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Kennedy-Wilson Holdings, Inc.

Form 10-K/A

March 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-33824

Kennedy-Wilson Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

26-0508760

(State or Other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

9701 Wilshire Blvd., Suite 700

90212

Beverly Hills, CA

(Address of Principal Executive Offices)

(Zip Code)

(310) 887-6400

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common Stock, \$.0001 par value

Securities registered pursuant to Section 12(g) of the Act: None

Name of Each Exchange on which Registered

NYSE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Based on the last sale at the close of business on June 30, 2014, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant was approximately \$1,977,279,477.

The number of shares of common stock outstanding as of March 2, 2015 was 96,013,684.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of the registrant's Annual Report on Form 10-K filed on March 2, 2015 incorporates certain information by reference from the registrant’s proxy statement for the annual meeting of stockholders to be held on or around June 11, 2015, which proxy statement will be filed no later than 120 days after the close of the registrant’s fiscal year ended December 31, 2014.

EXPLANATORY NOTE

Kennedy-Wilson Holdings, Inc., a Delaware corporation (the “Company”), is filing this Amendment No. 1 (this “Amendment”) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which was originally filed with the Securities and Exchange Commission (the “SEC”) on March 2, 2015 (the “Original Report”), to amend Item 15 of the Original Report and include separate financial statements of the following entities, as required pursuant to Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended:

- Bay Fund Opportunity, LLC and Subsidiaries
- Kennedy Wilson Real Estate Fund IV, L.P.
- One Baxter Way, LP
- KW Funds - 303 North Glenoaks, LLC and KW Funds - 6100 Wilshire, LLC
- Bay Area Smart Growth Fund II, LLC
- Egret Limited and its subsidiaries
- KWVF Panther Holdco Limited
- WH Valle Di Oro 79, LLC
- KW Stadium Gateway Partners, LLC
- KW Marina View, LLC
- KWF Real Estate Venture VI, L.P

Other than as set forth herein, this Amendment does not affect any other parts of, or exhibits to, the Original Report, and those unaffected parts or exhibits are not included in this Amendment. This Amendment continues to speak as of the date of the Original Report, and the Company has not updated the disclosure contained in this Amendment or the Original Report to reflect events that have occurred since the filing of the Original Report. Accordingly, this Amendment should be read in conjunction with the Company's other filings with the SEC since the filing of the Original Report.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this annual report:

- (1) Financial Statements. The consolidated financial statements of the Company, as listed in Item 8 of the Original Report, are included in Item 8 of the Original Report
- (2) Financial Statement Schedules. The financial statement schedules of the Company, as listed in Item 8 of the Original Report, are included in Item 8 of the Original Report.
- (3) Exhibits. See the Exhibit List beginning of page 5 of this Amendment.

(b) Exhibits. The exhibits listed on the Exhibit Index set forth below on page 5 are filed as part of, or are incorporated by reference into, this annual report on Form 10-K.

(c) Financial Statements Required by Rule 3-09 of Regulation S-X. The financial statements required by Rule 3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended, are filed as schedules to this report and are incorporated by reference into this Item 15.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of March 2015.

KENNEDY-WILSON HOLDINGS, INC.,
a Delaware corporation

By: /s/ WILLIAM J. MCMORROW
William J. McMorrow
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
3.1 ⁽²⁾	Amended and Restated Certificate of Incorporation.
3.2 ⁽³⁾	Amended and Restated Bylaws.
4.1 ⁽¹⁴⁾	Specimen Common Stock Certificate.
4.2 ⁽⁴⁾	Form of Warrant Certificate.
4.3 ⁽⁵⁾	Amended and Restated Warrant Agreement between Continental Stock Transfer & Trust Company and Kennedy- Wilson Holdings, Inc.
4.4 ⁽²¹⁾	Indenture, dated as of April 5, 2011, among Kennedy-Wilson, Inc., as Issuer, Kennedy-Wilson Holdings, Inc., as guarantor, certain subsidiaries of the Issuer signatories thereto, as guarantors, and Wilmington Trust FSB, as trustee, including the form of 8.750% Notes due 2019.
4.5 ⁽²¹⁾	Registration Rights Agreement, dated April 5, 2011, among Kennedy-Wilson, Inc., Kennedy-Wilson Holdings, Inc., certain subsidiaries of the Issuer signatories thereto, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. Incorporated.
4.6 ⁽²²⁾	Registration Rights Agreement, dated April 12, 2011, among Kennedy-Wilson, Inc., Kennedy-Wilson Holdings, Inc., certain subsidiaries of the Issuer signatories thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated.
4.7 ⁽²³⁾	Certificate of Designation of Series A Preferred Stock.
4.8 ⁽²⁴⁾	Certificate of Designation of Series B Preferred Stock.
4.9 ⁽²⁶⁾	First Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., KW Residential Group, Inc. and Wilmington Trust, National Association.
4.10 ⁽²⁶⁾	Second Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., KW Telstar Partners, LLC and Wilmington Trust, National Association.
4.11 ⁽²⁶⁾	Third Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., KWF Manager V, LLC and Wilmington Trust, National Association.
4.12 ⁽²⁶⁾	Fourth Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., KW Fund IV - Kohanaiki, LLC and Wilmington Trust, National Association.
4.13 ⁽²⁶⁾	Fifth Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., Kennedy Wilson Property Equity IV, LLC and Wilmington Trust, National Association.
4.14 ⁽²⁶⁾	Sixth Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., KW Ireland, LLC and Wilmington Trust, National Association.
4.15 ⁽²⁶⁾	Seventh Supplemental Indenture dated August 5, 2011 among Kennedy-Wilson, Inc., KW Manager IV, LLC and Wilmington Trust, National Association.
4.16 ⁽²⁶⁾	Eighth Supplemental Indenture dated September 26, 2011 among Kennedy-Wilson, Inc., KWF Investors IV, LLC, KWF Investors V, LLC and Wilmington Trust, National Association.
4.17 ⁽²⁶⁾	Ninth Supplemental Indenture dated December 28, 2011 among Kennedy-Wilson, Inc., KW Anaheim Land Partners LLC, Pacifica West Coast Partners, LLC, KW Multi-Family Management Group, KW Mill Creek Property Manager, LLC, KW Sunrise Carlsbad, LLC, Sunrise Property Associates, LLC, certain guarantors listed therein and Wilmington Trust, National Association.
4.18 ⁽³¹⁾	Tenth Supplemental Indenture, dated as of June 12, 2012, among Kennedy-Wilson, Inc., Meyers Research, LLC, KW Armacost, LLC, Santa Maria Land Partners Manager, LLC, KW Investment Adviser, LLC, NWLACDFI - Southern Oaks, LLC, Kennedy-Wilson Capital, KW Captowers Partners, LLC, KW Four Points, LLC, KW Loan Partners VII, LLC and Wilmington Trust, National Association, as trustee
4.19 ⁽³²⁾	Eleventh Supplemental Indenture, dated as of November 21, 2012, among Kennedy-Wilson, Inc., NWLACDFI-Southern Oaks, LLC, the subsidiary guarantor parties thereto, Kennedy-Wilson Holdings, Inc., and Wilmington Trust, National Association, as trustee
4.20 ⁽³³⁾	

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Twelfth Supplemental Indenture, dated as of November 21, 2012, among Kennedy-Wilson, Inc., KWF Investors VII, LLC, KWF Manager VII, LLC, KW Residential Capital, LLC, KW Boise Plaza, LLC, KW Loan Partners VIII, LLC, KW UR Investment 1, LLC, KW UR Investment 2, LLC, Kennedy Wilson Property Services IV, L.P., Kennedy Wilson Property Services IV GP, LLC, KW/CV Third-Pacific Manager, LLC, KW EU Loan Partners II, LLC, KWF Investors VIII, LLC, KWF Manager VIII, LLC, KW HP 11, LLC, KW 1200 Main LLC, KW

4.21⁽⁵⁰⁾

Thirteenth Supplemental Indenture, dated as of February 13, 2013, among Kennedy-Wilson, Inc., KW Fund IV La Barranca, LLC (formerly KW HP 11, LLC), the subsidiary guarantor parties thereto, Kennedy-Wilson Holdings, Inc., and Wilmington Trust, National Association, as trustee

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- 4.22⁽⁵¹⁾ Fourteenth Supplemental Indenture, dated as of February 14, 2013, among Kennedy-Wilson, Inc., KWF Manager X, LLC, KWF Manager XI, LLC, KWF Manager XII, LLC and Wilmington Trust, National Association, as trustee
- 4.23⁽²⁹⁾ Form of Indenture, dated as of November 28, 2012, between Kennedy-Wilson, Inc. and Wilmington Trust, National Association, as trustee
- 4.24⁽³⁰⁾ Supplemental Indenture No. 1, dated as of November 28, 2012, among Kennedy-Wilson, Inc., Kennedy-Wilson Holdings, Inc., the subsidiary guarantor parties thereto and Wilmington Trust, National Association, as trustee
- 4.25⁽⁵²⁾ Supplemental Indenture No. 2, dated as of February 14, 2013, among Kennedy-Wilson, Inc., the subsidiary guarantor parties thereto and Wilmington Trust, National Association, as trustee
- 4.26⁽³⁴⁾ Registration Rights Agreement, dated as of December 6, 2012, among Kennedy-Wilson, Inc., Kennedy-Wilson Holdings, Inc., the subsidiary guarantor parties thereto, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC
- 4.27⁽⁸⁰⁾ Nineteenth Supplemental Indenture to the 2019 Notes Indenture, dated as of January 6, 2014, among Kennedy-Wilson, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee.
- 4.28⁽²⁹⁾ Form of Indenture (the “2042 Notes Indenture”), dated as of November 28, 2012, between Kennedy-Wilson, Inc. and Wilmington Trust, National Association, as trustee.
- 4.29⁽³⁰⁾ Supplemental Indenture No. 1 to the 2042 Notes Indenture, dated as of November 28, 2012, among Kennedy-Wilson, Inc., Kennedy-Wilson Holdings, Inc., the subsidiary guarantor party thereto and Wilmington Trust, National Association, as trustee.
- 4.30⁽⁵²⁾ Supplemental Indenture No. 2 to the 2042 Notes Indenture, dated as of February 14, 2013, among Kennedy-Wilson, Inc., the subsidiary guarantor parties thereto and Wilmington Trust, National Association, as trustee.
- 4.31⁽⁵³⁾ Supplemental Indenture No. 3 to the 2042 Notes Indenture, dated as of May 28, 2013, among Kennedy-Wilson, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee.
- 4.32⁽⁵⁴⁾ Supplemental Indenture No. 4 to the 2042 Notes Indenture, dated as of July 15, 2013, among Kennedy-Wilson, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee.
- 4.33⁽⁵⁵⁾ Supplemental Indenture No. 5 to the 2042 Notes Indenture, dated as of September 6, 2013, among Kennedy-Wilson, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee.
- 4.34⁽⁵⁶⁾ Supplemental Indenture No. 6 to the 2042 Notes Indenture dated as of October 31, 2013, among Kennedy-Wilson, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee.
- 4.35⁽⁸¹⁾ Supplemental Indenture No. 7 to the 2042 Notes Indenture dated as of January 6, 2014, among Kennedy-Wilson, Inc., the guarantors party thereto and Wilmington Trust, National Association, as trustee.
- 4.36⁽³⁴⁾ Registration Rights Agreement, dated as of December 6, 2012, by and among Kennedy-Wilson, Inc., Kennedy-Wilson Holdings, Inc., the subsidiary guarantors party thereto, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC
- 4.37⁽⁶⁰⁾ Base Indenture dated March 25, 2014 between Kennedy-Wilson, Inc. and Wilmington Trust, National Association.
- 4.38⁽⁶¹⁾ Supplemental Indenture No. 1 dated March 25, 2014 among Kennedy-Wilson Holdings, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.39⁽⁶²⁾ Supplemental Indenture No. 2 dated September 5, 2014 among Kennedy-Wilson Holdings, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.40⁽⁶³⁾ Supplemental Indenture No. 3 dated November 11, 2014 among Kennedy-Wilson Holdings, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.

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- 4.41⁽⁶⁴⁾ Supplemental Indenture No. 8 dated January 6, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.42⁽⁶⁵⁾ Supplemental Indenture No. 9 dated March 18, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.43⁽⁶⁶⁾ Supplemental Indenture No. 10 dated September 5, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.44⁽⁶⁷⁾ Supplemental Indenture No. 11 dated November 11, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.

- 4.45⁽⁶⁸⁾ Twentieth Supplemental Indenture dated January 16, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.46⁽⁶⁹⁾ Twenty First Supplemental Indenture dated March 18, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.47⁽⁷⁰⁾ Twenty-Second Supplemental Indenture dated September 5, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 4.48⁽⁷¹⁾ Twenty-Third Supplemental Indenture dated November 11, 2014 among Kennedy-Wilson, Inc., the subsidiary guarantors named therein and Wilmington Trust, National Association.
- 10.1⁽³⁸⁾ Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
- 10.2⁽³⁹⁾ Form of Amended and Restated Consultant Restricted Stock Award Agreement to Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
- 10.3⁽³⁹⁾ Form of Amended and Restated Director Restricted Stock Award Agreement to Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
- 10.4⁽³⁹⁾ Form of Amended and Restated Employee Restricted Stock Award Agreement to Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan.
- 10.5⁽³⁷⁾ Promissory Note issued by Kennedy-Wilson, Inc. to The Guardian Life Insurance Company of America on November 3, 2008.
- 10.6⁽³⁷⁾ Fifteenth Amendment to Employment Agreement by Kennedy-Wilson, Inc. and William J. McMorrow.
- 10.7⁽³⁹⁾ Employment Agreement dated August 14, 1992 between Kennedy-Wilson and William J. McMorrow.
- 10.8⁽³⁷⁾ Amendment to Employment Agreement dated as of January 1, 1993 between Kennedy-Wilson and William J. McMorrow.
- 10.9⁽³⁷⁾ Second Amendment to Employment Agreement dated as of between January 1, 1994 Kennedy-Wilson and William J. McMorrow.
- 10.10⁽⁴⁰⁾ Third Amendment to Employment Agreement dated as of March 31, 1995 between Kennedy-Wilson and William J. McMorrow.
- 10.11⁽⁴⁰⁾ Fourth Amendment to Employment Agreement dated as of January 1, 1996 Kennedy-Wilson and William J. McMorrow.
- 10.12⁽³⁷⁾ Amendment to Employment Agreement dated as of February 28, 1996 between Kennedy-Wilson and William J. McMorrow.
- 10.13⁽⁴⁵⁾ Fifth Amendment to Employment Agreement dated as of May 19, 1997 between Kennedy-Wilson and William J. McMorrow.
- 10.14⁽³⁷⁾ Sixth Amendment to Employment Agreement dated as of August 20, 1998 between Kennedy-Wilson and William J. McMorrow.
- 10.15⁽³⁷⁾ Seventh Amendment to Employment Agreement dated as of August 9, 1999 between Kennedy-Wilson and William J. McMorrow.
- 10.16⁽³⁷⁾ Eighth Amendment to Employment Agreement dated as of January 3, 2000 between Kennedy-Wilson and William J. McMorrow.
- 10.17⁽³⁷⁾ Ninth Amendment to Employment Agreement dated as of October 1, 2000 between Kennedy-Wilson and William J. McMorrow.
- 10.18⁽³⁷⁾ Tenth Amendment to Employment Agreement dated as of April 22, 2002 between Kennedy-Wilson and William J. McMorrow.
- 10.19⁽³⁷⁾ Eleventh Amendment to Employment Agreement dated as of October 1, 2003 between Kennedy-Wilson and William J. McMorrow.
- 10.20⁽³⁷⁾ Twelfth Amendment to Employment Agreement dated as of April 21, 2004 between Kennedy-Wilson and William J. McMorrow.
- 10.21⁽³⁷⁾ Thirteenth Amendment to Employment Agreement dated as of January 1, 2008 between Kennedy-Wilson and William J. McMorrow.
- 10.22⁽³⁷⁾ Fourteenth Amendment to Employment Agreement dated as of February 1, 2009 between Kennedy-Wilson and William J. McMorrow.

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- 10.23^(b7) Employment Agreement dated February 1, 2009 between Kennedy-Wilson and Mary L. Ricks.
- 10.24^(b7) First Amendment to Employment Agreement dated June 1, 2009 between Kennedy-Wilson and Mary L. Ricks.
- 10.25^(b7) Second Amendment to Employment Agreement by Kennedy-Wilson, Inc. and Mary L. Ricks.
- 10.26^(b7) Employment Agreement dated June 15, 2009 between Kennedy-Wilson and Donald J. Herrema.
- 10.27^(b7) First Amendment to Employment Agreement by Kennedy-Wilson, Inc. and Donald J. Herrema.

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- 10.28^(f7) Employment Agreement dated April 1, 1996 between Kennedy-Wilson and Freeman Lyle.
- 10.29^(f7) Business Loan Agreement dated July 29, 2009 between Kennedy-Wilson, Inc. and Pacific Western Bank.
- 10.30^(f1) Amended and Restated Loan Agreement dated June 5, 2008 between Kennedy-Wilson, Inc. and U.S. Bank National Association.
- 10.31^(f1) Revolving Loan Agreement, dated as of August 5, 2010, by and among Kennedy-Wilson, Inc., U.S. Bank National Association, as agent, lead arranger and book manager, U.S. Bank National Association, as lender, East-West Bank, as lender, and any other bank that becomes a party thereto.
- 10.32^(f7) Repayment Guaranty, dated as of August 5, 2010, by Kennedy-Wilson Holdings, Inc. in favor of U.S. Bank National Association, as agent for the lenders.
- 10.33^(f8) Fee Letter, dated as of August 5, 2010.
- 10.34^(f1) Modification Agreement, dated June 29, 2012, by and among Kennedy-Wilson, Inc., U.S. Bank National Association, as administrative agent, U.S. Bank National Association, as lender and East-West Bank, as lender.
- 10.35^(f1) Second Modification Agreement, dated September 19, 2013, by and among Kennedy-Wilson, Inc., U.S. Bank National Association, as administrative agent, U.S. Bank National Association, as lender, East-West Bank, as lender and The Governor and Company of the Bank of Ireland, as lender.
- 10.36^(f7) Junior Subordinated Indenture dated, January 31, 2007 between Kennedy-Wilson, Inc. and The Bank of New York Trust Company, National Association, as trustee.
- 10.37^(f7) First Amendment to Office Lease dated March 5, 1999 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.
- 10.38⁽³⁷⁾ Second Amendment to Lease dated June 2, 1999 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.
- 10.39⁽³⁷⁾ Third Amendment to Office Lease dated December 20, 2002 between Brighton Enterprises, LLC and Kennedy-Wilson, Inc.
- 10.40⁽³⁷⁾ Fourth Amendment to Office Lease dated September 11, 2003 between Wilshire-Camden Associates and Kennedy-Wilson, Inc.
- 10.41⁽³⁷⁾ Fifth Amendment to Office Lease dated January 7, 2006 between Douglas Emmett 2000, LLC and Kennedy-Wilson, Inc.
- 10.42⁽³⁷⁾ 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.
- 10.43⁽³⁷⁾ 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.
- 10.44⁽³⁷⁾ 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.
- 10.45⁽³⁷⁾ 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.
- 10.46⁽³⁷⁾ Guaranty Agreement made as of August 14, 2007 by Kennedy-Wilson, Inc. in favor of Bank of America, N.A., as agent for lenders.
- 10.47⁽³⁷⁾ Repayment Guaranty made as of September 4, 2007 by Kennedy-Wilson, Inc. in favor of Wachovia Bank, N.A., as agent for lenders.
- 10.48⁽³⁷⁾ Commercial Guaranty made as of September 13, 2007 by Kennedy-Wilson, Inc., to Pacific Western Bank, on behalf of Windscape Village LLC.
- 10.49⁽³⁷⁾ 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.
- 10.50⁽³⁷⁾ Commercial Guaranty dated January 16, 2009 to Pacific Western Bank by KWI Property Fund I, L.P.

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- 10.51 ⁽³⁷⁾ 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.
- 10.52 ⁽³⁷⁾ Guaranty made as of September 9, 2005, by Kennedy-Wilson, Inc., a Delaware corporation, in favor of Bank of America, N.A.
- 10.53 ⁽³⁷⁾ 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. ^x

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- 10.54⁽⁴⁰⁾ Fourteenth Amendment to Employment Agreement dated January 1, 2009 between Kennedy-Wilson Properties and James Rosten.
- 10.55⁽⁴⁰⁾ First Amendment to Forfeiture Agreement dated October 22, 2009 between 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.
- 10.56⁽⁴⁰⁾ 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.
- 10.57⁽⁴²⁾ Agreement, dated as of November 11, 2009, by and between Prospect Acquisition Corp. and Victory Park Capital Advisors, LLC.
- 10.58⁽⁴²⁾ Form of Stock Purchase Agreement, among Prospect Acquisition Corp., David A. Minella, LLM Structured Equity Fund L.P., and LLM Investors L.P.
- 10.59⁽⁴²⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Credit Suisse Securities (USA) LLC.
- 10.60⁽⁴²⁾ Stock Purchase Agreement, dated as of November 11, 2009, by and between Prospect Acquisition Corp. and Nisswa Acquisition Master Fund, Ltd.
- 10.61⁽⁴²⁾ Share Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Milton Arbitrage Partners, LLC.
- 10.62⁽⁴³⁾ Stock Purchase Agreement.
- 10.63⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Arrowgrass Master Fund Ltd.
- 10.64⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Bulldog Investors.
- 10.65⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Del Mar Master Fund Ltd.
- 10.66⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Citigroup Global Markets Inc.
- 10.67⁽⁴⁴⁾ Share Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and IBS (MF) Ltd. In Respect of Glazer Merger Arbitrage Series.
- 10.68⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Glazer Offshore Fund Ltd.
- 10.69⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and Glazer Capital Management, LP.
- 10.70⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and HFR MA Select Opportunity Master Trust.
- 10.71⁽⁴⁴⁾ Stock Purchase Agreement, dated as of November 12, 2009, by and between Prospect Acquisition Corp. and GSS Offshore SPC-Glazer Segregated Portfolio.
- 10.72⁽⁴⁵⁾ Waiver and Modification With Respect to Employment Agreement Amendments.
- 10.73⁽⁴⁶⁾ Securities Purchase Agreement, dated June 28, 2011, by and among Kennedy-Wilson Holdings, Inc., a Delaware corporation and the Purchasers named thereto.
- 10.74⁽⁴⁷⁾ Transfer Agreement dated December 28, 2011 between KW Executive Loan Partners I LLC and K-W Properties.
- 10.75⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among KW Summer House Manager, LLC, K-W Properties, KW Summer House Executives, LLC and the members of KW Summer House Executives, LLC as set forth therein.
- 10.76⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among KW Montclair, LLC, K-W Properties, KW Montclair Executives, LLC and the members of KW Montclair Executives, LLC set forth therein.
- 10.77⁽⁴⁷⁾

Membership Interest Acquisition Agreement dated December 28, 2011 by and among KW Montclair, LLC, K-W Properties, KW Montclair Executives, LLC and the members of KW Montclair Executives, LLC set forth therein

10.78⁽⁴⁷⁾

Membership Interest Acquisition Agreement dated December 28, 2011 by and among KW Blossom Hill Manager, LLC, K-W Properties, KW Blossom Hill Executives, LLC and the members of KW Blossom Hill Executives, LLC set forth therein.

