consolidation, business combination, share exchange, purchase of substantially all the assets, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Prospect and any third party, in each such case in this clause (c) that would result in Prospect beneficially owning 15% or more of any class of equity or voting securities of such third party or any Material Subsidiary thereof, or 15% or more of the consolidated assets of such third party.

"*Prospect Warrant*" means an outstanding warrant of Prospect which entitles the registered holder to purchase one share of Prospect Common Stock at a price of $7.50 per share, subject to adjustment at any time commencing on the completion of a business combination.

"*Prospect Warrant Agreement*" means the Warrant Agreement, by and between Prospect and Continental Stock Transfer & Trust Company (as Warrant Agent), dated as of November 14, 2007.

"*Prospect Warrant Agreement Amendment*" means an amendment to the Prospect Warrant Agreement substantially in the form attached as **Exhibit E** that provides that, simultaneously with the Closing: (i) each Sponsor Warrant (as defined in the Prospect Warrant Agreement) will be converted into the Amended Sponsor Warrant; and (ii) each Public Warrant (as defined in the Prospect Warrant Agreement) will be converted into either (x) the Cash Consideration or (y) the Amended Public Warrant, in each case as the holder of Public Warrants shall have elected or be deemed to have elected; provided that no more than 50% of the outstanding Public Warrants shall be converted into the right to receive the Amended Public Warrant.

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"*Prospect Warrant Holders Meeting*" has the meaning set forth in Section 6.1(a) of the Agreement.

"*Proxy Statement/Prospectus Tax Section*" has the meaning set forth in Section 7.7 of the Agreement.

"*Proxy Statement/Prospectus*" has the meaning set forth in Section 2.28 of the Agreement.

"*Real Estate Leases*" means the leases for the properties located at 9601 Wilshire Blvd., Beverly Hills, CA, 90210 and 9701 Wilshire Blvd., Beverly Hills, CA, 90210.

"*Real Property*" has the meaning set forth in Section 2.12(a) of the Agreement.

"*Registration Statement*" has the meaning set forth in Section 2.28 of the Agreement.

"*Regulation S-K*" means Regulation S-K promulgated under the Securities Act of 1933, as amended.

"*Representatives*" of any Party means such Party's employees, accountants, auditors, actuaries, counsel, financial advisors, bankers, investment bankers and consultants and any other person acting on behalf of such Party.

"*Required Consent*" has the meaning set forth in Section 5.5(a) of the Agreement.

"*Sarbanes-Oxley Act*" has the meaning set forth in Section 3.13 of the Agreement.

"*SEC*" means the United States Securities and Exchange Commission.

"*Securities Act*" means the Securities Act of 1933, as amended, supplemented or otherwise modified from time to time.

"*Subsidiary*" means with respect to a Person an entity if (a) such Person directly or indirectly owns, beneficially or of record, an amount of voting securities or other interests in such entity that is sufficient to enable such Person to elect at least a majority of the members of such entity's board of directors or other governing body, or (b) at least 50% of the outstanding equity or financial interests of such entity such that its financial results are consolidated with such other Person.

"*Survival Period*" has the meaning set forth in Section 9.1 of this Agreement.

"*Surviving Corporation*" has the meaning set forth in Section 1.1 of the Agreement.

"*Tail Coverage Amount*" has the meaning set forth in Section 6.9(a) of the Agreement.

"*Tangible Personal Property*" has the meaning set forth in Section 2.12(b) of the Agreement.

"*Taxes*" means all United States federal, state, local or foreign taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise, real and personal property, profits, estimated, severance, occupation, production, capital gains, capital stock, goods and services, environmental, employment, withholding, stamp, value added, alternative or add-on minimum, sales, transfer, use, license, payroll and franchise taxes or any other tax, custom, duty or governmental fee, or other like assessment or charge of any kind whatsoever, imposed by the United States, or any state, county, local or foreign government or subdivision or agency thereof, and such term shall include any interest, penalties, fines, related liabilities or additions to tax attributable to such taxes, charges, fees, levies or other assessments.

"*Tax Benefit*" has the meaning set forth in Section 9.6 of the Agreement.

"*Tax Return*" means all federal, state, local, provincial and foreign Tax returns, declarations, statements, reports, schedules, forms and information returns and any amended Tax return relating to Taxes.

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"*Trade Secrets*" means all trade secrets under applicable law and other rights in know-how and confidential or proprietary information, processing, manufacturing or marketing information, including new developments, inventions, processes, ideas or other proprietary information that provides advantages over competitors who do not know or use it.

"*Transaction Documents*" means this Agreement and any other agreement or document to be delivered by the Parties on the Closing Date.

"*Trust Fund*" has the meaning set forth in Section 3.19 of the Agreement.

"*Trust Fund Expense*" has the meaning set forth in Section 8.1(x) of the Agreement.

"*U.S."* or "*United States*" means the United States of America.

"*U.S. GAAP*" means generally accepted accounting principles of the United States.

"*Unit*" means the Unit of Prospect which entitles the registered holder to one share of Prospect Common Stock and one Warrant.

"*Voting Prospect Debt*" has the meaning set forth in Section 3.1(c) of the Agreement.

"*Voting KW Debt*" has the meaning set forth in Section 2.1(b) of the Agreement.

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Omitted Schedules

The portions identified below in the following schedules have been omitted from the merger agreement:

Section 2.1(b) Capital Structure Breakdown of company stock, option and bond holders

Section 2.3 Subsidiaries List of all subsidiaries of the Company

Section 2.4(a) No Conflicts Loan obligations, guaranties, and lease obligations

Section 2.5 Consents and Approvals Consents required to consummate the merger

Section 2.8 Absence of Changes None

Section 2.9 No Undisclosed Liabilities None

Section 2.11 Material Permits List of real estate brokers licenses

Section 2.12(a) Real Property List of properties with 50% or greater interest; Leases that are greater than $750,000 in annual rent

Section 2.14 Taxes None

Section 2.15(a) Employment and Employee Benefits Matters Description and listing of employee benefits of Kennedy-Wilson employees

Schedule 2.15(j) Severance and Termination Agreements Executive employment agreements

Section 2.16 Transactions with Affiliates and Employees Internal transactions

Section 2.17 Insurance Kennedy-Wilson insurance coverage

Section 2.18(b) Material Contracts Loan agreements, shareholders agreements, lease agreements, sample property level loan agreements, and loan guaranties

Section 2.24 Brokers Schedule of Fees and Expenses Fees to brokers of the merger

Section 2.26 Environmental Matters None

Section 5.5 Required Consents List of consents

Section 5.59 Lock Up Agreement Signatories List of signatories

Permitted Lien None

Prospect agrees to furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

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AMENDMENT NO. 1 TO
AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT NO. 1 (this "*Amendment*") dated as of October 22, 2009, to that certain AGREEMENT AND PLAN OF MERGER dated as of September 8, 2009 (the "*Original Agreement*"), by and among PROSPECT ACQUISTION CORP., a company incorporated under the laws of Delaware ("*Prospect*"), KW MERGER SUB CORP., a company incorporated under the laws of Delaware and a wholly owned subsidiary of Prospect ("*Merger Sub*") and KENNEDY-WILSON, INC., a company incorporated under the laws of Delaware ("*KW*").

RECITALS

WHEREAS, the Parties are parties to the Original Agreement; and

WHEREAS, the Parties wish to amend the Original Agreement pursuant to and in accordance with Section 11.2 thereof as further set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Original Agreement, pursuant to and in accordance with Section 11.2 of the Original Agreement, the Parties agree to amend the Original Agreement as follows:

1. *Definitions.* All capitalized terms used herein without definition shall have the meanings assigned to such terms in the Original Agreement.

2. *Amendment to Background Section.* The fourth full paragraph of the Background section of the Original Agreement shall be deleted in its entirety and replaced with the following:

"Concurrently with the execution of this Agreement, Prospect, the Prospect Founders, De Guardiola Advisors, Inc. ("***DGA***"), De Guardiola Holdings, Inc. ("***DGH***") and KW are entering into a letter agreement, of even date herewith, as may be amended and/or restated from time to time hereafter (as so amended and/or restated, the "***Forfeiture Agreement***"), in the form attached hereto as ***Exhibit A***, pursuant to which, subject to the terms and conditions set forth therein (i) the Prospect Founders have agreed to the forfeiture and cancellation of 4,750,000 shares of Prospect Common Stock and (ii) Prospect has agreed to issue to DGH an aggregate of 250,000 shares of Prospect Common Stock upon the closing of the transaction contemplated by this Agreement in satisfaction of an obligation of Prospect under its engagement letter with DGA."

3. *Replacement of Section 6.8.* Section 6.8 of the Original Agreement shall be deleted in its entirety and replaced with the following:

"Section 6.8 *Management Incentive Plan*. Prior to Closing, Prospect shall adopt an equity incentive plan (the "***Management Incentive Plan***"), for the issuance of up to 2,475,000 shares of Prospect Common Stock (the "***Management Incentive Shares***") and, effective at the Closing, Prospect shall grant awards under the Management Incentive Plan for the aggregate number of Management Incentive Shares to key employees of the Surviving Corporation in the amounts and upon terms and conditions to be mutually agreed upon between Prospect and KW.

4. *Replacement of Section 8.2(w).* Section 8.2(w) of the Original Agreement shall be deleted in its entirety and replaced with the following:

> "(w) *Prospect Founder Forfeited Shares*. The Prospect Founders will have delivered certificates representing 4,750,000 shares of Prospect Common Stock duly endorsed in blank with executed blank stock powers pursuant to the terms of the Forfeiture Agreement."

5. *Full Force and Effect.* Except as expressly amended hereby, the Original Agreement shall continue in full force and effect in accordance with the provisions thereof.

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6. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

7. *Counterparts; Facsimile Execution.* This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties. Facsimile or electronic execution and delivery of this Amendment is legal, valid and binding for all purposes.

8. *Headings.* All section titles and captions contained in this Amendment are for convenience only and shall not be deemed a part of this Amendment.

9. *Severability.* If any term or other provision of this Amendment is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Amendment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Amendment so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated by this Amendment are fulfilled to the extent possible.

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IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed by their respective authorized signatories as of the date first indicated above.

PROSPECT ACQUISITION CORP.

By: /s/ DAVID A. MINELLA
Name: David A. Minella
Title: Chairman & CEO
Address: 9130 Galleria Court, Suite 318
Naples, FL 34109

With a copy to:

Bingham McCutchen LLP
399 Park Avenue
New York, NY 10022
Attention: Floyd I. Wittlin, Esq.

KW MERGER SUB CORP.

By: /s/ DAVID A. MINELLA
Name: David A. Minella
Title: President & Secretary
Address: c/o Prospect Acquisition Corp.
9130 Galleria Court, Suite 318
Naples, FL 34104

KENNEDY-WILSON, INC.

By: /s/ WILLIAM J. MCMORROW
Name: William J. McMorrow
Title: Chief Executive Officer
Address: 9601 Wilshire Blvd.
Beverly Hills, CA 90210

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AMENDMENT NO. 2 TO
AGREEMENT AND PLAN OF MERGER

THIS AMENDMENT NO. 2 (this "*Amendment*") dated as of October 26, 2009, to that certain AGREEMENT AND PLAN OF MERGER dated as of September 8, 2009 (the "*Original Agreement*"), as amended by Amendment No. 1 dated as of October 22, 2009, in each case by and among PROSPECT ACQUISTION CORP., a company incorporated under the laws of Delaware ("*Prospect*"), KW MERGER SUB CORP., a company incorporated under the laws of Delaware and a wholly owned subsidiary of Prospect ("*Merger Sub*") and KENNEDY-WILSON, INC., a company incorporated under the laws of Delaware ("*KW*").

RECITALS

WHEREAS, the Parties are parties to the Original Agreement, as amended; and

WHEREAS, the Parties wish to amend the Original Agreement, as amended, pursuant to and in accordance with Section 11.2 thereof as further set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein and in the Original Agreement, pursuant to and in accordance with Section 11.2 of the Original Agreement, the Parties agree to amend the Original Agreement, as amended, as follows:

1. *Definitions.* All capitalized terms used herein without definition shall have the meanings assigned to such terms in the Original Agreement.

2. *Amendment to Definition of Prospect Warrant Agreement Amendment.* The definition of Prospect Warrant Agreement Amendment in *Annex A* of the Original Agreement shall be deleted in its entirety and replaced with the following:

"*Prospect Warrant Agreement Amendment*" means an amendment to the Prospect Warrant Agreement substantially in the form attached as ***Exhibit E*** that provides that, simultaneously with the Closing: (i) each Sponsor Warrant (as defined in the Prospect Warrant Agreement) will be converted into the Amended Sponsor Warrant; and (ii) each Public Warrant (as defined in the Prospect Warrant Agreement) will be converted into either (x) the Cash Consideration or (y) the Amended Public Warrant, in each case as the holder of Public Warrants shall have elected or be deemed to have elected; provided that no more than 50% of the outstanding Public Warrants shall be converted into the right to receive the Amended Public Warrant (the "*Warrant Limit*"); and provided further that in the event that holders of in excess of the Warrant Limit shall have elected to receive the Amended Public Warrant, the holders of the Public Warrants who elect to receive the Amended Public Warrant and the holders of the Sponsor Warrants will receive the Cash Consideration for a portion of their Warrants, as further set forth in and in accordance with ***Exhibit E*** hereto.

3. *Full Force and Effect.* Except as expressly amended hereby, the Original Agreement shall continue in full force and effect in accordance with the provisions thereof.

4. *Governing Law.* This Amendment shall be governed by and construed in accordance with the laws of the State of New York regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

5. *Counterparts; Facsimile Execution.* This Amendment may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties. Facsimile or electronic execution and delivery of this Amendment is legal, valid and binding for all purposes.

6. *Headings.* All section titles and captions contained in this Amendment are for convenience only and shall not be deemed a part of this Amendment.

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7. *Severability.* If any term or other provisions of this Amendment is invalid, illegal or incapable of being enforced by any rule or Law, or public policy, all other conditions and provisions of this Amendment shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Amendment so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated by this Amendment are fulfilled to the extent possible.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be duly executed by their respective authorized signatories as of the date first indicated above.

PROSPECT ACQUISITION CORP.

By: /s/ DAVID A. MINELLA

Name: David A. Minella
Title: Chairman & CEO
Address: 9130 Galleria Court, Suite 318
Naples, FL 34109

With a copy to:

Bingham McCutchen LLP
399 Park Avenue
New York, NY 10022
Attention: Floyd I. Wittlin, Esq.

KW MERGER SUB CORP.

By: /s/ DAVID A. MINELLA

Name: David A. Minella
Title: President and Secretary
Address: c/o Prospect Acquisition Corp.
9130 Galleria Court, Suite 318
Naples, FL 34109

KENNEDY-WILSON, INC.

By: /s/ WILLIAM J. MCMORROW

Name: William J. McMorrow
Title: Chief Executive Officer
Address: 9601 Wilshire Blvd.
Beverly Hills, CA 90210

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Annex B

FORM OF
AMENDMENT NO. 1 TO WARRANT AGREEMENT

This Amendment No. 1, dated as of ____ , 2009 (this "***Amendment***"), to the Warrant Agreement, dated as of November 14, 2007 (the "***Warrant Agreement***"), by and between Prospect Acquisition Corp., a Delaware corporation (the "***Company***"), and Continental Stock Transfer & Trust Company, a New York corporation ("***Warrant Agent***").

WHEREAS, the Company consummated its initial public offering on November 14, 2007, pursuant to which the Company issued 25,000,000 units;

WHEREAS, each unit consisted of one share of common stock, par value $0.0001 per share, of the Company (the "***Common Stock***") and one warrant to purchase one share of Common Stock at an exercise price of $7.50 per share (the "***Public Warrants***");

WHEREAS, pursuant to a private placement, simultaneously with the Company's initial public offering, the Company issued to Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P. and Capital Management Systems, Inc. (the "***Sponsors***"), 5,250,000 warrants (the "***Sponsors' Warrants***"), with each Sponsors' Warrant exercisable into one share of Common Stock at $7.50;

WHEREAS, the terms of the Warrants are governed by the Warrant Agreement and capitalized terms used, but not defined, herein shall have the meaning given to such terms in the Warrant Agreement;

WHEREAS, the Company has entered into that certain Agreement and Plan of Merger, as amended from time to time (as so amended, the "***Merger Agreement***"), by and among the Company, KW Merger Sub Corp., a Delaware corporation and newly-formed wholly-owned subsidiary of the Company ("***Merger Sub***"), and Kennedy-Wilson, Inc., a Delaware corporation ("***KW***"), which provides for the merger of Merger Sub with and into KW as a result of which KW will become a wholly-owned subsidiary of the Company (the "***Merger***") and outstanding shares of KW's common stock, par value $0.01 per share, and KW's convertible preferred stock, par value $0.01 per share, will be exchanged for Common Stock;

WHEREAS, pursuant to the Merger Agreement, the Company agreed to seek the approval of the holders of its outstanding Warrants to amend the Warrant Agreement to: (i) allow each holder of Public Warrants to elect to receive upon the closing of the Merger, for each outstanding Public Warrant, either (a) the right to receive $0.55 in cash or (b) an amended and restated Public Warrant with a new exercise price of $12.50, a redemption trigger price of $19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described below and (ii) amend and restate the terms of the Sponsor Warrants to provide for an exercise price of $12.50, a redemption trigger price of $19.50 and an expiration date of November 14, 2013 (collectively, the "***Warrant Amendment Proposal***"); and

WHEREAS, holders of Warrants exercisable for a majority of the Warrant Shares (as defined in the Warrant Agreement) issuable upon exercise of all outstanding Warrants have approved the Warrant Amendment Proposal at a meeting of the holders of Warrants.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and

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intending to be legally bound hereby, the parties hereto agree to amend the Warrant Agreement as set forth herein:

1. Amendment of Warrant Agreement.

(a) *New Section 11A.* The following shall be added as a new Section 11A of the Warrant Agreement:

"SECTION 11A. *The Merger.* Pursuant to the Merger (as defined below), the Warrants shall be treated as follows:

(a) Public Warrants.

(1) Each Public Warrant will be automatically (without any action on the part of the holders of Public Warrants) converted into the right to receive either (x) $0.55 in cash (the "***Cash Amount***") or (y) an amended and restated Public Warrant with an exercise price of $12.50, a redemption trigger price of $19.50 and an expiration date of November 14, 2013 (the "***Amended and Restated Public Warrant***"), in each case as the holder of such Public Warrant shall have elected or be deemed to have elected (an "***Election***") in accordance with *Sections 11A(a)(2)* and *11A(c)*. Following the Merger, the Warrant Agreement shall be amended and restated in the form attached hereto as Exhibit C (the "***Amended and Restated Warrant Agreement***"). The Amended and Restated Public Warrants will contain the terms and conditions set forth in the Amended and Restated Warrant Agreement.

(2) Subject to the procedures in *Section 11A(c)* and the limitations in *Section 11A(a)(3)*, each holder of Public Warrants outstanding immediately prior to the Election Date who makes a valid Election to receive Amended and Restated Public Warrants will be entitled to receive the Amended and Restated Public Warrants in respect of such Public Warrants; *provided that*, notwithstanding anything in this Agreement to the contrary, a holder of a Public Warrant shall not be able to make a valid election to receive an Amended and Restated Public Warrant with respect to any Public Warrants that it voted against this Amendment. All holders of Public Warrants immediately prior to the Election Date who do not make a valid Election for Amended and Restated Public Warrants will be deemed to have elected to receive the Cash Amount in respect of their Public Warrants.

(3) Notwithstanding anything in this Agreement to the contrary:

(A) the maximum number of Public Warrants to be converted into the right to receive the Amended and Restated Public Warrants will be equal to 12,500,000 (the "***Warrant Limit***"); and

(B) the minimum number of Public Warrants to be converted into the right to receive the Cash Amount will be equal to (x) the number of Public Warrants outstanding immediately prior to the Effective Time less (y) the Warrant Limit.

(4) Upon the closing of the Merger:

(A) all Public Warrants for which Elections to receive the Cash Amount have been made or deemed to have been made (the "***Cash Election Warrants***") will be converted into the right to receive the Cash Amount; and

(B) to the extent that the aggregate number of Public Warrants making an Election to receive Amended and Restated Public Warrants (the "***Warrant Election Warrants***") exceeds the Warrant Limit, a portion of the Warrant Election Warrants and the Sponsor Warrants will be

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automatically converted into the right to receive the Cash Amount, in each case, on a pro rata basis as follows:

holders of the number of Warrant Election Warrants covered by each Form of Election (as defined below) to be converted into Amended and Restated Public Warrants and holders of Sponsor Warrants will receive the Cash Amount with respect to that percentage of their respective Warrants held by each of them as is equal to the percentage determined by multiplying the number of Warrant Election Warrants or the number of Sponsor Warrants held by them, as applicable, by a fraction (a) the numerator of which is the number by which the Warrant Election Warrants exceeds the Warrant Limit and (b) the denominator of which is the sum of the aggregate number of Warrant Election Warrants plus the number of Sponsor Warrants.

(b) *Sponsors' Warrants.* Subject to the terms of Section 11A(a)(4)(B), each Sponsors' Warrant will be amended and restated to provide for an exercise price of $12.50, a redemption trigger price of $19.50 and an expiration date of November 14, 2013 (the "***Amended and Restated Sponsors' Warrants***"). The Amended and Restated Sponsors' Warrants will have the terms and conditions set forth in the Amended and Restated Warrant Agreement.

(c) Election/Exchange Procedures for Public Warrants.

(1) The Company will authorize the Exchange Agent (as defined in the Merger Agreement) to receive Elections.

(2) The Company will prepare, for use by the holders of Public Warrants in surrendering Warrant Certificates, a form (the "***Form of Election***") pursuant to which each holder of Public Warrants may make an Election. The Form of Election will be delivered to such Warrant holders by means and at a time upon which the Company and KW will mutually agree.

(3) An Election will have been properly made only if a Form of Election properly completed and signed and accompanied by the Warrant Certificate or Warrant Certificates to which such Form of Election relates (x) is received by the Exchange Agent prior to the date and time (the "***Election Date***") of the special meeting of warrantholders being held to approve the Warrant Amendment Proposal (the "***Special Meeting***") or (y) is tendered for delivery to the Exchange Agent at the Special Meeting.

(4) Any Public Warrant holder may at any time prior to the Election Date change such holder's Election if the Exchange Agent receives (x) prior to the Election Date written notice of such change accompanied by a properly completed Form of Election or (y) at the Special Meeting a new, properly completed Form of Election. The Company will have the right in its sole discretion to permit changes in Elections after the Election Date.

(5) The Company will have the right to make rules, not inconsistent with the terms of this Agreement or the Merger Agreement, governing the validity of Forms of Election, the manner and extent to which Elections are to be taken into account in making the determinations prescribed by this section, the issuance and delivery of certificates for the Amended and Restated Public Warrants, and the payment of the Cash Amount.

(6) In connection with the above procedures, (A) the holders of Warrant Certificates evidencing Public Warrants will surrender such certificates to the Exchange Agent, (B) upon surrender of a Warrant Certificate the holder thereof will be entitled to receive the Cash Amount or Amended and Restated Public Warrants, as applicable, and (C) the Warrant Certificates so surrendered will forthwith be canceled.

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(d) *Definitions.*

(1) "***Merger Agreement***" means that certain Agreement and Plan of Merger, dated as of September 8, 2009, as amended from time to time, by and among the Company, KW Merger Sub Corp. ("***Merger Sub***") and Kennedy-Wilson, Inc. ("***KW***").

(2) "***Merger***" means the merger of Merger Sub with and into KW as a result of which KW will become a wholly-owned subsidiary of the Company."

(b) *New Exhibit C.* Exhibit A attached to this Amendment shall be added as a new Exhibit C to the Warrant Agreement.

2. Miscellaneous.

(a) *Governing Law.* This Agreement and each Warrant Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the internal laws of said State. The parties agree that all actions and proceedings arising out of this Agreement or any of the transactions contemplated hereby shall be brought in the United States District Court for the Southern District of New York or in a New York State Court in the County of New York and that, in connection with any such action or proceeding, submit to the jurisdiction of, and venue in, such court. Each of the parties hereto also irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of this Agreement or the transactions contemplated hereby.

(b) *Binding Effect.* This Amendment shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns.

(c) *Entire Agreement.* This Amendment sets forth the entire agreement and understanding between the parties as to the subject matter thereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them. Except as set forth in this Amendment, provisions of the Warrant Agreement which are not inconsistent with this Amendment shall remain in full force and effect.

(d) *Severability.* This Amendment shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Amendment or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as part of this Amendment a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

(e) *Counterparts.* This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall constitute but one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

PROSPECT ACQUISITION CORP.

By: _____

Name:
Title:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY, as Warrant Agent

By: _____

Name:
Title:

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Annex C

KENNEDY-WILSON HOLDINGS, INC.

and

CONTINENTAL STOCK TRANSFER & TRUST COMPANY, as Warrant Agent

AMENDED AND RESTATED WARRANT AGREEMENT

Dated as of [_____], 2009

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WARRANT AGREEMENT

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AMENDED AND RESTATED WARRANT AGREEMENT dated as of [_____], 2009, between Kennedy-Wilson Holdings, Inc. (formerly Prospect Acquisition Corp.), a Delaware corporation (the "***Company***"), and Continental Stock Transfer & Trust Company, a New York corporation, as Warrant Agent (the "***Warrant Agent***").

WHEREAS, on November 14, 2007, the Company issued (i) 5,250,000 warrants in a private placement bearing the legend set forth in Exhibit B hereto (the "***Sponsors' Warrants***"), and (ii) 25,000,000 warrants pursuant to a registration statement filed with the Securities and Exchange Commission (the "***Public Warrants***" and together with the Sponsors' Warrants, the "***Warrants***"), which in each case entitle the holders thereof to purchase shares of common stock of the Company, $0.0001 par value per share ("***Common Stock***," and the Common Stock issuable on exercise of the Warrants, the "***Warrant Shares***"); and

WHEREAS, the Company desires the Warrant Agent to act on behalf of the Company, and the Warrant Agent is willing so to act, in connection with the issuance, transfer, exchange and exercise of Warrants and other matters as provided herein.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereto agree as follows:

SECTION 1. *Appointment of Warrant Agent.* The Company hereby appoints the Warrant Agent to act as agent for the Company in accordance with the instructions set forth hereinafter in this Agreement, and the Warrant Agent hereby accepts such appointment.