10.79⁽⁴⁷⁾

Membership Interest Acquisition Agreement dated December 28, 2011 by and among KWF Investors I, LLC, K-W Properties, KWF Executives I, LLC and the members of KWF Executives I, LLC set forth therein

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- 10.80⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among KWF Investors II, LLC, K-W Properties, KWF Executives II, LLC, and the members of KWF Executives II, LLC set forth therein.
- 10.81⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among KWF Investors III, LLC, K-W Properties, KWF Executives III, LLC, and the members of KWF Executives III, LLC set forth therein.
- 10.82⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among KWF Investors V, LLC, K-W Properties, KWF Executives V, LLC, and the members of KWF Executives V, LLC set forth therein.
- 10.83⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among KW - Richmond, LLC, K-W Properties, KW Executives - Richmond, LLC, and the members of KW Executives - Richmond, LLC set forth therein.
- 10.84⁽⁴⁷⁾ Membership Interest Acquisition Agreement dated December 28, 2011 by and among SG KW Venture I Manager, LLC, K-W Properties, SG KW Venture I Executives, LLC, and the members of SG KW Venture I Executives, LLC set forth therein.
- 10.85⁽⁴⁸⁾ Kennedy-Wilson Holdings, Inc. Amended and Restated 2009 Equity Participation Plan.
- 10.86⁽⁸²⁾ Form of First Amendment to Kennedy-Wilson Holdings, Inc. Amended and Restated 2009 Equity Participation Plan Restricted Stock Award Agreement
- 10.87⁽⁸³⁾ Form of Kennedy-Wilson Holdings, Inc. Amended and Restated 2009 Equity Participation Plan Employee Restricted Stock Award Agreement
- 10.88⁽⁸⁴⁾ Form of Kennedy-Wilson Holdings, Inc. Amended and Restated 2009 Equity Participation Plan Consultant Restricted Stock Award Agreement
- 10.89⁽⁵⁹⁾ Consulting Agreement, dated as of December 31, 2013, among Kennedy-Wilson, Inc., Barry S. Schlesinger and CV I R.E. Services, LLC.
- 10.90⁽⁷²⁾ First Amendment to Amended and Restated 2009 Equity Participation Plan.
- 10.91⁽⁷³⁾ Third Modification Agreement, dated July 16, 2014, by and among Kennedy-Wilson, Inc., U.S. Bank National Association, a national banking association (“U.S. Bank”), as administrative agent, lead arranger and book manager, and U.S. Bank, East-West Bank, a California banking corporation, The Governor and Company of the Bank of Ireland, Bank of America N.A., a national banking association, Deutsche Bank AG New York Branch and J.P. Morgan Chase Bank, N.A., a national banking association, as lenders.
- 10.92⁽⁷⁴⁾ Form of Employee Restricted Stock Award Agreement.
- 10.93⁽⁷⁵⁾ Sixteenth Amendment to Employment Agreement dated August 6, 2014 by and between Kennedy-Wilson, Inc. and William J. McMorrow.
- 10.94⁽⁷⁶⁾ Fourth Amendment to Employment Agreement dated August 6, 2014 by and between Kennedy-Wilson, Inc., and Mary L. Ricks.
- 10.95⁽⁷⁷⁾ Employment Agreement dated December 29, 2014 between Kennedy-Wilson, Inc. and Kent Mouton.
- 10.96⁽⁷⁸⁾ Employment Agreement dated December 29, 2014 between Kennedy-Wilson, Inc. and Matt Windisch.
- 10.97⁽⁷⁹⁾ Employment Agreement dated December 29, 2014 between Kennedy-Wilson, Inc. and Justin Enbody.
- 21** List of Subsidiaries
- 23.1** Consent of Independent Registered Public Accounting Firm for the consolidated financial statements of Kennedy-Wilson Holdings, Inc.
- 23.2* Consent of Independent Auditors for the consolidated financial statements of Bay Fund Opportunity, LLC and Subsidiaries
- 23.3* Consent of Independent Auditors for the financial statements of Kennedy Wilson Real Estate Fund IV, L.P.
- 23.4* Consent of Independent Auditors for the financial statements of One Baxter Way , LP
- 23.5* Consent of Independent Auditors for the combined financial statements of KW Funds - 303 North Glenoaks, LLC and KW Funds - 6100 Wilshire, LLC
- 23.6* Consent of Independent Auditors for the financial statements of Bay Area Smart Growth Fund II, LLC

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- 23.7* Consent of Independent Auditors for the financial statements of Egret Limited
- 23.8* Consent of Independent Auditors for the consolidated financial statements of KWVF Panther Holdco Limited
- 23.9* Consent of Independent Auditors for the consolidated financial statements of WH Valle Di Oro 79, LLC
- 23.10* Consent of Independent Auditors for the consolidated financial statements of KW Stadium Gateway Partners, LLC
- 23.11* Consent of Independent Auditors for the financial statements of KW Marina View, LLC

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- 23.12* Consent of Independent Auditors for the consolidated financial statements of KWF Real Estate Venture VI, L.P.
- 24.1 Power of Attorney (included on signature page).
- 31.1* Certification Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 of the Principal Executive Officer.
- 31.2* Certification Pursuant to Rule 13a-14(a) under Securities Exchange Act of 1934 of the Principal Financial Officer.
- 32.1* Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Executive Officer.
- 32.2* Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of the Principal Financial Officer
- 101** The following materials from Kennedy-Wilson Holdings, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets (ii) the Consolidated Statements of Operations and Comprehensive (Loss) Income (iii) the Consolidated Statements of Equity (iv) the Consolidated Statements of Cash Flows (v) related notes to those financial statements and (vi) Schedule III - Real Estate and Accumulated Depreciation.*

Management Contract, Compensation Plan or Agreement.

- (1) Filed as an Exhibit 10.1 to Registrant's Current Report on Form 8-K (File No.: 001-33824) filed August 5, 2010.
- (2) Filed as Annex D to Amendment No. 5 to the Registrant's Registration Statement on Form S-4 (File No.: 333-162116) filed on October 28, 2009 and incorporated by reference herein.
- (3) Filed as Exhibit 3.2 to Amendment No. 3 to the Registrant's Registration Statement on Form S-1 (File No. 333-145110) filed October 26, 2007 and incorporated by reference herein.
- (4) Filed as Exhibit A to Annex C to Amendment No. 5 to the Registrant's Registration Statement on Form S-4 (File No.: 333-162116) filed on October 28, 2009 and incorporated by reference herein.
- (5) Filed as Annex C to Amendment No. 5 to the Registrant's Registration Statement on Form S-4 (File No.: 333-162116) filed on October 28, 2009 and incorporated by reference herein.
- (6) Reserved.
- (7) Reserved.
- (8) Reserved.
- (9) Reserved.
- (10) Reserved.
- (11) Reserved.
- (12) Reserved.
- (13) Reserved.
- (14) Filed as an Exhibit to the Registrant's Registration Statement on Amendment no. 1 to Form 8-A (File No.: 333-145110) filed on November 16, 2009 and incorporated by reference herein.
- (15) Reserved.
- (16) Reserved.
- (17) Reserved.

- (18) Reserved.
- (19) Reserved.
- (20) Reserved.
- (21) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed April 7, 2011.
- (22) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed April 13, 2011.
- (23) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed May 21, 2010.
- (24) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed August 16, 2010.
- (25) Reserved.
- (26) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed December 30, 2011.
- (27) Reserved.
- (28) Filed as Exhibit 10.1 to Kennedy-Wilson Holding, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed June 29, 2012.
- (29) Filed as Exhibit 4.3 to Kennedy-Wilson Holding, Inc.'s Registration Statement on Form S-3 (File No. 333-184752) filed November 5, 2012.
- (30) Filed as Exhibit 4.2 to Kennedy-Wilson Holding, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed November 28, 2012.
- (31) Filed as Exhibit 4.11 to Kennedy-Wilson Holding, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed December 7, 2012.
- (32) Filed as Exhibit 4.12 to Kennedy-Wilson Holding, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed December 7, 2012.
- (33) Filed as Exhibit 4.13 to Kennedy-Wilson Holding, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed December 7, 2012.
- (34) Filed as Exhibit 4.14 to Kennedy-Wilson Holding, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed December 7, 2012.
- (35) Filed as Exhibit 10.105 to Kennedy-Wilson Holdings, Inc.'s Registration Statement on Form S-4 (File No.: 333-162116) filed September 24, 2009.
- (36) Filed as Exhibit 10.11 to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 10-K (File No.: 001-33824) filed on March 31, 2008 and incorporated by reference herein.
- (37) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Registration Statement on Form S-4 (File No.: 333-162116) filed on September 24, 2009 and incorporated by reference herein.
- (38) Filed as Annex E to Amendment No. 5 to Kennedy-Wilson Holdings, Inc.'s Registration Statement on Form S-4 (File No.: 333-162116) filed on October 28, 2009 and incorporated by reference herein.
- (39) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Registration Statement on Form S-8 (File No.: 333-164928) filed on February 16, 2010 and incorporated by reference herein.
- (40) Filed as an Exhibit to Amendment No. 2 to Kennedy-Wilson Holdings, Inc.'s Registration Statement on Form S-4 (File No.: 333-162116) filed on October 23, 2009 and incorporated by reference herein.

- (41) Filed as an Exhibit to Amendment No. 1 to Kennedy-Wilson Holdings, Inc.'s Registration Statement on Form S-4 (File No.: 333-162116) filed on October 16, 2009 and incorporated by reference herein.
- (42) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed November 11, 2009.
- (43) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed November 12, 2009.
- (44) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed November 13, 2009.
- (45) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed November 19, 2009.
- (46) Filed as an Exhibit to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 8-K (File No.: 001-33824) filed June 29, 2011 and incorporated by reference herein.
- (47) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed December 30, 2011.
- (48) Filed as an Exhibit to the Registrant's Current Report on Form 8-K (File No.: 001-33824) filed January 30, 2012..
- (49) Filed as an Exhibit to Registrant's Current Report on Form 8-K (File No.: 001-33824) filed June 29, 2012 and incorporated by reference herein.
- (50) Filed as Exhibit 4.21 to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 10-K (File No.: 001-33824) filed on March 12, 2013 and incorporated by reference herein.
- (51) Filed as Exhibit 4.22 to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 10-K (File No.: 001-33824) filed on March 12, 2013 and incorporated by reference herein.
- (52) Filed as Exhibit 4.25 to Kennedy-Wilson Holdings, Inc.'s Current Report on Form 10-K (File No.: 001-33824) filed on March 12, 2013 and incorporated by reference herein.
- (53) Filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 001-33824) filed on May 29, 2013.
- (54) Filed as Exhibit 4.27 to the Registrant's Registration Statement on Form S-3 (File No. 333-192059) filed November 1, 2013.
- (55) Filed as Exhibit 4.28 to the Registrant's Registration Statement on Form S-3 (File No. 333-192059) filed November 1, 2013.
- (56) Filed as Exhibit 4.29 to the Registrant's Registration Statement on Form S-3 (File No. 333-192059) filed November 1, 2013.
- (57) Filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (File No.: 001-33824) filed August 5, 2010.
- (58) Filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K (File No.: 001-33824) filed August 5, 2010.
- (59) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (File No.: 001-33824) filed on December 31, 2013.
- (60) Filed as Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q (001-33824) filed May 12, 2014.
- (61) Filed as Exhibit 4.2 to Registrant's Current Report on Form 8-K (001-33824) filed March 26, 2014.
- (62) Filed as Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q (001-33824) filed November 10, 2014.

- (63) Filed as Exhibit 4.4 to Registrant's Current Report on Form 8-K (001-33824) filed November 18, 2014.
 - (64) Filed as Exhibit 4.37 to Registrant's Annual Report on Form 10-K filed March 3, 2014.
 - (65) Filed as Exhibit 4.5 to Registrant's Quarterly Report on Form 10-Q (001-33824) filed May 12, 2014.
 - (66) Filed as Exhibit 4.2 to Registrant's Quarterly Report on Form 10-Q (001-33824) filed November 10, 2014.
 - (67) Filed as Exhibit 4.6 to Registrant's Current Report on Form 8-K (001-33824) filed November 18, 2014.
 - (68) Filed as Exhibit 4.28 to Registrant's Annual report on Form 10-K filed March 3, 2014.
 - (69) Filed as Exhibit 4.6 to Registrant's Quarterly Report on Form 10-Q (001-33824) filed May 12, 2014.
 - (70) Filed as Exhibit 4.3 to Registrant's Quarterly Report on Form 10-Q (001-33824) filed November 10, 2014.
 - (71) Filed as Exhibit 4.7 to Registrant's Current Report on Form 8-K (001-33824) filed November 18, 2014.
 - (72) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (001-33824) filed June 19, 2014.
 - (73) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (001-33824) filed July 17, 2014.
 - (74) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (001-33824) filed July 18, 2014.
 - (75) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (001-33824) filed August 8, 2014.
 - (76) Filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (001-33824) filed August 8, 2014.
 - (77) Filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K (001-33824) filed December 30, 2014.
 - (78) Filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K (001-33824) filed December 30, 2014.
 - (79) Filed as Exhibit 10.3 to Registrant's Current Report on Form 8-K (001-33824) filed December 30, 2014.

 - (80) Filed as Exhibit 4.27 to Registrant's Annual Report on Form 10-K filed March 3, 2014.

 - (81) Filed as Exhibit 4.36 to Registrant's Annual Report on Form 10-K filed March 3, 2014.

 - (82) Filed as Exhibit 10.114 to Registrant's Annual Report on Form 10-K filed March 12, 2013.

 - (83) Filed as Exhibit 10.115 to Registrant's Annual Report on Form 10-K filed March 12, 2013.

 - (84) Filed as Exhibit 10.116 to Registrant's Annual Report on Form 10-K filed March 12, 2013.
- * Filed herewith
** Filed with the Original Report
(c) Financial Statement Schedules. Reference is made to Item 15(a)(2) above

3-09 FINANCIAL STATEMENTS

Kennedy-Wilson Holdings, Inc.

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Independent Auditors' Report

The Members

Bay Fund Opportunity, LLC and Subsidiaries:

We have audited the accompanying consolidated financial statements of Bay Fund Opportunity, LLC and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, changes in members' equity, and cash flows for each of the years in the two-year period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bay Fund Opportunity, LLC and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for each of the years in the two-year period then ended, in accordance with U.S. generally accepted accounting principles.

The accompanying consolidated balance sheet of Bay Fund Opportunity, LLC and subsidiaries as of December 31, 2014 and December 31, 2013 and the related statements of operations, changes in members' equity, and cash flows for the years then ended were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Dallas, Texas

March 21, 2013

BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Consolidated Balance Sheets

	December 31,	
	2014	2013
	(unaudited)	(unaudited)
Assets		
Real estate		
Land	\$21,874,072	\$21,874,072
Building and improvements	87,566,335	87,566,335
Fixtures and equipment	1,071,800	944,198
Total	110,512,207	110,384,605
Less accumulated depreciation	(14,971,517)	(12,610,146)
Total real estate, net	95,540,690	97,774,459
Cash and cash equivalents	1,718,359	1,585,568
Tax escrow	240,641	225,950
Capital and financing escrow deposits	637,174	499,473
Deferred financing costs, net	512,348	666,053
Accounts receivable	47,882	68,229
Prepaid expenses and other assets	28,609	18,802
Total assets	\$98,725,703	\$100,838,534
Liabilities and members' equity		
Liabilities		
Accounts payable and accrued expenses	\$1,455,706	\$1,431,038
Reserve for future warranty claims	332,000	344,500
Security deposits from tenants	398,998	415,654
Prepaid rent	3,104	13,036
Mortgages payable	46,219,467	47,610,010
Total liabilities:	48,409,275	49,814,238
Commitments and contingencies (note 6)		
Members' equity		
Bay Fund Opportunity, LLC	50,316,428	51,024,296
Total members' equity	50,316,428	51,024,296
Total liabilities and members' equity	\$98,725,703	\$100,838,534
See accompanying notes to the consolidated financial statements.		

BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Consolidated Statements of Operations

	Year ended December 31,		
	2014	2013	2012
	(unaudited)	(unaudited)	
Revenue			
Rental income	\$9,553,943	\$8,647,554	\$8,088,922
Total revenue	9,553,943	8,647,554	8,088,922
Expenses			
Real estate and other taxes	1,780,964	1,444,142	1,356,675
Property insurance	52,549	52,048	57,797
Homeowners association fees	2,034,751	1,970,786	1,926,489
Repairs, maintenance and utilities	668,652	658,131	560,523
Depreciation	2,361,372	2,274,451	2,292,647
Marketing and promotion	170,522	188,413	148,936
General, administrative and other	134,341	76,881	85,963
Management fees (note 5)	429,298	410,409	399,906
Letter of credit fees	—	9,823	50,000
Mortgage interest	1,434,362	1,744,442	1,746,528
Total expenses	9,066,811	8,829,526	8,625,464
Net income (loss) attributable to Bay Fund Opportunity, LLC	\$487,132	\$(181,972)	\$(536,542)
See accompanying notes to the consolidated financial statements.			

BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Consolidated Statements of Members' Equity

	Members' Equity	
Balance, December 31, 2011 (unaudited)	43,467,810	
Contributions	(825,000))
Net loss	(536,542))
Balance, December 31, 2012	42,106,268	
Contributions (unaudited)	9,800,000	
Distributions (unaudited)	(700,000))
Net loss (unaudited)	(181,972))
Balance, December 31, 2013 (unaudited)	51,024,296	
Distributions (unaudited)	(1,195,000))
Net income (unaudited)	487,132	
Balance, December 31, 2014 (unaudited)	\$50,316,428	

See accompanying notes to the consolidated financial statements.

BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Consolidated Statements of Cash Flows

	Year ended December 31,		
	2014	2013	2012
	(unaudited)	(unaudited)	
Cash flows from operating activities:			
Net income (loss)	\$487,132	\$(181,972)	) \$(536,542)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	2,361,372	2,274,451	2,292,647
Amortization of deferred financing costs	153,705	340,943	266,817
Change in assets and liabilities:			
Tax escrow	(14,691)	) (82,501)	) 160,515
Accounts receivable	20,347	(20,708)	) (364)
Prepaid expenses and other assets	(9,807)	) 19,035	5,866
Accounts payable and accrued expenses	24,668	(20,145)	) (31,902)
Reserve for future warranty claims	(12,500)	) (47,500)) —
Security deposits from tenants	(16,656)	) 31,351	(12,932)
Prepaid rent	(9,932)	) 8,313	1,602
Net cash flow provided by operating activities	2,983,638	2,321,267	2,145,707
Cash flows from investing activities:			
Additions to real estate	(127,603)	) (105,260)	) (124,927)
Net cash flow used in by investing activities	(127,603)	) (105,260)	) (124,927)
Cash flow from financing activities:			
Principal payments on mortgage loans	(1,390,543)	) (58,788,338)	) (892,515)
Origination of mortgage loan	—	48,400,000	—
Mortgage loan costs	—	(776,698)	) (116,355)
Changes in capital and financing escrow deposits	(137,701)	) 215,276	12,615
Contributions from members	—	9,800,000	—
Distributions to members	(1,195,000)	) (700,000)	) (825,000)
Net cash flow used in financing activities	(2,723,244)	) (1,849,760)	) (1,821,255)
Net increase in cash and cash equivalents	132,791	366,247	199,525
Cash and cash equivalents, beginning of year	1,585,568	1,219,321	1,019,796
Cash and cash equivalents, end of year	\$1,718,359	\$1,585,568	\$1,219,321
Supplemental disclosure of noncash financing activities:			
Interest paid	\$1,284,015	\$1,417,975	\$1,504,773

See accompanying notes to the consolidated financial statements.

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BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited), 2013 (unaudited), and 2012

NOTE 1—ORGANIZATION

Bay Fund Opportunity, LLC (the Company), a California limited liability company, was formed by and among, KW - Richmond, LLC, a Delaware limited liability company, KW Fund III - Richmond, LLC, a Delaware limited liability company, and BASGF II - Richmond, LLC, a Delaware limited liability company (collectively, the Managers). The Company was formed upon the filing of the Articles of Formation with the California Secretary of State on April 18, 2008. The term of the Company extends until the date that the Company is terminated pursuant to the terms defined in the Company's operating agreement.

The Company was organized to form, invest in, capitalize and own 50% of the equity in Emerald Marina Shores Richmond, LLC, a Delaware limited liability company, and 50% of the equity in Emerald Marina Cove Richmond, LLC, a Delaware limited liability company, which collectively own the real property located in Richmond, California (Marina Cove and Shores). Initial capital contributions to acquire these investments are \$6,076,000 from KW - Richmond, LLC, \$5,000,000 from KW Fund III - Richmond, LLC, and \$14,000,000 from BASGF II - Richmond, LLC, for a total initial investment of \$25,076,000.

The Managers may elect from time to time to distribute available cash to the Members in proportion to their percentage interests at the time of distribution.

The limited liability companies (LLCs) within the accompanying consolidated balance sheets will continue in existence until dissolved in accordance with the provisions of their operating agreements and are funded through the equity contributions of their members. As LLCs, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits.