SECTION 2. *Warrant Certificates.* The certificates evidencing the Warrants (the "***Warrant Certificates***") to be delivered pursuant to this Agreement shall be in registered form only and shall be substantially in the form set forth in Exhibit A attached hereto.

SECTION 3. *Execution of Warrant Certificates.* Warrant Certificates shall be signed on behalf of the Company by its Chairman of the Board or its President or Chief Executive Officer or a Vice President and by its Secretary or an Assistant Secretary. Each such signature upon the Warrant Certificates may be in the form of a facsimile signature of the present or any future Chairman of the Board, President, Chief Executive Officer, Vice President, Secretary or Assistant Secretary and may be imprinted or otherwise reproduced on the Warrant Certificates and for that purpose the Company may adopt and use the facsimile signature of any person who shall have been Chairman of the Board, President, Chief Executive Officer, Vice President, Secretary or Assistant Secretary, notwithstanding the fact that at the time the Warrant Certificates shall be countersigned and delivered or disposed of he or she shall have ceased to hold such office.

In case any officer of the Company who shall have signed any of the Warrant Certificates shall cease to be such officer before the Warrant Certificates so signed shall have been countersigned by the Warrant Agent, or disposed of by the Company, such Warrant Certificates nevertheless may be countersigned and delivered or disposed of as though such person had not ceased to be such officer of the Company; and any Warrant Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Warrant Certificate, shall be a proper officer of the Company to sign such Warrant Certificate, although at the date of the execution of this Warrant Agreement any such person was not such officer.

Warrant Certificates shall be dated the date of countersignature by the Warrant Agent.

SECTION 4. *Registration and Countersignature.* Warrant Certificates shall be countersigned by the Warrant Agent and shall not be valid for any purpose unless so countersigned. The Warrant Agent shall, upon written instructions of the Chairman of the Board, the President or Chief Executive Officer, a Vice President, the Treasurer or the Chief Financial Officer of the Company, countersign, issue and deliver Warrants as provided in this Agreement.

The Company and the Warrant Agent may deem and treat the registered holder(s) of the Warrant Certificates as the absolute owner(s) thereof (notwithstanding any notation of ownership or other

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writing thereon made by anyone), for all purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary.

SECTION 5. *Registration of Transfers and Exchanges; Transfer Restrictions.* The Warrant Agent shall from time to time, subject to the limitations of this Section 5, register the transfer of any outstanding Warrant Certificates upon the records to be maintained by it for that purpose, upon surrender thereof duly endorsed or accompanied (if so required by the Warrant Agent) by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, duly executed by the registered holder or holders thereof or by the duly appointed legal representative thereof or by a duly authorized attorney. Upon any such registration of transfer, a new Warrant Certificate shall be issued to the transferee(s) and the surrendered Warrant Certificate shall be cancelled by the Warrant Agent. Cancelled Warrant Certificates shall thereafter be disposed of by the Warrant Agent in its customary manner.

The Sponsors' Warrants may not be sold or transferred prior to [_____], 2009[(1)] (such date, the "***Transfer Restriction Termination Date***") except to a Permitted Transferee who agrees in writing with the Company (i) to be subject to such transfer restrictions and (ii) that such Sponsors' Warrants will be held in an escrow account established pursuant to the Escrow Agreement referred to below until the Transfer Restriction Termination Date. As used herein, "***Permitted Transferee***" means a transfer (i) to any officer or director of the Company, any affiliates or family members of any officer or director of the Company or any affiliates of any Sponsor (as defined herein), (ii) in the case of a natural person, by gift to a member of such person's immediate family or to a trust, the beneficiary of which is a member of such person's immediate family, an affiliate of such person or to a charitable organization, (iii) in the case of a natural person, by virtue of the laws of descent and distribution upon death of such person, (iv) with respect to any Sponsor, by virtue of the laws of Delaware or such Sponsor's organizational documents upon dissolution of such Sponsor, (v) in the case of a natural person, pursuant to a qualified domestic relations order, or (vi) in the event the Company's consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property. Upon issuance, the Sponsors' Warrants will be deposited with the Continental Stock Transfer & Trust Company, as escrow agent (the "***Escrow Agent***") pursuant to the terms of the Escrow Agreement dated November 14, 2007 between the Company and the Escrow Agent, (the "***Escrow Agreement***"), where they will remain until the Transfer Restriction Termination Date.

The holders of any Sponsors' Warrants or Warrant Shares issued upon exercise of any Sponsors' Warrants further agree prior to any transfer of such securities, to give written notice to the Company expressing its desire to effect such transfer and describing briefly the proposed transfer. Upon receiving such notice, the Company shall present copies thereof to its counsel and the holder agrees not to make any disposition of all or any portion of such securities unless and until:

(a) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement, in which case the legends set forth in Exhibit B or Section 6(c) hereof, as the case may be (collectively the "Legends") with respect to such securities sold pursuant to such registration statement shall be removed; or

(b) if reasonably requested by the Company, (A) the holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such Securities under the Securities Act, (B) the Company shall have received customary representations and warranties regarding the transferee that are reasonably satisfactory to the Company signed by the proposed transferee and (C) the Company shall have received an agreement by such transferee to the restrictions contained in the Legends.

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(1) 30 days after the closing of the Merger.

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Subject to the terms of this Agreement, Warrant Certificates may be exchanged at the option of the holder(s) thereof, when surrendered to the Warrant Agent at its principal corporate trust office, which is currently located at the address listed in Section 17 hereof, for another Warrant Certificate or other Warrant Certificates of like tenor and representing in the aggregate a like number of Warrants. Any holder desiring to exchange a Warrant Certificate shall deliver a written request to the Warrant Agent, and shall surrender, duly endorsed or accompanied (if so required by the Warrant Agent) by a written instrument or instruments of transfer in form satisfactory to the Warrant Agent, the Warrant Certificate or Certificates to be so exchanged. Warrant Certificates surrendered for exchange shall be cancelled by the Warrant Agent. Such cancelled Warrant Certificates shall then be disposed of by such Warrant Agent in its customary manner.

The Warrant Agent is hereby authorized to countersign, in accordance with the provisions of this Section 5 and of Section 4 hereof, the new Warrant Certificates required pursuant to the provisions of this Section 5.

SECTION 6. *Terms of Warrants.*

(a) *Exercise Price and Exercise Period.*

The initial exercise price per share at which Warrant Shares shall be purchasable upon the exercise of Warrants (the "***Exercise Price***") shall be $12.50 per share, and each Warrant shall be initially exercisable to purchase one share of common stock of the Company, $0.0001 par value per share ("***Common Stock***"). The Sponsors' Warrants shall be exercisable on a cashless basis as set forth in Section 6(d) at the option of any Sponsor (as defined herein) or a Permitted Transferee.

Subject to the terms of this Agreement (including without limitation Section 6(e) below), each Warrant holder shall have the right, which may be exercised commencing at the opening of business on the first day of the applicable Warrant Exercise Period set forth below and until 5:00 p.m., New York City time, on the last day of such Warrant Exercise Period, to receive from the Company the number of fully paid and nonassessable Warrant Shares which the holder may at the time be entitled to receive on exercise of such Warrants and payment of the Exercise Price then in effect for such Warrant Shares. No adjustments as to dividends will be made upon exercise of the Warrants.

The "***Warrant Exercise Period***" shall commence (subject to Section 6(d) below), on [_____], 2009[(2)] and shall end on the earlier of:

(i) November 14, 2013; and

(ii) the Business Day preceding the date on which such Warrants are redeemed pursuant to Section 6(b) below or expire pursuant to Section 6(f) below;

provided that the Sponsors' Warrants may not be exercised prior to the Transfer Restriction Termination Date.

The "***Closing Price***" of the Common Stock on any date of determination means;

(i) the closing sale price for the regular trading session (without considering after hours or other trading outside regular trading session hours) of the Common Stock (regular way) on the American Stock Exchange on that date (or, if no closing price is reported, the last reported sale price during that regular trading session),

(ii) if the Common Stock is not listed for trading on the American Stock Exchange on that date, as reported in the composite transactions for the principal United States securities exchange on which the Common Stock is so listed,

(iii) if the Common Stock is not so reported, the last quoted bid price for the Common Stock in the over-the-counter market as reported by the OTC Bulletin Board, the National Quotation Bureau or similar organization, or

(2) The date of the closing of the Merger.

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(iv) if the Common Stock is not so quoted, the average of the mid-point of the last bid and ask prices for the Common Stock from at least three nationally recognized investment banking firms that the Company selects for this purpose.

Each Warrant not exercised or redeemed prior to 5:00 p.m., New York City time, on the last day of the Warrant Exercise Period shall become void and all rights thereunder and all rights in respect thereof under this Agreement shall cease as of such time.

(b) *Redemption of Warrants.*

The Company may call the Warrants for redemption, in whole and not in part, at a price of $.01 per Warrant, upon not less than 30 days' prior written notice of redemption to each Warrantholder, at any time after such Warrants have become exercisable pursuant to Section 6(a), if, and only if, (i) the Closing Price has equaled or exceeded $19.50 per share for any 20 trading days within a 30-trading-day period ending on the third Business Day prior to the notice of redemption to Warrant holders and (ii) at all times between the date of such notice of redemption and the redemption date a registration statement is in effect covering the Warrant Shares issuable upon exercise of the Warrants and a current prospectus relating to those Warrant Shares is available.

Upon a call for redemption of Warrants by the Company, the Company shall have the right to require all holders of Warrants subject to redemption who exercise such Warrants after the Company's call for redemption to do so on a cashless basis in accordance with the procedures set forth in Section 6(d).

Notwithstanding the foregoing, no Sponsors' Warrants shall be redeemable so long as they are held by the purchasers set forth in Schedule I hereto (the "Sponsors") or a Permitted Transferee; *provided* that the fact that one or more Sponsors' Warrants are non-redeemable because they are held by a Sponsor or a Permitted Transferee shall not affect the Company's right to redeem the Public Warrants and all Sponsors' Warrants that are not held by a Sponsor or a Permitted Transferee pursuant to the preceding paragraph.

(c) *Exercise Procedure.*

A Warrant may be exercised upon surrender to the Company at the principal stock transfer office of the Warrant Agent, which is currently located at the address listed in Section 17 hereof, of the certificate or certificates evidencing the Warrants to be exercised with the form of election to purchase on the reverse thereof duly filled in and signed and such other documentation as the Warrant Agent may reasonably request, and upon payment to the Warrant Agent for the account of the Company of the Exercise Price (adjusted as herein provided if applicable) for the number of Warrant Shares in respect of which such Warrants are then exercised. Subject to any Sponsor or Permitted Transferee's election to exercise its Sponsors' Warrants on a cashless basis as set forth in Section 6(d), payment of the aggregate Exercise Price shall be made in cash or by certified or official bank check payable to the order of the Company in New York Clearing House Funds, or the equivalent thereof. In no event will any Warrants be settled on a net cash basis.

Subject to the provisions of Sections 6(e) and 7 hereof, upon such surrender of Warrants and payment of the Exercise Price, the Company shall issue and cause to be delivered with all reasonable dispatch to and in such name or names as the Warrant holder may designate, a certificate or certificates for the number of full Warrant Shares issuable upon the exercise of such Warrants together with cash as provided in Section 12 hereof. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of record of such Warrant Shares as of the date of the surrender of such Warrants and payment of the Exercise Price.

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The Warrants shall be exercisable, at the election of the holders thereof, either in full or from time to time in part and, in the event that a certificate evidencing Warrants is exercised in respect of fewer than all of the Warrant Shares issuable on such exercise at any time prior to the date of expiration of the Warrants, a new certificate evidencing the remaining Warrant or Warrants will be issued, and the Warrant Agent is hereby irrevocably authorized to countersign and to deliver the required new Warrant Certificate or Certificates pursuant to the provisions of this Section 6 and of Section 4 hereof, and the Company, whenever required by the Warrant Agent, shall supply the Warrant Agent with Warrant Certificates duly executed on behalf of the Company for such purpose. The Warrant Agent may assume that any Warrant presented for exercise is permitted to be so exercised under applicable law and shall have no liability for acting in reliance on such assumption.

All Warrant Certificates surrendered upon exercise of Warrants shall be canceled by the Warrant Agent. Such canceled Warrant Certificates shall then be disposed of by the Warrant Agent in its customary manner. The Warrant Agent shall account promptly to the Company with respect to Warrants exercised and concurrently pay to the Company all monies received by the Warrant Agent for the purchase of the Warrant Shares through the exercise of such Warrants.

The Warrant Agent shall keep copies of this Agreement and any notices given or received hereunder available for inspection by the holders with reasonable prior written notice during normal business hours at its office. The Company shall supply the Warrant Agent from time to time with such numbers of copies of this Agreement as the Warrant Agent may request.

Certificates evidencing Warrant Shares issued upon exercise of a Sponsors' Warrants shall contain the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

SECURITIES EVIDENCED BY THIS CERTIFICATE WILL BE ENTITLED TO REGISTRATION RIGHTS UNDER A REGISTRATION RIGHTS AGREEMENT TO BE EXECUTED BY THE COMPANY.

(d) *Cashless Exercise.* The Sponsors' Warrants may be exercised on a cashless basis by any Sponsor or Permitted Transferee, at such Sponsor or Permitted Transferee's election (the "***Cashless Exercise Election***"). If any Sponsor or Permitted Transferee makes a Cashless Exercise Election with respect to any Sponsors' Warrants, then upon surrender of such Sponsors' Warrants in accordance with Section 6(c), the Company shall issue and cause to be delivered with all reasonable dispatch to and in such name or names as the Sponsors' Warrant holder may designate, a certificate or certificates for the

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number of full Warrant Shares issuable upon the exercise of such Sponsor Warrants computed by using the following formula:

$$X = \frac{(A)(Y)}{(B)}$$

X = The number of Shares of common stock to be issued in connection with such exercise to the holder of the Sponsors' Warrants being exercised.

Y = The number of shares of Common Stock purchasable under the Sponsor Warrant upon such exercise.

A = The value of one Sponsors' Warrant as of the date of the exercise, which shall be determined by using the following formula:

A = B - the Exercise Price

B = The Fair market Value of a share of Common Stock.

For purposes of this Section 6(d), the "Fair Market Value" of a share of Common Stock shall mean the average of the closing price of the Company's Common stock quoted on the American Stock Exchange for the ten (10) trading days ending on the trading day prior to the date of exercise. If the shares of Common Stock are traded on a securities exchange other than the American Stock Exchange, the Fair Market Value of a share of Common Stock shall mean the average of the closing prices of the Company's Common Stock quoted on such exchange for the ten (10) trading days ending on the trading day prior to the date of exercise. If the shares of Common Stock are not traded on the American Stock Exchange or any other exchange, the Fair Market Value shall be the price per share that the Company could obtain from a willing buyer for shares of Common Stock sold by the Company from authorized but unissued shares of Common Stock, as such prices shall be determined in good faith by the Company's Board of Directors.

(e) *Registration Requirement.* Notwithstanding anything else in this Section 6, no Warrant may be exercised unless at the time of exercise (i) a registration statement covering the Warrant Shares to be issued upon exercise is effective under the Act and (ii) a prospectus thereunder relating to the Warrant Shares is current. The Company shall use its best efforts to have a registration statement in effect covering Warrant Shares issuable upon exercise of the Warrants from the date the Warrants become exercisable and to maintain a current prospectus relating to those Warrant Shares until the Warrants expire or are redeemed. In the event that, at the end of the Warrant Exercise Period, a registration statement covering the Warrant Shares to be issued upon exercise is not effective under the Act, all the rights of holders hereunder shall terminate and all of the Warrants shall expire unexercised and worthless, and as a result purchasers of the Units will have paid the full Unit purchase price solely for the share of Common Stock included in each Unit. In no event shall the Warrants be settled on a net cash basis nor shall the Company be required to issue unregistered shares upon the exercise of any Warrant.

SECTION 7. *Payment of Taxes.* The Company will pay all documentary stamp taxes attributable to the initial issuance of Warrant Shares upon the exercise of Warrants; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issue of any Warrant Certificates or any certificates for Warrant Shares in a name other than that of the registered holder of a Warrant Certificate surrendered upon the exercise of a Warrant, and the Company shall not be required to issue or deliver such Warrant Certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

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SECTION 8. *Mutilated or Missing Warrant Certificates.* In case any of the Warrant Certificates shall be mutilated, lost, stolen or destroyed, the Company shall issue and the Warrant Agent shall countersign, in exchange and substitution for and upon cancellation of the mutilated Warrant Certificate, or in lieu of and substitution for the Warrant Certificate lost, stolen or destroyed, a new Warrant Certificate of like tenor and representing an equivalent number of Warrants, but only upon receipt of evidence satisfactory to the Company and the Warrant Agent of such loss, theft or destruction of such Warrant Certificate and indemnity, also satisfactory to the Company and the Warrant Agent. Applicants for such new Warrant Certificates must pay such reasonable charges as the Company may prescribe.

SECTION 9. *Reservation of Warrant Shares.* The Company will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued Common Stock or its authorized and issued Common Stock held in its treasury, for the purpose of enabling it to satisfy any obligation to issue Warrant Shares upon exercise of Warrants, the maximum number of shares of Common Stock which may then be deliverable upon the exercise of all outstanding Warrants. The Warrant Agent shall have no duty to verify availability of such shares set aside by the Company.

The Company or, if appointed, the transfer agent for the Common Stock (the "***Transfer Agent***") and every subsequent transfer agent for any shares of the Company's Common Stock issuable upon the exercise of any of the Warrants will be irrevocably authorized and directed at all times to reserve such number of authorized shares as shall be required for such purpose. The Company will keep a copy of this Agreement on file with the Transfer Agent and with every subsequent transfer agent for any shares of the Company's Common Stock issuable upon the exercise of the Warrants. The Warrant Agent is hereby irrevocably authorized to requisition from time to time from such Transfer Agent the stock certificates required to honor outstanding Warrants upon exercise thereof in accordance with the terms of this Agreement. The Company will supply such Transfer Agent with duly executed certificates for such purposes and will provide or otherwise make available any cash which may be payable as provided in Section 12 hereof. The Company will furnish such Transfer Agent a copy of all notices of adjustments and certificates related thereto, transmitted to each holder pursuant to Section 13 hereof.

Before taking any action which would cause an adjustment pursuant to Section 11 hereof to reduce the Exercise Price below the then par value (if any) of the Warrant Shares, the Company will take any commercially reasonable corporate action which may, in the opinion of its counsel (which may be counsel employed by the Company), be necessary in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares at the Exercise Price as so adjusted.

The Company covenants that all Warrant Shares which may be issued upon exercise of Warrants will, upon payment of the Exercise Price therefor and issue, be fully paid, nonassessable, free of preemptive rights and free from all taxes, liens, charges and security interests with respect to the issue thereof.

SECTION 10. *Obtaining Stock Exchange Listings.* The Company will from time to time take all commercially reasonable actions which may be necessary so that the Warrant Shares, immediately upon their issuance upon the exercise of Warrants, will be listed on the principal securities exchanges and markets within the United States of America, if any, on which other shares of Common Stock are then listed.

SECTION 11. *Adjustment of Number of Warrant Shares.*

The number of Warrant Shares issuable upon the exercise of each Warrant is subject to adjustment from time to time upon the occurrence of the events enumerated in this Section 11. For purposes of this Section 11, "***Common Stock***" means shares now or hereafter authorized of any class of common stock of the Company and any other stock of the Company, however designated, that has the right

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(subject to any prior rights of any class or series of preferred stock) to participate in any distribution of the assets or earnings of the Company without limit as to per share amount.

(a) *Adjustment for Change in Capital Stock.*

If the Company:

(1) pays a dividend or makes a distribution on its Common Stock in either case in shares of its Common Stock;

(2) subdivides its outstanding shares of Common Stock into a greater number of shares;

(3) combines its outstanding shares of Common Stock into a smaller number of shares;

(4) makes a distribution on its Common Stock in shares of its capital stock other than Common Stock; or

(5) issues by reclassification of its Common Stock any shares of its capital stock,

then the number of shares of Common Stock issuable upon exercise of each Warrant immediately prior to such action shall be proportionately adjusted so that the holder of any Warrant thereafter exercised shall receive the aggregate number and kind of shares of capital stock of the Company which he would have owned immediately following such action if such Warrant had been exercised immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

Such adjustment shall be made successively whenever any event listed above shall occur.

(b) *Adjustment for Rights Issue.*

If the Company distributes any rights, options or warrants to all holders of its Common Stock entitling them to purchase shares of Common Stock at a price per share less than the Closing Price per share on the Business Day immediately preceding the ex-dividend date for such distribution of rights, options or warrants, the number of shares of Common Stock issuable upon exercise of each Warrant shall be adjusted in accordance with the formula:

$$N' = N \times \frac{O + A}{O + (A \times P/M)}$$

where:

N' = the adjusted number of shares of Common Stock issuable upon exercise of each Warrant.

N = the current number of shares of Common Stock issuable upon exercise of each Warrant.

O = the number of shares of Common Stock outstanding on the record date for such distribution.

A = the number of additional shares of Common Stock issuable pursuant to such rights or warrants.

P = the purchase price per share of the additional shares.

M = the Closing Price per share of Common Stock on the record date.

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The adjustment shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the record date for the determination of stockholders entitled to receive the rights, options or warrants. If at the end of the period during which such rights, options or warrants are exercisable, not all rights, options or warrants shall have been exercised, the number of shares of Common Stock issuable upon exercise of each Warrant shall be immediately readjusted to what it would have been if "N" in the above formula had been the number of shares actually issued.

(c) *Adjustment for Other Distributions.*

If the Company distributes to all holders of its Common Stock any of its assets (including cash) or debt securities or any rights, options or warrants to purchase debt securities, assets or other securities of the Company (other than Common Stock), the number of shares of Common Stock issuable upon exercise of each Warrant shall be adjusted in accordance with the formula:

$$N' = N \times \frac{M}{M - F}$$

where:

N' = the adjusted number of shares of Common Stock issuable upon exercise of each Warrant.

N = the current number of shares of Common Stock issuable upon exercise of each Warrant.

M = the Closing Price per share of Common Stock on the Business Day immediately preceding the ex-dividend date for such distribution.

F = the fair market value on the ex-dividend date for such distribution of the assets, securities, rights or warrants distributable to one share of Common Stock after taking into account, in the case of any rights, options or warrants, the consideration required to be paid upon exercise thereof. The Board of Directors shall reasonably determine the fair market value in good faith.

The adjustment shall be made successively whenever any such distribution is made and shall become effective immediately after the record date for the determination of stockholders entitled to receive such distribution.

This subsection (c) does not apply to regular quarterly cash dividends including increases thereof or rights, options or warrants referred to in subsection (b) of this Section 11. If any adjustment is made pursuant to this subsection (c) as a result of the issuance of rights, options or warrants and at the end of the period during which any such rights, options or warrants are exercisable, not all such rights, options or warrants shall have been exercised, the Warrant shall be immediately readjusted as if "F" in the above formula was the fair market value on the ex-dividend date for such distribution of the indebtedness or assets actually distributed upon exercise of such rights, options or warrants divided by the number of shares of Common Stock outstanding on the ex-dividend date for such distribution. Notwithstanding anything to the contrary contained in this subsection (c), if "M - F" in the above formula is less than $1.00, the Company may elect to, and if "M - F" or is a negative number, the Company shall, in lieu of the adjustment otherwise required by this subsection (c), distribute to the holders of the Warrants, upon exercise thereof, the evidences of indebtedness, assets, rights, options or warrants (or the proceeds thereof) which would have been distributed to such holders had such Warrants been exercised immediately prior to the record date for such distribution.

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(d) *Adjustment for Common Stock Issue.*

If the Company issues shares of Common Stock for a consideration per share less than the Closing Price per share on the date the Company fixes the offering price of such additional shares, the number of shares of Common Stock issuable upon exercise of each Warrant shall be adjusted in accordance with the formula:

$$N' = N \times \frac{A}{O + P/M}$$

where:

N' = the adjusted number of shares of Common Stock issuable upon exercise of each Warrant.

N = the current number of shares of Common Stock issuable upon exercise of each Warrant.

O = the number of shares outstanding immediately prior to the issuance of such additional shares.

P = the aggregate consideration received for the issuance of such additional shares.

M = the Closing Price per share on the date of issuance of such additional shares.

A = the number of shares outstanding immediately after the issuance of such additional shares.

The adjustment shall be made successively whenever any such issuance is made, and shall become effective immediately after such issuance.

This subsection (d) does not apply to:

(1) any of the transactions described in subsections (b) and (c) of this Section 11,

(2) the exercise of Warrants, or the conversion or exchange of other securities convertible or exchangeable for Common Stock, or the issuance of Common Stock upon the exercise of rights or warrants issued to the holders of Common Stock,

(3) Common Stock (and options exercisable therefor) issued to the Company's employees, officers, directors, consultants or advisors (whether or not still in such capacity on the date of exercise) under bona fide employee benefit plans or stock option plans adopted by the Board of Directors of the Company and approved by the holders of Common Stock when required by law, if such Common Stock would otherwise be covered by this subsection (d),

(4) Common Stock issued in a bona fide public offering for cash,

(5) Common Stock issued in a bona fide private placement in which at least one non-affiliate of the Company participates, including without limitation the issuance of equity as consideration or partial consideration for acquisitions from persons that are not affiliates of the Company.

(e) *Adjustment for Convertible Securities Issue.*

If the Company issues any securities convertible into or exchangeable for Common Stock (other than securities issued in transactions described in subsections (b) and (c) of this Section 11) for a consideration per share of Common Stock initially deliverable upon conversion or exchange of such securities less than the Closing Price per share on the date of issuance of such securities, the number of

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shares of Common Stock issuable upon exercise of each Warrant shall be adjusted in accordance with this formula:

$$N' = N \times \frac{O + D}{O + P/M}$$

where:

N' = the adjusted number of shares of Common Stock issuable upon exercise of each Warrant.

N = the current number of shares of Common Stock issuable upon exercise of each Warrant.

O = the number of shares outstanding immediately prior to the issuance of such securities.

P = the aggregate consideration received for the issuance of such securities.

M = the Closing Price per share on the date of issuance of such securities.

D = the maximum number of shares deliverable upon conversion or in exchange for such securities at the initial conversion or exchange rate.

The adjustment shall be made successively whenever any such issuance is made, and shall become effective immediately after such issuance.

If all of the Common Stock deliverable upon conversion or exchange of such securities have not been issued when such securities are no longer outstanding, then the number of shares of Common Stock issuable upon exercise of each Warrant shall promptly be readjusted to what it would have been had the adjustment upon the issuance of such securities been made on the basis of the actual number of shares of Common Stock issued upon conversion or exchange of such securities.

This subsection (e) does not apply to:

(1) convertible securities issued in a bona fide public offering for cash; or

(2) convertible securities issued in a bona fide private placement in which at least one non-affiliate of the Company participates, including the issuance of convertible securities as consideration or partial consideration for acquisitions from persons that are not affiliates of the Company.

(f) *Adjustment for Tender or Exchange Offer.* If the Company or any of its subsidiaries makes a payment in respect of a tender offer or exchange offer for the Common Stock, if the cash and value of any other consideration included in the payment per share of the Common Stock exceeds the Closing Price of the Common Stock on the trading day next succeeding the last date on which tenders or

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exchanges may be made pursuant to such tender or exchange offer, the number of shares of Common Stock issuable upon exercise of each Warrant will be increased based on the following formula:

$$N' = N_o \times \frac{AC + (SP' \times OS')}{OS_o \times SP'}$$

where:

N' = the adjusted number of shares of Common Stock issuable upon exercise of each Warrant;

N_o = the current number of shares of Common Stock issuable upon exercise of each warrant;

AC = the aggregate value of all cash and any other consideration (as determined by the Board of Directors of the Company) paid or payable for shares purchased in such tender or exchange offer;

OS_o = the number of shares of Common Stock outstanding immediately prior to the date such tender or exchange offer expires;

OS' = the number of shares of Common Stock outstanding immediately after the date such tender or exchange offer expires; and

SP' = the Closing Price of the Common Stock on the trading day next succeeding the date such tender or exchange offer expires.

The adjustment shall be made successively and shall become effective immediately following the date such tender or exchange offer expires.

(g) *Consideration Received.*

For purposes of any computation respecting consideration received pursuant to subsections (d), (e) and (f) of this Section 11, the following shall apply:

(1) in the case of the issuance of shares of Common Stock for cash, the consideration shall be the amount of such cash, provided that in no case shall any deduction be made for any commissions, discounts or other expenses incurred by the Company for any underwriting or other sale or disposition of the issue or otherwise in connection therewith;

(2) in the case of the issuance of shares of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash shall be deemed to be the fair market value thereof as reasonably determined by the Board of Directors of the Company (irrespective of the accounting treatment thereof) and described in a Board resolution which shall be filed with the Warrant Agent; and

(3) in the case of the issuance of securities convertible into or exchangeable for shares, the aggregate consideration received therefor shall be deemed to be the consideration received by the Company for the issuance of such securities plus the additional minimum consideration, if any, to be received by the Company upon the conversion or exchange thereof for the maximum number of shares used to calculate the adjustment (the consideration in each case to be determined in the same manner as provided in clauses (1) and (2) of this subsection).

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(h) *Defined Terms; When De Minimis Adjustment May Be Deferred.*

As used in this section 11:

(1) "ex-dividend date" means the first date on which the shares of Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance or distribution in question;

(2) "trading day" means, with respect to the Common Stock or any other security, a day during which (i) trading in the Common Stock or such other security generally occurs, (ii) there is no market disruption event (as defined below) and (iii) a Closing Price for the Common Stock or such other security (other than a Closing Price referred to in the next to last clause of such definition) is available for such day; provided that if the Common Stock or such other security is not admitted for trading or quotation on or by any exchange, bureau or other organization, "trading day" will mean any Business Day;

(3) "market disruption event" means, with respect to the Common Stock or any other security, the occurrence or existence of more than one-half hour period in the aggregate or any scheduled trading day for the Common Stock or such other security of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in the Common Stock or such other security or in any options, contract, or future contracts relating to the Common Stock or such other security, and such suspension or limitation occurs or exists at any time before 1:00 p.m. (New York time) on such day; and

(4) "Business Day" means, any day on which the American Stock Exchange is open for trading and which is not a Saturday, a Sunday or any other day on which banks in the City of New York, New York, are authorized or required by law to close.

No adjustment in the number of shares of Common Stock issuable upon exercise of each Warrant need be made unless the adjustment would require an increase or decrease of at least 1% in such number. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.

All calculations under this Section 11 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be.

(i) *When No Adjustment Required.*

No adjustment need be made for a transaction referred to in subsections (b), (c), (d), (e) or (f) of this Section 11 if Warrant holders are to participate, without requiring the Warrants to be exercised, in the transaction on a basis and with notice that the Board of Directors of the Company reasonably determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

No adjustment need be made for a change in the par value or no par value of the Common Stock.

To the extent the Warrants become convertible into cash, no adjustment need be made thereafter as to the amount of cash into which such Warrants are exercisable. Interest will not accrue on the cash.

(j) *Notice of Adjustment.*

Whenever the number of shares of Common Stock issuable upon exercise of each Warrant is adjusted, the Company shall provide the notices required by Section 13 hereof.

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(k) *Notice of Certain Transactions.*

If:

(1) the Company takes any action that would require an adjustment in the Exercise Price pursuant to subsections (a), (b), (c), (d), (e) or (f) of this Section 11 and if the Company does not arrange for Warrant holders to participate pursuant to subsection (i) of this Section 11;

(2) the Company takes any action that would require a supplemental Warrant Agreement pursuant to subsection (l) of this Section 11; or

(3) there is a liquidation or dissolution of the Company,

the Company shall mail to Warrant holders a notice stating the proposed record date for a dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation or dissolution. The Company shall mail the notice at least 15 days before such date. Failure to mail the notice or any defect in it shall not affect the validity of the transaction.

(l) *Reorganization of Company.*

If the Company consolidates or merges with or into, or transfers or leases all or substantially all its assets to, any person, upon consummation of such transaction the Warrants shall automatically become exercisable for the kind and amount of securities, cash or other assets which the holder of a Warrant would have owned immediately after the consolidation, merger, transfer or lease if such holder had exercised the Warrant immediately before the effective date of the transaction; provided that (i) if the holders of Common Stock were entitled to exercise a right of election as to the kind or amount of securities, cash or other assets receivable upon such consolidation or merger, then the kind and amount of securities, cash or other assets for which each Warrant shall become exercisable shall be deemed to be the weighted average of the kind and amount received per share by the holders of Common Stock in such consolidation or merger that affirmatively make such election or (ii) if a tender or exchange offer shall have been made to and accepted by the holders of Common Stock under circumstances in which, upon completion of such tender or exchange offer, the maker thereof, together with members of any group (within the meaning of Rule 13d-5(b)(1) under the Exchange Act) of which such maker is a part, and together with any affiliate or associate of such maker (within the meaning of Rule 12b-2 under the Exchange Act) and any members of any such group of which any such affiliate or associate is a part, own beneficially (within the meaning of Rule 13d-3 under the Exchange Act) more than 50% of the outstanding shares of Common Stock, the holder of a Warrant shall be entitled to receive the highest amount of cash, securities or other property to which such holder would actually have been entitled as a shareholder if such Warrant holder had exercised the Warrant prior to the expiration of such tender or exchange offer, accepted such offer and all of the Common Stock held by such holder had been purchased pursuant to such tender or exchange offer, subject to adjustments (from and after the consummation of such tender or exchange offer) as nearly equivalent as possible to the adjustments provided for in this Section 11. Concurrently with the consummation of any such transaction, the corporation or other entity formed by or surviving any such consolidation or merger if other than the Company, or the person to which such sale or conveyance shall have been made, shall enter into a supplemental Warrant Agreement so providing and further providing for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Section. The successor Company shall mail to Warrant holders a notice describing the supplemental Warrant Agreement.

If the issuer of securities deliverable upon exercise of Warrants under the supplemental Warrant Agreement is an affiliate of the formed, surviving, transferee or lessee corporation, that issuer shall join in the supplemental Warrant Agreement.

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If this subsection (l) applies, subsections (a), (b), (c), (d), (e) and (f) of this Section 11 do not apply.

(m) *Warrant Agent's Disclaimer.*

The Warrant Agent has no duty to determine when an adjustment under this Section 11 should be made, how it should be made or what it should be. The Warrant Agent has no duty to determine whether any provisions of a supplemental Warrant Agreement under subsection (l) of this Section 11 are correct. The Warrant Agent makes no representation as to the validity or value of any securities or assets issued upon exercise of Warrants. The Warrant Agent shall not be responsible for the Company's failure to comply with this Section.

(n) *When Issuance or Payment May Be Deferred.*

In any case in which this Section 11 shall require that an adjustment in the number of shares of Common Stock issuable upon exercise of each Warrant be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event (i) issuing to the holder of any Warrant exercised after such record date the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise over and above the Warrant Shares and other capital stock of the Company, if any, issuable upon such exercise on the basis of the number of shares of Common Stock issuable upon exercise of each Warrant and (ii) paying to such holder any amount in cash in lieu of a fractional share pursuant to Section 12 hereof; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional Warrant Shares, other capital stock and cash upon the occurrence of the event requiring such adjustment.

(o) *Adjustment in Exercise Price.*

Upon each event that provides for an adjustment of the number of shares of Common Stock issuable upon exercise of each Warrant pursuant to this Section 11, each Warrant outstanding prior to the making of the adjustment shall thereafter have an adjusted Exercise Price (calculated to the nearest ten millionth) obtained from the following formula:

$$E' = E \times \frac{N}{N'}$$

where:

E' = the adjusted Exercise Price.

E = the Exercise Price prior to adjustment.

N' = the adjusted number of Warrant Shares issuable upon exercise of a Warrant by payment of the adjusted Exercise Price.

N = the number of Warrant Shares previously issuable upon exercise of a Warrant by payment of the Exercise Price prior to adjustment.

Following any adjustment to the Exercise Price pursuant to this Section 11, the amount payable, when adjusted and together with any consideration allocated to the issuance of the Warrants, shall never be less than the par value per Warrant Share at the time of such adjustment. Such adjustment shall be made successively whenever any event listed above shall occur.

(p) *Form of Warrants.*

Irrespective of any adjustments in the number or kind of shares issuable upon the exercise of the Warrants or the Exercise Price, Warrants theretofore or thereafter issued may continue to express the

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same number and kind of shares and Exercise Price as are stated in the Warrants initially issuable pursuant to this Agreement.

(q) *Other Dilutive Events.*

In case any event shall occur affecting the Company, as to which the provisions of this Section 11 are not strictly applicable, but would impact the holders of Warrants adversely as compared to holders of Common Stock, and the failure to make any adjustment would not fairly protect the purchase rights represented by the Warrants in accordance with the essential intent and principles of this Section then, in each such case, the Company shall appoint a firm of independent public accountants, investment banking or other appraisal firm of recognized national standing which shall give their opinion upon the adjustment, if any, on a basis consistent with the essential intent and principles established in this Section 11, necessary to preserve, without dilution, the purchase rights represented by the Warrants.

SECTION 12. *Fractional Interests.* The Company shall not be required to issue fractional Warrant Shares on the exercise of Warrants. If more than one Warrant shall be presented for exercise in full at the same time by the same holder, the number of full Warrant Shares which shall be issuable upon the exercise thereof shall be computed on the basis of the aggregate number of Warrant Shares purchasable on exercise of the Warrants so presented. If any fraction of a Warrant Share would, except for the provisions of this Section 12, be issuable on the exercise of any Warrants (or specified portion thereof), the Company shall pay an amount in cash equal to the fair market value on the day immediately preceding the date the Warrant is presented for exercise, multiplied by such fraction.

SECTION 13. *Notices to Warrant Holders.* Upon any adjustment of the Exercise Price pursuant to Section 11, the Company shall promptly thereafter, and in any event within five days, (i) cause to be filed with the Warrant Agent a certificate executed by the Chief Financial Officer of the Company setting forth the number of Warrant Shares issuable upon exercise of each Warrant after such adjustment and setting forth in reasonable detail the method of calculation and the facts upon which such calculations are based, and () cause to be given to each of the registered holders of the Warrant Certificates at his address appearing on the Warrant register written notice of such adjustments by first-class mail, postage prepaid. Where appropriate, such notice may be given in advance and included as a part of the notice required to be mailed under the other provisions of this Section 13. The Warrant Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall not be deemed to have knowledge of such adjustment unless and until it shall have received such certificate.

In case:

(a) the Company shall authorize the issuance to all holders of shares of Common Stock of rights, options or warrants to subscribe for or purchase shares of Common Stock or of any other subscription rights or warrants; or

(b) the Company shall authorize the distribution to all holders of shares of Common Stock of evidences of its indebtedness or assets (other than regular cash dividends or dividends payable in shares of Common Stock or distributions referred to in subsection (b) of Section 11 hereof); or

(c) of any consolidation or merger to which the Company is a party and for which approval of any shareholders of the Company is required, or of the conveyance or transfer of the properties and assets of the Company substantially as an entirety, or of any reclassification or change of Common Stock issuable upon exercise of the Warrants (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or a tender offer or exchange offer for shares of Common Stock; or

(d) of the voluntary or involuntary dissolution, liquidation or winding up of the Company; or

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(e) the Company proposes to take any action not specified above which would require an adjustment of the Exercise Price pursuant to Section 11 hereof;

then the Company shall cause to be filed with the Warrant Agent and shall cause to be given to each of the registered holders of the Warrant Certificates at his address appearing on the Warrant register, at least 10 calendar days prior to the applicable record date hereinafter specified, or as promptly as practicable under the circumstances in the case of events for which there is no record date, by first-class mail, postage prepaid, a written notice stating (i) the date as of which the holders of record of shares of Common Stock to be entitled to receive any such rights, options, warrants or distribution are to be determined, or (ii) the initial expiration date set forth in any tender offer or exchange offer for shares of Common Stock, or (iii) the date on which any such consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up is expected to become effective or consummated, and the date as of which it is expected that holders of record of shares of Common Stock shall be entitled to exchange such shares for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up. The failure to give the notice required by this Section 13 or any defect therein shall not affect the legality or validity of any distribution, right, option, warrant, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding up, or the vote upon any action.

Nothing contained in this Agreement or in any of the Warrant Certificates shall be construed as conferring upon the holders thereof the right to vote or to consent or to receive notice as shareholders in respect of the meetings of shareholders or the election of Directors of the Company or any other matter, or any rights whatsoever as shareholders of the Company.

SECTION 14. *Merger, Consolidation or Change of Name of Warrant Agent.* Any corporation into which the Warrant Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Warrant Agent shall be a party, or any corporation succeeding to all or substantially all the corporate trust or agency business of the Warrant Agent, shall be the successor to the Warrant Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor warrant agent under the provisions of Section 16. In case at the time such successor to the Warrant Agent shall succeed to the agency created by this Agreement, and in case at that time any of the Warrant Certificates shall have been countersigned but not delivered, any such successor to the Warrant Agent may adopt the countersignature of the original Warrant Agent; and in case at that time any of the Warrant Certificates shall not have been countersigned, any successor to the Warrant Agent may countersign such Warrant Certificates either in the name of the predecessor Warrant Agent or in the name of the successor to the Warrant Agent; and in all such cases such Warrant Certificates shall have the full force and effect provided in the Warrant Certificates and in this Agreement.

In case at any time the name of the Warrant Agent shall be changed and at such time any of the Warrant Certificates shall have been countersigned but not delivered, the Warrant Agent whose name has been changed may adopt the countersignature under its prior name, and in case at that time any of the Warrant Certificates shall not have been countersigned, the Warrant Agent may countersign such Warrant Certificates either in its prior name or in its changed name, and in all such cases such Warrant Certificates shall have the full force and effect provided in the Warrant Certificates and in this Agreement.

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SECTION 15. *Warrant Agent.* The Warrant Agent undertakes the duties and obligations imposed by this Agreement (and no implied duties or obligations shall be read into this Agreement against the Warrant Agent) upon the following terms and conditions, by all of which the Company and the holders of Warrants, by their acceptance thereof, shall be bound:

(a) The statements contained herein and in the Warrant Certificates shall be taken as statements of the Company and the Warrant Agent assumes no responsibility for the correctness of any of the same except such as describe the Warrant Agent or action taken or to be taken by it. The Warrant Agent assumes no responsibility with respect to the distribution of the Warrant Certificates except as herein otherwise provided.

(b) The Warrant Agent shall not be responsible for any failure of the Company to comply with any of the covenants contained in this Agreement or in the Warrant Certificates to be complied with by the Company.

(c) The Warrant Agent may consult at any time with counsel of its own selection (who may be counsel for the Company) and the Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant Certificate in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion or the advice of such counsel. The Warrant Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys and the Warrant Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(d) The Warrant Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Warrant Agent and conforming to the requirements of this Agreement. The Warrant Agent shall incur no liability or responsibility to the Company or to any holder of any Warrant Certificate for any action taken in reliance on any Warrant Certificate, certificate of shares, notice, resolution, waiver, consent, order, certificate, or other paper, document or instrument (whether in its original or facsimile form) believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(e) The Company agrees to pay to the Warrant Agent such compensation for all services rendered by the Warrant Agent in the administration and execution of this Agreement as the Company and the Warrant Agent shall agree in writing to reimburse the Warrant Agent for all expenses, taxes and governmental charges and other charges of any kind and nature incurred by the Warrant Agent in the execution of this Agreement (including fees and expenses of its counsel) and to indemnify the Warrant Agent (and any predecessor Warrant Agent) and save it harmless against any and all claims (whether asserted by the Company, a holder or any other person), damages, losses, expenses (including taxes other than taxes based on the income of the Warrant Agent), liabilities, including judgments, costs and counsel fees and expenses, for anything done or omitted by the Warrant Agent in the execution of this Agreement except as a result of its negligence or willful misconduct. The provisions of this Section 15(e) shall survive the expiration of the Warrants and the termination of this Agreement.

(f) The Warrant Agent shall be under no obligation to institute any action, suit or legal proceeding or to take any other action likely to involve expense unless the Company or one or more registered holders of Warrant Certificates shall furnish the Warrant Agent with security and indemnity satisfactory to it for any costs and expenses which may be incurred, but this provision shall not affect the power of the Warrant Agent to take such action as it may consider proper, whether with or without any such security or indemnity. All rights of action under this Agreement or under any of the Warrants may be enforced by the Warrant Agent without the possession of any of the Warrant Certificates or the production thereof at any trial or other proceeding relative

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thereto, and any such action, suit or proceeding instituted by the Warrant Agent shall be brought in its name as Warrant Agent and any recovery of judgment shall be for the ratable benefit of the registered holders of the Warrants, as their respective rights or interests may appear.

(g) The Warrant Agent, and any stockholder, director, officer or employee of it, may buy, sell or deal in any of the Warrants or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Warrant Agent under this Agreement. Nothing herein shall preclude the Warrant Agent from acting in any other capacity for the Company or for any other legal entity.

(h) The Warrant Agent shall act hereunder solely as agent for the Company, and its duties shall be determined solely by the provisions hereof. The Warrant Agent shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except for its own negligence or willful misconduct. The Warrant Agent shall not be liable for any error of judgment made in good faith by it, unless it shall be proved that the Warrant Agent was negligent in ascertaining the pertinent facts. Notwithstanding anything in this Agreement to the contrary, in no event shall the Warrant Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Warrant Agent has been advised of the likelihood of the loss or damage and regardless of the form of the action.

(i) The Warrant Agent shall not at any time be under any duty or responsibility to any holder of any Warrant Certificate to make or cause to be made any adjustment of the Exercise Price or number of the Warrant Shares or other securities or property deliverable as provided in this Agreement, or to determine whether any facts exist which may require any of such adjustments, or with respect to the nature or extent of any such adjustments, when made, or with respect to the method employed in making the same. The Warrant Agent shall not be accountable with respect to the validity or value or the kind or amount of any Warrant Shares or of any securities or property which may at any time be issued or delivered upon the exercise of any Warrant or with respect to whether any such Warrant Shares or other securities will when issued be validly issued and fully paid and nonassessable, and makes no representation with respect thereto.

(j) Notwithstanding anything in this Agreement to the contrary, neither the Company nor the Warrant Agent shall have any liability to any holder of a Warrant Certificate or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation; provided that (i) the Company must use its reasonable best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible and (ii) nothing in this Section 15(j) shall affect the Company's obligation under Section 6(d) to use its best efforts to have a registration statement in effect covering the Warrant Shares issuable upon exercise of the Warrants and to maintain a current prospectus relating to those Warrant Shares.

(k) Any application by the Warrant Agent for written instructions from the Company may, at the option of the Warrant Agent, set forth in writing any action proposed to be taken or omitted by the Warrant Agent under this Agreement and the date on and/or after which such action shall be taken or such omission shall be effective. The Warrant Agent shall not be liable for any action taken by, or omission of, the Warrant Agent in accordance with a proposal included in such application on or after the date specified in such application (which date shall not be less than

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three Business Days after the date any officer of the Company actually receives such application, unless any such officer shall have consented in writing to any earlier date) unless prior to taking any such action (or the effective date in the case of an omission), the Warrant Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(l) No provision of this Agreement shall require the Warrant Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights.

(m) In addition to the foregoing, the Warrant Agent shall be protected and shall incur no liability for, or in respect of, any action taken or omitted by it in connection with its administration of this Agreement if such acts or omissions are not the result of the Warrant Agent's reckless disregard of its duty, gross negligence or willful misconduct and are in reliance upon (i) the proper execution of the certification concerning beneficial ownership appended to the form of assignment and the form of the election attached hereto unless the Warrant Agent shall have actual knowledge that, as executed, such certification is untrue, or (ii) the non-execution of such certification including, without limitation, any refusal to honor any otherwise permissible assignment or election by reason of such non-execution.

SECTION 16. *Change of Warrant Agent.* The Warrant Agent may at any time resign as Warrant Agent upon written notice to the Company. If the Warrant Agent shall become incapable of acting as Warrant Agent, the Company shall appoint a successor to such Warrant Agent. If the Company shall fail to make such appointment within a period of 30 days after it has been notified in writing of such resignation or of such incapacity by the Warrant Agent or by the registered holder of a Warrant Certificate, then the registered holder of any Warrant Certificate or the Warrant Agent may apply, at the expense of the Company, to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Pending appointment of a successor to such Warrant Agent, either by the Company or by such a court, the duties of the Warrant Agent shall be carried out by the Company. The holders of a majority of the unexercised Warrants shall be entitled at any time to remove the Warrant Agent and appoint a successor to such Warrant Agent. If a Successor Warrant Agent shall not have been appointed within 30 days of such removal, the Warrant Agent may apply, at the expense of the Company, to any court of competent jurisdiction for the appointment of a successor to the Warrant Agent. Such successor to the Warrant Agent need not be approved by the Company or the former Warrant Agent. After appointment the successor to the Warrant Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Warrant Agent without further act or deed; but the former Warrant Agent upon payment of all fees and expenses due it and its agents and counsel shall deliver and transfer to the successor to the Warrant Agent any property at the time held by it hereunder and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Failure to give any notice provided for in this Section 16, however, or any defect therein, shall not affect the legality or validity of the appointment of a successor to the Warrant Agent.

SECTION 17. *Notices to Company and Warrant Agent.* Any notice or demand authorized by this Agreement to be given or made by the Warrant Agent or by the registered holder of any Warrant Certificate to or on the Company shall be sufficiently given or made when and if deposited in the mail, first class or registered, postage prepaid, addressed (until another address is filed in writing by the Company with the Warrant Agent), as follows:

Kennedy-Wilson Holdings, Inc.
9130 Galleria Court, Suite 318
Naples, FL 34109
Fax No.: (239) 254-4481
Attention: Chief Executive Officer

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In case the Company shall fail to maintain such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations may be made and notices and demands may be served at the principal corporate trust office of the Warrant Agent.

Any notice pursuant to this Agreement to be given by the Company or by the registered holder(s) of any Warrant Certificate to the Warrant Agent shall be sufficiently given when and if deposited in the mail, first-class or registered, postage prepaid, addressed (until another address is filed in writing by the Warrant Agent with the Company) to the Warrant Agent as follows:

Continental Stock Transfer & Trust Company
17 Battery Place
New York, NY 10004
Fax No.: (212) 509-5150
Attention: Compliance Department

SECTION 18. *Supplements and Amendments.* The Company and the Warrant Agent may from time to time supplement or amend this Agreement without the approval of any holders of Warrant Certificates in order to cure any ambiguity or to correct or supplement any provision contained herein which may be defective or inconsistent with any other provision herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Warrant Agent may deem necessary or desirable and which shall not in any way adversely affect the interests of the holders of Warrant Certificates theretofore issued. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 18, the Warrant Agent shall execute such supplement or amendment. Notwithstanding anything in this Agreement to the contrary, the prior written consent of the Warrant Agent must be obtained in connection with any supplement or amendment which alters the rights or duties of the Warrant Agent. The Company and the Warrant Agent may amend any provision herein with the consent of the holders of Warrants exercisable for a majority of the Warrant Shares issuable on exercise of all outstanding Warrants that would be affected by such amendment.

SECTION 19. *Successors.* All the covenants and provisions of this Agreement by or for the benefit of the Company or the Warrant Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

SECTION 20. *Termination.* This Agreement will terminate on any earlier date if all Warrants have been exercised or expired without exercise. The provisions of Section 15 hereof shall survive such termination.

SECTION 21. *Governing Law.* This Agreement and each Warrant Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the internal laws of said State. The parties agree that, all actions and proceedings arising out of this Agreement or any of the transactions contemplated hereby, shall be brought in the United States District Court for the Southern District of New York or in a New York State Court in the County of New York and that, in connection with any such action or proceeding, submit to the jurisdiction of, and venue in, such court. Each of the parties hereto also irrevocably waives all right to trial by jury in any action, proceeding or counterclaim arising out of this Agreement or the transactions contemplated hereby.

SECTION 22. *Benefits of This Agreement.* Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrant Agent and the registered holders of the Warrant Certificates any legal or equitable right, remedy or claim under this Agreement, and this Agreement shall be for the sole and exclusive benefit of the Company, the Warrant Agent and the registered holders of the Warrant Certificates.

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SECTION 23. *Counterparts.* This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

SECTION 24. *Force Majeure.* In no event shall the Warrant Agent be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, as of the day and year first above written.

KENNEDY-WILSON HOLDINGS, INC.