Profit and loss for each fiscal period shall be allocated among the members in proportion to their percentage interests. If any membership interest is transferred or otherwise changed during any fiscal year, profit and loss for that fiscal year, shall be assigned pro rata to each day in the particular period of that fiscal year to which such item is attributable and shall be allocated to the members based upon their respective percentage interest at the close of that day. Gain or loss of the Company realized in connection with a sale or other disposition of any of the assets of the Company shall be allocated solely to the parties owning membership interests as of the date that sale or other disposition occurs.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION—The Company consolidates entities in which it holds a greater than 50% voting interest and real estate entities that are deemed variable interest entities (VIEs) in which the Company was determined to be the primary beneficiary. The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

VARIABLE INTEREST ENTITIES—The VIEs (Marina Cove and Shores) lease, manage, operate, improve, finance and sell real estate property. Management determined that the Company is the primary beneficiary of the VIEs by determining the Company has (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the right to receive benefits or the obligation to absorb losses which could potentially be significant to the VIE based on the terms of the VIE's operating agreement. Activities that most significantly impact the VIE's performance include selling real estate.

USE OF ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the

economic environment will be reflected in the financial statements in future periods.

CASH AND CASH EQUIVALENTS—Cash and cash equivalents include highly liquid investments purchased with original maturities of three months or less. Periodically, the Company maintains cash balances in various bank accounts in excess of federally insured limits. To date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

REAL ESTATE ASSETS—Real estate is carried at depreciated cost, less impairment, if any. Depreciation on buildings and improvements has been provided for in the accompanying financial statements using the straight-line method based on estimated useful lives of 40 years for building and improvements and five to ten years for fixtures and equipment. Maintenance and repairs are charged to expense as incurred, and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

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BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited), 2013 (unaudited), and 2012

IMPAIRMENT OF LONG-LIVED ASSETS—In accordance with Financial Standards Accounting Board (FASB) Accounting Standards Codification (ASC) 360, Property, Plant, and Equipment, for long lived assets, the asset or asset group is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indications of impairment exist, the Company will evaluate the property by comparing the carrying amount of the asset or asset group to the estimated future undiscounted cash flows of the property. Estimated future cash flows include estimated costs to develop the property whether these costs would be recognized as an expense or capitalized in future periods. Future interest costs that are necessary to develop the property, and therefore capitalizable, are also included. If impairment exists, an impairment loss will be recognized based on the amount by which the carrying amount exceeds the fair value of the asset or asset group. For the years ended December 31, 2014 (unaudited), 2013 (unaudited), and 2012, there were no impairments recorded.

CONCENTRATION OF RISK—The Company's real estate is concentrated in California. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Company's investments.

NONCONTROLLING INTERESTS—Noncontrolling interests in the financial statements reflect the interests of noncontrolling members in Marina Cove and Shores.

ACCOUNTS RECEIVABLE—Accounts receivable primarily consist of amounts due for rental and operating expense payments in accordance with tenants' lease agreements.

REVENUE RECOGNITION—Rental revenue related to multifamily investments is recognized on the straight-line basis over the terms of the lease.

DEFERRED FINANCING COSTS, NET—Financing costs incurred in obtaining long-term debt are capitalized and amortized over the term of the related debt on a straight-line basis.

INCOME TAXES—As a limited liability company, the members elected for the Company to be a pass-through entity for income tax purposes; therefore, the Company's taxable income or loss is allocated to members in accordance with their respective ownership, and no provision or liability for income taxes has been included in the financial statements. Management has evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of ASC 740, Income Taxes. The Company is not subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2010.

NOTE 3—MORTGAGES PAYABLE

Mortgages secured by Marina Cove and Shores totaled \$46,219,467 (unaudited) and \$47,610,010 (unaudited) as of December 31, 2014 and 2013, respectively. In April 2013 (unaudited), the Company paid off its existing mortgages with the proceeds of new mortgages in the aggregate principal amount of \$48,400,000 (unaudited) and additional capital contributions of \$9,800,000 (unaudited) from the members. The mortgages are collateralized by the properties and bear interest of 3 month LIBOR + 2.50% (approximately 2.75% (unaudited) at December 31, 2014). The mortgages mature on May 1, 2018 and require monthly principal and interest payments through maturity.

Aggregate principal payments due under the loans secured by real estate are as follows (unaudited):

	Marina Cove	Marina Shores	Total
2015	\$430,955	\$997,690	\$1,428,645
2016	442,893	1,025,328	1,468,221
2017	455,162	1,053,731	1,508,893
2018	12,613,366	29,200,342	41,813,708
Total	\$13,942,376	\$32,277,091	\$46,219,467

NOTE 4—MEMBERSHIP INTEREST CHANGES

In May 2011, KW - Richmond, LLC acquired an additional interest of 24.07% in the Company for \$7,000,000 from BASGF II - Richmond, LLC, increasing its interest in the Company from 24.23% to 48.30%.

Marina Cove and Marina Shores had mortgage notes payable that had total balances of \$65,249,799 (unaudited) at December 31, 2010. On December 2, 2011, their loans were extended to June 26, 2013, with a required principal paydown of \$6,358,937, which was funded by the capital contributions from two of the three members of the Company. These capital

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BAY FUND OPPORTUNITY, LLC AND SUBSIDIARIES

(A California Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited), 2013 (unaudited), and 2012

contributions increased KW - Richmond, LLC's interest from 48.30% to 48.61% and KW Fund III - Richmond, LLC's interest from 19.94% to 25.43%.

On December 28, 2011, KW Executives - Richmond, LLC transferred its interest in KW - Richmond, LLC to the Company, in exchange for a 3.57% interest directly in the Company. As a result of this exchange, KW - Richmond, LLC's interest in the Company was reduced from 48.61% to 45.04%.

Membership interest as of December 31, 2014 (unaudited), 2013 (unaudited), and 2012

	KW Richmond, LLC	%	KW Richmond, LLC	%	BASGF II Richmond, LLC	%	KW Executives Richmond, LLC	%	Total	%
12/31/2014	45.04	%	25.43	%	25.96	%	3.57	%	100.00	%
12/31/2013	45.04	%	25.43	%	25.96	%	3.57	%	100.00	%
12/31/2012	45.04	%	25.43	%	25.96	%	3.57	%	100.00	%

NOTE 5—FEES PAID TO AFFILIATES

The Company has entered into an agreement with Emerald Fund, Inc., an affiliate of the Company to provide various asset and property management services in return for a management fee. During the years ended December 31, 2014, 2013, and 2012, management fees incurred for such services totaled \$429,298 (unaudited), \$410,409 (unaudited), and \$399,906, respectively.

NOTE 6—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

NOTE 7—SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through March 27, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Independent Auditors' Report

The Partners

Kennedy Wilson Real Estate Fund IV, L.P.

We have audited the accompanying financial statements of Kennedy Wilson Real Estate Fund IV, L.P., which comprise the statement of financial condition, including the schedules of investments, as of December 31, 2013, and the related statements of operations, partners' capital, and cash flows for the years ended December 31, 2013 and 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kennedy Wilson Real Estate Fund IV, L.P. as of December 31, 2013, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in accordance with U.S. generally accepted accounting principles.

The accompanying statement of financial condition, including the schedules of investments, of Kennedy Wilson Real Estate Fund IV, L.P., as of December 31, 2014 and the related statements of operations, partners' capital and cash flows for the year ended December 31, 2014 were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Los Angeles, California
March 31, 2014

KENNEDY WILSON REAL ESTATE FUND IV, L.P.
 Statements of Financial Condition

	December 31, 2014	2013
Assets		
Investments at fair value (cost \$207,444,759 in 2014 and \$177,681,995 in 2013)	\$234,033,108	\$194,060,981
Cash and cash equivalents	—	1,322
Total assets	\$234,033,108	\$194,062,303
Liabilities and partners' capital		
Liabilities		
Accounts payable and accrued expenses	\$308	\$700
Total liabilities	308	700
Partners' capital		
General partner and special limited partner	8,085,966	3,343,086
Limited partners	225,946,834	190,718,517
Total partners' capital	234,032,800	194,061,603
Total liabilities and partners' capital	\$234,033,108	\$194,062,303

See accompanying notes to financial statements.

KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Schedule of Investments

December 31, 2014 (unaudited)

Ownership interest	Security description	Percentage of total investments	Cost	Fair value
85.02 %	Kennedy Wilson REF IV AG, LLC, an entity holding interests in twenty-five office, retail and multifamily real estate investments located in California, Oregon, Washington, Arizona, Utah, Colorado and Hawaii, and four investments in loan pool participations and notes	100.00	% \$207,444,759	\$234,033,108
	Total investments	100.00	% \$207,444,759	\$234,033,108

See the following page for the full listing of investments held by Kennedy Wilson REF IV AG, LLC.

KENNEDY WILSON REAL ESTATE FUND IV, L.P.
 Schedule of Investments - Kennedy Wilson REF IV AG, LLC
 December 31, 2014 (unaudited)

Ownership interest	Security description	Percentage of total investments	Cost	Fair value
	Interests in real estate assets:			
100.00 %	KW Fund IV-Westview Heights, LLC, a single-purpose entity holding a fee simple interest in a 132-unit multifamily project located in Portland, Oregon. (The property was sold in August 2014, and the entity is in the process of winding down.)	0.05	% \$137,595	\$137,595
100.00	KW Fund IV-Westview Heights 66, LLC, a single-purpose entity holding a fee simple interest in a 66-unit multifamily project located in Portland, Oregon. (The property was sold in August 2014, and the entity is in the process of winding down.)	0.02	62,897	62,897
100.00	KW Royal Beverly Glen, LLC, a single-purpose entity holding a fee simple interest in 77,749 square foot office building located in Los Angeles, California	4.66	13,575,821	12,223,911
100.00	KW TriCenter, LLC, a single-purpose entity holding a fee simple interest in a 143,256-square foot office building and a four-level parking structure located in Van Nuys, California	7.06	14,388,400	18,529,773
100.00	KW Vancouver Partners, LLC, a single-purpose entity holding a fee simple interest in a 388-unit multifamily project located in Vancouver, Washington	6.63	12,229,000	17,400,223
100.00	KW El Cerrito, LLC, a single-purpose entity holding a fee simple interest in a 159-unit multifamily project located in El Cerrito, California	8.22	18,147,500	21,574,442
100.00	KW 245 Los Robles, LLC, a single-purpose entity holding a fee simple interest in a 175,792-square foot office project and a four-level parking structure located in Pasadena, California	6.79	19,263,045	17,836,732
96.66	KW Aurora Land Partners, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 420 unit multifamily project located in Aurora, Colorado	6.66	12,163,335	17,497,330
50.00	KW Huntington, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 277-unit multifamily project located in Huntington Beach, California	4.74	12,175,713	12,454,855
50.00	KW CapTowers, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 409-unit apartment building comprising	3.31	9,667,830	8,701,808

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	a fifteen-story tower and 206 garden-style villas located in Sacramento, California			
	KW Redwood Shores, LLC, an entity holding an interest in a			
50.00	single-purpose entity holding a fee simple interest in a 89,455 square foot office building located in Redwood City, California	2.43	4,170,562	6,377,695
	KW Stadium Gateway, LLC, an entity holding an interest in a			
50.00	single purpose entity holding a fee simple interest in a 272,826 square foot office building located in Anaheim, California	4.81	9,478,025	12,641,418
	KW Marina View, LLC, a single purpose entity holding a fee simple interest in a six-story, 60,918 square-foot office building with 14,774 square feet of ground floor retail space and a two-level parking deck located in Marina Del Rey, California			
50.00	KW 5161 Lankershim, LLC, a single purpose entity holding a fee simple interest in a 182,369 square foot office building located in North Hollywood, California	3.73	7,929,603	9,784,243
	KW University Partners, LLC, a single-purpose entity holding a fee simple interest in a 209,329 square foot retail shopping center located in Orem, Utah			
50.00	KW Paradise Hills, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a retail shopping center located in Phoenix, Arizona	3.75	11,007,225	9,857,438
48.81	KW Mission Blvd, LLC, a single-purpose entity holding a fee simple interest in a 188-unit multifamily community in Hayward, California	3.64	5,361,370	9,548,096
48.45	KW Telstar, LLC, a single-purpose entity holding a fee simple interest in a two-story, 246,912-square foot flex building and a four-level parking structure located in El Monte, California	1.89	2,245,724	4,958,493
45.40	Kennedy Wilson 145 Fairfax, LLC, a single-purpose entity that held a fee simple interest in a four-story, 55,574-square foot office building and a two-level subterranean parking garage located in Los Angeles, California (The property was sold in September 2013, and the entity is in the process of winding down.)	3.04	5,059,838	7,970,298
33.33		1.57	5,588,038	4,130,938
33.33		—	17,625	5,039

KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Schedule of Investments - Kennedy Wilson REF IV AG, LLC (continued)

December 31, 2014 (unaudited)

33.33	KW Warner Atrium, LLC, a single-purpose entity that held a fee simple interest in a three-story, 126,436-square foot office building and a three-level parking structure located in Woodland Hills, California	0.35	2,608,068	911,417
25.00	KW 9301 Partners, LLC, an entity holding an interest in a single-purpose entity that held a fee simple interest in a six-story, 86,529-square foot office building and a three-level subterranean parking garage located in Beverly Hills, California. (The property was sold in July 2014, and the entity is in the process of winding down.)	0.02	64,532	64,532
20.00	KW Hilltop Manager, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 1,008-unit multifamily project located in Richmond, California	6.65	9,444,840	17,457,524
15.57	KW/CV Sunset, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 251-unit multifamily project located in West Covina, California	1.22	2,298,910	3,195,769
15.00	KW Kohanaiki Shores Member, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 450-acre planned community under development for up to 474 residences and a golf course on the Kona Coast of Hawaii	14.66	38,937,327	38,495,056
10.00	Guardian/KW Hayward, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 544-unit multifamily project located in Hayward, California	2.35	3,074,296	6,163,368
25.00	Interests in loan pool participations and notes: KW Loan Investors VII, LLC, an entity holding a portfolio initially consisting of nine construction and term loans with an outstanding principal balance of approximately \$51,000,000, collateralized by seven retail properties located in Arizona, California and Utah. As of December 31, 2014, two loans remain	0.30	786,728	768,728
50.00	Participation interest in KW Residential Capital, an entity holding a participating loan interest in a single-purpose entity owning a project under development consisting of nine single-family residences located in Ventura, California	0.41	1,078,000	1,078,000
50.00	Participation interest in KW Residential Capital, an entity holding a participating loan interest in a	1.04	2,712,500	2,712,500

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single-purpose entity owning a project under
development consisting of seventeen single-family
residences located in Los Angeles, California

Total investments	100.00	%	\$223,674,347	\$262,558,118
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See accompanying notes to financial statements

KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Schedule of Investments

December 31, 2013

Ownership interest	Security description	Percentage of total investments	Cost	Fair value
85.02 %	Kennedy Wilson REF IV AG, LLC, an entity holding interests in twenty-four office, retail and multifamily real estate investments located in California, Oregon, Washington, Arizona, Utah, Colorado and Hawaii, and four investments in loan pool participations and notes	100.00	% \$177,681,995	\$194,060,981
	Total investments	100.00	% \$177,681,995	\$194,060,981

See the following page for the full listing of investments held by Kennedy Wilson REF IV AG, LLC.

KENNEDY WILSON REAL ESTATE FUND IV, L.P.
Schedule of Investments - Kennedy Wilson REF IV AG, LLC
December 31, 2013

Ownership interest	Security description	Percentage of total investments	Cost	Fair value
	Interests in real estate assets:			
100.00 %	KW Fund IV-Westview Heights, LLC, a single-purpose entity holding a fee simple interest in a 132-unit multifamily project located in Portland, Oregon	4.81	% \$9,120,589	\$11,071,237
100.00	KW Fund IV-Westview Heights 66, LLC, a single-purpose entity holding a fee simple interest in a 66-unit multifamily project located in Portland, Oregon	3.16	5,004,609	7,288,048
100.00	KW Royal Beverly Glen, LLC, a single-purpose entity holding a fee simple interest in 77,749-square foot office building located in Los Angeles, California	5.72	12,614,333	13,166,799
100.00	KW TriCenter, LLC, a single-purpose entity holding a fee simple interest in a 143,256-square foot office building and a four-level parking structure located in Van Nuys, California	7.29	13,068,200	16,792,942
100.00	KW Vancouver Partners, LLC, a single-purpose entity holding a fee simple interest in a 388-unit multifamily project located in Vancouver, Washington	4.88	11,260,000	11,241,393
100.00	KW El Cerrito, LLC, a single-purpose entity holding a fee simple interest in a 159-unit multifamily project located in El Cerrito, California	7.75	18,147,500	17,863,490
96.66	KW Aurora Land Partners, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 420 unit multifamily project located in Aurora, Colorado	5.73	9,952,007	13,193,017
50.00	KW Huntington, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 277-unit multifamily project located in Huntington Beach, California	6.14	12,008,213	14,143,199
50.00	KW CapTowers, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 409-unit apartment building comprising a fifteen-story tower and 206 garden-style villas located in Sacramento, California	4.23	8,647,830	9,741,273
50.00	KW Redwood Shores, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 89,455-square foot office building located in Redwood City, California	2.08	3,964,062	4,785,956

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50.00	KW Stadium Gateway, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 272,826-square foot office building located in Anaheim, California	4.44	9,392,525	10,218,720
50.00	KW Marina View, LLC, a single-purpose entity holding a fee simple interest in a six-story, 60,918-square foot office building with 14,774 square feet of ground floor retail space and a two-level parking deck located in Marina Del Rey, California.	2.25	5,726,603	5,176,360
50.00	KW 5161 Lankershim, LLC, a single-purpose entity holding a fee simple interest in a 182,369-square foot office building located in North Hollywood, California	3.49	8,090,000	8,049,395
48.81	KW University Partners, LLC, a single-purpose entity holding a fee simple interest in a 209,329 square foot retail shopping center located in Orem, Utah	2.57	5,068,482	5,912,791
48.45	KW Paradise Hills, LLC, an entity holding an interest single-purpose entity holding a fee simple interest in a retail shopping center located in Phoenix, Arizona	1.55	2,145,174	3,564,997
45.40	KW Mission Blvd, LLC, a single-purpose entity holding a fee simple interest in a 188-unit multifamily community in Hayward, California	2.77	4,412,434	6,383,240
33.33	KW Telstar, LLC, a single-purpose entity holding a fee simple interest in a two-story, 246,912-square foot flex building and a four-level parking structure located in El Monte, California	2.37	5,588,038	5,451,923
33.33	Kennedy Wilson 145 Fairfax, LLC, a single-purpose entity that held a fee simple interest in a four-story, 55,574-square foot office building and a two-level subterranean parking garage located in Los Angeles, California (The property was sold in September 2013, and the entity is in the process of winding down.)	0.01	17,625	17,625

KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Schedule of Investments - Kennedy Wilson REF IV AG, LLC (continued)

December 31, 2013

33.33	KW Warner Atrium, LLC, a single-purpose entity holding a fee simple interest in a three-story, 126,436-square foot office building and a three-level parking structure located in Woodland Hills, California	0.71	2,214,157	1,632,097
25.00	KW 9301 Partners, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a six-story, 86,529-square foot office building and a three-level subterranean parking garage located in Beverly Hills, California	2.82	6,061,123	6,507,080
20.00	KW Hilltop Manager, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 1,008-unit multifamily project located in Richmond, California	4.59	9,326,040	10,584,986
15.57	KW/CV Sunset, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 251-unit multifamily project located in West Covina, California	1.24	2,298,910	2,855,541
15.00	KW Kohanaiki Shores Member, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 450-acre planned community under development for up to 474 residences and a golf course on the Kona Coast of Hawaii	14.20	33,298,227	32,711,439
10.00	KW Hayward Manager, LLC, an entity holding an interest in a single-purpose entity holding a fee simple interest in a 544-unit multifamily project located in Hayward, California	1.82	3,074,296	4,205,409
25.00	Interests in loan pool participations and notes: KW Loan Investors VII, LLC, an entity holding a portfolio initially consisting of nine construction and term loans with an outstanding principal balance of approximately \$51,000,000, collateralized by seven retail properties located in Arizona, California and Utah. As of December 31, 2013, four loans remain	0.66	1,676,155	1,526,283
50.00	Participation interest in KW Residential Capital, an entity holding a participating loan interest in a single-purpose entity owning a project under development consisting of 79 single-family residences located in Santa Clarita, California	1.15	2,644,526	2,644,526
50.00	Participation interest in KW Residential Capital, an entity holding a participating loan interest in a single-purpose entity owning a project under development consisting of nine single-family	0.37	863,000	863,000

	residences located in Ventura, California			
	Participation interest in KW Residential Capital, an			
	entity holding a participating loan interest in a			
50.00	single-purpose entity owning a project under	1.20	2,766,800	2,766,800
	development consisting of seventeen single-family			
	residences located in Los Angeles, California			
	Total investments	100.00	% \$208,451,458	\$230,359,566
See accompanying notes to financial statements				

KENNEDY WILSON REAL ESTATE FUND IV, L.P.
Statements of Operations

	Year ended December 31,		
	2014	2013	2012
	(unaudited)		
Investment income:			
Dividends	\$7,810,775	\$3,628,660	\$1,842,575
Interest	1,129,846	1,220,900	1,854,804
Total investment income	8,940,621	4,849,560	3,697,379
Expenses:			
Management fees	3,036,444	4,767,106	1,720,041
Organization costs	—	115,294	409,387
Interest expense	229,763	378,325	585,404
Other professional and administrative costs	617,452	443,852	566,602
Total expenses	3,883,659	5,704,577	3,281,434
Net investment income (loss)	5,056,962	(855,017)	) 415,945
Realized and unrealized gain on investments:			
Net realized gain on investments	9,988,150	1,028,741	—
Net change in unrealized appreciation on investments	14,305,289	18,145,836	13,294,030
Net income	\$29,350,401	\$18,319,560	\$13,709,975
See accompanying notes to financial statements.			

KENNEDY WILSON REAL ESTATE FUND IV, L.P.
Statements of Partners' Capital

	General partner and special limited partner	Limited partners	Total
Partners' capital, December 31, 2012	1,508,996	141,432,701	142,941,697
Capital contributions	86,183	47,177,507	47,263,690
Capital distributions	(28,927)	(14,434,417)	(14,463,344)
Net income	1,776,834	16,542,726	18,319,560
Partners' capital, December 31, 2013	3,343,086	190,718,517	194,061,603
Capital contributions(unaudited)	87,792	46,545,695	46,633,487
Capital distributions (unaudited)	(72,025)	(35,940,666)	(36,012,691)
Net income (unaudited)	4,727,113	24,623,288	29,350,401
Partners' capital, December 31, 2014 (unaudited)	\$8,085,966	\$225,946,834	\$234,032,800

See accompanying notes to financial statements.

KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Statements of Cash Flows

	Year ended December 31,		
	2014	2013	2,012
	(unaudited)		
Cash flows from operating activities:			
Net income	\$29,350,401	\$18,319,560	\$13,709,975
Adjustments to reconcile net income to net cash used in operating activities:			
Change in accreted interest	(1,129,846)	(1,219,448)	(1,852,806)
Net realized loss on sale of investments	(9,988,150)	(1,028,741)	—
Net change in unrealized appreciation on investments	(14,305,289)	(18,145,836)	(13,294,030)
Change in operating assets and liabilities:			
Purchases of investments	(42,750,758)	(82,125,268)	(97,157,671)
Transfer of cash and cash equivalents	—	(2,159,975)	—
Proceeds from sale of investments	28,201,916	41,292,902	29,948,591
Accounts receivable	—	52,078	(67,127)
Costs related to investments to be acquired	—	(46,056)	—
Prepaid expenses	—	(167,276)	(151,071)
Accounts payable and accrued expenses	(392)	17,800	15,424
Net cash used in operating activities	(10,622,118)	(45,210,260)	(68,848,715)
Cash flows from financing activities:			
Borrowings under line of credit	—	23,621,580	26,461,756
Payments under line of credit	—	(12,817,485)	(23,448,851)
Capital contributions	46,633,487	47,263,690	88,703,157
Capital distributions	(36,012,691)	(14,463,344)	(24,145,272)
Net cash provided by financing activities	10,620,796	43,604,441	67,570,790
Net decrease in cash and cash equivalents	(1,322)	(1,605,819)	(1,277,925)
Cash and cash equivalents, beginning of year	1,322	1,607,141	2,885,066
Cash and cash equivalents, end of year	\$—	\$1,322	\$1,607,141
Supplemental disclosure of cash paid during the year:			
Cash paid for interest	\$237,552	\$252,451	\$568,259
Supplemental disclosure of net assets and liabilities transferred to Kennedy Wilson REF IV AG, LLC:			
Cash and cash equivalents	\$—	\$2,159,975	\$—
Accounts receivable	—	15,049	—
Costs related to investments to be acquired	—	46,056	—
Prepaid expenses	—	701,700	—
Accounts payable	—	(34,345)	—
Notes payable	—	(13,817,000)	—
Total net assets and liabilities transferred to Kennedy Wilson REF IV AG, LLC	\$—	\$(10,928,565)	\$—
See accompanying notes to financial statements.			

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KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012

NOTE 1—ORGANIZATION

Kennedy Wilson Real Estate Fund IV, L.P. (the Partnership), a Delaware limited partnership, was formed on January 28, 2011. The Agreement of Limited Partnership of the Partnership (Partnership Agreement) was executed on May 13, 2011. The general partner of the Partnership is Kennedy Wilson Property Services IV, L.P., a Delaware limited partnership (the General Partner), and the special limited partner is Kennedy Wilson Property Special Equity IV, LLC, a Delaware limited liability company (the Special Limited Partner). The Partnership Agreement was amended and restated on January 1, 2013 to allow for the creation of a parallel fund structure to enable foreign investors to co-invest with the Partnership. On March 20, 2013, Kennedy Wilson Real Estate Fund IV (IP), L.P. (the Investment Partnership) was created and Kennedy Wilson REF IV AG, LLC (the Aggregator), was formed for the purpose of aggregating the investments of the Partnership. On July 16, 2013, the Partnership contributed 100% of its net assets to the Aggregator in exchange for an 85.02% ownership interest in the Aggregator and was equalized by the investors of the Investment Partnership who afterwards owned 14.98% of the Aggregator. The contribution of net assets from the Partnership to the Aggregator and the admittance/equalization of the Investment Partnership were done as prescribed in the Partnership's amended and restated agreement of limited partnership. Per the agreement, any admitted limited partner shall be (a) treated as having been a party to the agreement and any such increased capital commitment shall be treated as having been made, as if they had been invested from day 1 of the Partnership for all purposes, (b) required to bear and contribute its portion of the management fee from day 1 of the Partnership, other Partnership expenses from day 1 and all organizational expenses whenever incurred, and (c) unless otherwise determined by the General Partner, required to pay to the Partnership an additional amount calculated at 10% per annum (determined as of the date of such limited partner's admittance to the Partnership or increase in capital commitment (with respect to the increase in capital commitment), as applicable, on each portion of its capital contribution (including, as applicable, to fund management fees) from the date such portion of such capital contribution would have been made if such Partner had been admitted as a Partner for its full capital commitment on day 1. The Partnership's investment objective has remained unchanged and continues to be to acquire office, multifamily, and other real estate investments, including real estate loans and condominiums through its ownership in the Aggregator. In accordance with this objective, the Partnership may form joint ventures with appropriate strategic coinvestors or invest in real estate related financings, such as first trust deeds. Partnership investments will generally involve real estate located in the western United States and Hawaii. Under the terms of the Partnership Agreement, the Partnership shall continue until the eighth anniversary of the effective date of May 13, 2011 and may be extended for an additional one-year period by the General Partner in its discretion, and for an additional one-year period by the General Partner with the prior consent of the limited partners with a majority of aggregate commitments.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION—The Partnership is an investment company and follow specialized accounting and reporting requirements for investment companies established under U.S. generally accepted accounting principles.

USE OF ESTIMATES—The preparation of the accompanying 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, and reported amounts of revenue and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

CASH AND CASH EQUIVALENTS—The Partnership considers its investment in a money market account to be a cash equivalent.

The Partnership maintains its cash in federally insured banking institutions. The account balances at these institutions periodically exceed the Federal Deposit Insurance Corporation's (FDIC) insurance coverage, and as a result, there is a concentration of credit risk related to amounts in excess of FDIC's insurance coverage. To mitigate this risk, the Partnership places its cash with quality financial institutions.

FAIR VALUE MEASUREMENT—Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The hierarchy level assigned to each investment of the Partnership is based on the

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KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012

assessment of the transparency and reliability of the inputs used in the valuation of such investment at the measurement date. The three hierarchy levels are defined as follows:

Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.

Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and quoted prices in markets that are not active.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

The availability of valuation techniques and observable inputs can vary from investment to investment. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the General Partner in determining fair value is greatest for investments classified as Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest-level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the General Partner's own assumptions are set to reflect those that market participants would use in valuing the asset or liability at the measurement date. The General Partner uses prices and inputs that it believes are current as of the measurement date. **VALUATION OF INVESTMENTS**—The Partnership's investments in real estate assets are stated at fair value using the income and market approaches. For the Limited Liability Companies (LLC) in which the Partnership has a partial ownership interest, the LLC's investments in real estate are also stated at fair value using the income and market approaches. The income approach requires the General Partner to estimate the projected operating cash flows of the real estate on an asset-by-asset basis, apply a capitalization (cap) rate to the reversion year's cash flows and discount the cash flows with a risk-adjusted rate for the respective holding periods. The market approach requires the General Partner to identify transactions for similar assets, if any, and apply asset specific adjustments for items such as location, physical condition, and other pertinent factors which would impact fair value. The Partnership's investments in notes and loan pool participations are stated at fair value based on a comparison of the yield that would be required in a current transaction, taking into consideration the risk of the underlying collateral and the credit risk of the borrower to the current yield of similar fixed-income securities.

The accuracy of estimating fair value for Level 3 investments cannot be determined with precision, cannot be substantiated by comparison to quoted prices in active markets, and may not be realized in a current sale or immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including discount rates, liquidity risks, and estimates of future cash flows, could significantly affect the fair value measurement amounts.

The Partnership's investments in real estate and real estate related assets and real estate related fixed income securities are accounted for on a closing-date basis.

CONCENTRATION OF RISK—Substantially all of the Partnership's investments are concentrated in real estate related investments in California, Oregon, and Hawaii. Adverse conditions in the sector or geographic locations would likely result in material declines in the value of the Partnership's investments.

REVENUE RECOGNITION—Dividend income from investments in real estate and real estate related entities is recorded when a disbursement has been approved and declared from the underlying investments of the Partnership. Undistributed earnings from real estate and real estate related entities are considered by the General Partner in

estimating the fair value of these investments. The Partnership also records its proportionate share of the Aggregator's income, expenses, realized and unrealized gains (losses) after July 16, 2013 (date of equalization).

INCOME TAXES—The Partnership is not subject to federal or state income taxes, and accordingly, no provision for income taxes has been made in the accompanying financial statements. The partners are required to report their proportional share of income, gains, loss, credit, or deduction on their respective tax returns.

The Partnership is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits

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KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012

of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement, which could result in the Partnership recording a tax liability that would reduce net assets. Based on its analysis, the Partnership has determined that there are no tax benefits that would have a material impact on the Partnership's financial position or results of operations. The tax year 2011 (year of inception) is the earliest year that remains open to examination by the taxing jurisdictions to which the Partnership is subject.

NOTE 3—FAIR VALUE OF INVESTMENTS

The following table presents the classification of the Partnership's fair value measurements as of December 31, 2014 (unaudited):

	Level 1	Level 2	Level 3	Total
Interests in real estate assets	\$—	\$—	\$229,960,932	\$229,960,932
Interests in loan pool participations and notes	—	—	4,072,176	4,072,176
	\$—	\$—	\$234,033,108	\$234,033,108

The following table presents changes in Level 3 investments for the year ended December 31, 2014 (unaudited):

	January 1, 2014	Purchases	Sales	Realized gains	Accretion on loans	Unrealized appreciation (depreciation)	December 31, 2014
Interests in real estate assets	\$187,501,720	\$42,280,778	\$(24,115,005)	\$9,988,150	—	\$14,305,289	\$229,960,932
Interests in loan pool participations and notes	6,559,261	469,980	(4,086,911)	—	1,129,846	—	4,072,176
	\$194,060,981	\$42,750,758	\$(28,201,916)	\$9,988,150	\$1,129,846	\$14,305,289	\$234,033,108

The net change in unrealized appreciation on investments that use Level 3 inputs still held as of December 31, 2014 was \$18,294,962 (unaudited).

The following table presents the classification of the Partnership's fair value measurements as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Interests in real estate assets	\$—	\$—	\$187,501,720	\$187,501,720
Interests in loan pool participation and notes	—	—	6,559,261	6,559,261
	\$—	\$—	\$194,060,981	\$194,060,981

The following table presents changes in Level 3 investments for the year ended December 31, 2013:

	January 1, 2013	Purchases	Transfers from real estate to loans	Transfer to Aggregator	Sales	Realized gains	Accretion on loans	Unrealized appreciation (depreciation)
Interests in real estate assets	\$140,888,821	\$78,445,308	\$(1,818,081)	\$(10,067,162)	\$(39,166,000)	\$1,028,741	\$—	\$18,190,093
Interests in loan pool participations and notes	2,874,334	3,679,960	1,818,081	(861,403)	(2,126,902)	—	1,219,448	(44,257)
	\$143,763,155	\$82,125,268	\$—	\$(10,928,565)	\$(41,292,902)	\$1,028,741	\$1,219,448	\$18,145,836

The net change in unrealized appreciation on investments that use Level 3 inputs still held as of December 31, 2013 was \$20,299,207.

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KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Notes to Financial Statements

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The following table presents the classification of the Partnership's fair value measurements as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Interests in real estate assets	\$—	\$—	\$140,888,821	\$140,888,821
Interests in loan pool participations and notes	—	—	2,874,334	2,874,334
	\$—	\$—	\$143,763,155	\$143,763,155

The following table presents changes in Level 3 investments for the year ended December 31, 2012:

	January 1, 2012	Purchases	Sales	Unrealized appreciation (depreciation)	December 31, 2012
Interests in real estate assets	\$61,407,239	\$67,871,834	\$(1,500,000)	\$13,109,748	\$140,888,821
Interests in loan pool participations and notes	—	31,138,643	(28,448,591)	184,282	2,874,334
	\$61,407,239	\$99,010,477	\$(29,948,591)	\$13,294,030	\$143,763,155

The net change in unrealized appreciation on investments that use Level 3 inputs still held as of December 31, 2012 was \$13,294,030.

Since inception, all investments have been classified as Level 3 investments and there have been no transfers between other levels of the hierarchy.

In estimating fair value of investments in real estate assets, the Partnership considers significant inputs such as capitalization and discount rates. The table below describes the range of inputs used as of December 31, 2014 (unaudited):

	Cap rate		Discount rate		
	Min	Max	Min	Max	
Multifamily	5.00	% 6.00	% 7.00	% 9.00	%
Office	5.25	8.25	7.00	11.00	
Retail	6.70	7.00	8.00	8.65	
Land and Condo	N/A	N/A	25.00	25.00	

In estimating fair value of investments in real estate assets, the Partnership considers significant inputs such as capitalization and discount rates. The table below describes the range of inputs used as of December 31, 2013:

	Cap rate		Discount rate		
	Min	Max	Min	Max	
Multifamily	5.75	% 7.00	% 8.50	% 9.25	%
Office	6.00	7.50	7.50	9.00	
Retail	8.00	8.00	9.00	10.00	

For valuation of real estate related assets and indebtedness, the Partnership considers significant inputs such as the term of the debt, value of collateral, current loan-to-value ratios, market interest rates and spreads, and credit quality of investment entities. The credit spreads used by the Partnership for these types of investments range from 1.70% to 4.59% and 1.75% to 5.86% as of December 31, 2014 (unaudited) and 2103, respectively.

The accuracy of estimating fair value for investments utilizing unobservable inputs cannot be determined with precision, cannot be substantiated by comparison to quoted prices in active markets, and may not be realized in a current sale of immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including cap rates, discount rates, liquidity risks, and estimates of future cash flows, could significantly affect the fair value measurement amounts.

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KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012

NOTE 4—RELATED PARTY TRANSACTIONS

MANAGEMENT FEE—During the period which commenced on May 13, 2011 and expired on May 13, 2014 (the Investment Period), the Partnership shall pay the General Partner a management fee equal to 1.50% per annum of the invested capital contributed by the nonaffiliated limited partners and 1.00% per annum of the difference between the aggregate capital commitments of the nonaffiliated limited partners and the invested capital contributed by the nonaffiliated limited partners. After the Investment Period expires, the Partnership shall pay the General Partner a management fee equal to 1.50% per annum of the invested capital contributed by the nonaffiliated limited partners. The Partnership incurred \$2,731,850 in management fees for the year ended December 31, 2013. The Partnership's proportionate share of the Aggregator's management fee is \$3,036,444 (unaudited) for the year ended December 31, 2014 and \$2,035,256 for the period from July 16, 2013 (date of equalization) through December 31, 2013.

The management fee shall be reduced, in any calendar quarter, by the nonaffiliated limited partners' percentage of any organizational expenses that the Partnership pays in excess of \$1,000,000. In the event that the amount of fee reduction exceeds the management fee for such quarterly period, such excess shall be carried forward to reduce the management fee payable in following quarterly periods. There have been no reductions for the years ended December 31, 2014 (unaudited) and 2013.

ORGANIZATION EXPENSE—The Partnership shall pay or reimburse the General Partner for up to \$1 million of organizational expenses incurred on behalf of the Partnership. Organization expenses in excess of \$1 million will reduce the management fee paid to the General Partner. The Partnership incurred no organization costs (unaudited) for the year ended December 31, 2014 and \$115,294 for year ended December 31, 2013.

NOTE 5—PARTNERS' CAPITAL

CONTRIBUTIONS—The total committed capital of the Partnership is \$257,368,421 (unaudited) as of December 31, 2014, of which \$226,559,457 (unaudited) or 88.03% (unaudited) has been called, and \$257,368,421 as of December 31, 2013 of which \$179,925,970 or 69.91% had been called.

The General Partner is authorized to call additional capital in its sole discretion when additional capital is required to acquire investments, provide working capital, establish reserves, or pay expenses, costs, losses, or liabilities of the Partnership. However, only nonaffiliated limited partners are required to fund management fees or excess organization costs as described above. No limited partner shall be required to make any additional capital contributions in excess of its capital commitment. Any portion of a limited partner's capital commitment that has not been called by the General Partner within the period ending three years from the effective date of May 13, 2011 may not be drawn to fund new commitments for investments. However, the partners shall remain obligated to make capital contributions throughout the duration of the Partnership in order to fund commitments for new investments in existence at the end of the Investment Period, to pay for management fees and other partnership expenses, to fund requirements of existing investments in an aggregate amount not to exceed 15% of the aggregate commitments, or to pay continuing obligations of the Partnership under any line of credit or permitted indebtedness.

The General Partner may cause the Partnership to return to the partners any portion of a capital contribution that is not invested in an investment or used to pay partnership expenses, that is a contribution for bridge financing that is recouped by the Partnership within twelve months, or is invested in a portion of an investment sold to either an executive fund or related parallel fund. All such returned capital contributions shall be returned to the partners in proportion to the cash contribution made by each partner and shall be treated as not having been called or funded.

DISTRIBUTIONS—Distributions of net cash flow shall initially be made to the partners based on the percentage of their aggregate investment contributions to the aggregate investment contributions made by all partners. The initial amount apportioned to the limited partners shall be distributed to the limited partners and the Special Limited Partner as follows:

(i) First, 100% to limited partners until the limited partners have received cumulative distributions equal to the sum of their aggregate contributions for investments and partnership costs;

(ii) Second, 100% to limited partners until the unpaid preferred return of ten percent (10%), compounded annually, due to the limited partners is reduced to zero,

(iii) Third, 50% to the Special Limited Partner and 50% to the limited partners to the extent necessary so that the aggregate distributions to the Special Limited Partner equal 20% of the cumulative amount of distributions made to limited partners pursuant to (ii) and (iv), and

(iv) Thereafter, 20% to the Special Limited Partner and 80% to the limited partners.

Notwithstanding the above, the General Partner shall have authority to make distributions to the Special Limited Partner in an amount equal to the tax liability on its carried interest. Such distributions shall be treated as advances of distributions to the Special Limited Partner and shall reduce future distributions due to the Special Limited Partner.

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KENNEDY WILSON REAL ESTATE FUND IV, L.P.

Notes to Financial Statements

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ALLOCATION OF PARTNERSHIP INCOME AND LOSSES—The allocation of Partnership income and loss will generally follow the allocation of distributions.

NOTE 6—COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Partnership issues contingent loan and completion guarantees to secure financing agreements and/or to obtain preferred terms related to its investments. These guarantees may include obligations under mortgage loans and may cover payments of principal and/or interest. These guarantees generally have fixed termination dates

and become liabilities of the Partnership in the event the borrower is unable to meet the obligations specified in the guarantee agreement. As of December 31, 2014 (unaudited), the Partnership has not entered into any of these guarantees.

During the year ended December 31, 2014 (unaudited), the Partnership provided financial support to its investee companies of \$42,750,758 (unaudited), which was made in the form of invested capital to provide for growth financing, to support acquisitions or for ongoing operations of investee companies.

For the period ended December 31, 2014 (unaudited), the Partnership did not have any unfunded obligations to investee companies.

NOTE 7—FINANCIAL HIGHLIGHTS

The Internal Rate of Return (IRR) of the limited partners of the Partnership, net of all fees and profit allocations to the Special Limited Partner, is 11.55% (unaudited) and 11.14% at December 31, 2014 and 2013, respectively.

The IRR was computed based on the actual dates of the cash inflows (capital contributions), outflows (cash distributions), and the ending net assets at the end of the period (residual value) of the limited partners' capital accounts as of December 31, 2014 (unaudited) and 2013, respectively.

	2014 (unaudited)	2013	
Ratio to average limited partners' capital:			
Net investment income (loss)	2.94	% (0.63)%
Total expenses	2.26	% 4.21	%
Incentive allocation	2.71	% 0.38	%
Total expenses and incentive allocation	4.97	% 4.59	%

The net investment income and total expense ratios (including incentive allocation) are calculated for the limited partners taken as a whole. The computation of such ratios, based on the amount of net investment income, expenses, and incentive allocation assessed to an individual investor, may vary from these ratios based on the timing of capital transactions. The above ratios are computed based upon the weighted average limited partners' capital of the Partnership as measured at the end of each monthly accounting period for the years ended December 31, 2014 (unaudited) and 2013.

NOTE 8—SUBSEQUENT EVENTS

Management has evaluated all subsequent events occurring after the date of the statement of financial condition through March 27, 2015, the date of the financial statements were available to be issued, to determine whether any subsequent events necessitated adjustment or disclosure in the financial statements. No such events were identified that necessitated adjustment or disclosure.

Independent Auditors' Report

The Partners

One Baxter Way, LP:

We have audited the accompanying financial statements of One Baxter Way, LP, which comprise the balance sheet as of December 31, 2013, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of One Baxter Way, LP as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

The accompanying balance sheet of One Baxter Way, LP as of December 31, 2014, and the related statements of operations, changes in partners' capital, and cash flows for the years ended December 31, 2014 and 2012 were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Dallas, Texas

March 31, 2014

ONE BAXTER WAY, LP
(A Delaware Limited Partnership)

Balance Sheets

	December 31, 2014 (Unaudited)	2013
Assets		
Real estate		
Land	\$22,208,240	\$22,208,240
Buildings and improvements	98,009,103	97,699,135
Total	120,217,343	119,907,375
Accumulated depreciation	(17,327,011)	(14,919,927)
Total real estate, net	102,890,332	104,987,448
Cash	1,499,107	1,054,810
Escrows and deposits	2,238,505	1,044,234
Deferred leasing costs, net of accumulated amortization of \$4,306,582 (Unaudited) at December 31, 2014 and \$3,682,410 at December 31, 2013	2,015,884	1,955,503
Deferred financing fees, net of accumulated amortization of \$1,923,832 (Unaudited) at December 31, 2014 and \$1,793,548 at December 31, 2013	358,728	485,148
Deferred rent	4,294,589	5,754,666
Accounts receivable	13,880	13,988
Prepaid expenses	105,963	112,854
Other assets	274,555	55,856
Total assets	\$113,691,543	\$115,464,507
Liabilities and partners' capital		
Liabilities		
Mortgage loan payable	\$63,300,000	\$63,500,000
Prepaid rent	1,060,197	862,781
Tenant deposits	216,896	72,937
Accounts payable and accrued expenses	414,396	430,879
Total liabilities	64,991,489	64,866,597
Partners' capital		
Partners' capital	48,700,054	50,597,910
Total liabilities and partners' capital	\$113,691,543	\$115,464,507
See accompanying notes to the financial statements.		