By: _____

Name:
Title:

CONTINENTAL STOCK TRANSFER & TRUST COMPANY, as Warrant Agent

By: _____

Name:
Title:

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Schedule I

Sponsor	Sponsor Warrants
Flat Ridge Investments LLC	3,150,000
LLM Structured Equity Fund L.P.	1,646,400
LLM Investors L.P.	33,600
Capital Management Systems, Inc.	420,000

Explanation of Responses:

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EXHIBIT A

[Form of Warrant Certificate]

[Face]

NUMBER **WARRANTS**

THIS WARRANT WILL BE VOID IF NOT EXERCISED PRIOR TO 5:00 P.M. NEW YORK CITY TIME, NOVEMBER 14, 2013

KENNEDY-WILSON HOLDINGS, INC.

Incorporated Under the Laws of the State of Delaware

CUSIP

WARRANT CERTIFICATE

This Warrant Certificate certifies that _____, or registered assigns, is the registered holder of _____ warrants (the "***Warrants***") to purchase shares of Common Stock, $.0001 par value (the "***Common Stock***"), of Kennedy-Wilson Holdings, Inc. (formerly Prospect Acquisition Corp.), a Delaware corporation (the "***Company***"). Each Warrant entitles the holder, upon exercise during the period set forth in the Warrant Agreement referred to below, to purchase from the Company that number of fully paid and non-assessable shares of Common Stock (each, a "***Warrant Share***") as set forth below at the exercise price (the "***Exercise Price***") as determined pursuant to the Warrant Agreement payable in lawful money of the United States of America upon surrender of this Warrant Certificate and payment of the Exercise Price at the office or agency of the Warrant Agent, but only subject to the conditions set forth herein and in the Warrant Agreement. Defined terms used in this Warrant Certificate but not defined herein shall have the meanings given to them in the Warrant Agreement.

Each Warrant is initially exercisable for one fully paid and non-assessable share of Common Stock. The number of Warrant Shares issuable upon exercise of the Warrants is subject to adjustment upon the occurrence of certain events set forth in the Warrant Agreement.

The initial Exercise Price per share of Common Stock for any Warrant is equal to $12.50 per share. The Exercise Price is subject to adjustment upon the occurrence of certain events set forth in the Warrant Agreement.

Warrants may be exercised only during the Warrant Exercise Period subject to the conditions set forth in the Warrant Agreement and to the extent not exercised by the end of such Warrant Exercise Period such Warrants shall become void.

Reference is hereby made to the further provisions of this Warrant Certificate set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Warrant Certificate shall not be valid unless countersigned by the Warrant Agent, as such term is used in the Warrant Agreement.

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This Warrant Certificate shall be governed and construed in accordance with the internal laws of the State of New York, without regard to conflicts of laws principles thereof.

KENNEDY-WILSON HOLDINGS, INC.

By: _____

William J. McMorrow
President

By: _____

Freeman A. Lyle
Secretary

Countersigned:
Dated: _____, 20__
CONTINENTAL STOCK TRANSFER & TRUST COMPANY,
as Warrant Agent

By: _____

Authorized Signatory

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[Form of Warrant Certificate]

[Reverse]

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants entitling the holder on exercise to receive shares of Common Stock, par value $0.0001 per share, of the Company (the "***Common Stock***"), and are issued or to be issued pursuant to an amended and restated Warrant Agreement dated as of [_____], 2009 (the "***Warrant Agreement***"), duly executed and delivered by the Company to Continental Stock Transfer & Trust Company, a New York corporation, as warrant agent (the "***Warrant Agent***"), which Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Warrant Agent, the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Warrants. A copy of the Warrant Agreement may be obtained by the holder hereof upon written request to the Company. Defined terms used in this Warrant Certificate but not defined herein shall have the meanings given to them in the Warrant Agreement.

Warrants may be exercised at any time during the Warrant Exercise Period set forth in the Warrant Agreement. The holder of Warrants evidenced by this Warrant Certificate may exercise them by surrendering this Warrant Certificate, with the form of election to purchase set forth hereon properly completed and executed, together with payment of the Exercise Price as specified in the Warrant Agreement, at the principal corporate trust office of the Warrant Agent. In the event that upon any exercise of Warrants evidenced hereby the number of Warrants exercised shall be less than the total number of Warrants evidenced hereby, there shall be issued to the holder hereof or his assignee a new Warrant Certificate evidencing the number of Warrants not exercised. No adjustment shall be made for any dividends on any Common Stock issuable upon exercise of this Warrant.

Notwithstanding anything else in this Warrant Certificate or the Warrant Agreement, no Warrant may be exercised unless at the time of exercise (i) a registration statement covering the Warrant Shares to be issued upon exercise is effective under the Act and (ii) a prospectus thereunder relating to the Warrant Shares is current. In no event shall the Warrants be settled on a net cash basis during the Warrant Exercise Period nor shall the Company be required to issue unregistered shares upon the exercise of any Warrant.

Once the Warrants become exercisable and there is an effective registration statement covering the shares of Common Stock issuable upon exercise of the Warrants available and current throughout the 30-day redemption period defined below, the Company may redeem the outstanding Warrants (except with respect to the sponsors' Warrants held by a sponsor or its permitted transferee) in whole and not in part at a price of $0.01 per Warrant upon a minimum of 30 days' prior written notice of redemption (the "***30-day redemption period***") and if, and only if, the last sale price of the Company's Common Stock equals or exceeds $19.50 per share for any 20 trading days within a 30-trading day period ending three business days before the notice of redemption is sent. If the Company calls the Warrants for redemption, it will have the option to require all holders that wish to exercise Warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the Warrants for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying the Warrants, multiplied by the difference between the exercise price of the Warrants and the "fair market value" (defined below) by (y) the fair market value. The "***fair market value***" shall mean the average reported last sale price of the Common Stock for the ten trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Warrants.

The Warrant Agreement provides that upon the occurrence of certain events the number of Warrant Shares set forth on the face hereof may, subject to certain conditions, be adjusted. No

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fractions of a share of Common Stock will be issued upon the exercise of any Warrant, but the Company will pay the cash value thereof determined as provided in the Warrant Agreement.

Warrant Certificates, when surrendered at the principal corporate trust office of the Warrant Agent by the registered holder thereof in person or by legal representative or attorney duly authorized in writing, may be exchanged, in the manner and subject to the limitations provided in the Warrant Agreement, but without payment of any service charge, for another Warrant Certificate or Warrant Certificates of like tenor evidencing in the aggregate a like number of Warrants.

Upon due presentation for registration of transfer of this Warrant Certificate at the office of the Warrant Agent a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee(s) in exchange for this Warrant Certificate, subject to the limitations provided in the Warrant Agreement, without charge except for any tax or other governmental charge imposed in connection therewith.

The Company and the Warrant Agent may deem and treat the registered holder(s) thereof as the absolute owner(s) of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, of any distribution to the holder(s) hereof, and for all other purposes, and neither the Company nor the Warrant Agent shall be affected by any notice to the contrary. Neither the Warrants nor this Warrant Certificate entitles any holder hereof to any rights of a stockholder of the Company.

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Election to Purchase

(To Be Executed Upon Exercise Of Warrant)

The undersigned hereby irrevocably elects to exercise the right, represented by this Warrant Certificate, to receive _____ shares of Common Stock and herewith tenders payment for such shares to the order of Kennedy-Wilson Holdings, Inc. in the amount of $_____ in accordance with the terms hereof. The undersigned requests that a certificate for such shares be registered in the name of _____, whose address is _____ and that such shares be delivered to _____ whose address is _____. If said number of shares is less than all of the shares of Common Stock purchasable hereunder, the undersigned requests that a new Warrant Certificate representing the remaining balance of such shares be registered in the name of _____, whose address is _____, and that such Warrant Certificate be delivered to _____, whose address is _____.

In the event that the Warrant has been called for redemption by the Company pursuant to Section 6(b) of the Warrant Agreement and the Company has required cashless exercise pursuant to Section 6(d) of the Warrant Agreement, the number of shares that a Warrant is exercisable for shall be determined in accordance with Section 6(d) of the Warrant Agreement.

In the event that the Warrant is a Sponsors' Warrant (as such term is defined in the Warrant Agreement), such Warrant may be exercised, to the extent allowed by the Warrant Agreement, through cashless exercise pursuant to Section 6(d) of the Warrant Agreement, in which case, (i) the number of shares that a Sponsors' Warrant is exercisable for would be determined in accordance with Section 6(d) of the Warrant Agreement and (ii) the holder of the Sponsors' Warrant will complete the following:

The undersigned hereby irrevocably elects to exercise the right, represented by its Sponsors' Warrant Certificate, through the cashless exercise provision of Section 6(d) of the Warrant Agreement, to receive _____ shares of Common Stock. If said number of shares is less than all of the shares of Common Stock purchasable hereunder (after giving effect to the cashless exercise), the undersigned requires that a new Sponsors' Warrant Certificate representing the balance of such shares be registered in the name of _____, whose address is _____, and that such Sponsors' Warrant Certificate be delivered to _____, whose address is _____.

Dated: _____

_____

(SIGNATURE)

_____

_____

_____

(ADDRESS)

_____

(TAX IDENTIFICATION NUMBER)

Signatures(s) Guaranteed:

_____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15).

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EXHIBIT B

LEGEND

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED OR ANY STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. IN ADDITION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD OR TRANSFERRED PRIOR TO [_____], 2009 EXCEPT TO A PERMITTED TRANSFEREE (AS DEFINED IN THE WARRANT AGREEMENT) WHO AGREES IN WRITING WITH THE COMPANY TO BE SUBJECT TO SUCH TRANSFER PROVISIONS AND MAY NOT BE EXERCISED DURING SUCH PERIOD. FOR SO LONG AS THE SECURITIES ARE SUBJECT TO SUCH TRANSFER RESTRICTIONS, THEY WILL BE HELD IN AN ESCROW ACCOUNT MAINTAINED BY CONTINENTAL STOCK TRANSFER & TRUST COMPANY AS ESCROW AGENT UNDER THE ESCROW AGREEMENT (AS DEFINED IN SECTION 5 OF THE WARRANT AGREEMENT).

SECURITIES EVIDENCED BY THIS CERTIFICATE AND SHARES OF COMMON STOCK OF THE COMPANY ISSUED UPON EXERCISE OF SUCH SECURITIES WILL BE ENTITLED TO REGISTRATION RIGHTS UNDER A REGISTRATION RIGHTS AGREEMENT TO BE EXECUTED BY THE COMPANY.

No. _____ _____ Warrants

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Annex D

**SECOND AMENDED AND
RESTATED CERTIFICATE OF INCORPORATION
OF
PROSPECT ACQUISITION CORP.**

[now known as Kennedy-Wilson Holdings, Inc.]

PROSPECT ACQUISITION CORP., a corporation existing under the laws of the State of Delaware, does hereby certify as follows:

1. The name of the Corporation is "Prospect Acquisition Corp."

2. The Corporation was originally incorporated under the name "Prospect Acquisition Corp." The original Certificate of Incorporation of the Corporation was filed in the office of the Secretary of State of the State of Delaware on July 9, 2007, which was amended by the Company by the filing of a Certificate of Amendment in the office of the Secretary of State of the State of Delaware on October 12, 2007 (the "***Original Certificate***").

3. The First Amended and Restated Certificate of Incorporation was filed on March 31, 2008 (the ***"First Amended and Restated Certificate"***) and it amended, restated and integrated the provisions of the Original Certificate of the Corporation.

4. This Second Amended and Restated Certificate of Incorporation (this ***"Second Amended and Restated Certificate"***) amends, restates and integrates the provisions of the First Amended and Restated Certificate of the Corporation.

4. This Second Amended and Restated Certificate was duly approved and adopted by the board of directors and stockholders of the Corporation in accordance with the applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware (***"DGCL"***).

5. The text of the Amended and Restated Certificate is hereby amended and restated to read in its entirety as follows:

FIRST: The name of the corporation is Kennedy-Wilson Holdings, Inc. (the ***"Corporation"***).

SECOND: The purpose of the Corporation shall be to engage in any lawful act or activity for which corporations may be organized under the DGCL.

THIRD: The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808. The name of the Corporation's registered agent at such address is the Corporation Service Company.

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 81,000,000, of which 80,000,000 shares shall be Common Stock with a par value of $.0001 per share (the ***"Common Stock"***) and 1,000,000 shares shall be Preferred Stock with a par value of $.0001 per share (the ***"Preferred Stock"***).

A. *Preferred Stock.* The Board of Directors (the "***Board***") is expressly granted authority to issue shares of Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board providing for the issue of such series (a ***"Preferred Stock Designation"***) and as may be permitted by the DGCL. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting

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power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

B. *Common Stock.* Except as otherwise required by law or as otherwise provided in any Preferred Stock Designation, the holders of the Common Stock shall exclusively possess all voting power and each share of Common Stock shall have one vote.

FIFTH: The Corporation's existence shall be perpetual.

SIXTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

A. The Board of Directors shall consist of such number of directors as is determined from time to time by resolution adopted by the affirmative vote of a majority of the entire Board of Directors; provided, however, that in no event shall the number of directors be less than one nor more than twelve. The directors shall be divided into three classes, designated Class I, Class II and Class III. The number of directors in each class shall be as nearly equal as possible. The directors in Class I shall be elected for a term expiring at the Annual Meeting of Stockholders to be held in 2010. The directors in Class II shall be elected for a term expiring at the Annual Meeting of Stockholders to be held in 2011. The directors in Class III shall be elected for a term expiring at the Annual Meeting of Stockholders to be held in 2012. Beginning with the 2010 Annual Meeting of Stockholders, each class of directors will be elected for a term of office to expire at the third succeeding Annual Meeting of Stockholders after its election. Except as the DGCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation's bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified.

B. Election of directors need not be by ballot unless the bylaws of the Corporation so provide.

C. The Board shall have the power, without the assent or vote of the stockholders, to make, alter, amend, change, add to or repeal the bylaws of the Corporation as provided in the bylaws of the Corporation, subject to the power of stockholders to alter or repeal any bylaw whether adopted by them or otherwise.

D. The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy), unless a higher vote is required by applicable law, shall be as valid and binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the

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Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interests, or for any other reason.

E. In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Second Amended and Restated Certificate, and to any bylaws from time to time made by the stockholders; provided, however, that no bylaw so made shall invalidate any prior act of the directors which would have been valid if such bylaw had not been made.

SEVENTH: The following paragraphs shall apply with respect to liability and indemnification of the Corporation's officers and directors and certain other persons:

A. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this paragraph (A) by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation with respect to events occurring prior to the time of such repeal or modification.

B. The Corporation, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized hereby.

EIGHTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

NINTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Second Amended and Restated Certificate in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors and officers are subject to this reserved power.

[Signature Page Follows]

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IN WITNESS WHEREOF, the Corporation has caused this Second Amended and Restated Certificate of Incorporation to be duly executed by the undersigned as of this the ___ day of November, 2009.

David A. Minella
Chief Executive Officer
Signature Page to Second Amended and Restated Certificate of Incorporation

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Annex E

KENNEDY-WILSON HOLDINGS, INC.

2009 EQUITY PARTICIPATION PLAN

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KENNEDY-WILSON HOLDINGS, INC.

2009 EQUITY PARTICIPATION PLAN

ARTICLE I
PURPOSE

The purpose of this Plan is to assist the Company in attracting, retaining and providing incentives to key management employees and nonemployee directors of, and non-employee consultants to, the Company and its Affiliates, and to align the interests of such employees, nonemployee directors and nonemployee consultants with those of the Company's stockholders. Accordingly, the Plan provides for the granting of Distribution Equivalent Rights, Incentive Stock Options, Non-Qualified Stock Options, Performance Share Awards, Performance Unit Awards, Restricted Stock Awards, Restricted Stock Unit Awards, Stock Appreciation Rights, Tandem Stock Appreciation Rights, Unrestricted Stock Awards or any combination of the foregoing, as may be best suited to the circumstances of the particular Employee, Director or Consultant, as provided herein.

ARTICLE II
DEFINITIONS

The following definitions shall be applicable throughout the Plan unless the context otherwise requires:

"*Affiliate*" shall mean any corporation which, with respect to the Company, is a "subsidiary corporation" within the meaning of Section 424(f) of the Code.

"*Award*" shall mean, individually or collectively, a grant or sale pursuant to the Plan of any Distribution Equivalent Right, Option, Performance Share Award, Performance Unit Award, Restricted Stock Award, Restricted Stock Unit Award, Stock Appreciation Right or Unrestricted Stock Award.

"*Award Agreement*" shall mean a written agreement between the Company and the Holder setting forth the terms and conditions of the Award.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean (i) if the Holder is a party to an employment or similar agreement with the Company or an Affiliate which agreement defines "Cause" (or a similar term) therein, "*Cause*" shall have the same meaning as provided for in such agreement, or (ii) for a Holder who is not a party to such an agreement, "*Cause*" shall mean termination by the Company or an Affiliate of the employment (or other service relationship) of the Holder by reason of the Holder's (A) intentional failure to perform reasonably assigned duties, (B) dishonesty or willful misconduct in the performance of the Holder's duties, (C) involvement in a transaction which is materially adverse to the Company or an Affiliate, (D) breach of fiduciary duty involving personal profit, (E) willful violation of any law, rule, regulation or court order (other than misdemeanor traffic violations and misdemeanors not involving misuse or misappropriation of money or property), (F) commission of an act of fraud or intentional misappropriation or conversion of any asset or opportunity of the Company or an Affiliate, or (G) material breach of any provision of the Plan or the Holder's Award Agreement or any other written agreement between the Holder and the Company or an Affiliate, in each case as determined in good faith by the Board, the determination of which shall be final, conclusive and binding on all parties.

"*Change of Control*" shall mean (i) for a Holder who is a party to an employment or consulting agreement with the Company or an Affiliate which agreement defines "Change of Control" (or a similar term) therein, "*Change of Control*" shall have the same meaning as provided for in such agreement, or (ii) for a Holder who is not a party to such an agreement, "*Change of Control*" shall

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mean the satisfaction of any one or more of the following conditions (and the "Change of Control" shall be deemed to have occurred as of the first day that any one or more of the following conditions have been satisfied):

(a) Any person (as such term is used in paragraphs 13(d) and 14(d)(2) of the Exchange Act, hereinafter in this definition, "*Person*"), other than the Company or an Affiliate or an employee benefit plan of the Company or an Affiliate, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding securities;

(b) The closing of a merger, consolidation or other business combination (a "*Business Combination*") other than (I) the Business Combination between Kennedy-Wilson, Inc. and Prospect Acquisition Corp. or (II) any Business Combination in which holders of the Common Stock immediately prior to the Business Combination (A) own more than fifty percent (50%) of the total voting power of the corporation resulting from such Business Combination (or the direct or indirect parent corporation of such surviving corporation), and (B) have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the Business Combination as immediately before;

(c) The closing of an agreement for the sale or disposition of all or substantially all of the Company's assets to any entity that is not an Affiliate;

(d) The approval by the holders of shares of Common Stock of a plan of complete liquidation of the Company other than a liquidation of the Company into any subsidiary or a liquidation a result of which persons who were stockholders of the Company immediately prior to such liquidation have substantially the same proportionate ownership of shares of common stock of the surviving corporation immediately after such liquidation as immediately before; or

(e) Within any twenty-four (24) month period, the Incumbent Directors shall cease to constitute at least a majority of the Board or the board of directors of any successor to the Company; *provided*, *however*, that any director elected to the Board, or nominated for election, by a majority of the Incumbent Directors then still in office, shall be deemed to be an Incumbent Director for purposes of this paragraph (e), but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, entity or "group" other than the Board (including, but not limited to, any such assumption that results from paragraphs (a), (b), (c), or (d) of this definition).

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to occur if the Company files for bankruptcy, liquidation or reorganization under the United States Bankruptcy Code.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, any successor statute thereto and any regulations issued from time to time thereunder.

"*Committee*" shall mean a committee comprised of not less than three (3) members of the Board who are selected by the Board as provided in Section 4.1.

"*Common Stock*" shall mean the common stock, par value $.0001 per share, of the Company.

"*Company*" shall mean Kennedy-Wilson Holdings, Inc., a Delaware corporation, and any successor thereto.

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"*Consultant*" shall mean any non-Employee (individual or entity) advisor to the Company or an Affiliate who or which has contracted directly with the Company or an Affiliate to render bona fide consulting or advisory services thereto.

"*Director*" shall mean a member of the Board or a member of the board of directors of an Affiliate, in either case, who is not an Employee.

"*Distribution Equivalent Right*" shall mean an Award granted under Article XIII of the Plan which entitles the Holder to receive bookkeeping credits, cash payments and/or Common Stock distributions equal in amount to the distributions that would have been made to the Holder had the Holder held a specified number of shares of Common Stock during the period the Holder held the Distribution Equivalent Right.

"*Distribution Equivalent Right Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to a Distribution Equivalent Right Award.

"*Effective Date*" shall mean _____, 2009.

"*Employee*" shall mean any employee, including officers, of the Company or an Affiliate.

"*Exchange Act*" shall mean the Securities Exchange Act of 1934, as amended.

"*Fair Market Value*" shall mean, as determined consistent with the applicable requirements of Sections 409A and 422 of the Code, as of any specified date, (i) the closing sales price of the Common Stock for such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date) on the principal U.S. national securities exchange on which the Common Stock is listed and traded on such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Common Stock is not listed on any U.S. national securities exchange but is quoted in an inter-dealer quotation system on a last sale basis, the final ask price of the Common Stock reported on the inter-dealer quotation system for such date, or, if there is no such sale on such date, then on the last preceding date on which a sale was reported; or (iii) if the Common Stock is neither listed on a U.S. national securities exchange nor quoted on an inter-dealer quotation system on a last sale basis, the amount determined by the Committee to be the fair market value of the Common Stock as determined by the Committee in its sole discretion. If the Common Stock is not quoted or listed as set forth above, Fair Market Value shall be determined by the Committee in good faith by any fair and reasonable means (which means, with respect to a particular Award grant, may be set forth with greater specificity in the applicable Award Agreement). The Fair Market Value of property other than Common Stock shall be determined by the Committee in good faith by any fair and reasonable means, and consistent with the applicable requirements of Sections 409A and 422 of the Code.

"*Family Member*" shall mean any child, stepchild, grandchild, parent, stepparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Holder's household (other than a tenant or employee of the Holder), a trust in which such persons have more than fifty percent (50%) of the beneficial interest, a foundation in which such persons (or the Holder) control the management of assets, and any other entity in which such persons (or the Holder) own more than fifty percent (50%) of the voting interests.

"*Holder*" shall mean an Employee, Director or Consultant who has been granted an Award or any such individual's beneficiary, estate or representative, to the extent applicable.

"*Incentive Stock Option*" shall mean an Option which is intended by the Committee to constitute an "incentive stock option" under Section 422 of the Code.

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"*Incumbent Director*" shall mean, with respect to any period of time specified under the Plan for purposes of determining whether or not a Change of Control has occurred, the individuals who were members of the Board at the beginning of such period.

"*Non-Qualified Stock Option*" shall mean an Option which is not an Incentive Stock Option.

"*Option*" shall mean an Award granted under Article VII of the Plan of an option to purchase shares of Common Stock, and includes both Incentive Stock Options and Non-Qualified Stock Options.

"*Option Agreement*" shall mean a written agreement between the Company and a Holder with respect to an Option.

"*Performance Criteria*" shall mean the criteria that the Committee selects for purposes of establishing the Performance Goal(s) for a Holder for a Performance Period.

"*Performance Goals*" shall mean, for a Performance Period, the written goal or goals established by the Committee for the Performance Period based upon the Performance Criteria.

"*Performance Period*" shall mean one or more periods of time, which may be of varying and overlapping durations, selected by the Committee, over which the attainment of one or more Performance Goals or other business objectives shall be measured for purposes of determining a Holder's right to, and the payment of, a Qualified Performance-Based Award.

"*Performance Share Award*" shall mean an Award granted under Article XII of the Plan under which, upon the satisfaction of predetermined individual and/or Company (and/or Affiliate) performance goals and/or objectives, shares of Common Stock are paid to the Holder.

"*Performance Share Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to a Performance Share Award.

"*Performance Unit*" shall mean a Unit awarded to a Holder pursuant to a Performance Unit Award.

"*Performance Unit Award*" shall mean an Award granted under Article XI of the Plan under which, upon the satisfaction of predetermined individual and/or Company (and/or Affiliate) performance goals and/or objectives, a cash payment shall be made to the Holder, based on the number of Units awarded to the Holder.

"*Performance Unit Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to a Performance Unit Award.

"*Plan*" shall mean this Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan, as amended from time to time.

"*Qualified Performance-Based Award*" shall mean Awards intended to qualify as "performance-based" compensation under Section 162(m) of the Code.

"*Restricted Stock Award*" shall mean an Award granted under Article VIII of the Plan of shares of Common Stock, the transferability of which by the Holder shall be subject to Restrictions.

"*Restricted Stock Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to a Restricted Stock Award.

"*Restricted Stock Unit*" shall mean a Unit awarded to a Holder pursuant to a Restricted Stock Unit Award.

"*Restricted Stock Unit Award*" shall mean an Award granted under Article X of the Plan under which, upon the satisfaction of predetermined individual service-related vesting requirements, a

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payment in cash or shares of Common Stock shall be made to the Holder, based on the number of Units awarded to the Holder.

"*Restricted Stock Unit Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to a Restricted Stock Unit Award.

"*Restriction Period*" shall mean the period of time for which shares of Common Stock subject to a Restricted Stock Award shall be subject to Restrictions, as set forth in the applicable Restricted Stock Award Agreement.

"*Restrictions*" shall mean forfeiture, transfer and/or other restrictions applicable to shares of Common Stock awarded to an Employee, Director or Consultant under the Plan pursuant to a Restricted Stock Award and set forth in a Restricted Stock Award Agreement.

"*Rule 16b-3*" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act, as such may be amended from time to time, and any successor rule, regulation or statute fulfilling the same or a substantially similar function.

"*Stock Appreciation Right*" shall mean an Award granted under Article XIV of the Plan of a right, granted alone or in connection with a related Option, to receive a payment on the date of exercise.

"*Stock Appreciation Right Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to a Stock Appreciation Right.

"*Tandem Stock Appreciation Right*" shall mean a Stock Appreciation Right granted in connection with a related Option, the exercise of which shall result in termination of the otherwise entitlement to purchase some or all of the shares of Common Stock under the related Option, all as set forth in Section 14.2.