ONE BAXTER WAY, LP
(A Delaware Limited Partnership)
Statements of Operations

	Year ended December 31,		2012
	2014	2013	(Unaudited)
	(Unaudited)		(Unaudited)
Revenue			
Rental income	\$10,066,231	\$10,288,456	\$9,776,071
Operating expense recoveries	375,146	360,582	532,107
Other	19,709	58,358	17,834
Total revenue	10,461,086	10,707,396	10,326,012
Expenses			
Property taxes	918,107	849,186	813,559
Utilities	1,215,603	1,219,760	1,038,492
Repairs and maintenance	1,105,363	1,174,558	1,105,575
Salaries and wages	942,269	855,486	862,621
General and administrative	71,402	83,687	113,680
Insurance	259,874	247,619	211,495
Depreciation	2,407,084	2,462,944	2,395,742
Amortization	754,456	1,205,666	1,608,230
Interest expense	1,386,384	1,409,149	1,619,890
Total expenses	9,060,542	9,508,055	9,769,284
Net income	\$1,400,544	\$1,199,341	\$556,728
See accompanying notes to the financial statements.			

ONE BAXTER WAY, LP
 (A Delaware Limited Partnership)
 Statements of Changes in Partners' Capital

Partners' Capital Balance at December 31, 2011 (unaudited)	\$57,785,979
Distributions (unaudited)	(4,574,138)
Net loss (unaudited)	556,728
Partners' Capital Balance at December 31, 2012 (unaudited)	53,768,569
Distributions	(4,370,000)
Net income	1,199,341
Partners' Capital Balance at December 31, 2013	50,597,910
Contributions (unaudited)	751,600
Distributions (unaudited)	(4,050,000)
Net income (unaudited)	1,400,544
Partners' Capital Balance at December 31, 2014 (unaudited)	\$48,700,054
See accompanying notes to the financial statements.	

ONE BAXTER WAY, LP
(A Delaware Limited Partnership)
Statements of Cash Flows

	Year ended December 31,		
	2014	2013	2012
	(Unaudited)		(Unaudited)
Cash flows from operating activities:			
Net income	\$ 1,400,544	\$ 1,199,341	\$ 556,728
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	2,407,084	2,462,944	2,395,742
Amortization of deferred leasing costs	624,172	788,692	661,741
Amortization of deferred financing fees	130,284	133,964	461,335
Amortization of in place lease values	—	283,010	485,154
Change in assets and liabilities:			
Deferred rent	1,460,077	981,817	318,286
Accounts receivables	108	26,443	143,087
Prepaid expenses and other assets	(211,808	) (57,485	) (4,850
Prepaid rent	197,416	48,094	89,595
Tenant deposits	143,959	—	72,937
Accounts payable and accrued expenses	(16,483	) (358,043	) (102,228
Net cash provided by operating activities	6,135,353	5,508,777	5,077,527
Cash flows from investing activities:			
Additions to real estate	(309,968	) (437,869	) (1,989,511
Deferred leasing costs	(684,553	) (3,538	) (342,215
Change in escrows and deposits	(1,194,271	) (1,193,481	) (298,246
Draws on escrows and deposits	—	447,493	1,500,000
Net cash used in investing activities	(2,188,792	) (1,187,395	) (1,129,972
Cash flows from financing activities:			
Principal payments on borrowings	(200,000	) —	(62,452,501
Originations of new loans	—	—	63,500,000
Contributions from partners	751,600	—	—
Distributions to partners	(4,050,000	) (4,370,000	) (4,574,138
Payments made for financing fees	(3,864	) (1,205	) (640,288
Net cash used in financing activities	(3,502,264	) (4,371,205	) (4,166,927
Net change in cash	444,297	(49,823	) (219,372
Cash at beginning of period	1,054,810	1,104,633	1,324,005
Cash at end of period	\$ 1,499,107	\$ 1,054,810	\$ 1,104,633
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 1,386,979	\$ 1,411,612	\$ 1,646,189
Supplemental disclosure of non-cash activity:			
Accrued capital expenditures	\$ 71,778	\$ 29,550	\$ 270,478
See accompanying notes to the financial statements.			

ONE BAXTER WAY, LP

(A Delaware Limited Partnership)

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012 (unaudited)

NOTE 1—ORGANIZATION

One Baxter Way, LP (the Partnership), a Delaware limited partnership, is 45.52% owned by KW Property Fund I, L.P., 45.52% owned by KW Property Fund II, L.P (Fund II), and 8.96% owned by K-W Properties, which is wholly owned by Kennedy-Wilson Holdings, Inc. (Kennedy Wilson).

The Partnership was organized in September 2007 to invest in and fully own the property known as The Oaks (the Property). The Property is an office building totaling approximately 354,000 rentable square feet (unaudited), located in Westlake Village, California.

Available cash is distributed to the partners in proportion to their percentage interests at the time of distribution. Profit and loss for each fiscal period shall be allocated among the partners in proportion to their percentage interests, in accordance with the limited partnership agreement.

The term of the Partnership extends until the date all Partnership investments have been liquidated, the Partnership is dissolved, or at any time there are no Limited Partners.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

USE OF ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

CASH—Cash includes highly liquid investments purchased with original maturities of three months or less. Periodically, the Partnership maintains cash balances in various bank accounts in excess of federally insured limits. To date, no losses have been experienced related to such amounts. The Partnership places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

REAL ESTATE ASSETS—The fair value of real estate acquired was allocated to the acquired tangible assets, consisting primarily of land and buildings and improvements, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases and below-market leases.

The fair value of real estate was determined by valuing the property as if it were vacant, which was then allocated to land and buildings and improvements, based on management's determination of the relative fair values of these assets. The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period. The fair value determination was made using Level 3 inputs.

Real estate assets are carried at depreciated cost. Depreciation on buildings and improvements has been provided for in the accompanying financial statements using the straight-line method based on estimated useful lives of 40 years for building and improvements and over the lease life for tenant improvements. Maintenance and repairs are charged to expense as incurred, and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

ONE BAXTER WAY, LP

(A Delaware Limited Partnership)

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012 (unaudited)

IMPAIRMENT OF LONG-LIVED ASSETS—In accordance with FASB ASC Topic 360, Property, Plant, and Equipment, the asset or asset group is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indications of impairment exist, the Partnership will evaluate the project by comparing the carrying amount of the asset or asset group to the estimated future undiscounted cash flows of the project. If impairment exists, an impairment loss will be recognized based on the amount by which the carrying amount exceeds the fair value of the asset or asset group. For the years ended December 31, 2014 (unaudited), 2013 and 2012 (unaudited) there were no impairments recorded.

CONCENTRATION OF RISK—The Partnership's real estate is located in California. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Partnership's investment.

DEFERRED FINANCING COSTS, NET—Financing costs incurred in obtaining long-term debt are capitalized and amortized over the term of the related debt on a straight-line basis, which approximates the effective interest method.

INCOME TAXES—As a limited partnership, the partners elected for the Partnership to be a pass-through entity for income tax purposes; therefore, the Partnership's taxable income or loss is allocated to partners in accordance with their respective ownership, and no provision or liability for income taxes has been included in the financial statements. Management has evaluated the Partnership's tax positions and concluded that the Partnership had taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of FASB ASC Topic 740, Income Taxes.

FAIR VALUE MEASUREMENTS —The Partnership follows the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures (ASC Topic 820), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three hierarchy levels are defined as follows: Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.

Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and quoted prices in markets that are not active.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

For certain financial instruments, including cash, tenant receivables, escrows and deposits, prepaid expenses, accounts payable and accrued expenses, prepaid rent, and tenant deposits, recorded amounts approximate fair value due to the relatively short-term nature of these instruments.

The Partnership has no assets or liabilities measured at fair value on a recurring or nonrecurring basis in the financial statements as of December 31, 2014 (unaudited), 2013, and 2012 (unaudited).

NOTE 3—REAL ESTATE ACQUISITION

The fair value of the Property was allocated to the acquired tangible assets, consisting primarily of land and building and improvements, and to the identified acquired intangible assets, which comprises of in-place leases, in accordance with Business Combinations ASC Subtopic 805-10. Acquisition related costs were expensed as incurred.

Upon the purchase in 2007, the fair value of real estate was determined by valuing the Property as if it were vacant, which was then allocated to land and building and improvements, based on management's determination of the relative fair value of the asset. The value of the acquired in-place leases was determined by calculating the present

value of the cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period. As of December 31, 2014 (Unaudited) and 2013, no amount of intangible asset is capitalized and subject to amortization related to leases that were in-place upon acquisition in 2007.

NOTE 4—MORTGAGES PAYABLE

In September 2012, the mortgage loan which is secured by the Property, was refinanced. The mortgage loan bears an interest rate of LIBOR + 2.0% and mature on October 1, 2017.

ONE BAXTER WAY, LP

(A Delaware Limited Partnership)

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012 (unaudited)

The fair value of the mortgage loan as of December 31, 2014 was \$63,327,939 (unaudited). The fair value was estimated based on the quoted market prices for the same or similar issues for debt of the same remaining maturities. Based on its nature, the fair value of the mortgage loan was determined using Level 2 inputs, as defined in note 2. The fair value amount does not necessarily represent the amount that would be required to satisfy the debt obligation.

As of December 31, 2014, the future cash principal payments on the mortgage payable are as follows (unaudited):

2015	\$1,920,000
2016	2,880,000
2017	58,500,000
	\$63,300,000

The mortgage loan covenants require that the Property maintain a Debt Service Coverage Ratio of not less than 1.15 to 1.00. As of December 31, 2014, the Property was in compliance with this covenant (Unaudited).

NOTE 5—MINIMUM FUTURE LEASE RENTALS

As of December 31, 2014, the minimum future cash rents receivable under non-cancellable operating leases in each of the next five years and thereafter are as follows (Unaudited):

2015	\$11,353,643
2016	12,643,003
2017	12,654,392
2018	9,683,546
2019	1,715,758
Thereafter	—
	\$48,050,342

Contractual rents are normally increased over the term of the lease. Depending on local market factors, increases may be structured as a fixed percentage increase for each year of the lease or as an increase based on the Consumer Price Index. Also, concessions in the form of free rent may sometimes be provided. Such determinable changes in contractual rents are recognized on a straight line basis over the life of the lease.

In addition to base rent, most tenants are assessed monthly for their proportionate share of estimated net increases in property operating costs and real property taxes. Such expense reimbursements are typically amounts in excess of the tenant's share of expenses attributable to a base year stipulated in the lease.

NOTE 6—TENANT CONCENTRATIONS

The top two tenants accounted for approximately \$8,164,655 (unaudited) and \$1,213,830 (unaudited), or 81.1% (unaudited) and 12.1% (unaudited) of the Partnership's combined rental income for the year ended December 31, 2014. No other tenant comprised more than 10% of the Partnership's combined rental income for the year ended December 31, 2014.

The top two tenants accounted for approximately \$8,117,501 and \$1,346,008, or 85.8% and 14.2%, respectively, of the Partnership's combined rental income for the year ended December 31, 2013. No other tenant comprised more than 10% of the Partnership's combined rental income for the year ended December 31, 2013.

NOTE 7—TRANSACTIONS WITH THE AFFILIATES

Affiliates receive leasing commissions, a management fee, a construction management fee, reimbursements for certain billed management and administrative related costs. Management fees is calculated based on 3% of base rent and other immaterial miscellaneous adjustments.

ONE BAXTER WAY, LP
 (A Delaware Limited Partnership)
 Notes to Financial Statements
 December 31, 2014 (unaudited), 2013, and 2012 (unaudited)

Fees and reimbursements paid by the Partnership were as follows:

	Year Ended December 31,	
	2014	2013
	(unaudited)	
Management and administrative related cost reimbursement	\$361,912	\$351,147
Leasing commissions	56,482	724
Construction management	9,995	26,543
	\$428,389	\$378,414

As of December 31, 2014 (unaudited) and 2013, there were no outstanding balances due to affiliates. The construction supervision fees and leasing fees are capitalized to tenant improvements and deferred leasing costs, respectively.

NOTE 8—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Partnership does not have any material commitments or contingencies.

NOTE 9—SUBSEQUENT EVENTS

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition and disclosure through March 27, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Independent Auditors' Report

The Members

KW Funds - 303 North Glenoaks, LLC and KW Funds - 6100 Wilshire, LLC:

We have audited the accompanying combined financial statements of KW Funds - 303 North Glenoaks, LLC (a Delaware limited liability company) and KW Funds - 6100 Wilshire, LLC, which comprise the combined balance sheet as of December 31, 2013, and the related combined statements of operations, members' capital, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of KW Funds - 303 North Glenoaks, LLC and KW Funds - 6100 Wilshire, LLC as of December 31, 2013, and the results of their operations and their cash flows for the year ended December 31, 2013, in accordance with U.S. generally accepted accounting principles.

The accompanying combined balance sheet of KW Funds - 303 North Glenoaks, LLC and KW Funds - 6100 Wilshire, LLC, as of December 31, 2014 and the related combined statements of operations, members' capital, and cash flows for the years ended December 31, 2014 and 2012, were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Los Angeles, California
March 31, 2014

KW Funds-303 North Glenoaks, LLC
(A Delaware Limited Liability Company)
and KW Funds-6100 Wilshire, LLC
(A Delaware Limited Liability Company)
Combined Balance Sheets

	December 31,	
	2014	2013
	(Unaudited)	
Assets		
Real estate		
Land	\$10,446,567	\$21,240,031
Buildings	46,050,144	115,609,788
Total	56,496,711	136,849,819
Accumulated depreciation	(8,709,463)	(17,571,772)
Real estate, net	47,787,248	119,278,047
Cash	758,889	436,175
Escrow and deposits	464,274	904,273
Deferred leasing costs, net of accumulated amortization		
of \$1,166,122 (unaudited) at December 31, 2014 and \$2,217,826 at December 31, 2013	796,930	1,779,444
Mortgage loan costs, net of accumulated amortization		
of \$38,408 (unaudited) at December 31, 2014 and \$2,032,292 at December 31, 2013	261,314	480,989
Deferred rent	839,122	1,889,569
Accounts receivable	239,841	661,154
Prepaid expenses	144,278	161,375
Total assets	\$51,291,896	\$125,591,026
Liabilities and members' capital		
Liabilities		
Mortgage loans payable	\$31,662,903	\$71,874,002
Prepaid rent	277,910	458,936
Tenant deposits	280,205	592,947
Accounts payable and accrued expenses	456,745	2,513,156
Total liabilities	32,677,763	75,439,041
Members' capital		
Members' capital	18,614,133	50,151,985
Total liabilities and members' capital	\$51,291,896	\$125,591,026
See accompanying notes to the combined financial statements		

KW Funds-303 North Glenoaks, LLC
(A Delaware Limited Liability Company)
and KW Funds-6100 Wilshire, LLC
(A Delaware Limited Liability Company)
Combined Statements of Operations

	Year ended December 31, 2014 (Unaudited)	Year ended December 31, 2013	Year ended December 31, 2012 (Unaudited)
Revenue			
Rental income	\$7,220,043	\$11,196,136	\$10,051,095
Operating expense recoveries	408,927	638,129	650,046
Other	1,028,111	1,098,080	956,555
Total revenue	8,657,081	12,932,345	11,657,696
Operating expenses			
Property taxes	1,072,855	1,209,764	972,958
Utilities	1,127,243	1,435,698	1,322,983
Repairs and maintenance	1,320,123	1,702,296	1,551,537
Salaries and wages	913,721	1,114,504	991,688
General and administrative	126,912	155,306	169,539
Insurance	376,960	355,998	295,498
Depreciation	2,859,006	3,815,186	3,534,184
Amortization	635,728	768,940	638,563
Interest expense	3,041,256	5,312,176	6,015,393
Total operating expenses	11,473,804	15,869,868	15,492,343
Gain on sale of real estate	4,995,850	—	—
Net income (loss)	\$2,179,127	\$(2,937,523)	\$(3,834,647)
See accompanying notes to the combined financial statements			

KW Funds-303 North Glenoaks, LLC
 (A Delaware Limited Liability Company)
 and KW Funds-6100 Wilshire, LLC
 (A Delaware Limited Liability Company)
 Combined Statements of Members' Capital

Balance, December 31, 2011 (unaudited)	\$40,915,747
Contributions from members (unaudited)	527,146
Distributions to members (unaudited)	(200,000)
Net loss (unaudited)	(3,834,647)
Balance, December 31, 2012 (unaudited)	37,408,246
Contributions	17,011,000
Distributions	(1,329,738)
Net loss	(2,937,523)
Balance, December 31, 2013	50,151,985
Contributions from members (unaudited)	3,883,907
Distributions to members (unaudited)	(37,600,886)
Net income (unaudited)	2,179,127
Balance, December 31, 2014 (unaudited)	\$18,614,133
See accompanying notes to the combined financial statements	

KW Funds-303 North Glenoaks, LLC
(A Delaware Limited Liability Company)
and KW Funds-6100 Wilshire, LLC
(A Delaware Limited Liability Company)
Combined Statements of Cash Flows

	Year ended December 31,		
	2014	2013	2012
	(Unaudited)		(Unaudited)
Cash flows from operating activities:			
Net income (loss)	\$2,179,127	\$(2,937,523)	\$(3,834,647)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	2,859,006	3,815,186	3,534,184
Amortization of deferred leasing costs	635,728	768,940	638,563
Amortization of deferred financing fees	519,397	998,869	908,294
Gain on sale of real estate	(4,995,850)	—	—
Change in assets and liabilities:			
Deferred rent	1,050,447	(483,420)	(715,251)
Accounts receivable	421,313	(269,901)	325,003
Prepaid expenses	17,097	(31,152)	(16,952)
Tax and insurance escrows	477,161	—	—
Prepaid rent	(181,026)	338,403	(42,460)
Tenant deposits	(312,742)	35,149	56,438
Accounts payable and accrued expenses	(2,080,210)	(332,584)	387,602
Net cash provided by operating activities	589,448	1,901,967	1,240,774
Cash flows from investing activities:			
Additions to real estate	(520,712)	(1,523,615)	(1,935,098)
Deferred leasing costs	(467,506)	(732,094)	(1,177,618)
Change in capital escrow and deposits	(37,162)	698,815	556,551
Proceeds from sale of real estate, net of closing costs	74,986,446	—	—
Net cash provided by (used in) investing activities	73,961,066	(1,556,894)	(2,556,165)
Cash flows from financing activities:			
Payments of mortgage loans payable	(723,960)	(1,198,020)	(96,978)
Proceeds from mortgage loans	31,656,400	—	—
Advances from mortgage loans	284,591	1,279,373	1,881,627
Payoff of first mortgage loans	(71,428,130)	—	—
Payoff of second mortgage	—	(16,550,000)	—
Payments made for mortgage loan costs	(299,722)	—	(920,646)
Contributions from members	3,883,907	17,011,000	527,146
Distributions to members	(37,600,886)	(1,329,738)	(200,000)
Net cash (used in) provided by financing activities	(74,227,800)	(787,385)	1,191,149
Net change in cash	322,714	(442,312)	(124,242)
Cash at beginning of period	436,175	878,487	1,002,729
Cash at end of period	\$758,889	\$436,175	\$878,487
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$2,700,474	\$4,320,698	\$5,295,681
Supplemental disclosure of non-cash activity:			
Accrued capital expenditures	\$23,799	\$302,758	\$586,111

See accompanying notes to the combined financial statements

KW Funds-303 North Glenoaks, LLC
(A Delaware Limited Liability Company)
and KW Funds-6100 Wilshire, LLC
(A Delaware Limited Liability Company)
Notes to the Combined Financial Statements
December 31, 2014 (unaudited), 2013, and 2012 (unaudited)

NOTE 1—ORGANIZATION

KW Funds—303 North Glenoaks, LLC (Glenoaks), a Delaware limited liability company, is 50% owned by KW Property Fund II, L.P. (Fund II) and 50% owned by KW Property Fund III, L.P. (Fund III). Glenoaks was organized in March 2008 to invest in and fully own the property known as 303 North Glenoaks (the Glenoaks Property). This property is an office building totaling approximately 176,000 rentable square feet, located in Burbank, California. KW Funds—6100 Wilshire, LLC (6100 Wilshire), a Delaware limited liability company, is 85.71% owned by KW Property Fund II, L.P. and 14.29% owned by KW Property Fund III, L.P. 6100 Wilshire was organized in June 2008 to invest in and fully own the property known as 6100 Wilshire (the Wilshire Property). This property is an office building totaling approximately 214,000 rentable square feet, located in Los Angeles, California. In August of 2014, 6100 Wilshire was sold to a third party buyer (unaudited).

The combination of Glenoaks and 6100 Wilshire is collectively referred to as "the Companies". The Companies are presented on a combined basis, as they are held under common ownership by Fund II and Fund III. The Glenoaks Property and the Wilshire Property are collectively referred to as "the Properties".

Available cash is distributed to the members in proportion to their percentage interests at the time of distribution. Profit and loss for each fiscal period shall be allocated among the members in proportion to their percentage interests. The limited liability companies (LLC's) will continue in existence until dissolved in accordance with the provisions of their operating agreement and are funded through the equity contributions of their members. As LLC's, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Other revenue is primarily comprised of parking income. The total amount of parking income for the year ended December 31, 2014 and 2013 was \$924,711 (unaudited) and \$1,060,495, respectively.

USE OF ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

CASH—Cash includes highly liquid investments purchased with original maturities of three months or less. Periodically, the Companies maintain cash balances in various bank accounts in excess of federally insured limits. To date, no losses have been experienced related to such amounts. The Companies place cash with quality financial

institutions and do not believe there is a significant concentration of credit risk.

REAL ESTATE ASSETS—Real estate assets are carried at depreciated cost. Depreciation on buildings and improvements has been provided for in the accompanying financial statements using the straight-line method based on estimated useful lives of 40 years for buildings and the related lease life for tenant improvements. The amortization of intangible assets associated with in-place leases has been provided for in the accompanying financial statements using the straight-line method based on the weighted-average remaining lease lives. Maintenance and repairs are charged to expense as incurred, and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

KW Funds-303 North Glenoaks, LLC
(A Delaware Limited Liability Company)
and KW Funds-6100 Wilshire, LLC
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IMPAIRMENT OF LONG-LIVED ASSETS—In accordance with accounting guidance for long-lived assets, the properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indications of impairment exist, the Companies will evaluate the properties by comparing the carrying amount of the properties to the estimated future undiscounted cash flows of the properties. If impairment exists, an impairment loss will be recognized based on the amount by which the carrying amount exceeds the fair value of the properties. For the periods ended December 31, 2014 (unaudited), 2013, and 2012 (unaudited), there were no impairments recorded.