"*Ten Percent Stockholder*" shall mean an Employee who, at the time an Incentive Stock Option is granted to him or her, owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any parent corporation or subsidiary corporation thereof (both as defined in Section 424 of the Code), within the meaning of Section 422(b)(6) of the Code.

"*Total and Permanent Disability*" shall mean the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, all as described in Section 22(e)(3) of the Code.

"*Units*" shall mean bookkeeping units, each of which represents such monetary amount as shall be designated by the Committee in each Performance Unit Award Agreement, or represents one (1) share of Common Stock for purposes of each Restricted Stock Unit Award.

"*Unrestricted Stock Award*" shall mean an Award granted under Article IX of the Plan of shares of Common Stock which are not subject to Restrictions.

"*Unrestricted Stock Award Agreement*" shall mean a written agreement between the Company and a Holder with respect to an Unrestricted Stock Award.

ARTICLE III
EFFECTIVE DATE OF PLAN

The Plan shall be effective as of the Effective Date, provided that the Plan is approved by the stockholders of the Company within twelve (12) months of such date.

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ARTICLE IV
ADMINISTRATION

Section 4.1 *Composition of Committee*. The Plan shall be administered by the Committee, which shall be appointed by the Board. The Committee shall consist solely of three (3) or more Directors who are each (i) "outside directors" within the meaning of Section 162(m) of the Code ("*Outside Directors*"), (ii) "non-employee directors" within the meaning of Rule 16b-3 and (iii) "independent" for purposes of any applicable listing requirements ("*Non-Employee Directors*"); *provided*, *however*, that the Board or the Committee may delegate to a committee of one or more members of the Board who are not (x) Outside Directors, the authority to grant Awards to eligible persons who are not (A) then "covered employees" within the meaning of Section 162(m) of the Code and are not expected to be "covered employees" at the time of recognition of income resulting from such Award, or (B) persons with respect to whom the Company wishes to comply with the requirements of Section 162(m) of the Code, and/or (y) Non-Employee Directors, the authority to grant Awards to eligible persons who are not then subject to the requirements of Section 16 of the Exchange Act. If a member of the Committee shall be eligible to receive an Award under the Plan, such Committee member shall have no authority hereunder with respect to his or her own Award. In addition, to the extent not inconsistent with applicable law, including Section 162(m) of the Code, or the rules and regulations of the principal U.S. national securities exchange on which the Common Stock is traded), the Committee may delegate to one or more executive officers or a committee of executive officers the right to grant Awards to Employees who are not directors or executive officers of the Company and the authority to take action on behalf of the Committee pursuant to the Plan to cancel or suspend Awards to Employees who are not directors or executive officers of the Company.

Section 4.2 *Powers*. Subject to the provisions of the Plan, the Committee shall have the sole authority, in its discretion, to make all determinations under the Plan, including but not limited to determining which Employees, Directors or Consultants shall receive an Award, the time or times when an Award shall be made (the date of grant of an Award shall be the date on which the Award is awarded by the Committee), what type of Award shall be granted, the term of an Award, the date or dates on which an Award vests (including any acceleration of vesting), the form of any payment to be made pursuant to an Award, the terms and conditions of an Award (including the forfeiture of the Award (and/or any financial gain) if the Holder of the Award violates any applicable restrictive covenant thereof), the Restrictions under a Restricted Stock Award and the number of shares of Common Stock which may be issued under an Award, all as applicable. In making such determinations the Committee may take into account the nature of the services rendered by the respective Employees, Directors and Consultants, their present and potential contribution to the Company's (or the Affiliate's) success and such other factors as the Committee in its discretion shall deem relevant.

Section 4.3 *Additional Powers*. The Committee shall have such additional powers as are delegated to it under the other provisions of the Plan. Subject to the express provisions of the Plan, the Committee is authorized to construe the Plan and the respective Award Agreements executed hereunder, to prescribe such rules and regulations relating to the Plan as it may deem advisable to carry out the intent of the Plan, and to determine the terms, restrictions and provisions of each Award, including such terms, restrictions and provisions as shall be requisite in the judgment of the Committee to cause designated Options to qualify as Incentive Stock Options, and to make all other determinations necessary or advisable for administering the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in any Award Agreement in the manner and to the extent it shall deem expedient to carry it into effect. The determinations of the Committee on the matters referred to in this Article IV shall be conclusive and binding on the Company and all Holders.

Section 4.4 *Committee Action*. In the absence of specific rules to the contrary, action by the Committee shall require the consent of a majority of the members of the Committee, expressed either

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orally at a meeting of the Committee or in writing in the absence of a meeting. No member of the Committee shall have any liability for any good faith action, inaction or determination in connection with the Plan.

ARTICLE V
STOCK SUBJECT TO PLAN AND LIMITATIONS THEREON

Section 5.1 *Stock Grant and Award Limits*. The Committee may from time to time grant Awards to one or more Employees, Directors and/or Consultants determined by it to be eligible for participation in the Plan in accordance with the provisions of Article VI. Subject to Article XV, the aggregate number of shares of Common Stock that may be issued under the Plan shall not exceed Two Million Four Hundred Seventy-Five Thousand (2,475,000) shares. Notwithstanding any provision in the Plan to the contrary, the maximum number of shares of Common Stock that may be subject to Awards of Options under Article VII and/or Stock Appreciation Rights under Article XIV, in either or both cases granted to any one Employee during any calendar year, shall be Two Million (2,000,000) shares (subject to adjustment in the same manner as provided in Article XV with respect to shares of Common Stock subject to Awards then outstanding). The limitation set forth in the preceding sentence shall be applied in a manner which shall permit compensation generated in connection with the exercise of Options or Stock Appreciation Rights to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, but not limited to, counting against such maximum number of shares, to the extent required under Section 162(m) of the Code, any shares subject to Options or Stock Appreciation Rights that are canceled or repriced.

Section 5.2 *Stock Offered*. The stock to be offered pursuant to the grant of an Award may be authorized but unissued Common Stock, Common Stock purchased on the open market or Common Stock previously issued and outstanding and reacquired by the Company.

ARTICLE VI
ELIGIBILITY FOR AWARDS; TERMINATION OF
EMPLOYMENT, DIRECTOR STATUS OR CONSULTANT STATUS

Section 6.1 *Eligibility*. Awards made under the Plan may be granted solely to persons or entities who, at the time of grant, are Employees, Directors or Consultants. An Award may be granted on more than one occasion to the same Employee, Director or Consultant, and, subject to the limitations set forth in the Plan, such Award may include, a Non-Qualified Stock Option, a Restricted Stock Award, an Unrestricted Stock Award, a Restricted Stock Unit Award, a Distribution Equivalent Right Award, a Performance Stock Award, a Performance Unit Award, a Stock Appreciation Right, a Tandem Stock Appreciation Right, any combination thereof or, solely for Employees, an Incentive Stock Option.

Section 6.2 *Termination of Employment or Director Status*. Except to the extent inconsistent with the terms of the applicable Award Agreement (in which case the terms of the applicable Award Agreement shall control), the terms of the Holder's employment agreement with the Company or an Affiliate (in which case the terms of the applicable employment agreement shall control) and/or the provisions of Section 6.4, the following terms and conditions shall apply with respect to the termination of a Holder's employment with, or status as a Director of, the Company or an Affiliate, as applicable, for any reason, including, without limitation, Total and Permanent Disability or death:

(a) The Holder's rights, if any, to exercise any then exercisable Non-Qualified Stock Options and/or Stock Appreciation Rights shall terminate:

(1) If such termination is for a reason other than the Holder's Total and Permanent Disability or death, ninety (90) days after the date of such termination of employment or after the date of such termination of Director status;

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(2) If such termination is on account of the Holder's Total and Permanent Disability, one (1) year after the date of such termination of employment or Director status; or

(3) If such termination is on account of the Holder's death, one (1) year after the date of the Holder's death.

Upon such applicable date the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in or with respect to any such Non-Qualified Stock Options and Stock Appreciation Rights.

(b) The Holder's rights, if any, to exercise any then exercisable Incentive Stock Option shall terminate:

(1) If such termination is for a reason other than the Holder's Total and Permanent Disability or death, three (3) months after the date of such termination of employment;

(2) If such termination is on account of the Holder's Total and Permanent Disability, one (1) year after the date of such termination of employment; or

(3) If such termination is on account of the Holder's death, one (1) year after the date of the Holder's death.

Upon such applicable date the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in or with respect to any such Incentive Stock Options.

(c) If a Holder's employment with, or status as a Director of, the Company or an Affiliate, as applicable, terminates for any reason prior to the actual or deemed satisfaction and/or lapse of the Restrictions, vesting requirements, terms and conditions applicable to a Restricted Stock Award and/or Restricted Stock Unit Award, such Restricted Stock and/or Restricted Stock Units shall immediately be canceled, and the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or interests in and with respect to any such Restricted Stock and/or Restricted Stock Units. The immediately preceding sentence to the contrary notwithstanding, the Committee, in its sole discretion, may determine, prior to or within thirty (30) days after the date of such termination of employment or Director status, that all or a portion of any such Holder's Restricted Stock and/or Restricted Stock Units shall not be so canceled and forfeited.

Section 6.3 *Termination of Consultant Status*. Except to the extent inconsistent with the terms of the applicable Award Agreement and/or the provisions of Section 6.4, the following terms and conditions shall apply with respect to the termination of a Holder's status as a Consultant, for any reason:

(a) The Holder's rights, if any, to exercise any then exercisable Non-Qualified Stock Options and/or Stock Appreciation Rights shall terminate:

(1) If such termination is for a reason other than the Holder's death, ninety (90) days after the date of such termination; or

(2) If such termination is on account of the Holder's death, one (1) year after the date of the Holder's death.

(b) If the status of a Holder as a Consultant terminates for any reason prior to the actual or deemed satisfaction and/or lapse of the Restrictions, vesting requirements, terms and conditions applicable to a Restricted Stock Award and/or a Restricted Stock Unit Award, such Restricted Stock and/or Restricted Stock Units shall immediately be canceled, and the Holder (and such Holder's estate, designated beneficiary or other legal representative) shall forfeit any rights or

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interests in and with respect to any such Restricted Stock and/or Restricted Stock Units. The immediately preceding sentence to the contrary notwithstanding, the Committee, in its sole discretion, may determine, prior to or within thirty (30) days after the date of such termination of such a Holder's status as a Consultant, that all or a portion of any such Holder's Restricted Stock and/or Restricted Stock Units shall not be so canceled and forfeited.

Section 6.4 *Special Termination Rule*. Except to the extent inconsistent with the terms of the applicable Award Agreement, and notwithstanding anything to the contrary contained in this Article VI, if a Holder's employment with, or status as a Director of, the Company or an Affiliate shall terminate, and if, within ninety (90) days of such termination, such Holder shall become a Consultant, such Holder's rights with respect to any Award or portion thereof granted thereto prior to the date of such termination may be preserved, if and to the extent determined by the Committee in its sole discretion, as if such Holder had been a Consultant for the entire period during which such Award or portion thereof had been outstanding. Should the Committee effect such determination with respect to such Holder, for all purposes of the Plan, such Holder shall not be treated as if his or her employment or Director status had terminated until such time as his or her Consultant status shall terminate, in which case his or her Award, as it may have been reduced in connection with the Holder's becoming a Consultant, shall be treated pursuant to the provisions of Section 6.3; *provided*, *however*, that any such Award which is intended to be an Incentive Stock Option shall, upon the Holder's no longer being an Employee, automatically convert to a Non-Qualified Stock Option. Should a Holder's status as a Consultant terminate, and if, within ninety (90) days of such termination, such Holder shall become an Employee or a Director, such Holder's rights with respect to any Award or portion thereof granted thereto prior to the date of such termination may be preserved, if and to the extent determined by the Committee in its sole discretion, as if such Holder had been an Employee or a Director, as applicable, for the entire period during which such Award or portion thereof had been outstanding, and, should the Committee effect such determination with respect to such Holder, for all purposes of the Plan, such Holder shall not be treated as if his or her Consultant status had terminated until such time as his or her employment with the Company or an Affiliate, or his or her Director status, as applicable, shall terminate, in which case his or her Award shall be treated pursuant to the provisions of Section 6.2.

Section 6.5 *Termination for Cause*. Notwithstanding anything in this Article VI or elsewhere in the Plan to the contrary, and unless a Holder's Award Agreement specifically provides otherwise, should a Holder's employment, Director status or engagement as a Consultant with or for the Company or an Affiliate be terminated by the Company or Affiliate for Cause, all of such Holder's then outstanding Awards shall expire immediately and be forfeited in their entirety upon such termination.

ARTICLE VII
OPTIONS

Section 7.1 *Option Period*. The term of each Option shall be as specified in the Option Agreement; *provided*, *however*, that except as set forth in Section 7.3, no Option shall be exercisable after the expiration of ten (10) years from the date of its grant.

Section 7.2 *Limitations on Exercise of Option*. An Option shall be exercisable in whole or in such installments and at such times as specified in the Option Agreement.

Section 7.3 *Special Limitations on Incentive Stock Options*. To the extent that the aggregate Fair Market Value (determined at the time the respective Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year under all plans of the Company and any parent corporation or subsidiary corporation thereof (both as defined in Section 424 of the Code) which provide for the grant of Incentive Stock Options exceeds One Hundred Thousand Dollars ($100,000) (or such other individual

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limit as may be in effect under the Code on the date of grant), the portion of such Incentive Stock Options that exceeds such threshold shall be treated as Non-Qualified Stock Options. The Committee shall determine, in accordance with applicable provisions of the Code, Treasury Regulations and other administrative pronouncements, which of a Holder's Options, which were intended by the Committee to be Incentive Stock Options when granted to the Holder, will not constitute Incentive Stock Options because of such limitation, and shall notify the Holder of such determination as soon as practicable after such determination. No Incentive Stock Option shall be granted to an Employee if, at the time the Option is granted, such Employee is a Ten Percent Stockholder, unless (i) at the time such Incentive Stock Option is granted the Option price is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to the Option, and (ii) such Incentive Stock Option by its terms is not exercisable after the expiration of five (5) years from the date of grant. No Incentive Stock Option shall be granted more than ten (10) years from the date on which the Plan is approved by the Company's stockholders. The designation by the Committee of an Option as an Incentive Stock Option shall not guarantee the Holder that the Option will satisfy the applicable requirements for "incentive stock option" status under Section 422 of the Code.

Section 7.4 *Option Agreement*. Each Option shall be evidenced by an Option Agreement in such form and containing such provisions not inconsistent with the provisions of the Plan as the Committee from time to time shall approve, including, but not limited to, provisions intended to qualify an Option as an Incentive Stock Option. An Option Agreement may provide for the payment of the Option price, in whole or in part, by the delivery of a number of shares of Common Stock (plus cash if necessary) that have been owned by the Holder for at least six (6) months and having a Fair Market Value equal to such Option price, or such other forms or methods as the Committee may determine from time to time (including, with the consent of the Committee, by withholding shares of Common Stock otherwise issuable in connection with the exercise of the Option), in each case, subject to such rules and regulations as may be adopted by the Committee. Each Option Agreement shall, solely to the extent inconsistent with the provisions of Sections 6.2, 6.3 and 6.4, as applicable, specify the effect of termination of employment, Director status or Consultant status on the exercisability of the Option. Moreover, without limiting the generality of the foregoing, an Option Agreement may provide for a "cashless exercise" of the Option by establishing procedures whereby the Holder, by a properly-executed written notice, directs (i) an immediate market sale or margin loan respecting all or a part of the shares of Common Stock to which he is entitled upon exercise pursuant to an extension of credit by the Company to the Holder of the Option price, (ii) the delivery of the shares of Common Stock from the Company directly to a brokerage firm and (iii) the delivery of the Option price from sale or margin loan proceeds from the brokerage firm directly to the Company. Each Option Agreement shall, solely to the extent inconsistent with the provisions of Sections 6.2, 6.3 and 6.4, as applicable, specify the effect of the termination of the Holder's employment, Director status or Consultant status on the exercisability of the Option. An Option Agreement may also include provisions relating to (i) subject to the provisions hereof, accelerated vesting of Options, including but not limited to upon the occurrence of a Change of Control, (ii) tax matters (including provisions covering any applicable Employee wage withholding requirements and requiring additional "gross-up" payments to Holders to meet any excise taxes or other additional income tax liability imposed as a result of a payment made upon a Change of Control resulting from the operation of the Plan or of such Option Agreement) and (iii) any other matters not inconsistent with the terms and provisions of the Plan that the Committee shall in its sole discretion determine. The terms and conditions of the respective Option Agreements need not be identical.

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Section 7.5 *Option Price and Payment*. The price at which a share of Common Stock may be purchased upon exercise of an Option shall be determined by the Committee; *provided*, *however*, that such Option price (i) shall not be less than the Fair Market Value of a share of Common Stock on the date such Option is granted, and (ii) shall be subject to adjustment as provided in Article XV. The Option or portion thereof may be exercised by delivery of an irrevocable notice of exercise to the Company. The Option price for the Option or portion thereof shall be paid in full in the manner prescribed by the Committee as set forth in the Plan and the applicable Option Agreement. Separate stock certificates shall be issued by the Company for those shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option and for those shares of Common Stock acquired pursuant to the exercise of a Non-Qualified Stock Option.

Section 7.6 *Stockholder Rights and Privileges*. The Holder of an Option shall be entitled to all the privileges and rights of a stockholder of the Company solely with respect to such shares of Common Stock as have been purchased under the Option and for which certificates of stock have been registered in the Holder's name.

Section 7.7 *Options and Rights in Substitution for Stock Options Granted by Other Corporations*. Options may be granted under the Plan from time to time in substitution for stock options held by individuals employed by entities who become Employees as a result of a merger or consolidation of the employing entity with the Company or any Affiliate, or the acquisition by the Company or an Affiliate of the assets of the employing entity, or the acquisition by the Company or an Affiliate of stock of the employing entity with the result that such employing entity becomes an Affiliate.

Section 7.8 *Prohibition Against Repricing*. Except to the extent (i) approved in advance by holders of a majority of the shares of the Company entitled to vote generally in the election of directors, or (ii) as a result of any Change of Control or any adjustment as provided in Article XV, the Committee shall not have the power or authority to reduce, whether through amendment or otherwise, the exercise price of any outstanding Option or Stock Appreciation right, or to grant any new Award or make any payment of cash in substitution for or upon the cancellation of Options and/or Stock Appreciation Rights previously granted.

ARTICLE VIII
RESTRICTED STOCK AWARDS

Section 8.1 *Restriction Period to be Established by Committee*. At the time a Restricted Stock Award is made, the Committee shall establish the Restriction Period applicable to such Award. Each Restricted Stock Award may have a different Restriction Period, in the discretion of the Committee. The Restriction Period applicable to a particular Restricted Stock Award shall not be changed except as permitted by Section 8.2.

Section 8.2 *Other Terms and Conditions*. Common Stock awarded pursuant to a Restricted Stock Award shall, unless otherwise determined by the Committee, be issued in book entry form on the books and records as kept by the Company's transfer agent and registered in the name of the Holder of such Restricted Stock Award. If provided for under the Restricted Stock Award Agreement, the Holder shall have the right to vote Common Stock subject thereto and to enjoy all other stockholder rights, including the entitlement to receive dividends on the Common Stock during the Restriction Period, except that (i) the Holder shall not be entitled to delivery of a stock certificate until the Restriction Period shall have expired, (ii) if a stock certificate is prepared before the expiration of the Restriction Period, the Company shall retain custody of the stock certificate during the Restriction Period (with a stock power endorsed by the Holder in blank), (iii) the Holder may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Common Stock during the Restriction Period and (iv) a breach of the terms and conditions established by the Committee pursuant to the Restricted

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Stock Award Agreement shall cause a forfeiture of the Restricted Stock Award. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions relating to Restricted Stock Awards, including, but not limited to, rules pertaining to the effect of termination of employment, Director status or Consultant status prior to expiration of the Restriction Period. Such additional terms, conditions or restrictions shall, to the extent inconsistent with the provisions of Sections 6.2, 6.3 and 6.4, as applicable, be set forth in a Restricted Stock Award Agreement made in conjunction with the Award. Such Restricted Stock Award Agreement may also include provisions relating to (i) subject to the provisions hereof, accelerated vesting of Awards, including but not limited to accelerated vesting upon the occurrence of a Change of Control, (ii) tax matters (including provisions covering any applicable Employee wage withholding requirements and requiring additional "gross-up" payments to Holders to meet any excise taxes or other additional income tax liability imposed as a result of a payment made in connection with a Change of Control resulting from the operation of the Plan or of such Restricted Stock Award Agreement) and (iii) any other matters not inconsistent with the terms and provisions of the Plan that the Committee shall in its sole discretion determine. The terms and conditions of the respective Restricted Stock Agreements need not be identical. All shares of Common Stock delivered to a Holder as part of a Restricted Stock Award shall be delivered and reported by the Company or the Affiliate, as applicable, to the Holder by no later than the fifteenth (15th) day of the third (3rd) calendar month next following the end of the Company's fiscal year in which the Holder's entitlement to such shares becomes vested.

Section 8.3 *Payment for Restricted Stock*. The Committee shall determine the amount and form of any payment from a Holder for Common Stock received pursuant to a Restricted Stock Award, if any, provided that in the absence of such a determination, a Holder shall not be required to make any payment for Common Stock received pursuant to a Restricted Stock Award, except to the extent otherwise required by law.

Section 8.4 *Restricted Stock Award Agreements*. At the time any Award is made under this Article VIII, the Company and the Holder shall enter into a Restricted Stock Award Agreement setting forth each of the matters contemplated hereby and such other matters as the Committee may determine to be appropriate.

ARTICLE IX
UNRESTRICTED STOCK AWARDS

Pursuant to the terms of the applicable Unrestricted Stock Award Agreement, a Holder may be awarded (or sold) shares of Common Stock which are not subject to Restrictions, in consideration for past services rendered thereby to the Company or an Affiliate or for other valid consideration.

ARTICLE X
RESTRICTED STOCK UNIT AWARDS

Section 10.1 *Terms and Conditions*. The Committee shall set forth in the applicable Restricted Stock Unit Award Agreement the individual service-based vesting requirement which the Holder would be required to satisfy before the Holder would become entitled to payment pursuant to Section 10.2 and the number of Units awarded to the Holder. Such payment shall be subject to a "substantial risk of forfeiture" under Section 409A of the Code. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions relating to Restricted Stock Unit Awards, including, but not limited to, rules pertaining to the effect of termination of employment, Director status or Consultant status prior to expiration of the applicable vesting period. The terms and conditions of the respective Restricted Stock Unit Award Agreements need not be identical.

Section 10.2 *Payments*. The Holder of a Restricted Stock Unit shall be entitled to receive a cash payment equal to the Fair Market Value of a share of Common Stock, or one (1) share of Common

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Stock, as determined in the sole discretion of the Committee and as set forth in the Restricted Stock Unit Award Agreement, for each Restricted Stock Unit subject to such Restricted Stock Unit Award, if the Holder satisfies the applicable vesting requirement. Such payment shall be made no later than by the fifteenth (15th) day of the third (3rd) calendar month next following the end of the calendar year in which the Restricted Stock Unit first becomes vested.

ARTICLE XI
PERFORMANCE UNIT AWARDS

Section 11.1 *Terms and Conditions*. The Committee shall set forth in the applicable Performance Unit Award Agreement the performance goals and objectives (and the period of time to which such goals and objectives shall apply) which the Holder and/or the Company would be required to satisfy before the Holder would become entitled to payment pursuant to Section 11.2, the number of Units awarded to the Holder and the dollar value assigned to each such Unit. Such payment shall be subject to a "substantial risk of forfeiture" under Section 409A of the Code. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions, including, but not limited to, rules pertaining to the effect of termination of employment, Director status or Consultant status prior to expiration of the applicable performance period. The terms and conditions of the respective Performance Unit Award Agreements need not be identical.

Section 11.2 *Payments*. The Holder of a Performance Unit shall be entitled to receive a cash payment equal to the dollar value assigned to such Unit under the applicable Performance Unit Award Agreement if the Holder and/or the Company satisfy (or partially satisfy, if applicable under the applicable Performance Unit Award Agreement) the performance goals and objectives set forth in such Performance Unit Award Agreement. The Performance Unit Award Agreement may provide that, depending on the degree of performance achieved, different amounts of Performance Units, or no Performance Units, may be awarded. If achieved, such payment shall be made no later than by the fifteenth (15th) day of the third (3rd) calendar month next following the end of the Company's fiscal year to which such performance goals and objectives relate.

ARTICLE XII
PERFORMANCE SHARE AWARDS

Section 12.1 *Terms and Conditions*. The Committee shall set forth in the applicable Performance Share Award Agreement the performance goals and objectives (and the period of time to which such goals and objectives shall apply) which the Holder and/or the Company would be required to satisfy before the Holder would become entitled to the receipt of shares of Common Stock pursuant to such Holder's Performance Share Award and the number of shares of Common Stock subject to such Performance Share Award. Such payment shall be subject to a "substantial risk of forfeiture" under Section 409A of the Code and, if such goals and objectives are achieved, the distribution of such Common Shares shall be made no later than by the fifteenth (15th) day of the third (3rd) calendar month next following the end of the Company's fiscal year to which such goals and objectives relate. At the time of such Award, the Committee may, in its sole discretion, prescribe additional terms and conditions or restrictions relating to Performance Share Awards, including, but not limited to, rules pertaining to the effect of termination of the Holder's employment, Director status or Consultant status prior to the expiration of the applicable performance period. The terms and conditions of the respective Performance Share Award Agreements need not be identical.

Section 12.2 *Stockholder Rights and Privileges*. The Holder of a Performance Share Award shall have no rights as a stockholder of the Company until such time, if any, as the Holder actually receives shares of Common Stock pursuant to the Performance Share Award.