CONCENTRATION OF RISK—The Companies' real estate is located in California. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Companies investment.

DEFERRED FINANCING COSTS, NET—Financing costs incurred in obtaining long-term debt are capitalized and amortized over the term of the related debt on a straight-line basis.

INCOME TAXES—As LLC's, the members elected for the Companies to be pass-through entities for income tax purposes; therefore, the Companies' taxable income or loss is allocated to members in accordance with their respective ownership, and no provision or liability for income taxes has been included in the combined financial statements. Management has evaluated the Companies tax positions and concluded that the Companies have taken no uncertain tax positions that require adjustment to the combined financial statements in order to comply with the provisions of this guidance.

FAIR VALUE MEASUREMENTS—The Companies follow the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the combined financial statements on a recurring or nonrecurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three hierarchy levels are defined as follows: Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.

Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and quoted prices in markets that are not active.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

For certain financial instruments, including cash, tenant receivables, escrows and deposits, prepaid expenses, accounts payable and accrued expenses, prepaid rent, and tenant deposits, recorded amounts approximate fair value due to the relatively short-term nature of these instruments.

The Companies have no assets or liabilities measured at fair value on a recurring or nonrecurring basis in the financial statements as of December 31, 2014 (unaudited) and 2013.

RECENT ACCOUNTING PRONOUNCEMENTS — On April 10, 2014, the FASB issued ASU 2014-08, which amends the definition of discontinued operations and requires additional disclosures for disposal transactions that do not meet the revised discontinued operations criteria. ASU 2014-08 is required to be adopted for fiscal years beginning after December 15, 2014, with early adoption permitted. The Companies elected early adoption as of January 1, 2014.

NOTE 3—REAL ESTATE ACQUISITION

The fair value of the Properties was allocated to the acquired tangible assets, consisting primarily of land and buildings, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases and below-market leases, in accordance with Business Combinations ASC Subtopic 805-10. Acquisition related costs were expensed as incurred.

Upon their respective purchases in 2008, the fair value of real estate was determined by valuing the Properties as if they were vacant, which was then allocated to land and buildings and improvements, based on management's determination of the relative fair values of these assets. The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period. As of December

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31, 2014 (unaudited) and 2013, no amount of intangible assets is capitalized and subject to amortization related to leases that were in-place upon acquisition in 2008.

In August of 2014, the Wilshire Property was sold to a third-party buyer. The Company therefore has written off all real estate amounts related to the Wilshire Property and recorded a gain on sale of \$4,995,850 (unaudited).

NOTE 4—MORTGAGES PAYABLE

The Properties initially had mortgage loans payable to third-party financial institutions, which were secured by the Glenoaks Property and the Wilshire Property. The mortgages bore an interest rate of LIBOR + 4.0% was due to mature on October 31, 2014.

In August of 2014, in conjunction with the sale of 6100 Wilshire, the mortgage loan payable associated with the Glenoaks property was amended and restated with the existing lender. The terms of the amended and restated mortgage loan includes a maturity date of August 31, 2017 (unaudited) and an interest rate of LIBOR plus 2.85% (unaudited).

During 2013, the Companies repaid off \$16,550,000 of mortgage loan payable using funds received from contributions from Members. This second mortgage on the combined Properties bore interest at a rate of 11.0%. The fair value of the debt as of December 31, 2014 and 2013 was \$31,719,208 (unaudited) and \$71,841,609, respectively. The fair value was estimated based on the quoted market prices for the same or similar issues for debt of the same remaining maturities as well as the credit quality of the Companies. Although the Companies have determined that the majority of the inputs used to value the mortgage fall within Level 2 of the fair value hierarchy, the assessment of the Companies' credit quality associated with the valuation utilized Level 3 inputs. However, the Companies assessed the significance of the impact of the Level 3 inputs on the overall valuation of the liability and determined that it is not significant to the overall valuation of the mortgage. As a result, the Companies have determined that its mortgage payable valuation in its entirety be classified in Level 2 of the fair value hierarchy, as defined in note 2. The fair value amount does not necessarily represent the amount that would be required to satisfy the debt obligation.

NOTE 5 - TENANT CONCENTRATIONS

The top two tenants accounted for approximately \$2.0 million (unaudited) and \$831,000 (unaudited), or 27.84% (unaudited) and 11.51% (unaudited), respectively, of the Companies' combined rental income for the year ended December 31, 2014. No other tenant comprised more than 10% (unaudited) of the Companies' combined rental income for the year ended December 31, 2014.

The top two tenants accounted for approximately \$1.9 million and \$1.4 million, or 17.1% and 12.8%, respectively, of the Companies combined rental income for the year ended December 31, 2013. No other tenant comprised more than 10% of the Companies' combined rental income for the year ended December 31, 2013.

NOTE 6—MINIMUM FUTURE LEASE RENTALS

The following is a schedule of future minimum rents to be received under noncancellable operating leases as of December 31, 2014 (unaudited):

2015	\$4,472,319
2016	4,120,410
2017	3,854,598
2018	2,967,344
2019	1,732,504
Thereafter	745,738

Total

\$17,892,913

Contractual rents are normally increased over the term of the lease. Depending on local market factors, increases may be structured as a fixed percentage increase for each year of the lease or as an increase based on the Consumer Price Index. Also,

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concessions in the form of free rent may sometimes be provided. Such determinable changes in contractual rents are recognized on a straight line basis over the life of the lease.

In addition to base rent, most tenants are assessed monthly for their proportionate share of estimated net increases in property operating costs and real property taxes. Such expense reimbursements are typically amounts in excess of the tenant's share of expenses attributable to a base year stipulated in the lease.

NOTE 7—TRANSACTIONS WITH THE AFFILIATES

Affiliates receive leasing commissions, a management fee, a construction management fee, reimbursements for certain billed management and administrative related costs.

Fees earned and reimbursements received by Kennedy-Wilson Holdings, Inc. and its affiliates were as follows:

	Year Ended December 31,		
	2014 (unaudited)	2013	2012 (unaudited)
Management fees	\$316,357	\$367,275	\$316,572
Leasing commissions	19,501	62,917	46,315
Construction management	9,796	60,492	81,772
	\$345,654	\$490,684	\$444,659

As of December 31, 2014 and 2013, the outstanding balance due to affiliates was \$0 (unaudited) and \$31,447, respectively, and included in accounts payable and accrued expenses on the combined balance sheets.

The construction supervision fees and leasing fees are capitalized to tenant improvements and deferred leasing costs, respectively.

NOTE 8—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Companies do not have any material commitments or contingencies.

NOTE 9—MEMBERS' CAPITAL

The below details the Members Capital accounts related to each of the Companies for the following periods:

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	KW Funds-303 North Glenoaks, LLC	KW Funds-6100 Wilshire, LLC	Total
Balance, December 31, 2011 (unaudited)	\$ 15,261,695	\$ 25,654,052	\$ 40,915,747
Contributions from members (unaudited)	—	527,146	527,146
Distributions to members (unaudited)	(200,000)	—	(200,000)
Net loss	(895,167)	(2,939,480)	(3,834,647)
Balance, December 31, 2012 (unaudited)	14,166,528	23,241,718	37,408,246
Contributions	4,261,000	12,750,000	17,011,000
Distributions	(560,698)	(769,040)	(1,329,738)
Net loss	(705,671)	(2,231,852)	(2,937,523)
Balance, December 31, 2013	17,161,159	32,990,826	50,151,985
Contributions from members (unaudited)	3,703,463	180,444	3,883,907
Distributions to members (unaudited)	(1,869,505)	(35,731,381)	(37,600,886)
Net (loss) income (unaudited)	(688,970)	2,868,097	2,179,127
Balance, December 31, 2014 (unaudited)	\$ 18,306,147	\$ 307,986	\$ 18,614,133

NOTE 10—SUBSEQUENT EVENTS

Management has evaluated all subsequent events through March 27, 2015, the date that the financial statements are available for issuance.

Independent Auditors' Report

The Members

Bay Area Smart Growth Fund II, LLC:

We have audited the accompanying financial statements of Bay Area Smart Growth Fund II, LLC which comprise the balance sheet as of December 31, 2012, and the related statements of operations, members' equity, and cash flows for each of the years in the two-year period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Bay Area Smart Growth Fund II, LLC as of December 31, 2012, and the results of its operations and its cash flows for each of the years in the two-year period then ended, in accordance with U.S. generally accepted accounting principles.

The accompanying balance sheet of Bay Area Smart Growth Fund II, LLC as of December 31, 2014 and December 31, 2013, and the related statement of operations, members' equity, and cash flows for the years then ended were not audited by us and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Dallas, Texas

March 21, 2013

BAY AREA SMART GROWTH FUND II, LLC

(A Delaware Limited Liability Company)

Balance Sheets

	December 31, 2014 (unaudited)	2013 (unaudited)
Assets		
Investments in unconsolidated real estate entities (note 3)	\$13,139,072	\$23,474,790
Cash and cash equivalents	837,304	80,550
Prepaid expenses and other assets	170,200	4,805
Total assets	\$14,146,576	\$23,560,145
Liabilities and members' equity		
Liabilities		
Accrued expenses (note 4)	\$—	\$859,164
Note payable to affiliate (note 4)	—	2,544,080
Total liabilities	—	3,403,244
Commitments and contingencies (note 5)		
Members' equity	14,146,576	20,156,901
Total liabilities and members' equity	\$14,146,576	\$23,560,145
See accompanying notes to the financial statements		

BAY AREA SMART GROWTH FUND II, LLC

(A Delaware Limited Liability Company)

Statements of Operations

	Year ended December 31,		
	2014 (unaudited)	2013 (unaudited)	2012
Revenues:			
Interest income	\$—	\$—	\$57,940
Total revenues	—	—	57,940
Expenses:			
General, administrative and other	99,491	85,741	121,577
Management fees (note 4)	665,357	665,357	667,179
Interest expense (note 4)	212,855	231,511	—
Total expenses	977,703	982,609	788,756
Equity in loss from investments in unconsolidated real estate entities (note 3)	(3,069,822)	(30,309)	(315,193)
Net loss	\$(4,047,525)	\$(1,012,918)	\$(1,046,009)
See accompanying notes to the financial statements			

BAY AREA SMART GROWTH FUND II, LLC

(A Delaware Limited Liability Company)

Statements of Members' Equity

	Managing Member	Nonmanaging Members	Special Member	Total
Balance, December 31, 2011	1,110,791	21,105,037	—	22,215,828
Transfer of nonmanaging member interests to managing member (note 1)	10,508,731	(10,508,731)	—	—
Net loss	(76,797)	(969,212)	—	(1,046,009)
Balance, December 31, 2012	11,542,725	9,627,094	—	21,169,819
Net loss (unaudited)	(552,288)	(460,630)	—	(1,012,918)
Balance, December 31, 2013 (unaudited)	10,990,437	9,166,464	—	20,156,901
Distributions to members (unaudited)	(1,070,205)	(892,595)	—	(1,962,800)
Net loss (unaudited)	(2,206,889)	(1,840,636)	—	(4,047,525)
Balance, December 31, 2014 (unaudited)	\$7,713,343	\$6,433,233	\$—	\$14,146,576
See accompanying notes to the financial statements				

BAY AREA SMART GROWTH FUND II, LLC
(A Delaware Limited Liability Company)
Statements of Cash Flows

	Year ended December 31,		
	2014	2013	2012
	(unaudited)	(unaudited)	
Cash flows from operating activities:			
Net loss	\$(4,047,525)	\$(1,012,918)	\$(1,046,009)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity in loss from investments in unconsolidated real estate entities	3,069,822	30,309	315,193
Change in assets and liabilities:			
Accounts receivable	—	5,148	(5,148)
Prepaid expenses and other assets	(165,395)	935	167,256
Accrued expenses	(859,164)	439,868	419,296
Net cash flow used in operating activities	(2,002,262)	(536,658)	(149,412)
Cash flows from investing activities:			
Repayment of note receivable from affiliate	—	—	1,209,428
Contributions to unconsolidated real estate entities	—	(2,550,761)	(1,203,294)
Distributions from unconsolidated real estate entities	7,265,896	490,745	257,619
Net cash flow provided by (used in) investing activities	7,265,896	(2,060,016)	263,753
Cash flow from financing activities:			
Distributions to members	(1,962,800)	—	—
Proceeds from note payable	—	2,544,080	—
Repayments of note payable	(2,544,080)	—	—
Net cash flow (used in) provided by financing activities	(4,506,880)	2,544,080	—
Net increase (decrease) in cash and cash equivalents	756,754	(52,594)	114,341
Cash and cash equivalents, beginning of year	80,550	133,144	18,803
Cash and cash equivalents, end of year	\$837,304	\$80,550	\$133,144
Supplemental disclosure of noncash financing activities:			
Cash paid for interest	\$444,366	\$—	\$—
See accompanying notes to the financial statements			

BAY AREA SMART GROWTH FUND II, LLC

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NOTE 1—ORGANIZATION

Bay Area Smart Growth Fund II, LLC, a Delaware Limited Liability Company (the Company) was formed by and among KW BASGF II Manager, LLC, a Delaware limited liability company (Managing Member); Pacific National Bank, Far East National Bank, First Bank, Union Bank, United Commercial Bank, US Bank National Association, Washington Mutual Community Development, Inc. and Mechanics Bank (collectively, the Nonmanaging Members); and Bay Area Council, a California nonprofit corporation (Special Member); collectively, the Members. The Company was formed upon the filing of the Company's Certificate of Formation in the office of the Secretary of State of the State of Delaware on February 5, 2007. The term of the Company initially extends to August 31, 2016 and can be extended to facilitate the realization of investments.

The Company was formed to invest in retail, office, commercial and industrial projects, and in multi-family housing projects. The purposes of the Company are to achieve double bottom line fund returns (i.e., produce a risk-adjusted market rate of return for members while generating positive economic, social and environmental benefits for the neighborhoods that are within the San Francisco Bay Area region, the Double Bottom Line).

The Managing Member of the Company is an affiliate of Kennedy-Wilson, Inc. (KWI). It is anticipated that the Company will form and be the sole member of separate limited liability companies to purchase real estate interests. Cumulative capital contributions and commitments were as follows as of December 31, 2014 and 2013:

	2014 (unaudited)	2013 (unaudited)
KW BASGF II Manager, LLC	\$ 14,312,483	\$ 14,312,483
Far East National Bank	3,000,000	3,000,000
First Bank	1,000,000	1,000,000
Union Bank	2,624,967	2,624,967
East West Bank (formerly United Commercial Bank)	3,000,000	3,000,000
US Bank National Association	1,312,221	1,312,221
Mechanics Bank	1,000,000	1,000,000
	\$26,249,671	\$26,249,671

During 2010, the original members, United Commercial Bank and Pacific National Bank, were taken over by East West Bank and US Bank, respectively. Due to an agreement between US Bank and FDIC, Pacific National Bank's investment in the Company was transferred to FDIC. During 2012, the interests of FDIC (as Receiver for Pacific National Bank) and JP Morgan Chase (formerly Washington Mutual Community Development, Inc.) were transferred to KW BASG II Manager, LLC.

Distributions of investment proceeds to the Members are calculated and made with respect to each investment made by the Company generally as follows:

- a) First to the Members pro rata in proportion to, and to the extent of, the amount necessary so that each Member has received on a cumulative basis an amount equal to 100% of such Members invested capital with respect to such investment.
- b) Then, to the Members pro rata in proportion to and to the extent of the amount necessary so that each such Member has received on a cumulative basis an amount equal to a preferred rate of return on the Member's Capital with respect to such investment at the rate of ten percent (10%) per annum compounded annually.
- c) Then, *pari passu* 79% to the Managing Member, 8.316% to the Special Member, and 12.684% to Members in proportion to capital contributions until such time as the Managing Member has received 19% of the amounts distributed to the Members pursuant to paragraph (b) above and this paragraph (c), and the Special Member has received 2% of the amounts distributed to the Members pursuant to paragraph (b) above and this paragraph (c).

d) Thereafter, *pari passu* 79% to all Members in proportion to capital contributions, 19% to the Managing Member, and 2% to the Special Member.

Any other cash or other property received by the Company shall be allocated among, and distributed to, the Members in a manner determined by the Managing Member to be fair and equitable to the Members and as nearly as practicable to the provisions above.

BAY AREA SMART GROWTH FUND II, LLC

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The Members have agreed to allocate income and loss for financial reporting purposes in a manner which they believe reflects the Members' respective economic interests in the total reported Members' capital of the Company as of and for each year ended December 31.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

MANAGEMENT ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

PRINCIPLES OF CONSOLIDATION—The Company consolidates entities in which it holds a greater than 50% voting interest, or a controlling financial interest. The Company has no involvement with variable interest entities. The Company accounts for investments over which it has significant influence but not a controlling financial interest using the equity method of accounting.

ORGANIZATION OF LIMITED LIABILITY COMPANIES—The limited liability companies (LLCs) within the accompanying financial statements will continue in existence until dissolved in accordance with the provisions of their operating agreements and are funded through the equity contributions of the members. As LLCs, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits.

INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES—In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 323, Investment —Equity Method and Joint Ventures, unconsolidated equity method investments are initially recorded at cost and subsequently are adjusted for the Company's share of the venture's earnings or losses and cash distributions.

In accordance with the guidance, the allocation of profit and losses should be analyzed to determine how an increase or decrease in net assets (determined in conformity with GAAP) will affect cash payments to the investor over the life of the entity and on its liquidation. Because certain agreements contain preferences with regard to cash flows from operations, capital events and/or liquidation, the Company reflects its share of profits and losses by determining the difference between its “claim on the investee's book value” at the end and the beginning of the period. This claim is calculated as the amount that the Company would receive (or be obligated to pay) if the investee were to liquidate all of its assets at recorded amounts determined in accordance with GAAP and distribute the resulting cash to creditors and investors in accordance with their respective priorities. This method is commonly referred to as the hypothetical liquidation at book value method.

Costs incurred in connection with the acquisition of investments in unconsolidated real estate entities are capitalized as part of the Company's basis in the investments in the entities. The Company amortizes any excess of the carrying value of its investments over the book value of the underlying equity over the estimated useful lives of the underlying operating property, which represents the assets to which the excess is most clearly related.

On a periodic basis, the Company assesses whether there are any indicators that the value of its investments may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investments, and such decline in value is deemed to be other-than-temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the estimated fair value of the investment. The Company's estimates of estimated fair value for each investment are based

on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates and operating costs of the property. As these factors are difficult to predict and are subject to future events that may alter these assumptions, the values estimated by the Company in its impairment analysis may not be realized. During the year ended December 31, 2011, the Company recognized a loss on the transfer of a portion of its interest in the Bay Fund Opportunity, LLC of \$2,359,686 (see note 3). As of December 31, 2014 (unaudited) and 2013 (unaudited), the Company determined there was no impairment related to the investments in unconsolidated real estate entities.

CASH AND CASH EQUIVALENTS—Cash and cash equivalents include highly liquid investments purchased with a maturity of three months or less. Periodically, the Company maintains cash balances in various bank accounts in excess of federally

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insured limits. To date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

INCOME TAX MATTERS—As a limited liability company, the members elected for the Company to be a pass through entity for income tax purposes; therefore, the Company's taxable income or loss is allocated to members in accordance with their respective ownership, and no provision or liability for income taxes has been included in the financial statements.

Management has evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of this guidance. The Company is not subject to income tax examinations by U.S. federal, state or local tax authorities for years before 2010 (unaudited).

CONCENTRATION OF RISK—The Partnership's real estate is located in California. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Partnership's investment.

NOTE 3—INVESTMENTS IN UNCONSOLIDATED REAL ESTATE ENTITIES

During 2008, the Company acquired a member's interest in the following unconsolidated real estate entities: 33.63% in 300 California Partners, LLC (300 California) and 55.83% in Bay Fund Opportunity, LLC (Marina Shores and Cove). The Company acquired its interests in these entities in May 2008 and June 2008, respectively.

300 California is a venture between the Company and two other members affiliated through common management and a common investor. 300 California owns and leases an office building located in San Francisco, California. 300 California had a mortgage note payable that had a balance of \$37,537,646 (unaudited) at its original maturity date in August 2010 and at December 31, 2010. This loan was extended to November 14, 2013 with a required \$2,000,000 paydown made January 14, 2011 and a required \$3,000,000 letter of credit also provided January 14, 2011. The maturity date of the mortgage note was extended to November 15, 2015. As part of the modification 300 California was required to make principal payments of \$1,500,000 (unaudited) on September 1, 2014 and December 1, 2014 and monthly payments of \$273,000 (unaudited) from January 1, 2015 to November 1, 2015 (unaudited). The latest modification also allowed for the release of the \$3,000,000 (unaudited) letter of credit that was provided on January 14, 2011 and increased the total guaranteed principal amount from the Members to \$8,884,000 (unaudited). The mortgages bore an interest rate of three month LIBOR + 2.75% (unaudited). On September 3, 2014, 300 California was sold and the loan secured by the property was repaid in full.

Marina Shores and Marina Cove each separately own a multifamily housing complex, both of which are located in Richmond, California, and are in close proximity to one another. Marina Shores and Marina Cove are under common management and ownership. On May 4, 2011, the Company sold 24.07% of its interest in Bay Fund Opportunity, LLC for \$7,000,000 to an affiliate of the Managing Member, reducing the Company's interest from 55.83% to 31.76%. The transfer of interest resulted in a realized loss on disposition of \$2,359,686, which is shown on the 2011 statement of operations as a realized loss on disposition of investment in unconsolidated real estate entity. Marina Cove and Marina Shores had mortgage notes payable that had total balances of \$65,249,799 (unaudited) at December 31, 2010. In December 2, 2011, these loans were extended to June 26, 2013 with a required principal paydown of \$6,358,937, which was funded by capital contributions from other investors in Bay Fund Opportunity, LLC. These capital contributions reduced the Company's interest from 31.76% to 25.96%. On April 10, 2013, these loans were refinanced by a new lender, with the due date of May 1, 2018. The aggregate original principal balance of these loans was \$48,400,000 (unaudited).

The following presents summarized financial information of the unconsolidated real estate entities as of and for the year ended December 31, 2014 (unaudited):

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December 31, 2014 (unaudited), 2013 (unaudited), and 2012

	300 California	Marina Cove and Marina Shores	Total
Land and buildings, net	\$—	\$95,540,690	\$95,540,690
Other assets	244,824	3,175,858	3,420,682
Mortgage loans	—	(46,219,467	) (46,219,467)
Other liabilities	(14,466	) (2,189,808	) (2,204,274)
Net assets	\$230,358	\$50,307,273	\$50,537,631
Company's share of net assets	\$76,956	\$13,062,116	\$13,139,072
Operating revenues	\$1,971,082	\$9,553,943	\$11,525,025
Property operating expenses	(2,111,345	) (7,320,293	) (9,431,638)
Rental operations, net	(140,263	) 2,233,650	2,093,387
Loss on disposition of rel estate	(4,246,145	) —	(4,246,145)
Non operating expense, net	(20,851	) (306,310	) (327,161)
Interest expense	(836,756	) (1,434,362	) (2,271,118)
Net (loss) income	\$(5,244,015	) \$492,978	\$(4,751,037)
Company's share of net (loss) income	\$(3,196,282	) \$126,460	\$(3,069,822)

The following presents summarized financial information of the unconsolidated real estate entities as of and for the year ended December 31, 2013 (unaudited):

	300 California	Marina Cove and Marina Shores	Total
Land and buildings, net	\$61,228,091	\$97,738,650	\$158,966,741
Other assets	1,528,946	3,147,384	4,676,330
Mortgage loans	(35,537,646	) (47,610,010	) (83,147,656)
Other liabilities	(924,004	) (2,251,728	) (3,175,732)
Net assets	\$26,295,387	\$51,024,296	\$77,319,683
Company's share of net assets	\$10,228,914	\$13,245,876	\$23,474,790
Operating revenues	\$4,423,938	\$8,647,554	\$13,071,492
Property operating expenses	(3,138,647	) (6,873,573	) (10,012,220)
Rental operations, net	1,285,291	1,773,981	3,059,272
Non operating expense, net	(38,437	) (284,998	) (323,435)
Interest expense	(1,196,177	) (1,670,956	) (2,867,133)
Net loss	\$50,677	\$(181,973	) \$(131,296)
Company's share of net loss	\$16,930	\$(47,239	) \$(30,309)

The following presents summarized income statement of the unconsolidated real estate entities as of and for the year ended December 31, 2012:

BAY AREA SMART GROWTH FUND II, LLC

(A Delaware Limited Liability Company)

Notes to the Financial Statements

December 31, 2014 (unaudited), 2013 (unaudited), and 2012

	300 California	Marina Cove and Marina Shores	Total
Land and buildings, net	\$61,789,366	\$99,943,650	\$161,733,016
Other assets	1,656,197	2,393,175	4,049,372
Mortgage loans	(35,537,646)	(57,998,348)	(93,535,994)
Other liabilities	(758,207)	(2,232,209)	(2,990,416)
Net assets	\$27,149,710	\$42,106,268	\$69,255,978
Company's share of net assets	\$10,514,317	\$10,930,766	\$21,445,083
Operating revenues	\$3,506,476	\$8,088,922	\$11,595,398
Property operating expenses	(2,696,149)	(6,590,804)	(9,286,953)
Rental operations, net	810,327	1,498,118	2,308,445
Non operating expense, net	(25,335)	(288,133)	(313,468)
Interest expense	(1,311,550)	(1,746,528)	(3,058,078)
Net loss	\$(526,558)	\$(536,543)	\$(1,063,101)
Company's share of net loss	\$(175,906)	\$(139,287)	\$(315,193)

NOTE 4—TRANSACTIONS WITH THE MANAGING MEMBER AND AFFILIATES

The limited liability agreement provides for the Managing Member to be paid a fund management fee in advance on the first day of each calendar quarter in the amount of 2% per annum of the aggregate capital commitments for all Members as of such date less aggregate repaid capital of all Members, and for the Special Member to be paid an advisory fee of 0.5% on the same terms. However, the management fee paid to the Managing Member shall not be less than \$320,000 per year, and the Special Member fee shall not be less than \$80,000 per year if the total fair value of all real property interests held directly or indirectly by the Company is at least \$50,000,000; and the management fee paid to the Managing Member shall not be less than \$600,000 per year and the Special Member fee shall not be less than \$150,000 if the total fair value of all real property interests held directly or indirectly by the Company is at least \$100,000,000.

It is contemplated that an affiliate of the Managing Member may perform property management services and/or construction management services for the Company. The compensation and other terms for such services provided shall be at rates and on terms which are no less favorable to the Company than the prevailing market rates and terms for such services obtained on an arm's-length basis in the applicable market area. Affiliates of the Managing Member may also perform development management services for the Company.

During 2014, 2013, and 2012, the Managing Member earned \$532,285 (unaudited), \$532,285 (unaudited), and \$533,743 in fund management fees and the Special Member earned \$133,072 (unaudited), \$133,072 (unaudited), and \$133,436 in advisory fees, respectively. Fund management fees and advisory fees are reflected in management fees on the statement of operations. As of December 31, 2014, \$0 (unaudited), and \$0 (unaudited) in fund management and advisory fees were due to the Managing Member and the Special Member, respectively. As of December 31, 2013, \$502,122 (unaudited), and \$125,530 (unaudited) in fund management and advisory fees were due to the Managing Member and the Special Member, respectively and are reflected in accrued expenses on the accompanying balance sheet.

During 2013, the Company borrowed \$2,544,080 (unaudited) from Kennedy-Wilson Holdings, Inc. an affiliate of the Managing Member in order to fund capital contributions to Marina Cove and Marina Shores. The loan bears interest of 12% (unaudited) and is due on August 31, 2016 (unaudited).

During 2011, the Company advanced \$1,209,428 to KW Property Fund II, L.P. (an affiliate of the Managing Member) in order to fund follow-on investments in 300 California. The amount was subject to a promissory note with a

maximum amount of the \$1,500,000 bearing interest at a rate of 15% per annum on the principal balance and a maturity date of June 30, 2012. This note was paid off in its entirety during 2012 along with interest in the amount of \$57,940, which is included in interest income on the statement of operations.

BAY AREA SMART GROWTH FUND II, LLC

(A Delaware Limited Liability Company)

Notes to the Financial Statements

December 31, 2014 (unaudited), 2013 (unaudited), and 2012

During 2010, the Company borrowed funds from Kennedy-Wilson Holdings, Inc, an affiliate of the Managing Member in order to fund investment requirements and general and administrative expenses. On November 2, 2010, a promissory note was executed to document these borrowings with a \$1,000,000 maximum bearing 10% interest per annum on the funded amount and a maturity date of December 31, 2011. This note was paid off in full on May 5, 2011.

In addition, the Company paid an affiliate of the Managing Member reimbursements for administrative and accounting services in connection with the annual audits. These reimbursements were \$0, \$7,500, and \$7,500 per year for each of the years ended December 31, 2014 (unaudited), 2013 (unaudited), and 2012 respectively..

NOTE 5—COMMITMENT AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

NOTE 6—SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through March 27, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Independent Auditor's Report

The Shareholders

Egret Limited:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Egret Limited and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2013 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year ended December 31, 2013 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Egret Limited and its subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year ended December 31, 2013 in accordance with U.S. generally accepted accounting principles.

/s/KPMG

Dublin, Ireland

March 28, 2014

EGRET LIMITED
(A Jersey Company)
AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2014 (unaudited) and 2013

	2014 (unaudited)	2013
Assets		
Real Estate:		
Land	£—	7,447,500
Buildings and improvements	—	10,110,400
	—	17,557,900
Accumulated depreciation	—	(197,852)
Real estate, net	—	17,360,048
Acquired in-place lease value, net of accumulated amortization of £nil (unaudited) (2013: £1,559,000)	—	5,478,646
Acquired intangible for above-market leases, net of accumulated amortization of £nil (unaudited) (2013: £190,000)	—	746,333
Real estate assets held-for-sale	5,491,368	11,369,628
Cash	1,635,243	3,592,239
Restricted cash	350,363	8,368
Accounts receivable, net of allowance for bad debts of £nil (unaudited) (2013: £214,788)	441,052	723,018
Other assets	41,394	182,194
Total assets	£7,959,420	39,460,474
Liabilities and Shareholders' Equity		
Accrued expenses	397,285	298,946
VAT payable	190,657	768,462
Prepaid rent	328,465	1,301,902
Tenant deposits	350,322	355,958
Income tax payable	593,966	700,968
Acquired intangible for below-market leases, net of accumulated amortization of £nil (unaudited) (2013: £75,000)	—	294,777
Other liabilities	122,279	851,147
Total liabilities	1,982,974	4,572,160
Commitments and contingencies (note 9)	—	—
Shareholders' equity	5,976,446	34,888,314
Total liabilities and shareholders' equity	£7,959,420	39,460,474

See accompanying notes to the consolidated financial statements

EGRET LIMITED

(A Jersey Company)

AND SUBSIDIARIES

Consolidated Statements of Operations

For year ended December 31, 2014 (unaudited), 2013 and period from December 13, 2012 (inception) through December 31, 2012 (unaudited)

	2014 (unaudited)	2013	2012 (unaudited)
Revenues:			
Rental	£—	2,976,991	—
Operating expense recoveries	—	365,154	—
Other income	—	28,644	—
Total revenues	—	3,370,789	—
Operating expenses:			
Utilities	—	8,242	—
Repairs and maintenance	—	146,129	—
Management fees	—	55,979	—
Asset management fees	—	581,732	—
General and administrative	—	312,507	—
Marketing and promotion	—	20,247	—
Insurance	—	194,573	—
Amortization, in-place leases	—	1,559,000	—
Depreciation	—	197,852	—
Acquisition-related costs	—	3,273,043	—
Total operating expenses	—	6,349,304	—
Net loss from continuing operations before income taxes	—	(2,978,515)	—
Income taxes on continuing operations	—	(6,245)	—
Net loss from continuing operations	—	(2,984,760)	—
Net income from discontinued operations, including realized gain on disposal of real estate of £11,763,831 (unaudited) (2013: £9,146,974)	10,819,432	10,964,892	—
Income taxes on discontinued operations	(349,300)	(694,723)	—
Net income after income taxes	£10,470,132	7,285,409	—
See accompanying notes to the consolidated financial statements			

EGRET LIMITED
(A Jersey Company)
AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

For year ended December 31, 2014 (unaudited), 2013 and period from December 13, 2012 (inception) through December 31, 2012

	KW Shareholder	VF Shareholder	Total
Balance, December 13, 2012 (inception)	£—	—	—
Issue of ordinary share capital	6,275,002	—	6,275,002
Net income after taxes	—	—	—
Balance, December 31, 2012 (unaudited)	6,275,002	—	6,275,002
Issue of ordinary share capital	6,491,581	51,066,322	57,557,903
Dividends paid	(7,246,000)	(28,984,000)	(36,230,000)
Net income after income taxes	1,457,082	5,828,327	7,285,409
Balance, December 31, 2013	£6,977,665	27,910,649	34,888,314
Dividends paid (unaudited)	(7,876,400)	(31,505,600)	(39,382,000)
Net income after income taxes (unaudited)	2,094,026	8,376,106	10,470,132
Balance, December 31, 2014 (unaudited)	£1,195,291	4,781,155	5,976,446

See accompanying notes to the consolidated financial statements

EGRET LIMITED
(A Jersey Company)
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For year ended December 31, 2014 (unaudited), 2013 and period from December 13, 2012 (inception) through December 31, 2012 (unaudited)

	2014 (unaudited)	2013	2012 (unaudited)
Cash flows from operating activities:			
Net income	£10,470,132	7,285,409	—
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	97,967	351,005	—
Amortization of acquired in-place intangible	941,912	2,958,305	—
Adjustment to revenue for above and below market leases	67,789	218,241	—
Bad debt expense	(214,788)	214,788	—
Realized gain on disposal	(11,763,831)	(9,146,974)	—
Changes in operating assets and liabilities			
Accounts receivable	496,754	(937,804)	(2)
Other assets	140,800	(182,194)	—
Accrued expenses	(17,115)	298,946	—
VAT payable	(577,805)	768,462	—
Prepaid rent	(973,437)	1,301,902	—
Tenant deposits	(5,636)	355,958	—
Income tax payable	(107,002)	700,968	—
Other liabilities	(728,868)	851,147	—
Net cash provided by (used in) operating activities	(2,173,128)	5,038,159	(2)
Cash flows from investing activities:			
Acquisition of real estate	—	(62,750,000)	—
Additions to real estate	—	(1,092,103)	—
Proceeds from disposal of real estate	41,601,176	35,625,000	—
Costs on disposal of real estate	(1,661,049)	(823,352)	—
Increase in restricted cash	(341,995)	(8,368)	—
Deposits in escrow	—	6,275,000	(6,275,000)
Net cash provided by (used in) investing activities	39,598,132	(22,773,823)	(6,275,000)
Cash flows from financing activities:			
Issue of ordinary share capital	—	57,557,903	6,275,002
Dividends paid	(39,382,000)	(36,230,000)	—
Net cash provided by (used in) financing activities	(39,382,000)	21,327,903	6,275,002
Net increase (decrease) in cash	(1,956,996)	3,592,239	—
Cash at beginning of period	3,592,239	—	—
Cash at end of period	£1,635,243	3,592,239	—
Supplemental disclosure of cash flow information:			
Cash paid for tax	£456,302	—	—

For the year ended December 31, 2014 (unaudited), all cashflows set out above relate to discontinued activities

See accompanying notes to consolidated financial statements

EGRET LIMITED
(A Jersey Company)
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2014 (unaudited) and 2013

(1) Organization

Egret Limited, a Jersey company (the Company) was formed by and between KW Properties (Jersey) Limited, a Jersey company, (the KW Shareholder) and Pintail Limited, a Jersey company (the VF Shareholder). Collectively, the KW Shareholder and the VF Shareholder are referred to as the Shareholders.

The Company was incorporated under the laws of Jersey, Channel Islands, on December 13, 2012. The term of the Company extends until the earlier of (i) the Shareholders agree to terminate the Shareholders' Agreement or (ii) the Company is dissolved or (iii) the date the Company's Investment has been liquidated.

The KW Shareholder subscribed for 12,766,583 shares in the Company, comprising 20% of the issued share capital of the Company, and paid the Company £12,766,581 for those shares. As of December 31, 2013, £2 is due to the Company from the KW Shareholder. The VF Shareholder subscribed for 51,066,322 shares in the Company, comprising 80% of the issued share capital of the Company, and paid the Company £51,066,322 for those shares.

The business of the Company is to acquire, hold, manage, finance, and dispose of the Company real estate assets pursuant to the initial business plan in the Shareholders' Agreement as amended thereafter by the Shareholders. The initial business plan provided for the acquisition of a portfolio of commercial real estate assets located in England and Scotland (the Company Investment). The Company through its four wholly-owned Jersey subsidiaries acquired the portfolio for £62,750,000 comprising the following 29 commercial real estate assets:

Asset	Location
37A Waterloo Street	Birmingham, UK
Lonsdale House	Birmingham, UK
2 and 3 The Oaks	Coventry, UK
Whyteleafe Business Village	Croydon, UK
4 Rosehall Road	Glasgow, UK
Scott House	Greenock, UK
Meadowbank	Bourne End, UK
Archers Court	Bromley, UK
Royal Mail Building	Doxford, UK
Regus Building	Doxford, UK
3 Crompton Way	Fareham, UK
1-7 Stoke Road	Guildford, UK
Corner Hall	Hemel Hempstead, UK
Serco House	Hook, UK
Ransomes Europark	Ipswich, UK
Lunn Poly House	Leamington Spa, UK
Furnival Street	London, UK
Columbus House	Newport, UK
South Portway Close	Northampton, UK
Kiln House	Norwich, UK
Vantage House	Norwich, UK
Moreton Industrial Estate	Swanley, UK
Whittle Close	Wellingborough, UK
John Wilson Business Park	Whitstable, UK
Durnsford Industrial Estate	Wimbledon, UK
Cromwell Road	Wisbech, UK

New King's Court
Cater House
Pentland House

Eastleigh, UK
Chelmsford, UK
Livingston, UK

EGRET LIMITED
(A Jersey Company)
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Notes to Consolidated Financial Statements
December 31, 2014 (unaudited) and 2013

The Company may request additional funds from the shareholders to be used for investments in the Company investments and to satisfy obligations pursuant to the existing Company investments or approved follow-on investments, to pay the Company expenses, including management fees. In the event that any shareholder fails to fund its proportionate share of required additional funds, the other shareholder may provide this additional funding to the Company in the form of a shortfall advance bearing interest at a rate of 20% per annum.

In accordance with the Shareholders' Agreement, on the 1st day of the calendar month (if that is not a business day, the next business day in that month), available funds from the activities of the Company shall be distributed in the following order of priority:

- (a) Repayment of any shortfall advances and all accrued interest on such advances made to the Company by any shareholder;
- (b) Between the shareholders in proportion to their shareholdings until each shareholder has received a cumulative internal rate of return of 12%;
20% to the Property Portfolio Manager, Kennedy Wilson Europe Limited, an affiliate of the KW Shareholder, and
- (c) 80% between the shareholders in proportion to their shareholdings until each shareholder has received a cumulative internal rate of return of 25%;
- (d) Thereafter, 30% to the Property Portfolio Manager, Kennedy Wilson Europe Limited, an affiliate of the KW Shareholder, and 70% between the shareholders in proportion to their shareholdings.

Profit and loss for each fiscal period shall generally be allocated among the shareholders in a manner to cause their capital account balances to equal the amounts of distributions that would be made if the Company were dissolved assuming its assets sold for their respective carrying values and its liabilities satisfied in accordance with their terms.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its four wholly-owned Jersey incorporated subsidiaries (the Jersey PropCos): Ostrich Limited, Darter Limited, Finfoot Limited and Hamerkop Limited (collectively, the Company). All significant intercompany items have been eliminated in the accompanying consolidated financial statements.

(b) Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

(c) Real Estate Assets

During the year ended December 31, 2013, the Company, through its four subsidiaries: Ostrich Limited, Darter Limited, Finfoot Limited, and Hamerkop Limited acquired a portfolio of 29 commercial real estate assets located throughout England and Scotland for £62,750,000. The fair value of the real estate acquired was allocated to the acquired tangible assets consisting primarily of land, buildings and improvements, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases, and below-market leases.

The fair value of the real estate was determined by valuing the property as if it were vacant, which was then allocated to land, buildings and improvements based on management's determination of the relative fair values of these assets.

EGRET LIMITED
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Notes to Consolidated Financial Statements
December 31, 2014 (unaudited) and 2013

The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period.

The following supplemental information summarizes the fair value of the assets acquired:

Real estate assets:

Land	£ 19,478,000
Building and improvements	23,448,000

Intangible assets:

In-place leases	£ 18,347,000
Above-market leases	2,441,000
Below-market leases	(964,000)
Fair value of assets acquired	£ 62,750,000

Real estate assets are carried at depreciated cost, less impairment if any. Depreciation on buildings and improvements has been provided for in the accompanying consolidated financial statements using the straight-line method based on estimated useful lives of 40 years. Maintenance and repairs are charged to expense as incurred and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

The purchase price of acquired properties is allocated to land, buildings and intangible lease values based on their respective fair value in accordance with Accounting Standards Codification (ASC) Subtopic 805-10, Business Combinations. Acquisition-related costs are expensed as incurred.

(d) Real Estate Assets Held-for-Sale

In accordance with Financial Accounting Standards Board (FASB) ASC 360-10, Disposal of Long-Lived Assets, a long-lived asset is classified as an asset held for disposition when it meets certain requirements, which include, among other criteria, the approval of the sale of the asset, the marketing of the asset for sale and the expectation by the Company that the sale will likely occur within the next 12 months. Upon classification of an asset as held for disposition, depreciation of the asset is ceased, the operating results of the asset are included in discontinued operations and the net book value of the asset is included on the consolidated balance sheet as real estate assets held-for-sale.

(e) Impairment of Long-Lived Assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with FASB ASC 360 10, Impairment of Long Lived Assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset less costs to sell. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet. There were no impairments recorded for year ended December 31, 2014 (unaudited) and year ended December 31, 2013.

(f) Cash

Cash includes highly liquid investments purchased with original maturities of three months or less. Periodically throughout the year ended December 31, 2014 (unaudited), cash balances in various bank accounts exceeded the

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EGRET LIMITED
(A Jersey Company)
AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2014 (unaudited) and 2013

insured limits. To date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

(g) Restricted Cash

Restricted cash includes balances held in a sinking fund, which is set aside for tenant improvements.

(h) Deposits in Escrow

Deposits in escrow are held in solicitors' client accounts in favor of the Company in order to facilitate closings of the Company Investment and to pay closing and administrative costs.

(i) Accounts Receivable

Accounts receivable due from tenants are recorded at the contractual amount as determined by the lease agreements, and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical experience and specific item identification, which is reviewed on a quarterly basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(j) Revenue Recognition

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

(k) Discontinued Operations

Real estate classified as held-for-sale on the consolidated balance sheet include only those real estate assets available for immediate sale in their present condition and for which management believes that it is probable that a sale of the real estate asset will be completed within one year.

Real estate held-for-sale are carried at the lower of cost or fair value less estimated selling costs. No depreciation expense is recognized on real estate held-for-sale once they have been classified as such. The operating results of real estate assets designated as held-for-sale are included in discontinued operations in the consolidated statement of operations. In addition, all gains and losses from real estate sold are also included in discontinued operations.

On April 10, 2014, the FASB issued Accounting Standards Update (ASU) 2014-08, which amends the definition of discontinued operations and requires additional disclosures for disposal transactions that do not meet the revised discontinued operations criteria. ASU 2014-08 is required to be adopted for fiscal years beginning after December 15, 2014, with early adoption permitted. Our early adoption of this pronouncement on January 1, 2014 did not have a material impact on the Company's consolidated financial statements.

(l) Income Taxes

The Company owns and consolidates certain subsidiaries, which have income tax liabilities in respect of the international jurisdiction in which they operate, and these amounts are reflected in the consolidated financial statements.

Income taxes are accounted for under the asset and liability method. This process requires management to estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes. Management's judgments, assumptions, and estimates relative to the current provision for income tax take into account current tax laws and interpretations of same.

EGRET LIMITED
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AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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The Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon settlement, which could result in the Company recording a tax liability that would reduce net assets. Based on their analysis, the Company has determined that there are no tax benefits that would have a material impact on the Company's financial position or results of operations. The tax year 2014 remains open to examination by the taxing jurisdictions to which the Company is subject, being the United Kingdom and Jersey.

(m) Concentration of Risk

The Company Investment is located throughout the United Kingdom. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Company Investment.