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ARTICLE XIII
DISTRIBUTION EQUIVALENT RIGHTS

Section 13.1 *Terms and Conditions*. The Committee shall set forth in the applicable Distribution Equivalent Rights Award Agreement the terms and conditions, if any, including whether the Holder is to receive credits currently in cash, is to have such credits reinvested (at Fair Market Value determined as of the date of reinvestment) in additional shares of Common Stock or is to be entitled to choose among such alternatives. Such receipt shall be subject to a "substantial risk of forfeiture" under Section 409A of the Code and, if such Award becomes vested, the distribution of such cash or shares of Common Stock shall be made no later than by the fifteenth (15th) day of the third (3rd) calendar month next following the end of the Company's fiscal year in which the Holder's interest in the Award vests. Distribution Equivalent Rights Awards may be settled in cash or in shares of Common Stock, as set forth in the applicable Distribution Equivalent Rights Award Agreement. A Distribution Equivalent Rights Award may, but need not be, awarded in tandem with another Award, whereby, if so awarded, such Distribution Equivalent Rights Award shall expire, terminate or be forfeited by the Holder, as applicable, under the same conditions as under such other Award.

Section 13.2 *Interest Equivalents*. The Distribution Equivalent Rights Award Agreement for a Distribution Equivalent Rights Award may provide for the crediting of interest on a Distribution Rights Award to be settled in cash at a future date (but in no event later than by the fifteenth (15th) day of the third (3rd) calendar month next following the end of the Company's fiscal year in which such interest was credited), at a rate set forth in the applicable Distribution Equivalent Rights Award Agreement, on the amount of cash payable thereunder.

ARTICLE XIV
STOCK APPRECIATION RIGHTS

Section 14.1 *Terms and Conditions*. The Committee shall set forth in the applicable Stock Appreciation Right Award Agreement the terms and conditions of the Stock Appreciation Right, including (i) the base value (the "*Base Value*") for the Stock Appreciation Right, which for purposes of a Stock Appreciation which is not a Tandem Stock Appreciation Right, shall be not less than the Fair Market Value of a share of the Common Stock on the date of grant of the Stock Appreciation Right, (ii) the number of shares of Common Stock subject to the Stock Appreciation Right, (iii) the period during which the Stock Appreciation Right may be exercised; *provided*, *however*, that no Stock Appreciation Right shall be exercisable after the expiration of ten (10) years from the date of its grant, and (iv) any other special rules and/or requirements which the Committee imposes upon the Stock Appreciation Right. Upon the exercise of some or all of a Stock Appreciation Right, the Holder shall receive a payment from the Company, in cash or in the form of shares of Common Stock having an equivalent Fair Market Value or in a combination of both, as determined in the sole discretion of the Committee, equal to the product of:

(a) The excess of (i) the Fair Market Value of a share of the Common Stock on the date of exercise, over (ii) the Base Value, multiplied by;

(b) The number of shares of Common Stock with respect to which the Stock Appreciation Right is exercised.

Section 14.2 *Tandem Stock Appreciation Rights*. If the Committee grants a Stock Appreciation Right which is intended to be a Tandem Stock Appreciation Right, the Tandem Stock Appreciation Right must be granted at the same time as the related Option, and the following special rules shall apply:

(a) The Base Value shall be equal to or greater than the per share exercise price under the related Option;

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(b) The Tandem Stock Appreciation Right may be exercised for all or part of the shares of Common Stock which are subject to the related Option, but solely upon the surrender by the Holder of the Holder's right to exercise the equivalent portion of the related Option (and when a share of Common Stock is purchased under the related Option, an equivalent portion of the related Tandem Stock Appreciation Right shall be cancelled);

(c) The Tandem Stock Appreciation Right shall expire no later than the date of the expiration of the related Option;

(d) The value of the payment with respect to the Tandem Stock Appreciation Right may be no more than one hundred percent (100%) of the difference between the per share exercise price under the related Option and the Fair Market Value of the shares of Common Stock subject to the related Option at the time the Tandem Stock Appreciation Right is exercised, multiplied by the number of shares of Common Stock with respect to which the Tandem Stock Appreciation Right is exercised; and

(e) The Tandem Stock Appreciation Right may be exercised solely when the Fair Market Value of a share of Common Stock subject to the related Option exceeds the per share the exercise price under the related Option.

ARTICLE XV
RECAPITALIZATION OR REORGANIZATION

Section 15.1 *Adjustments to Common Stock*. The shares with respect to which Awards may be granted under the Plan are shares of Common Stock as presently constituted; *provided*, *however*, that if, and whenever, prior to the expiration or distribution to the Holder of shares of Common Stock underlying an Award theretofore granted, the Company shall effect a subdivision or consolidation of shares of Common Stock or the payment of a stock dividend on Common Stock without receipt of consideration by the Company, the number of shares of Common Stock with respect to which such Award may thereafter be exercised or satisfied, as applicable, (i) in the event of an increase in the number of outstanding shares, shall be proportionately increased, and the purchase price per share of the Common Stock shall be proportionately reduced, and (ii) in the event of a reduction in the number of outstanding shares, shall be proportionately reduced, and the purchase price per share of the Common Stock shall be proportionately increased. Notwithstanding the foregoing or any other provision of this Article XV, any adjustment made with respect to an Award (x) which is an Incentive Stock Option, shall comply with the requirements of Section 424(a) of the Code, and in no event shall any adjustment be made which would render any Incentive Stock Option granted under the Plan to be other than an "incentive stock option" for purposes of Section 422 of the Code, and (y) which is a Non-Qualified Stock Option, shall comply with the requirements of Section 409A of the Code, and in no event shall any adjustment be made which would render any Non-Qualified Stock Option granted under the Plan to become subject to Section 409A of the Code.

Section 15.2 *Recapitalization*. If the Company recapitalizes or otherwise changes its capital structure, thereafter upon any exercise or satisfaction, as applicable, of a previously granted Award, the Holder shall be entitled to receive (or entitled to purchase, if applicable) under such Award, in lieu of the number of shares of Common Stock then covered by such Award, the number and class of shares of stock and securities to which the Holder would have been entitled pursuant to the terms of the recapitalization if, immediately prior to such recapitalization, the Holder had been the holder of record of the number of shares of Common Stock then covered by such Award.

Section 15.3 *Other Events*. In the event of changes to the outstanding Common Stock by reason of extraordinary cash dividend, reorganization, mergers, consolidations, combinations, split-ups, spin-offs, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Award and not otherwise provided for under this Article XV, any outstanding Awards and any

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Award Agreements evidencing such Awards shall be adjusted by the Board in its discretion in such manner as the Board deems equitable or appropriate taking into consideration the accounting and tax consequences, as to the number and price of shares of Common Stock or other consideration subject to such Awards. In the event of any adjustment pursuant to Sections 15.1, 15.2 or this Section 15.3, the aggregate number of shares available under the Plan under Section 5.1 (and the Code Section 162(m) limit set forth therein) shall be appropriately adjusted by the Board, the determination of which shall be conclusive. In addition, the Committee may make provision for a cash payment to a Participant or a person who has an outstanding Award. The number of shares of Common Stock subject to any Award shall be rounded to the nearest whole number.

Section 15.4 *Powers Not Affected*. The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or of the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change of the Company's capital structure or business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Common Stock or the rights thereof, the dissolution or liquidation of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

Section 15.5 *No Adjustment for Certain Awards*. Except as hereinabove expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor or upon conversion of shares or obligations of the Company convertible into such shares or other securities, and in any case whether or not for fair value, shall not affect previously granted Awards, and no adjustment by reason thereof shall be made with respect to the number of shares of Common Stock subject to Awards theretofore granted or the purchase price per share, if applicable.

ARTICLE XVI
AMENDMENT AND TERMINATION OF PLAN

The Plan shall continue in effect, unless sooner terminated pursuant to this Article XVI, until the tenth (10^{th}) anniversary of the date on which it is adopted by the Board (except as to Awards outstanding on that date). The Board in its discretion may terminate the Plan at any time with respect to any shares for which Awards have not theretofore been granted; *provided*, *however*, that the Plan's termination shall not materially and adversely impair the rights of a Holder with respect to any Award theretofore granted without the consent of the Holder. The Board shall have the right to alter or amend the Plan or any part hereof from time to time; *provided*, *however*, that without the approval by a majority of the votes cast at a meeting of shareholders at which a quorum representing a majority of the shares of the Company entitled to vote generally in the election of directors is present in person or by proxy, no amendment or modification of the Plan may (i) materially increase the benefits accruing to Holders, (ii) except as otherwise expressly provided in Article XV, materially increase the number of shares of Common Stock subject to the Plan or the individual Award Agreements specified in Article V, (iii) materially modify the requirements for participation in the Plan, or (iv) amend, modify or suspend Section 7.8 (repricing prohibitions) or this Article XVI. In addition, no change in any Award theretofore granted may be made which would materially and adversely impair the rights of a Holder with respect to such Award without the consent of the Holder (unless such change is required in order to cause the benefits under the Plan to qualify as "performance-based" compensation within the meaning of Section 162(m) of the Code) or to exempt the Plan or any Award from Section 409A of the Code.

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ARTICLE XVII
MISCELLANEOUS

Section 17.1 *No Right to Award*. Neither the adoption of the Plan by the Company nor any action of the Board or the Committee shall be deemed to give an Employee, Director or Consultant any right to an Award except as may be evidenced by an Award Agreement duly executed on behalf of the Company, and then solely to the extent and on the terms and conditions expressly set forth therein.

Section 17.2 *No Rights Conferred*. Nothing contained in the Plan shall (i) confer upon any Employee any right with respect to continuation of employment with the Company or any Affiliate, (ii) interfere in any way with any right of the Company or any Affiliate to terminate the employment of an Employee at any time, (iii) confer upon any Director any right with respect to continuation of such Director's membership on the Board, (iv) interfere in any way with any right of the Company or an Affiliate to terminate a Director's membership on the Board at any time, (v) confer upon any Consultant any right with respect to continuation of his or her consulting engagement with the Company or any Affiliate, or (vi) interfere in any way with any right of the Company or an Affiliate to terminate a Consultant's consulting engagement with the Company or an Affiliate at any time.

Section 17.3 *Other Laws; No Fractional Shares; Withholding*. The Company shall not be obligated by virtue of any provision of the Plan to recognize the exercise of any Award or to otherwise sell or issue shares of Common Stock in violation of any laws, rules or regulations, and any postponement of the exercise or settlement of any Award under this provision shall not extend the term of such Award. Neither the Company nor its directors or officers shall have any obligation or liability to a Holder with respect to any Award (or shares of Common Stock issuable thereunder) (i) that shall lapse because of such postponement, or (ii) for any failure to comply with the requirements of any applicable law, rules or regulations, including but not limited to any failure to comply with the requirements of Section 409A of this Code. No fractional shares of Common Stock shall be delivered, nor shall any cash in lieu of fractional shares be paid. The Company shall have the right to deduct in cash (whether under this Plan or otherwise) in connection with all Awards any taxes required by law to be withheld and to require any payments required to enable it to satisfy its withholding obligations. In the case of any Award satisfied in the form of shares of Common Stock, no shares shall be issued unless and until arrangements satisfactory to the Company shall have been made to satisfy any tax withholding obligations applicable with respect to such Award. Subject to such terms and conditions as the Committee may impose, the Company shall have the right to retain, or the Committee may, subject to such terms and conditions as it may establish from time to time, permit Holders to elect to tender, Common Stock (including Common Stock issuable in respect of an Award) to satisfy, in whole or in part, the amount required to be withheld.

Section 17.4 *No Restriction on Corporate Action*. Nothing contained in the Plan shall be construed to prevent the Company or any Affiliate from taking any corporate action which is deemed by the Company or such Affiliate to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Award made under the Plan. No Employee, Director, Consultant, beneficiary or other person shall have any claim against the Company or any Affiliate as a result of any such action.

Section 17.5 *Restrictions on Transfer*. No Award under the Plan or any Award Agreement and no rights or interests herein or therein, shall or may be assigned, transferred, sold, exchanged, encumbered, pledged or otherwise hypothecated or disposed of by a Holder except (i) by will or by the laws of descent and distribution, or (ii) except for an Incentive Stock Option, by gift to any Family Member of the Holder. An Award may be exercisable during the lifetime of the Holder only by such Holder or by the Holder's guardian or legal representative unless it has been transferred by gift to a Family Member of the Holder, in which case it shall be exercisable solely by such transferee. Notwithstanding any such transfer, the Holder shall continue to be subject to the withholding

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requirements provided for under Section 17.3 hereof. Notwithstanding the foregoing, except for Awards which are Incentive Stock Options, Awards may be transferred pursuant to the terms of any valid separation agreement or divorce decree.

Section 17.6 *Beneficiary Designations*. Each Holder may, from time to time, name a beneficiary or beneficiaries (who may be contingent or successive beneficiaries) for purposes of receiving any amount which is payable in connection with an Award under the Plan upon or subsequent to the Holder's death. Each such beneficiary designation shall serve to revoke all prior beneficiary designations, be in a form prescribed by the Company and be effective solely when filed by the Holder in writing with the Company during the Holder's lifetime. In the absence of any such written beneficiary designation, for purposes of the Plan, a Holder's beneficiary shall be the Holder's estate.

Section 17.7 *Rule 16b-3*. It is intended that the Plan and any Award made to a person subject to Section 16 of the Exchange Act shall meet all of the requirements of Rule 16b-3. If any provision of the Plan or of any such Award would disqualify the Plan or such Award under, or would otherwise not comply with the requirements of, Rule 16b-73, such provision or Award shall be construed or deemed to have been amended as necessary to conform to the requirements of Rule 16b-3.

Section 17.8 *Section 162(m)*. It is intended that the Plan shall comply fully with and meet all the requirements of Section 162(m) of the Code so that Awards hereunder which are made to Holders who are "covered employees" (as defined in Section 162(m) of the Code) shall constitute "performance-based" compensation within the meaning of Section 162(m) of the Code. Any Performance Goal(s) applicable to Qualified Performance-Based Awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable Performance Period (or at such other date as may be required or permitted for "performance-based" compensation under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the Performance Goal or Goals be substantially uncertain (as defined in the regulations under Section 162(m) of the Code) at the time established. The Performance Criteria to be utilized under the Plan to establish Performance Goals shall consist of objective tests based on one or more of the following: net sales; revenue; revenue growth or product revenue growth; operating income (before or after taxes); pre- or after-tax income (before or after allocation of corporate overhead and bonus); earnings per share; net income (before or after taxes); return on equity; total shareholder return; return on assets or net assets; appreciation in and/or maintenance of the price of the shares of Common Stock or any other publicly-traded securities of the Company; market share; gross profits; earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; expense levels; working capital levels, including cash, inventory and accounts receivable; operating margins, gross margins or cash margin; year-end cash; debt reduction; stockholder equity; operating efficiencies; strategic partnerships or transactions; co-development, co-marketing, profit sharing, joint venture or other similar arrangements); financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital; assets under management; financing and other capital raising transactions (including sales of the Company's equity or debt securities; sales or licenses of the Company's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions). Performance Goals may be established on a Company-wide basis or with respect to one or more Company business units, divisions, subsidiaries or individuals; and measured either quarterly, annually or over a period of years, in absolute terms, relative to a pre-established target, to the performance of one or more similarly situated companies, or to the performance of an index covering a peer group of companies, in each case as specified by the Committee. When establishing Performance Goals for the applicable Performance Period, the Committee may exclude any or all "extraordinary items" as determined under

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U.S. generally accepted accounting principles including, without limitation, the charges or costs associated with restructurings of the Company, discontinued operations, other unusual or non-recurring items, and the cumulative effects of accounting changes, and as identified in the Company's financial statements, notes to the Company's financial statements or management's discussion and analysis of financial condition and results of operations contained in the Company's most recent annual report filed with the U.S. Securities and Exchange Commission pursuant to the Exchange Act. Holders who are "covered employees" (as defined in Section 162(m) of the Code) shall be eligible to receive payment under a Qualified Performance-Based Award which is subject to achievement of a Performance Goal or Goals only if the applicable Performance Goal or Goals are achieved within the applicable Performance Period, as determined by the Committee. If any provision of the Plan would disqualify the Plan or would not otherwise permit the Plan to comply with Section 162(m) of the Code as so intended, such provision shall be construed or deemed amended to conform to the requirements or provisions of Section 162(m) of the Code. The Committee may postpone the exercising of Awards, the issuance or delivery of Common Stock under any Award or any action permitted under the Plan to prevent the Company or any subsidiary from being denied a federal income tax deduction with respect to any Award other than an Incentive Stock Option, provided that such deferral satisfies the requirements of Section 409A of the Code. For purposes of the requirements of Treasury Regulation Section 1.162-27(e)(4)(i), the maximum amount of compensation that may be paid to any Employee under the Plan for a calendar year shall be Ten Million Dollars ($10,000,000).

Section 17.9 *Section 409A*. Notwithstanding any other provision of the Plan, the Committee shall have no authority to issue an Award under the Plan with terms and/or conditions which would cause such Award to constitute non-qualified "deferred compensation" under Section 409A of the Code. Accordingly, by way of example but not limitation, no Option shall be granted under the Plan with a per share Option exercise price which is less than the Fair Market Value of a share of Common Stock on the date of grant of the Option. Notwithstanding anything herein to the contrary and except as provided in the following sentence, no Award Agreement shall provide for any deferral feature with respect to an Award which constitutes a deferral of compensation under Section 409A of the Code. The Plan and all Award Agreements are intended to comply with the requirements of Section 409A of the Code (so as to be exempt therefrom) and shall be so interpreted and construed. In the event that the Board determines that Awards should in the future be subject to deferral, it shall have the authority to make appropriate amendments to this Section 17.8 and other sections of this Plan to authorize deferrals of compensation under Section 409A of the Code.

Section 17.10 *Indemnification*. Each person who is or shall have been a member of the Committee or of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred thereby in connection with or resulting from any claim, action, suit, or proceeding to which such person may be made a party or may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid thereby in settlement thereof, with the Company's approval, or paid thereby in satisfaction of any judgment in any such action, suit, or proceeding against such person; *provided*, *however*, that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive and shall be independent of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-laws, by contract, as a matter of law, or otherwise.

Section 17.11 *Other Plans*. No Award, payment or amount received hereunder shall be taken into account in computing an Employee's salary or compensation for the purposes of determining any benefits under any pension, retirement, life insurance or other benefit plan of the Company or any Affiliate, unless such other plan specifically provides for the inclusion of such Award, payment or amount received. Nothing in the Plan shall be construed to limit the right of the Company to establish

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other plans or to pay compensation to its employees, in cash or property, in a manner which is not expressly authorized under the Plan.

Section 17.12 *Limits of Liability*. Any liability of the Company with respect to an Award shall be based solely upon the contractual obligations created under the Plan and the Award Agreement. None of the Company, any member of the Board nor any member of the Committee shall have any liability to any party for any action taken or not taken, in good faith, in connection with or under the Plan.

Section 17.13 *Governing Law*. Except as otherwise provided herein, the Plan shall be construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts of law.

Section 17.14 *Severability of Provisions*. If any provision of the Plan is held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of the Plan, and the Plan shall be construed and enforced as if such invalid or unenforceable provision had not been included in the Plan.

Section 17.15 *No Funding*. The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to ensure the payment of any Award.

Section 17.16 *Headings*. Headings used throughout the Plan are for convenience only and shall not be given legal significance.

Section 17.17 *Terms of Award Agreements*. Each Award shall be evidenced by an Award Agreement, which Award Agreement, if it provides for the issuance of Common Stock, shall require the Holder to enter into and be bound by the terms of the Company's Stockholders' Agreement, if any. The terms of the Award Agreements utilized under the Plan need not be the same.

Section 17.18 *California Information Requirements*. To the extent applicable, the Company shall comply with the information requirements applicable to the Plan pursuant to Section 260.140.46 of the California Code of Regulations.

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Annex F

September 5, 2009

CONFIDENTIAL

Mr. James J. Cahill
Chief Financial Officer
Prospect Acquisition Corp.
9130 Galleria Court
Naples, FL 34109

Re: Fairness Opinion Opinion to the Board of Directors of Prospect Acquisition Corp.

Dear Mr. Cahill:

Houlihan Smith & Company, Inc. ("Houlihan") has been advised that Prospect Acquisition Corp. ("PAC" or the "Acquirer") executed a letter of intent dated July 13, 2009 to acquire all of the capital stock of Kennedy Wilson, Inc. ("Kennedy Wilson" or the "Target") through a merger with the Acquirer or its affiliate (the "Merger"). We understand that on the effective date of the Merger, each outstanding share of the common stock of the Target ("Target Common Stock") and all of its $52.4 million of convertible preferred stock ("Target Preferred Stock") will be converted into a number of shares of the common stock, par value $.0001 per share, of PAC ("PAC Common Stock") such that, in the aggregate, holders of Target Common Stock and Target Preferred Stock prior to the Merger would own 26.0 million shares of PAC Common Stock, representing approximately 52% of the 50.4 million issued and outstanding shares of PAC Common Stock at the effective time of the Merger (assuming 20% of all publicly-traded shares of PAC Common Stock are voted against the Merger and all holders of such shares elect to convert their shares into cash). We further understand that this would result in approximately $182 million of PAC's cash, after all expenses, being contributed to the merged entity as of closing (collectively, "Merger Consideration").

PAC has formed a wholly owned subsidiary, Merger Sub, solely for the purposes of the merger of Merger Sub with and into Kennedy Wilson pursuant to Section 251 of the General Corporation Law of the State of Delaware (the "DGCL"), in which Kennedy Wilson will be the surviving corporation.

Houlihan was engaged to render an opinion ("Opinion") to the Board of Directors (the "Board") of the Acquirer as to whether, as of the date of such Opinion, (i) the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger is fair from a financial point of view to the shareholders of the Acquirer, and (ii) the fair market value of the Target is at least equal to 80% of the balance in the Acquirer's trust account (excluding the amount held in the trust account representing a portion of the underwriters' discount).

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Our Opinion is being rendered in such form and substance customary to transactions of a similar nature and on a basis that is consistent with our professional responsibilities to the Acquirer, and shall be subject to the undertaking of certain inquiries concerning the Merger and the business of the Acquirer. In connection therewith, Houlihan has relied upon public and non-public reports of the Acquirer and other information supplied to it by or on behalf of the Acquirer. Houlihan shall not in any respect be responsible for the accuracy or completeness of any such report or information, public or non-public, supplied to it by or on behalf of the Acquirer or for any obligation to verify the same nor for any conclusions based upon inaccurate or incomplete information.

We have not been requested to opine as to, and this Opinion does not express an opinion as to, make any recommendations with respect to, or otherwise address, among other things, (i) the underlying business decision of the Acquirer, shareholders of the Acquirer, or any other party to proceed with or effect the Merger, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form or any other portion or aspect of, the Merger or otherwise (other than to the extent expressly specified herein), (iii) the relative merits of the Merger as compared to any alternative business strategies that might exist for the Acquirer or the effect of any other transaction in which the Acquirer or any other party might engage, (iv) the solvency or creditworthiness of the Acquirer or any other participant in the Merger under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, (v) the fairness of the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger to any investors of the Acquirer, other than the shareholders of the Acquirer, or (vi) the prospects of the impact of Acquirer entering into or consummating the Merger under any other contract, agreement or arrangement to which the Acquirer may be a party.

In performing our analyses and for purposes of the Opinion set forth herein, Houlihan has, among other things:

Reviewed the draft Agreement and Plan of Merger by and among PAC, KW Merger Sub Corporation and Kennedy Wilson (the "Merger Agreement"), dated September 2, 2009;

Reviewed and analyzed the Target's audited historical financial statements for the fiscal years ending December 31, 2006 through December 31, 2008;

Reviewed and analyzed the Target's unaudited interim financial statements for the period ending June 30, 2009;

Reviewed the Target's historical trading prices and volume (ticker: KWIC.PK). Houlihan noted that while the Target's shares are publicly traded, the shares are unlisted, unregistered, thinly traded, and have a relatively wide bid-ask spread. Given this illiquidity, Houlihan determined the share price is not necessarily indicative of the Target's fair market value;

Reviewed and analyzed financial projections of the Target prepared by Target's management ("Management") for the years ending December 31, 2009 through December 31, 2014, dated August 10, 2009;

Reviewed projected net operating income (NOI) for income generating office buildings held within Target's direct real estate portfolio;

Held discussions with Management to discuss assumptions used in the projections and Houlihan's analyses;

Reviewed a summary of the capital structure of the Target, assuming conversion of the Target's 7% Convertible Subordinated Notes;

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Reviewed the following documents regarding the Target's 7% Convertible Subordinated Note due November 3, 2018 including:

- Securities Purchase Agreement between the Target and The Guardian Life Insurance Company of America ("Guardian"), dated October 31, 2008;
- Shareholders Agreement between the Target, Guardian, and the shareholders, dated November 3, 2008;
- Authorization of New Class of Common Stock between the Target and Guardian, dated November 3, 2008;
- Guardian note payable by Target to Guardian, dated November 3, 2008;

Reviewed the Amended Certificate of Designation Preferences and Rights of Series A Preferred Stock of the Target, dated June 2, 2008;

Reviewed and analyzed the following for the investment properties, including but not limited to:

- Assignment and Assumption of Membership Interest;
- Amended and Restated LLC Agreement;
- Financial Performance (on a Fair Market Value Basis);
- Financial statements for holding entities of individual properties;
- Stacking Plan and capital expenditure;
- Operating and Property Management Agreements with Kennedy Wilson;

Reviewed schedules of the Target's real estate debt, as of May 31, 2009;

Reviewed a schedule of loan guarantees of the real estate held in the Target's direct real estate portfolio;

Reviewed the Kennedy Wilson auction pipeline report as of the second quarter in 2009;

Reviewed the following corporate documents:

Kennedy Wilson Multifamily Overview presentation, dated July 2009;

Kennedy Wilson Company Overview presentations, dated July 2009 and August 2009;

Kennedy Wilson Road Show presentation, dated August 2009;

Pro forma segment analysis, dated August 17, 2009;

Property Management presentation, dated July 14, 2009;

Held discussions with Management regarding, among other items, the real estate services and fund management industries specifically, and other industries generally;

Reviewed financial and operating information with respect to certain publicly-traded companies in the real estate management and real estate services industries, which we believe to be generally comparable to the business of the Target;

Reviewed the Target's current organizational chart; and

Performed other financial studies, analyses and investigations, and considered such other information, as we deemed necessary or appropriate.

We have relied upon and assumed, without independent verification, the accuracy, completeness and reasonableness of the financial, legal, tax, and other information discussed with or reviewed by us

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and have assumed such accuracy and completeness for purposes of rendering an opinion. We have further relied upon the assurances and representations from Acquirer that they are unaware of any facts that would make the information provided to us to be incomplete or misleading for the purposes of our Opinion. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources. Furthermore, we have relied, with your consent, upon Acquirer and their respective advisers, as to all legal, regulatory, accounting, insurance and tax matters with respect to the Acquirer and the Merger.