(n) Fair Value Measurements

The Company follows the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three hierarchy levels are defined as follows:
Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.
Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and quoted prices in markets that are not active.
Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

For certain financial instruments, including cash, restricted cash, deposits in escrow, accounts receivable, accrued expenses, VAT payable, prepaid rent, tenant deposits, income tax payable, and other liabilities, recorded amounts approximate fair value due to the relatively short-term nature of these instruments.

(3) Minimum Future Lease Rentals

As of December 31, 2014, the minimum future cash rents receivable is £nil (unaudited) as all property assets are held for sale.

(4) In-Place Lease Valuation

The fair value of real estate acquired was allocated to the acquired tangible assets consisting primarily of land and buildings, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases, and below-market leases.

The fair value of real estate was determined by valuing the property as if it were vacant, which was the allocated to land and buildings based on managements' determination of the relative fair values of these assets. The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the in-place leases, net of related incremental expenses over the estimated lease up period. The value of the acquired in-place leases, above-market lease asset, and below-market lease liability at the date of acquisition are as follows:

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In-Place Leases	Above-Market Leases	Below-Market Leases)
£18,347,000	2,441,000	(964,000)	

As of December 31, 2013 the value of the acquired in-place leases, above-market lease, and below-market lease intangibles is amortized on weighted average over 57 months, the remaining term of these leases. For the year ended December 31, 2014 (unaudited) and December 31, 2013, the amortization expense (benefit) related to in-place leases, above-market leases, and below-market leases from continuing operations was as follows:

	In-Place Leases	Above-Market Leases	Below-Market Leases
2014 (unaudited)	£—	—	—
2013	£1,559,000	190,000	75,000

As of December 31, 2014, the future annual amortization expense (benefit) of in-place leases, above-market leases, and below-market leases is £nil (unaudited) as all property assets are held for sale.

(5)Real Estate Assets Held-for-Sale

In accordance with the initial business plan, the Company disposes of real estate assets or holds real estate assets for sale. As of December 31, 2014, the Company held £5,491,368 (unaudited) in real estate assets, which have met all of the “held-for-sale” criteria of FASB ASC Subtopic 360-10, Disposal of Long-Lived Assets.

(6)Discontinued Operations

The Company recognizes operating results from real estate designated as held-for-sale and all gains and losses from real estate sold in discontinued operations in the consolidated statements of operations. Real estate operations and dispositions accounted for as discontinued operations for the year ended December 31, 2014 (unaudited) and 2013, were as follows:

	2014 (unaudited)	2013
Revenue	£2,481,134	4,630,962
Expenses:		
Operating	1,867,914	657,162
General and administrative	517,740	603,424
Depreciation and amortization	1,039,879	1,552,458
Total expenses	3,425,533	2,813,044
Realized gain on disposal of real estate, net of disposition costs of £1,661,049 (unaudited) (2013: £823,353)	11,763,831	9,146,974
Net income from discontinued operations before income taxes	10,819,432	10,964,892
Income taxes	349,300	694,723
Net income from discontinued operations after income taxes	£10,470,132	10,270,169

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(7)Income Taxes

The Company's taxable income from ordinary activities and its Jersey PropCos taxable income from rental activities in the United Kingdom are subject to the United Kingdom basic income tax rate of 20% as the Company is a non-resident landlord. The Company and its Jersey PropCos are not subject to income tax in Jersey as all income arises in the United Kingdom. For the year ended December 31, 2014, a tax expense attributable to income from continuing operations of £nil (unaudited) (2013: current income tax of £6,245) is included in the accompanying consolidated statement of operations.

Tax Rate Reconciliation

The income tax expense attributable to income from continuing operations was £nil (unaudited) for the year ended December 31, 2014 (2013: £6,245), and differed from the amounts computed by applying the United Kingdom income tax rate of 20% to pretax income from continuing operations as a result of the following:

	2014 (unaudited)	2013
Computed "expected tax" benefit	£—	(595,703)
Reduction in income resulting from non-taxable income	—	(445,977)
Increase in income taxes resulting from expenses not deductible	—	1,047,925
Total tax expense	£—	6,245

(8)Transactions with Affiliates

The Umbrella Management Agreement (the UMA) provides that each Jersey PropCo shall pay Kennedy Wilson UK Limited as the Asset Manager and Kennedy Wilson Europe Limited as the Property Portfolio Manager, which are the affiliates of KW Shareholder, a management fee in the amount equal to (i) 1.5% of Net Operating Income related to that Jersey PropCo; and (ii) 1.5% of Net Disposable Proceeds from real estate asset sales. This management fee is payable monthly in arrears and is initially allocated 20% to the Asset Manager and 80% to the Property Portfolio Manager.

During the year ended December 31, 2014, the Asset Manager and the Property Portfolio Manager earned £334,780 (unaudited) (2013: £123,965) and £1,339,120 (unaudited) (2013: £495,862) in management fees, respectively. As of December 31, 2014, £1,691 (unaudited) (2013: £98,261) in management fees were due to the Asset Manager and the Property Portfolio Manager and are reflected in the accrued expenses on the accompanying consolidated balance sheet.

(9)Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

(10)Subsequent Events

Subsequent to the year end, the Company disposed of real estate assets for a consideration of £9,500,000 (unaudited), resulting in a gain of £3,406,165 (unaudited).

Management has evaluated all subsequent events occurring after the date of the balance sheet through March 27, 2015, the date the consolidated financial statements were available to be issued, to determine whether any subsequent events

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necessitated adjustment to or disclosure in the consolidated financial statements. Besides the event described above, no other events were identified that necessitated adjustment or disclosure.

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Independent Auditor's Report

The Shareholders

KWVF Panther Holdco Limited:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of KWVF Panther Holdco Limited and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the period from June 14, 2013 (inception) through December 31, 2013 and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KWVF Panther Holdco Limited and its subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the period from June 14, 2013 (inception) through December 31, 2013 in accordance with U.S. generally accepted accounting principles.

(signed) KPMG

Dublin, Ireland

March 28, 2014

KWVF PANTHER HOLDCO LIMITED

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Consolidated Balance Sheet

December 31, 2014 (unaudited) and 2013

	December 31, 2014 (unaudited)	2013
Assets		
Real Estate:		
Land	£23,500,002	27,500,003
Buildings and improvements	123,065,448	133,186,803
	146,565,450	160,686,806
Accumulated depreciation	(4,084,086)	(1,112,381)
Real estate, net	142,481,364	159,574,425
Acquired in-place lease value, net of accumulated amortization of £15,072,898 (unaudited) and £4,729,962	44,674,958	70,062,038
Acquired intangible for above-market leases, net of accumulated amortization of £4,315,479 (unaudited) and £1,332,015	11,685,121	18,368,985
Cash	13,484,974	15,712,755
Restricted cash	2,101,388	2,591,514
Deferred financing fees, net of accumulated amortization of £914,914 (unaudited) and £238,506	2,611,547	3,809,247
Derivative financial instrument	160,749	1,580,134
Accounts receivable, net of allowance for bad debts of £836,214 (unaudited) and £310,478	2,804,604	1,077,058
Other assets	834,960	—
New leasing commissions, net of accumulated amortization of £58,487 (unaudited) and £nil	227,279	—
Total assets	£221,066,944	272,776,156
Liabilities and Shareholders' Equity		
Mortgage loan payable	£139,009,000	162,093,750
Accrued expenses	3,503,498	3,986,425
Prepaid rent	4,549,260	5,244,753
VAT payable	2,067,814	2,368,971
Accrued interest	994,275	1,161,336
Income tax payable	1,839,250	558,374
Acquired intangible for below-market leases, net of accumulated amortization of £910,623 (unaudited) and £258,208	3,610,593	4,855,792
Other liabilities	2,636,733	3,054,679
Total liabilities	158,210,423	183,324,080
Commitments and contingencies (note 9)	—	—
Shareholders' equity	62,856,521	89,452,076
Total liabilities and shareholders' equity	£221,066,944	272,776,156
See accompanying notes to consolidated financial statements		

KWVF PANTHER HOLDCO LIMITED

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Consolidated Statement of Operations

For year ended December 31, 2014 (unaudited) and Period from June 14, 2013 (inception) through December 31, 2013

	Year ended December 31, 2014 (unaudited)	Period from June 14 (inception) through December 31, 2013
Revenues:		
Rental	£24,521,495	8,601,807
Operating expense recoveries	16,767,442	2,359,095
Total revenues	41,288,937	10,960,902
Operating expenses:		
Utilities	4,249,042	218,594
Repairs and maintenance	12,790,684	1,393,080
Management fees	1,183,812	595,613
Asset management fees	582,524	74,627
General and administrative	6,130,012	2,058,396
Insurance	243,703	373,184
Amortization, deferred financing fees	809,675	238,506
Amortization, in-place leases	11,827,228	4,729,962
Amortization, lease commissions	58,487	—
Depreciation	3,106,462	1,112,381
Acquisition-related costs	—	13,531,245
Total operating expenses	40,981,629	24,325,588
Operating income and expenses:		
Interest income	9,152	3,371
Interest expense	(6,589,615)	(2,304,959)
Gain on disposal of real estate	6,477,861	—
Change in value of derivative financial instrument	(1,419,385)	(269,866)
Net loss before income taxes	(1,214,679)	(15,936,140)
Income taxes	(1,280,876)	(558,374)
Net loss after income taxes	£(2,495,555)	(16,494,514)
See accompanying notes to consolidated financial statements		

KWVF PANTHER HOLDCO LIMITED

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Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2014 (unaudited) and period from June 14, 2013 (inception) through December 31, 2013

	KW Shareholder	VF Shareholder	Total
Balance, June 14, 2013 (inception)	£—	—	—
Issue of ordinary share capital	33,825,973	75,820,617	109,646,590
Dividends paid	(1,141,450)	(2,558,550)	(3,700,000)
Net loss after income taxes	(5,088,558)	(11,405,956)	(16,494,514)
Balance, December 31, 2013	27,595,965	61,856,111	89,452,076
Dividends paid (unaudited)	(7,434,850)	(16,665,150)	(24,100,000)
Net loss after income taxes (unaudited)	(769,879)	(1,725,676)	(2,495,555)
Balance, December 31, 2014 (unaudited)	£19,391,236	43,465,285	62,856,521

See accompanying notes to consolidated financial statements

KWVF PANTHER HOLDCO LIMITED

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Consolidated Statement of Cash Flows

For the year ended December 31, 2014 (unaudited) and period from June 14, 2013 (inception) through December 31, 2013

	2014 (unaudited)	2013
Cash flows from operating activities:		
Net loss	£(2,495,555	) £(16,494,514)
Adjustments to reconcile net loss to net cash provided by operating activities activities:		
Depreciation	3,106,462	1,112,381
Amortization of financing fees	809,675	238,506
Amortization of acquired in-place intangible	11,827,228	4,729,962
Adjustment to revenue for above and below market leases	2,661,862	1,073,807
Amortization of lease commissions	58,487	—
Change in value of derivative financial instrument	1,419,385	269,866
Gain on disposal of real estate	(6,477,861) —
Bad debt expense	525,736	310,478
Changes in assets and liabilities:		
New lease commissions	(285,766) —
Accounts receivable	(2,253,282	) (1,387,536)
Other assets	(834,960) —
Accrued expenses	(821,806	) 3,986,425
Prepaid rent	(695,493	) 5,244,753
VAT payable	(301,157	) 2,368,971
Income tax payable	1,280,876	558,374
Accrued interest	(167,061	) 1,161,336
Other liabilities	(417,946	) 3,054,679
Net cash provided by operating activities	6,938,824	6,227,488
Cash flows from investing activities:		
Acquisition of real estate	—	(250,000,000)
Additions to real estate	(476,884	) (65,806)
Disposal of real estate	38,004,903	—
Decrease (Increase) in restricted cash	490,126	(2,591,514)
Net cash provided by (used in) investing activities	38,018,145	(252,657,320)
Cash flows from financing activities:		
Issue of ordinary share capital	—	109,646,590
Dividends paid	(24,100,000	) (3,700,000)
Payments made for financing fees	—	(4,047,753)
Payment made for derivative financial instrument	—	(1,850,000)
Proceeds from mortgage loan	—	162,500,000
Principal payments on mortgage loan	(23,084,750	) (406,250)
Net cash (used in) provided by financing activities	(47,184,750	) 262,142,587
Net (decrease) increase in cash and cash at the end of the period	£(2,227,781	) £15,712,755
Cash at beginning of period	15,712,755	—
Cash at end of year	£13,484,974	15,712,755
Supplemental disclosure of cash flow information:		
Cash paid for interest	£6,756,676	£1,143,622

See accompanying notes to consolidated financial statements

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(1) Organization

KWVF Panther Holdco Limited, a Jersey company (the Company) was formed by and between KW Panther (Jersey) Limited, a Jersey company, (the KW Shareholder) and Dreyfus Limited, a Jersey company (the VF Shareholder). Collectively, the KW Shareholder and the VF Shareholder are referred to as the Shareholders.

The Company was incorporated under the laws of Jersey, Channel Islands, on June 14, 2013. The term of the Company extends until the earlier of (i) the Shareholders agree to terminate the Shareholders' Agreement or (ii) the Company is dissolved or (iii) the date the Company's Investment has been liquidated.

The KW Shareholder subscribed for 33,825,973 shares in the Company, comprising 30.85% of the issued share capital of the Company, and paid the Company £33,825,972 for those shares. As of December 31, 2013, £1 is due to the Company from the KW Shareholder. The VF Shareholder subscribed for 75,820,617 shares in the Company, comprising 69.15% of the issued share capital of the Company, and paid the Company £75,820,616 for those shares. As of December 31, 2013, £1 is due to the Company from the VF Shareholder.

The business of the Company is to acquire, hold, manage, finance, and dispose of the Company real estate assets pursuant to the initial business plan in the Shareholders' Agreement as amended thereafter by the Shareholders. The initial business plan provided for the acquisition of a portfolio of commercial real estate assets located in England and Scotland (the Company Investment). The Company through its nine wholly-owned Jersey subsidiaries acquired the portfolio for £250,000,000 comprising the following seven shopping centers:

Asset	Location
County Square Shopping Centre	Ashford, England
Strand Shopping Centre	Bootle, England
The Gates Shopping Centre	Durham, England
Haymarket Shopping Centre	Leicester, England
Spindles Town Square Shopping Centre	Oldham, England
Swansgate Shopping Centre	Wellingborough, England
Rivergate Shopping Centre	Irvine, Scotland

During 2014 the Strand, Bootle and the Gates, Durham were sold for a profit of £6,477,861 (unaudited).

The Company may request additional funds from the shareholders to be used for investments in the Company investments and to satisfy obligations pursuant to the existing Company investments or approved follow-on investments, to pay the Company expenses, including management fees, and to cure a default pursuant to the terms of any senior financing agreement entered into by the Company and its subsidiaries. In the event that any shareholder fails to fund its proportionate share of required additional funds, the other shareholder may provide this additional funding to the Company in the form of a shortfall advance or a financial breach advance bearing interest at a rate of 20% per annum.

In accordance with the Shareholders' Agreement, on the 15th day of the calendar month (if that is not a business day, the next business day in that month), available funds from the activities of the Company shall be distributed in the following order of priority:

- (a) Repayment of any shortfall advances or financial breach advances and all accrued interest on such advances made to the Company by any shareholder;
- (b) Between the shareholders in proportion to their shareholdings until each shareholder has received a cumulative internal rate of return of 12%;
- (c) 20% to the Property Portfolio Manager, Kennedy Wilson Europe Limited, an affiliate of the KW Shareholder, and 80% between the shareholders in proportion to their shareholdings until each shareholder has received a cumulative

internal rate of return of 20%;

(d) Thereafter, 30% to the Property Portfolio Manager, Kennedy Wilson Europe Limited, an affiliate of the KW Shareholder, and 70% between the shareholders in proportion to their shareholdings.

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Profit and loss for each fiscal period shall generally be allocated among the shareholders in a manner to cause their capital account balances to equal the amounts of distributions that would be made if the Company were dissolved assuming its assets sold for their respective carrying values and its liabilities satisfied in accordance with their terms.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its nine wholly-owned Jersey incorporated subsidiaries (the Jersey PropCos): County Square Property Limited, Bootle Strand Property Limited, Durham Gate Property Limited, Haymarket Property Limited, Town Square Property Limited, Oldham Spindles Property Limited, Swansgate Property Limited, Rivergate Property 1 Limited, and Rivergate Property 2 Limited (collectively, the Company). All significant intercompany items have been eliminated in the accompanying consolidated financial statements.

(b) Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

(c) Real Estate Assets

The fair value of the real estate acquired was allocated to the acquired tangible assets consisting primarily of land, buildings and improvements, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases, and below-market leases.

The fair value of the real estate was determined by valuing the property as if it were vacant, which was then allocated to land, buildings and improvements based on management's determination of the relative fair value of these assets. The value of the acquired in-place leases was determined by calculating the present value of cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period.

The following supplemental information summarizes the fair value of the assets acquired:

Real estate assets:

Land	£27,500,003
Building and improvements	133,120,997

Intangible assets:

In-place leases	£74,792,000
Above-market leases	19,701,000
Below-market leases	(5,114,000)
Fair value of assets acquired	£250,000,000

Real estate assets are carried at depreciated cost, less impairment if any. Depreciation on buildings and improvements has been provided for in the accompanying consolidated financial statements using the straight-line method based on estimated useful lives of 40 years. Maintenance and repairs are charged to expense as incurred and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

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The purchase price of acquired properties is allocated to land, buildings and intangible lease values based on their respective fair value in accordance with Accounting Standards Codification (ASC) Subtopic 805-10, Business Combinations. Acquisition-related costs are expensed as incurred.

(d) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Financial Accounting Standards Board (FASB) ASC 360 10, Impairment of Long Lived Assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset less costs to sell. Assets to be disposed of would be separately presented in the consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheet. For the year ended December 31, 2014 (unaudited) and the period from June 14, 2013 (inception) through December 31, 2013, there were no impairments recorded.

(e) Cash

Cash includes highly liquid investments purchased with original maturities of three months or less. Periodically throughout December 31, 2014, cash balances in various bank accounts exceeded the insured limits. To date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

(f) Restricted Cash

Restricted cash includes reserves to pay closing costs and balances held in a sinking fund, which is set aside for tenant improvements.

(g) Deferred Financing Fees

All direct costs incurred in connection with obtaining long-term debt are capitalized and amortized over the term of the related debt on a straight line basis, which approximates the effective interest method.

(h) Accounts Receivable

Accounts receivable due from tenants are recorded at the contractual amount as determined by the lease agreements, and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical experience and specific item identification, which is reviewed on a quarterly basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(i) Revenue Recognition

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

(j) Income Taxes

The Company owns and consolidates certain subsidiaries, which have income tax liabilities in respect of the international jurisdiction in which they operate, and these amounts are reflected in the consolidated financial statements.

Income taxes are accounted for under the asset and liability method. This process requires management to estimate the current tax exposure as well as assess temporary differences between the accounting and tax treatment of assets and liabilities, including items such as accruals and allowances not currently deductible for tax purposes. Management's

judgments, assumptions, and estimates relative to the current provision for income tax take into account current tax laws and interpretations of same.

The Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than

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50% likely of being realized upon settlement, which could result in the Company recording a tax liability that would reduce net assets. Based on their analysis, the Company has determined that there are no tax benefits that would have a material impact on the Company's financial position or results of operations. The tax years 2013 and 2014 remain open to examination by the taxing jurisdictions, to which the Company is subject, being the United Kingdom and Jersey.

(k) Concentration of Risk

The Company Investment is located throughout the United Kingdom. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Company Investment.

(l) Fair Value Measurements

The Company follows the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three hierarchy levels are defined as follows: Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.

Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and quoted prices in markets that are not active.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

For certain financial instruments, including cash, restricted cash, accounts receivable, accrued expenses, accrued service charge, prepaid rent, VAT payable, accrued interest, income tax payable, and other liabilities, recorded amounts approximate fair value due to the relatively short-term nature of these instruments.

(m) Derivative Financial Instruments

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivative instruments that are not designated as a hedging instrument, the Company records changes in fair value in consolidated statement of operations in the period they occur.

(3) Fair Value Measurements

On August 29, 2013, in order to manage fluctuations in interest rates, the Company entered into an interest rate cap contract to hedge LIBOR, which is used to determine the underlying interest rate for the mortgage loan payable described in note 6.

The interest rate cap is valued based on the net present value of expected future cash flows as determined by the counterparty. The Company determined that based on an evaluation of the significance of each of the inputs used to value this instrument that it is considered level 2 in its entirety.

The fair value of the derivative financial instrument held as of December 31, 2014 was £160,749 (unaudited) (2013:£1,580,134). The interest rate cap contract does not qualify as designated hedging instrument under ASC Topic 815, Derivatives and Hedging, and accordingly, the Company recognized a loss of £1,419,385 (unaudited) (2013:£269,866) on this contract.

KWVF PANTHER HOLDCO LIMITED

(A Jersey Company)

AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited) and 2013

(4) Minimum Future Lease Rentals

As of December 31, 2014 (unaudited), the minimum future cash rents receivable under non-cancellable operating leases for each of the next five years and thereafter are as follows:

2015	£ 17,905,683
2016	16,001,094
2017	13,423,042
2018	10,193,746
2019	8,213,614
Thereafter	62,670,574
	£ 128,407,753

(5) In-Place Lease Valuation

The fair value of real estate acquired was allocated to the acquired tangible assets consisting primarily of land and buildings, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases, and below-market leases.

The fair value of real estate was determined by valuing the property as if it were vacant, which was then allocated to land and buildings based on management's determination of the relative fair values of these assets. The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the in-place leases, net of related incremental expenses over the estimated lease-up period. The value of the acquired in-place leases, above-market lease asset, and below-market lease liability at the date of acquisition are as follows:

In-Place Leases	Above-Market Leases	Below-Market Leases)
£ 74,792,000	19,701,000	(5,114,000)

The value of the acquired in-place leases, above-market lease and below-market lease intangibles is amortized on weighted average over 74 months, the remaining term of these leases. For the period from June 14, 2013 (inception) to December 31, 2013 and the year ended December 31, 2014 (unaudited), the amortization expense (benefit) related to in-place leases, above-market leases, and below-market leases was as follows:

	In-Place Leases	Above-Market Leases	Below-Market Leases)
£ 2013	4,729,962	1,332,015	(258,208)
£ 2014 (unaudited)	11,827,228	3,362,042	(700,180)

As of December 31, 2014 (unaudited), the annual amortization expense (benefit) of in-