The Opinion shall be used (i) by the Board in evaluating the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger and the fair market value of the Target is at least equal to 80% of the balance in the Acquirer's trust account (excluding the amount held in the trust account representing a portion of the underwriters' discount) and (ii) in reports made by Acquirer to its shareholders and regulatory agencies. This Opinion has been furnished for the use and benefit of the Board in connection with their evaluation of the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger and may not be used for any other purpose without our prior written consent.

Our Opinion is necessarily based upon our evaluation of information made available to us, as well as, the economic, monetary, market, financial, regulatory and other conditions as they exist and can be evaluated on the date hereof and we have not undertaken, and we assume no responsibility, to update, revise, reaffirm or withdraw this Opinion, or otherwise comment on or consider events or circumstances occurring after the date hereof. We disclaim any obligation to advise the Board or any person of any change in any fact or matter affecting our Opinion, which may come or be brought to our attention after the date of this Opinion. We did not provide, and will not provide, any advice with respect to any legal conclusions as to whether the Merger may be prohibited by law.

In rendering our Opinion, we have assumed, with your consent, that the Merger will be consummated on the terms described in the Merger Agreement, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Acquirer or the Merger.

Each of the analyses conducted by Houlihan was carried out to provide a particular perspective of the Merger. Houlihan did not form a conclusion as to whether any individual analysis, when considered in isolation, supported or failed to support our Opinion as to the fairness of (i) the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger to the shareholders of the Acquirer, and (ii) the fair market value of the Target is at least equal to 80% of the balance in the Acquirer's trust account (excluding the amount held in the trust account representing a portion of the underwriters' discount). Houlihan does not place any specific reliance or weight on any individual analysis, but instead, concludes that its analyses taken as a whole, supports its conclusion and Opinion. Accordingly, Houlihan believes that its analyses must be considered in their entirety and that selecting portions of its analyses or the factors it considered, without considering all analyses and factors collectively, could create an incomplete view of the processes underlying the analyses performed by Houlihan in connection with the preparation of the Opinion.

This Opinion is not intended to be, and does not constitute, a recommendation to the Board to proceed with the Merger. This Opinion relates solely to the question of the fairness of (i) the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger to the shareholders of the Acquirer, and (ii) the fair market value of the Target is at least equal to 80% of the balance in the Acquirer's trust account (excluding the amount held in the trust account representing a

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portion of the underwriters' discount). This Opinion should not be construed as creating any fiduciary duty on our part to any person.

Except as set forth in our engagement letter with the Acquirer dated August 20, 2009, this Opinion may not be disclosed, reproduced, disseminated, quoted, summarized or referred to at any time, in any manner or for any purpose, nor shall any references to Houlihan or any of its affiliates be made, without the prior written consent of Houlihan, in each case except as set forth in the fifth preceding paragraph of this letter.

Houlihan, a Financial Industry Regulatory Authority (FINRA) member, as part of its investment banking services, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, underwritings, private placements, bankruptcy, capital restructuring, solvency analyses, stock buybacks, and valuations for corporate and other purposes. Houlihan has no prior investment banking relationships with either party involved in the transaction. Houlihan has received a non-contingent fee from PAC relating to its services in providing the Opinion. In an engagement letter dated August 20, 2009, PAC has agreed to indemnify Houlihan with respect to Houlihan's services relating to the Opinion.

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof, (i) the Merger Consideration to be paid by the Acquirer for the Target in conjunction with the Merger is fair from a financial point of view to the shareholders of the Acquirer, and (ii) the fair market value of the Target is at least equal to 80% of the balance in the Acquirer's trust account (excluding the amount held in the trust account representing a portion of the underwriters' discount).

Very truly yours,

/s/ Houlihan Smith & Company

Houlihan Smith & Company, Inc.

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October 22, 2009

CONFIDENTIAL

Mr. James J. Cahill
Chief Financial Officer
Prospect Acquisition Corp.
9130 Galleria Court
Naples, FL 34109

Re: Bring-Down Letter: Opinion of the Board of Directors' Financial Advisor

Dear Mr. Cahill:

On October 22, 2009, Houlihan (all terms used herein without definition shall have the meanings ascribed to them as set forth in the fairness opinion letter dated September 5, 2009) received correspondence from PAC detailing changes in the terms of the Merger Consideration. The changes noted were as follows:

> Revised terms of the Merger Consideration resulted in certain changes primarily related to a reduction in the number of shares retained by PAC's founders and executive management group, resulting in a higher implied value of the Merger Consideration to Target.

Houlihan noted that these changes do not affect financial projections provided by Target's management. As such, the analyses and assumptions upon which Houlihan based its Opinion have not changed. Houlihan reaffirms, as of the date hereof (and as though made on the date hereof), all statements made in our fairness opinion letter addressed to the Board and dated as of September 5, 2009.

This letter is solely for the information of the Board and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, without our prior consent, except as permitted by the engagement letter, dated August 20, 2009 between Houlihan and PAC.

Very truly yours,

/s/ Houlihan Smith & Company

Houlihan Smith & Company, Inc.

An Employee-owned Company

105 W. Madison Suite 1500 Chicago, IL 60602

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Annex G

Section 262 of the Delaware General Corporation Law

§ 262. Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

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(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be

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not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all

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relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

Annex H

Chapter 13. Dissenters' Rights. California General Corporation Law

§ 1300 Corp.

(a) If the approval of the outstanding shares (Section 152) of a corporation is required for a reorganization under subdivisions (a) and (b) or subdivision (e) or (f) of Section 1201, each shareholder of the corporation entitled to vote on the transaction and each shareholder of a subsidiary corporation in a short-form merger may, by complying with this chapter, require the corporation in which the shareholder holds shares to purchase for cash at their fair market value the shares owned by the shareholder which are dissenting shares as defined in subdivision (b). The fair market value shall be determined as of the day before the first announcement of the terms of the proposed reorganization or short-form merger, excluding any appreciation or depreciation in consequence of the proposed action, but adjusted for any stock split, reverse stock split, or share dividend which becomes effective thereafter.

(b) As used in this chapter, "dissenting shares" means shares which come within all of the following descriptions:

(1) Which were not immediately prior to the reorganization or short-form merger either (A) listed on any national securities exchange certified by the Commissioner of Corporations under subdivision (o) of Section 25100 or (B) listed on the National Market System of the NASDAQ Stock Market, and the notice of meeting of shareholders to act upon the reorganization summarizes this section and Sections 1301, 1302, 1303 and 1304; provided, however, that this provision does not apply to any shares with respect to which there exists any restriction on transfer imposed by the corporation or by any law or regulation; and provided, further, that this provision does not apply to any class of shares described in subparagraph (A) or (B) if demands for payment are filed with respect to 5 percent or more of the outstanding shares of that class.

(2) Which were outstanding on the date for the determination of shareholders entitled to vote on the reorganization and (A) were not voted in favor of the reorganization or, (B) if described in subparagraph (A) or (B) of paragraph (1) (without regard to the provisos in that paragraph), were voted against the reorganization, or which were held of record on the effective date of a short-form merger; provided, however, that subparagraph (A) rather than subparagraph (B) of this paragraph applies in any case where the approval required by Section 1201 is sought by written consent rather than at a meeting.

(3) Which the dissenting shareholder has demanded that the corporation purchase at their fair market value, in accordance with Section 1301.

(4) Which the dissenting shareholder has submitted for endorsement, in accordance with Section 1302.

(c) As used in this chapter, "dissenting shareholder" means the recordholder of dissenting shares and includes a transferee of record.

§ 1301 Corp.

(a) If, in the case of a reorganization, any shareholders of a corporation have a right under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, to require the corporation to purchase their shares for cash, that corporation shall mail to each such shareholder a notice of the approval of the reorganization by its outstanding shares (Section 152) within 10 days after the date of that approval, accompanied by a copy of Sections 1300, 1302, 1303, and 1304 and this section, a statement of the price determined by the corporation to represent the fair market value of the dissenting shares, and a brief description of the procedure to be followed if the shareholder desires

to exercise the shareholder's right under those sections. The statement of price constitutes an offer by the corporation to purchase at the price stated any dissenting shares as defined in subdivision (b) of Section 1300, unless they lose their status as dissenting shares under Section 1309.

(b) Any shareholder who has a right to require the corporation to purchase the shareholder's shares for cash under Section 1300, subject to compliance with paragraphs (3) and (4) of subdivision (b) thereof, and who desires the corporation to purchase shares shall make written demand upon the corporation for the purchase of those shares and payment to the shareholder in cash of their fair market value. The demand is not effective for any purpose unless it is received by the corporation or any transfer agent thereof (1) in the case of shares described in clause(A) or (B) of paragraph (1) of subdivision (b) of Section 1300 (without regard to the provisos in that paragraph), not later than the date of the shareholders' meeting to vote upon the reorganization, or (2) in any other case within 30 days after the date on which the notice of the approval by the outstanding shares pursuant to subdivision (a) or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(c) The demand shall state the number and class of the shares held of record by the shareholder which the shareholder demands that the corporation purchase and shall contain a statement of what that shareholder claims to be the fair market value of those shares as of the day before the announcement of the proposed reorganization or short-form merger. The statement of fair market value constitutes an offer by the shareholder to sell the shares at that price.

§ 1302 Corp.

Within 30 days after the date on which notice of the approval by the outstanding shares or the notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder, the shareholder shall submit to the corporation at its principal office or at the office of any transfer agent thereof, (a) if the shares are certificated securities, the shareholder's certificates representing any which the shareholder demands that the corporation purchase, to be stamped or endorsed with a statement that the shares are dissenting shares or to be exchanged for certificates of appropriate denomination so stamped or endorsed or (b) if the shares uncertificated securities, written notice of the number of which the shareholder demands that the corporation purchase. Upon subsequent transfers of the dissenting shares on the books of corporation, the new certificates, initial transaction statement, and other written statements issued therefor shall bear a like statement, together with the name of the original dissenting holder of the shares.

§ 1303 Corp.

(a) If the corporation and the shareholder agree that the are dissenting shares and agree upon the price of the shares, the dissenting shareholder is entitled to the agreed price with interest thereon at the legal rate on judgments from the date of the agreement. Any agreements fixing the fair market value of dissenting shares as between the corporation and the holders thereof shall be filed with the secretary of the corporation.

(b) Subject to the provisions of Section 1306, payment of the market value of dissenting shares shall be made within 30 days after the amount thereof has been agreed or within 30 days after statutory or contractual conditions to the reorganization satisfied, whichever is later, and in the case of certificated securities, subject to surrender of the certificates therefor, unless provided otherwise by agreement.

§ 1304 Corp.

(a) If the corporation denies that the shares are shares, or the corporation and the shareholder fail to agree upon the fair market value of the shares, then the shareholder demanding purchase of such shares as dissenting shares or any corporation, within six months after the date on which notice of approval by the outstanding shares (Section 152) or notice to subdivision (i) of Section 1110 was mailed

to the shareholder, not thereafter, may file a complaint in the superior court of the proper county praying the court to determine whether the shares dissenting shares or the fair market value of the dissenting shares or both or may intervene in any action pending on such a complaint.

(b) Two or more dissenting shareholders may join as or be joined as defendants in any such action and two or more actions may be consolidated.

(c) On the trial of the action, the court shall determine issues. If the status of the shares as dissenting shares is issue, the court shall first determine that issue. If the market value of the dissenting shares is in issue, the court determine, or shall appoint one or more impartial appraisers determine, the fair market value of the shares.

§ 1305 Corp.

(a) If the court appoints an appraiser or appraisers, they proceed forthwith to determine the fair market value per share. Within the time fixed by the court, the appraisers, or a of them, shall make and file a report in the office of the clerk of the court. Thereupon, on the motion of any party, the report shall be submitted to the court and considered on such evidence as the court considers relevant. If the court finds the report reasonable, the court may confirm it.

(b) If a majority of the appraisers appointed fail to make and file a report within 10 days from the date of their appointment or within such further time as may be allowed by the court or the report is confirmed by the court, the court shall determine the fair value of the dissenting shares.

(c) Subject to the provisions of Section 1306, judgment shall rendered against the corporation for payment of an amount equal the fair market value of each dissenting share multiplied by number of dissenting shares which any dissenting shareholder who is party, or who has intervened, is entitled to require the to purchase, with interest thereon at the legal rate from the on which judgment was entered.

(d) Any such judgment shall be payable forthwith with respect uncertificated securities and, with respect to securities, only upon the endorsement and delivery to the of the certificates for the shares described in the judgment. party may appeal from the judgment.

(e) The costs of the action, including reasonable compensation the appraisers to be fixed by the court, shall be or apportioned as the court considers equitable, but, if the exceeds the price offered by the corporation, the corporation pay the costs (including in the discretion of the court fees, fees of expert witnesses and interest at the legal rate judgments from the date of compliance with Sections 1300, 1301 and 1302 if the value awarded by the court for the shares is more 125 percent of the price offered by the corporation under subdivision (a) of Section 1301).

§ 1306 Corp.

To the extent that the provisions of Chapter 5 prevent the to any holders of dissenting shares of their fair market value, shall become creditors of the corporation for the amount together with interest at the legal rate on judgments until the of payment, but subordinate to all other creditors in any proceeding, such debt to be payable when permissible under provisions of Chapter 5.

§ 1307 Corp.

Cash dividends declared and paid by the corporation upon dissenting shares after the date of approval of the reorganization the outstanding shares (Section 152) and prior to payment for shares by the corporation shall be credited against the total to be paid by the corporation therefor.

§ 1308 Corp.

Except as expressly limited in this chapter, holders of shares continue to have all the rights and privileges incident their shares, until the fair market value of their shares is upon or determined. A dissenting shareholder may not withdraw demand for payment unless the corporation consents thereto.

§ 1309 Corp.

Dissenting shares lose their status as dissenting shares and holders thereof cease to be dissenting shareholders and cease to entitled to require the corporation to purchase their shares upon happening of any of the following:

(a) The corporation abandons the reorganization. Upon abandonment of the reorganization, the corporation shall pay on demand to any dissenting shareholder who has initiated proceedings in good under this chapter all necessary expenses incurred in such proceedings and reasonable attorneys' fees.

(b) The shares are transferred prior to their submission for endorsement in accordance with Section 1302 or are surrendered for conversion into shares of another class in accordance with the articles.

(c) The dissenting shareholder and the corporation do not agree upon the status of the shares as dissenting shares or upon the purchase price of the shares, and neither files a complaint or intervenes in a pending action as provided in Section 1304, within six months after the date on which notice of the approval by the outstanding shares or notice pursuant to subdivision (i) of Section 1110 was mailed to the shareholder.

(d) The dissenting shareholder, with the consent of the corporation, withdraws the shareholder's demand for purchase of dissenting shares.

§ 1310 Corp.

If litigation is instituted to test the sufficiency or of the votes of the shareholders in authorizing a reorganization, any proceedings under Sections 1304 and 1305 shall be suspended until final determination of such litigation.

§ 1311 Corp.

This chapter, except Section 1312, does not apply to classes of shares whose terms and provisions specifically set forth the amount to be paid in respect to such shares in the event of a or merger.

§ 1312 Corp.

(a) No shareholder of a corporation who has a right under chapter to demand payment of cash for the shares held by shareholder shall have any right at law or in equity to attack validity of the reorganization or short-form merger, or to have reorganization or short-form merger set aside or rescinded, except an action to test whether the number of shares required to or approve the reorganization have been legally voted in favor thereof; but any holder of shares of a class whose terms provisions specifically set forth the amount to be paid in respect them in the event of a reorganization or short-form merger entitled to payment in accordance with those terms and provisions or,if the principal terms of the reorganization are approved pursuant subdivision (b) of Section 1202, is entitled to payment in with the terms and provisions of the approved reorganization.

(b) If one of the parties to a reorganization or short-form is directly or indirectly controlled by, or under common with, another party to the reorganization or short-form merger,subdivision (a) shall not apply to any shareholder of such party has not demanded payment of cash for such shareholder's pursuant to this chapter; but if the shareholder institutes action to attack the validity of the reorganization or merger or to have the reorganization or short-form merger set or rescinded, the shareholder shall not thereafter have any right demand payment of cash for the shareholder's shares

pursuant to chapter. The court in any action attacking the validity of reorganization or short-form merger or to have the or short-form merger set aside or rescinded shall not restrain or the consummation of the transaction except upon 10 days' prior to the corporation and upon a determination by the court that no other remedy will adequately protect the complaining or the class of shareholders of which such shareholder is a member.

(c) If one of the parties to a reorganization or short-form is directly or indirectly controlled by, or under common control with, another party to the reorganization or short-form merger, any action to attack the validity of the reorganization or merger or to have the reorganization or short-form merger set or rescinded, (1) a party to a reorganization or short-form merger which controls another party to the reorganization or merger shall have the burden of proving that the transaction is just and reasonable as to the shareholders of the controlled party, and (2) a person who controls two or more parties to a shall have the burden of proving that the transaction is just reasonable as to the shareholders of any party so controlled.

§ 1313 Corp.

A conversion pursuant to Chapter 11.5 (commencing Section 1150) shall be deemed to constitute a for purposes of applying the provisions of this chapter, in accordance with and to the extent provided in Section 1159.

Annex I

Berkshire Capital Securities LLC
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September 4, 2009

Board of Directors
Kennedy-Wilson, Inc.
9601 Wilshire Boulevard, Suite 220
Beverly Hills, CA 90210

Ladies & Gentlemen:

You have advised us that, pursuant to an Agreement and Plan of Merger to be dated as of September 7, 2009 (the "Agreement"), by and among Prospect Acquisition Corp., a company incorporated under the laws of Delaware ("Prospect"), KW Merger Sub Corp., a company incorporated under the laws of Delaware and a wholly-owned subsidiary of Prospect ("Merger Sub") and Kennedy-Wilson, Inc., a company incorporated under the laws of Delaware ("Kennedy Wilson" or "KW"), Merger Sub will be merged with and into Kennedy Wilson (the "Merger"), at which time the separate corporate existence of Merger Sub will cease. The Agreement specifies that Kennedy Wilson will be the surviving corporation in the Merger. You have further advised us that pursuant to the Agreement, at the closing of the Merger, each share of the issued and outstanding shares of common stock, par value $0.01 per share of Kennedy Wilson (the "KW Common Stock") and of the convertible preferred stock of Kennedy Wilson (the "KW Preferred Stock") will be exchanged for aggregate consideration of 26,000,000 shares of common stock of Prospect, par value $0.0001 per share (the "Prospect Common Stock"), subject to adjustment in certain circumstances as set forth in the Agreement, whereby each share of KW Common Stock shall be converted into the right to receive 3.8031 shares of Prospect Common Stock (the "Common Stock Exchange Ratio") and each share of KW Preferred Stock shall be converted into the right to receive 105.6412 shares of Prospect Common Stock (the "Preferred Stock Exchange Ratio"). For purposes of this opinion, the shares of Prospect Common Stock to be received by the holders of KW Common Stock pursuant to the Common Stock Exchange Ratio are referred to as the "Merger Consideration". The terms and conditions of the Merger are set forth in more detail in the Agreement, a draft copy of which you have provided to us.

You have informed us that the Merger is expected to be consummated in the fourth quarter of 2009. The Agreement specifies that the Merger requires (i) the affirmative vote of the holders of a majority of the issued and outstanding shares of KW Common Stock and of the KW Preferred Stock, and (ii) the affirmative vote of the holders of a majority of the shares of Prospect Common Stock sold in the initial public offering of Prospect completed on November 14, 2007 (the "Prospect Public Offering") voted at the Prospect Stockholders' Meeting (as defined in the Agreement), *provided*, that the Merger will only proceed if holders of fewer than 30% of the shares of Prospect Common Stock sold in the Prospect Public Offering exercise their redemption rights.

You have requested our opinion as to whether the Merger Consideration to be received in the Merger by the non-management holders of KW Common Stock is fair to such stockholders of Kennedy Wilson from a financial point of view, as of the date hereof.

In arriving at our opinion, we have, among other things:

(i) reviewed a draft Agreement, dated September 2, 2009;

(ii) reviewed Kennedy Wilson's Annual Report for the years ended December 31, 2006, 2007 and 2008, and certain unaudited interim financial statements and other financial information prepared by the management of Kennedy Wilson with respect to the six months ended June 30, 2009;

(iii) reviewed Prospect's Annual Report on Form 10-K for the year ended December 31, 2008, Prospect's Quarterly Report on Form 10-Q for the period ended June 30, 2009, Prospect's Form S-1/A dated October 17, 2007 and other publicly available financial and operating information;

(iv) met with certain members of Kennedy Wilson's management to discuss the past and current business operations of KW, the historical financial condition and operations and future prospects of KW, and the effects of the Merger on the financial condition and future operations and prospects of KW;

(v) reviewed certain pro forma financial effects of the Merger;

(vi) reviewed certain historical and forward-looking business, financial and other information relating to Kennedy Wilson provided to or discussed with us by the management of KW;

(vii) reviewed certain financial and stock market data and other information for Kennedy Wilson and Prospect and compared that data and information with corresponding data and information for companies with publicly traded securities that we deemed relevant; and

(viii) considered such information, financial studies, analyses and investigations and financial, economic and market criteria that we deemed, in our sole judgment, to be necessary, appropriate or relevant to render the opinion set forth herein.

In conducting our review and arriving at our opinion, with your consent, we have not assumed any responsibility for independent verification of any of the foregoing information. We have, with your consent, assumed and relied upon the accuracy and completeness, in all material respects, of the information described in the preceding paragraph, and have relied upon the assurances of the members of management of Kennedy Wilson that they are unaware of any facts that would make the information or projections provided to us incomplete or misleading. We have not been requested to make, and have not made, an independent evaluation or appraisal of any assets or liabilities (contingent or otherwise) of Kennedy Wilson or any of its affiliates, nor have we been furnished with any such evaluation or appraisal. Further, we have assumed, with your consent, that all of the information prepared by the management of Kennedy Wilson provided to us for purposes of this opinion, including the projections for Kennedy Wilson, was prepared in good faith and on a basis reflecting the best currently available estimates and judgments of the management of Kennedy Wilson as to the future financial performance of Kennedy Wilson, and the assumptions underlying such projections were viewed by management as being reasonable at the time made.

We have not undertaken any independent legal analysis of the Merger, any related transactions, the Agreement or any legal or regulatory proceedings pending or threatened related to Kennedy Wilson. We have not been asked to, and do not, express any opinion as to the after-tax consequences of the Merger to the stockholders of Kennedy Wilson. Furthermore, we are expressing no opinion herein as to the price at which the Prospect Common Stock or the KW Common Stock will trade at any future time.

Our opinion is necessarily based on economic, monetary and market conditions existing on the date hereof. We have also assumed that the executed Agreement will conform in all material respects to the draft Agreement, and that the Merger will be consummated on the terms described in the draft Agreement without any waiver of any material terms or conditions by the stockholders of Kennedy Wilson.

Berkshire Capital Securities LLC, as part of its investment banking business, is engaged in the business of providing financial advisory services with regard to mergers and acquisitions. We have acted as financial adviser to Kennedy Wilson in the Merger, have received fees for such services, will receive a fee for our services in rendering this opinion and will receive a fee upon the completion of the Merger. In addition, Kennedy Wilson has agreed to reimburse us for our reasonable expenses, and to indemnify us against certain liabilities that may arise out of this assignment, including the rendering of this opinion.

This opinion is for the use and benefit of the Board of Directors of Kennedy Wilson and is rendered to the Board of Directors of Kennedy Wilson in connection with its consideration of the Merger. Our opinion does not address the merits of the underlying decision by Kennedy Wilson to engage in the Merger or the relative merits of the Merger as compared to other business strategies that might be available to Kennedy Wilson. In that regard, we were not authorized to, and did not, solicit third party indications of interest in acquiring all or a part of Kennedy Wilson or engaging in a business combination or any other strategic transaction with Kennedy Wilson. We express no opinion or recommendation as to how the shareholders of Kennedy Wilson should vote at any stockholders' meeting to be held in connection with the Merger. This letter is not to be used for any other purpose, or reproduced, disseminated, quoted or referred to at any time or in any manner, in whole or in part, without our written consent; provided, however, that this letter may be included in its entirety in any proxy statement or disclosure statement to be distributed to the holders of KW Preferred Stock and KW Common Stock or options to buy KW Common Stock in connection with the Merger.

Based upon and subject to the foregoing, we are of the opinion that the Merger Consideration to be received in the Merger by the non-management holders of KW Common Stock is fair to such stockholders of Kennedy Wilson from a financial point of view, as of the date hereof.

Very truly yours,
/s/ Berkshire Capital Securities LLC
BERKSHIRE CAPITAL SECURITIES LLC

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Directors and Officers

Prospect's amended and restated certificate of incorporation provides as follows:

"Section 8.1. Right to Indemnification.

(A) director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this paragraph (A) by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation with respect to events occurring prior to the time of such repeal or modification.

(B) The Corporation, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized hereby."

Prospect's amended and restated by-laws provides as follows:

"Article VII Indemnification of Directors and Officers

7.1 The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

7.2 The Corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other

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enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

7.3 To the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 or 2 of this Article VII, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

7.4 Any indemnification under sections 1 or 2 of this Article VII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in such section. Such determination shall be made:

(a) By the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or

(b) If such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion,

(c) By the stockholders.

7.5 Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

7.6 The indemnification and advancement of expenses provided by, or granted pursuant to the other sections of this Article VII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

7.7 The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

7.8 For purposes of this Article VII, references to "the Corporation" shall include, in addition to the resulting Corporation, any constituent Corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person

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who is or was a director, officer, employee or agent of such constituent Corporation, or is or was serving at the request of such constituent Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article VII with respect to the resulting or surviving Corporation as he would have with respect to such constituent Corporation if its separate existence had continued.

7.9 For purposes of this Article VII, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VII.

7.10 The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7.11 No director or officer of the Corporation shall be personally liable to the Corporation or to any stockholder of the Corporation for monetary damages for breach of fiduciary duty as a director or officer, provided that this provision shall not limit the liability of a director or officer (i) for any breach of the director's or the officer's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the General Corporation Law of Delaware, or (iv) for any transaction from which the director or officer derived an improper personal benefit."

Section 145 of the DGCL concerning indemnification of officers, directors, employees and agents is set forth below.

"Section 145. Indemnification of officers, directors, employees and agents; insurance.

(a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a

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director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. A right to indemnification or to advancement of expenses arising under a provision of the certificate of incorporation or a bylaw shall not be eliminated or impaired by an amendment to such provision after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought, unless the provision in effect at the time of such act or omission explicitly authorizes such elimination or impairment after such action or omission has occurred.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by

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such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees)."

Commission Position on Indemnification for Securities Act Liabilities

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, Prospect has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Item 21. Exhibits and Financial Statement Schedules

The following exhibits are filed as part of this proxy statement/prospectus:

Exhibit No.	Description
2.1	Agreement and Plan of Merger, by and among Prospect Acquisition Corp., KW Merger Sub Corp. and Kennedy-Wilson, Inc., dated as of September 8, 2009, included as Annex A to the proxy statement/prospectus.
2.2	Amendment No. 1 to the Agreement and Plan of Merger dated October 22, 2009 between Prospect Acquisition Corp., KW Merger Sub Corp. and Kennedy-Wilson, Inc., included as part of Annex A to the proxy statement/prospectus.

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Exhibit No.	Description
2.3	Amendment No. 2 to the Agreement and Plan of Merger dated October 26, 2009 between Prospect Acquisition Corp., KW Merger Sub Corp. and Kennedy-Wilson, Inc., included as part of Annex A to the proxy statement/prospectus.
3.1	Amended and Restated Certificate of Incorporation of Prospect Acquisition Corp., previously filed as Exhibit 3.1 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
3.2	Amended and Restated Bylaws of Prospect Acquisition Corp., previously filed as Exhibit 3.2 to Prospect's Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-145110) filed October 26, 2007.
3.3	Form of Second Amended and Restated Certificate of Incorporation of Prospect Acquisition Corp., included as Annex D to the proxy statement/prospectus.
3.4*	Certificate of Incorporation of Kennedy-Wilson, Inc., filed March 27, 1992.
3.5*	Certificate of Amendment of Certificate of Incorporation of Kennedy-Wilson, Inc., dated November 20, 1995.
3.6*	Certificate of Amendment of Certificate of Incorporation of Kennedy-Wilson, Inc., dated November 19, 1996.
3.7*	Certificate of Amendment of Certificate of Incorporation of Kennedy-Wilson, Inc., dated December 15, 1997.
3.8*	Certificate of Amendment of Certificate of Incorporation of Kennedy-Wilson, Inc., dated April 29, 1998.
3.9*	Certificate of Amendment of Certificate of Incorporation of Kennedy-Wilson, Inc., dated April 18, 1999.
3.10*	Certificate of Amendment of Certificate of Incorporation of Kennedy-Wilson, Inc., dated March 25, 2009.
3.11*	Bylaws of Kennedy-Wilson, Inc.
3.12*	Amended Certificate of Designation, Preferences and Rights of Series A Preferred Stock of Kennedy-Wilson, Inc., dated as of May 30, 2008.
4.1	Specimen Unit Certificate of Prospect Acquisition Corp., previously filed as Exhibit 4.1 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
4.2	Specimen Common Stock Certificate of Prospect Acquisition Corp., previously filed as Exhibit 4.2 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
4.3	Specimen Warrant Certificate of Prospect Acquisition Corp., previously filed as Exhibit 4.3 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
4.4	Warrant Agreement between Continental Stock Transfer & Trust Company and Prospect Acquisition Corp., previously filed as Exhibit 4.4 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
4.5	Form of Amendment No. 1 to Warrant Agreement between Continental Stock Transfer & Trust Company and Prospect Acquisition Corp., included as Annex B to the proxy statement/prospectus.

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Exhibit No.	Description
4.6	Form of Amended and Restated Warrant Agreement between Continental Stock Transfer & Trust Company and Kennedy-Wilson Holdings, Inc., included as Annex C to the proxy statement/prospectus.
4.7*	Form of Specimen Warrant Certificate of Kennedy-Wilson Holdings, Inc.
5.1****	Opinion of Bingham McCutchen LLP regarding the validity of securities.
8.1****	Opinion of Bingham McCutchen LLP regarding certain federal income tax matters.
8.2***	Opinion of Loeb and Loeb LLP regarding certain federal income tax matters.
10.1	Promissory Note issued by Prospect Acquisition Corp. to Flat Ridge Investments LLC on July 17, 2007, previously filed as Exhibit 10.1 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.
10.2	Promissory Note issued by Prospect Acquisition Corp. to LLM Investors L.P. on July 17, 2007, previously filed as Exhibit 10.2 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.
10.3	Promissory Note issued by Prospect Acquisition Corp. to LLM Structured Equity Fund L.P. on July 17, 2007, previously filed as Exhibit 10.3 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.
10.4	Stock Purchase Agreement dated July 18, 2007 between Prospect Acquisition Corp. and Flat Ridge Investments LLC, LLM Structured Equity Fund L.P. and LLM Investors L.P., previously filed as Exhibit 10.4 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.
10.5	Stock Purchase Agreement dated August 1, 2007 by and among Flat Ridge Investments LLC, SJC Capital LLC, Michael P. Castine and Daniel Gressel, previously filed as Exhibit 10.5 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.
10.6	Stock Purchase Agreement dated August 1, 2007 by and among LLM Structured Equity Fund L.P., LLM Investors L.P. and Capital Management Systems, Inc., previously filed as Exhibit 10.6 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.
10.7	Letter Agreement by and among Prospect Acquisition Corp., Citigroup Global Markets Inc. and each executive officer, director and initial stockholders of Prospect Acquisition Corp., previously filed as Exhibit 10.7 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
10.8	Investment Management Trust Agreement between Continental Stock Transfer & Trust Company and Prospect Acquisition Corp., previously filed as Exhibit 10.8 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
10.9	Escrow Agreement between Prospect Acquisition Corp., Continental Stock Transfer & Trust Company and the initial stockholders of Prospect, previously filed as Exhibit 10.9 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
10.10	Administrative Services Agreement dated July 30, 2007 between Teleos Management, L.L.C., LLM Capital Partners LLC and Prospect Acquisition Corp., previously filed as Exhibit 10.10 to Prospect's Registration Statement on Form S-1 (File No. 333-145110) filed August 3, 2007.

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Exhibit No.	Description
10.11	Registration Rights Agreement dated November 14, 2007 by and among Prospect Acquisition Corp. and Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P., Capital Management Systems, Inc., SJC Capital LLC, Michael P. Castine, Daniel Gressel, Michael Downey, James J. Cahill and John Merchant, previously filed as Exhibit 10.11 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
10.12	Sponsors' Warrants Purchase Agreement by and among Prospect Acquisition Corp. and Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P. and Capital Management Systems, Inc., previously filed as Exhibit 10.12 to Prospect's Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-145110) filed October 17, 2007.
10.13	Right of First Review Letter Agreement by and among Prospect Acquisition Corp., David A. Minella, Patrick J. Landers, James J. Cahill, Michael P. Castine, William Cvengros, Michael Downey, Daniel Gressel, William Landman, Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P. and Capital Management Systems, Inc., previously filed as Exhibit 10.13 to Prospect's Annual Report on Form 10-K filed March 31, 2008.
10.14	Stock Purchase Agreement dated September 6, 2007 by and between Flat Ridge Investments LLC and Michael Downey, previously filed as Exhibit 10.14 to Prospect's Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-145110) filed September 10, 2007.
10.15	Stock Purchase Agreement dated September 6, 2007 by and among James J. Cahill, LLM Structured Equity Fund L.P., LLM Investors L.P. and Capital Management Systems, Inc., previously filed as Exhibit 10.15 to Prospect's Amendment No. 1 to the Registration Statement on Form S-1 (File No. 333-145110) filed September 10, 2007.
10.16	Stock Purchase Agreement dated October 15, 2007 by and among the sellers identified on Schedules B and C thereto, Flat Ridge Investments LLC and James J. Cahill, previously filed as Exhibit 10.16 to Prospect's Amendment No. 2 to the Registration Statement on Form S-1 (File No. 333-145110) filed October 17, 2007.
10.17	Stock Purchase Agreement dated October 25, 2007 by and among Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P., Capital Management Systems, Inc. and John Merchant, previously filed as Exhibit 10.17 to Prospect's Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-145110) filed October 26, 2007.
10.18	Amendment to Administrative Services Agreement dated December 31, 2008 between Teleos Management, L.L.C., LLM Capital Partners LLC and Prospect Acquisition Corp., previously filed as Exhibit 10.1 to Prospect's Current Report on Form 8-K filed January 7, 2009.
10.19	Executive Office Lease Agreement dated January 1, 2009 between Prospect Acquisition Corp. and Professional Suites at the Galleria, Inc., previously filed as Exhibit 10.2 to Prospect's Current Report on Form 8-K filed January 7, 2009.

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Exhibit No.		Description
10.20*		Forfeiture Agreement dated September 8, 2009 by and among Prospect Acquisition Corp., De Guardiola Advisors, Inc., De Guardiola Holdings, Inc., Flat Ridge Investments LLC, LLM Structured Equity Fund L.P., LLM Investors L.P., CMS Platinum Fund, L.P., SJC Capital LLC, Michael P. Castine, Daniel Gressel, Michael Downey, James J. Cahill, John Merchant and Kennedy-Wilson, Inc.
10.21*		Letter Agreement dated September 17, 2009 by Prospect Acquisition Corp. and Citigroup Global Markets Inc. Ladenburg Thalmann & Co. Inc. and I-Bankers Securities, Inc.
10.22*		Letter Agreement dated September 4, 2009 by Prospect Acquisition Corp. and De Guardiola Advisors, Inc.
10.23*		Form of Lock-Up Agreement by Prospect Acquisition Corp. and certain stockholders of Prospect.
10.24		Form of Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan, included as Annex E to the proxy statement/prospectus.
10.25	*	Form of Consultant Restricted Stock Award Agreement to Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
10.26	*	Form of Employee Performance Unit Award Agreement to Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
10.27	*	Form of Employee Restricted Stock Award Agreement to Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
10.28*		Promissory Note issued by Kennedy-Wilson, Inc. to The Guardian Life Insurance Company of America on November 3, 2008.
10.29	*	Form of Fifteenth Amendment to Employment Agreement by Kennedy-Wilson, Inc. and William J. McMorrow.
10.30	*	Employment Agreement dated August 14, 1992 between Kennedy-Wilson and William J. McMorrow.
10.31	*	Amendment to Employment Agreement dated as of January 1, 1993 between Kennedy-Wilson and William J. McMorrow.
10.32	*	Second Amendment to Employment Agreement dated as of between January 1, 1994 Kennedy-Wilson and William J. McMorrow.
10.33	***	Third Amendment to Employment Agreement dated as of March 31, 1995 between Kennedy-Wilson and William J. McMorrow.
10.34	***	Fourth Amendment to Employment Agreement dated as of January 1, 1996 Kennedy-Wilson and William J. McMorrow.
10.35	*	Amendment to Employment Agreement dated as of February 28, 1996 between Kennedy-Wilson and William J. McMorrow.
10.36	***	Fifth Amendment to Employment Agreement dated as of May 19, 1997 between Kennedy-Wilson and William J. McMorrow.
10.37	*	Sixth Amendment to Employment Agreement dated as of August 20, 1998 between Kennedy-Wilson and William J. McMorrow.

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Exhibit No.		Description
10.38	*	Seventh Amendment to Employment Agreement dated as of August 9, 1999 between Kennedy-Wilson and William J. McMorrow.
10.39	*	Eighth Amendment to Employment Agreement dated as of January 3, 2000 between Kennedy-Wilson and William J. McMorrow.
10.40	*	Ninth Amendment to Employment Agreement dated as of October 1, 2000 between Kennedy-Wilson and William J. McMorrow.
10.41	*	Tenth Amendment to Employment Agreement dated as of April 22, 2002 between Kennedy-Wilson and William J. McMorrow.
10.42	*	Eleventh Amendment to Employment Agreement dated as of October 1, 2003 between Kennedy-Wilson and William J. McMorrow.
10.43	*	Twelfth Amendment to Employment Agreement dated as of April 21, 2004 between Kennedy-Wilson and William J. McMorrow.
10.44	*	Thirteenth Amendment to Employment Agreement dated as of January 1, 2008 between Kennedy-Wilson and William J. McMorrow.
10.45	*	Fourteenth Amendment to Employment Agreement dated as of February 1, 2009 between Kennedy-Wilson and William J. McMorrow.
10.46	*	Form of Second Amendment to Employment Agreement by Kennedy-Wilson, Inc. and Mary L. Ricks.
10.47	*	Employment Agreement dated February 1, 2009 between Kennedy-Wilson and Mary L. Ricks.
10.48	*	First Amendment to Employment Agreement dated June 1, 2009 between Kennedy-Wilson and Mary L. Ricks.
10.49	*	Form of First Amendment to Employment Agreement by Kennedy-Wilson, Inc. and Donald J. Herrema.
10.50	*	Employment Agreement dated June 15, 2009 between Kennedy-Wilson and Donald J. Herrema.
10.51	*	Employment Agreement dated April 1, 1996 between Kennedy-Wilson and Freeman Lyle.
10.52	*	Amendment to Employment Agreement dated April 1, 1997 between Kennedy-Wilson and Freeman Lyle.
10.53	*	Second Amendment to Employment Agreement dated April 1, 1998 between Kennedy-Wilson and Freeman Lyle.
10.54	*	Third Amendment to Employment Agreement dated as of August 15, 1998 between Kennedy-Wilson and Freeman Lyle.
10.55	*	Fourth Amendment to Employment Agreement dated as of April 1, 1999 between Kennedy-Wilson and Freeman Lyle.
10.56	*	Fifth Amendment to Employment Agreement dated as of April 1, 2000 between Kennedy-Wilson and Freeman Lyle.
10.57	*	Sixth Amendment to Employment Agreement dated as of January 1, 2001 between Kennedy-Wilson and Freeman Lyle.

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Exhibit No.		Description
10.58	*	Seventh Amendment to Employment Agreement dated as of March 28, 2001 between Kennedy-Wilson and Freeman Lyle.
10.59	*	Eighth Amendment to Employment Agreement dated as of September 1, 2002 between Kennedy-Wilson and Freeman Lyle.
10.60	*	Ninth Amendment to Employment Agreement dated October 1, 2003 between Kennedy-Wilson and Freeman Lyle.
10.61	*	Tenth Amendment to Employment Agreement dated January 1, 2004 between Kennedy-Wilson and Freeman Lyle.
10.62	*	Eleventh Amendment to Employment Agreement dated January 1, 2005 between Kennedy-Wilson and Freeman Lyle.
10.63	*	Twelfth Amendment to Employment Agreement dated January 1, 2006 between Kennedy-Wilson and Freeman Lyle.
10.64	*	Thirteenth Amendment to Employment Agreement dated January 1, 2007 between Kennedy-Wilson and Freeman Lyle.
10.65	*	Fourteenth Amendment to Employment Agreement dated March 1, 2007 between Kennedy-Wilson and Freeman Lyle.
10.66	*	Fifteenth Amendment to Employment Agreement dated January 1, 2008 between Kennedy-Wilson and Freeman Lyle.
10.67	*	Sixteenth Amendment to Employment Agreement dated June 1, 2008 between Kennedy-Wilson and Freeman Lyle.
10.68	*	Seventeenth Amendment to Employment Agreement dated January 1, 2009 between Kennedy-Wilson and Freeman Lyle.
10.69	*	Employment Agreement dated January 4, 1999 between Kennedy-Wilson and James Rosten.
10.70	*	Amendment to Employment Agreement dated as of January 1, 2001 between Kennedy-Wilson Properties and James Rosten.
10.71	*	Second Amendment to Employment Agreement dated as of March 15, 2001 between Kennedy-Wilson Properties and James Rosten.
10.72	*	Third Amendment to Employment Agreement dated as of January 3, 2003 between Kennedy-Wilson Properties and James Rosten.
10.73	*	Fourth Amendment to Employment Agreement dated as of September 5, 2003 between Kennedy-Wilson Properties and James Rosten.
10.74	*	Fifth Amendment to Employment Agreement dated as of October 1, 2003 between Kennedy-Wilson Properties and James Rosten.
10.75	*	Sixth Amendment to Employment Agreement dated as of January 1, 2004 between Kennedy-Wilson Properties and James Rosten.
10.76	*	Seventh Amendment to Employment Agreement dated as of April 19, 2004 between Kennedy-Wilson Properties and James Rosten.
10.77	*	Eighth Amendment to Employment Agreement dated as of January 1, 2005 between Kennedy-Wilson Properties and James Rosten.

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Exhibit No.		Description
10.78	*	Ninth Amendment to Employment Agreement dated as of February 11, 2005 between Kennedy-Wilson Properties and James Rosten.
10.79	*	Tenth Amendment to Employment Agreement dated as of January 1, 2006 between Kennedy-Wilson Properties and James Rosten.
10.80	*	Eleventh Amendment to Employment Agreement dated as of August 1, 2006 between Kennedy-Wilson Properties and James Rosten.
10.81	*	Twelfth Amendment to Employment Agreement dated as of January 1, 2007 between Kennedy-Wilson Properties and James Rosten.
10.82	*	Thirteenth Amendment to Employment Agreement dated as of January 1, 2008 between Kennedy-Wilson Properties and James Rosten.
10.83	*	Fourteenth Amendment to Employment Agreement dated as of January 1, 2009 between Kennedy-Wilson Properties and James Rosten.
10.84	*	Employment Agreement dated January 1, 2006 between KW Multi-Family Management Group and Robert Hart.
10.85	*	Amendment to Employment Agreement dated as of August 1, 2006 between KW Multi-Family Management Group and Robert Hart.
10.86	*	Second Amendment to Employment Agreement dated as of January 1, 2007 between KW Multi-Family Management Group and Robert Hart.
10.87	*	Third Amendment to Employment Agreement dated as of January 1, 2008 between KW Multi-Family Management Group and Robert Hart.
10.88	*	Fourth Amendment to Employment Agreement dated as of January 1, 2009 between KW Multi-Family Management Group and Robert Hart.
10.89	*	Promissory Note issued by Kennedy-Wilson, Inc. to William J. McMorrow on April 10, 2006.
10.90	*	Business Loan Agreement dated July 29, 2009 between Kennedy-Wilson, Inc. and Pacific Western Bank.
10.91	**	Amended and Restated Loan Agreement dated June 5, 2008 between Kennedy-Wilson, Inc. and U.S. Bank National Association.
10.92	*	Junior Subordinated Indenture dated, January 31, 2007 between Kennedy-Wilson, Inc. and The Bank of New York Trust Company, National Association, as trustee.
10.93	*	1992 Non-Employee Director Stock Option Plan.
10.94	*	Shareholders Agreement dated November 3, 2008 between Kennedy-Wilson, Inc. and The Guardian Life Insurance Company of America.
10.95	*	Office Lease dated August 19, 1998 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.
10.96	*	First Amendment to Office Lease dated March 5, 1999 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.
10.97	*	Second Amendment to Lease dated June 2, 1999 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.

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Exhibit No.	Description
10.98*	Third Amendment to Office Lease dated December 20, 2002 between Brighton Enterprises, LLC and Kennedy-Wilson, Inc.
10.99*	Fourth Amendment to Office Lease dated September 11, 2003 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.
10.100*	Fifth Amendment to Office Lease dated January 7, 2006 between Douglas Emmett 2000, LLC and Kennedy-Wilson, Inc.
10.101*	Standard Office Lease dated March 3, 2009 by and among 9701-Hempstead Plaza, LLC, 9701-Carolina Gardens LLC, 9701-West Point Realty LLC, 9701-Dakota Leasing LLC and 9701-Iowa Leasing LLC and Kennedy-Wilson Inc.
10.102*	Second Amended and Restated Guaranty of Payment dated November 4, 2008 by Arthur S. Levine, as Trustee of the Ray J. Rutter Trust, Arthur S. Levine, as Trustee of the Susan Ray Rutter Trust, and Arthur S. Levine, as Trustee of the Robert Jonathan Rutter Trust, and Kennedy-Wilson Inc., to Bank Midwest N.A.
10.103*	Commercial Guaranty dated November 24, 2008 for borrower TDM Beach Villas, LLC, to Pacific Western Bank, by Kennedy-Wilson, Inc.
10.104*	Amended and Restated Guaranty dated October 25, 2007 Agreement by Kennedy-Wilson, Inc. in favor of Bank of America, N.A., as agent for lenders.
10.105*	Amendment to Irrevocable standby letters of credit dated October 26, 2007 from Bank of America to the beneficiary, City of Walnut Creek on behalf of Fairways 340 LLC.
10.106*	Guaranty Agreement made as of August 14, 2007 by Kennedy-Wilson, Inc. in favor of Bank of America, N.A., as agent for lenders.
10.107*	Repayment Guaranty made as of September 4, 2007 by Kennedy-Wilson, Inc. in favor of Wachovia Bank, N.A., as agent for lenders.
10.108*	Commercial Guaranty made as of September 13, 2007 by Kennedy-Wilson, Inc., to Pacific Western Bank, on behalf of Windscape Village LLC.
10.109*	Guaranty Agreement by Kennedy Wilson, Inc., on behalf of Waseda Partners, to Mizuho Bank, Ltd.
10.110*	Commercial Guaranty made as of July 20, 2009 by Kennedy-Wilson, Inc., on behalf of KW Indigo Land, LLC, to Pacific Western Bank.
10.111*	Repayment Guaranty made as of May 9, 2007 by Kennedy-Wilson, Inc. and KW Property Fund I, L.P. for the benefit of Wachovia Bank National Association.
10.112*	Commercial Guaranty dated January 16, 2009 to Pacific Western Bank by KWI Property Fund I, L.P.
10.113*	Guaranty made as of May 29, 2008 by Kennedy-Wilson, Inc. and KW Property Fund III, L.P. for the benefit of Deutsche Bank, AG.
10.114*	Payment Guaranty dated as of June 2009 by Kennedy-Wilson, Inc., in favor of The Guardian Life Insurance Company of America.
10.115*	Guaranty made as of September 9, 2005, by Kennedy-Wilson, Inc., a Delaware corporation, in favor of Bank of America, N.A.
10.116 *	1992 Kennedy-Wilson, Inc. Incentive and Nonstatutory Stock Option Plan.

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Exhibit No.	Description
10.117*	Repayment Guaranty made as of September 4, 2007 by KWI Property Fund I, L.P. and KW Property Fund II, L.P., Delaware limited partnerships in favor of Wachovia Bank, N.A., as agent for lenders.
10.118**	Letter Agreement dated as of October 8, 2009 by Kennedy-Wilson and The Guardian Life Insurance Company of America amending the Promissory Note dated November 3, 2008.
10.119 ***	Fifteenth Amendment to Employment Agreement dated January 1, 2009 between Kennedy-Wilson Properties and James Rosten.
10.220 ***	Eighteenth Amendment to Employment Agreement dated January 1, 2009 between Kennedy-Wilson and Freeman Lyle.
10.221 ***	Fifth Amendment to Employment Agreement dated January 1, 2009 between KW Multi-Family Group, Ltd. and Robert Hart.
10.222***	First Amendment to Forfeiture Agreement dated October 22, 2009 between Prospect Acquistion Corp., De Guardiola Advisors, Inc., De Guardiola Holdings, Inc., Flat Ridge Investments LLC, LLM Structured Equity Fund L.P, LLM Investors L.P., CMS Platinum Fund, L.P., SJC Capital LLC, Michael P. Castine, Daniel Gressel, Michael Downey, James J. Cahill, John Merchant and Kennedy-Wilson, Inc.
10.223 ***	Waiver and Modification with respect to Employment Agreements dated October 22, 2009 between Kennedy-Wilson, Inc. and William J. McMorrow, Mary L. Ricks and Donald J. Herrema.
21.1*	List of Subsidiaries of Kennedy-Wilson, Inc.
23.1	Consent of McGladrey & Pullen, LLP, filed herewith.
23.2	Consent of KPMG LLP, filed herewith.
23.3****	Consent of Bingham McCutchen LLP (included in Exhibit 5.1).
24.1*	Power of Attorney.
99.1***	Form of Proxy for Holders of Prospect Acquisition Corp. Common Stock.
99.2***	Form of Proxy for Holders of Prospect Acquisition Corp. Warrants.
99.3	Consent of Houlihan Smith & Company, Inc., filed herewith.
99.4*	Consent of Kent Mouton.
99.5*	Consent of Jerry R. Solomon.
99.6*	Consent of Norman Creighton.
99.7*	Consent of Thomas Sorell.
99.8*	Consent of Cathy Hendrickson.
99.9*	Consent of William J. McMorrow.
99.10	Consent of Berkshire Capital Securities LLC, filed herewith.

Management Contract, Compensation Plan or Agreement.

*
Previously filed with the Initial Registration Statement on Form S-4 filed on September 24, 2009.

**
Previously filed with Amendment No. 1 to the Registration Statement on Form S-4 filed on October 16, 2009.

***
Previously filed with Amendment No. 2 to the Registration Statement on Form S-4 filed on October 23, 2009.

****
Previously filed with Amendment No. 3 to the Registration Statement on Form S-4 filed on October 27, 2009.

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Item 22. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(5) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser: If the registrant is subject to Rule 430C, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(6) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities: The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

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iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(g)(1) The undersigned registrant hereby undertakes as follows: That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(2) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (h)(1) immediately preceding, or (ii) that purports to meet the requirements of section 10(a) (3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(i) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally promptly means. This includes information contained in documents filed subsequent to the effective date of the registration statement though the date of responding request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Naples, State of Florida, on October 28, 2009.

PROSPECT ACQUISITION CORP.

By: /s/ DAVID A. MINELLA

David A. Minella
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following person in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVID A. MINELLA David A. Minella	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	October 28, 2009
/s/ JAMES J. CAHILL James J. Cahill	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	October 28, 2009
* Patrick J. Landers	President and Director	October 28, 2009
* Michael P. Castine	Director	October 28, 2009
* William Cvengros	Director	October 28, 2009
* Michael Downey	Director	October 28, 2009
* Daniel Gressel	Director	October 28, 2009
* William Landman	Director	October 28, 2009
*	Director	October 28, 2009

John Merchant

* By: /s/ DAVID A. MINELLA

Name: David A. Minella
Title: Attorney-in-fact

Explanation of Responses: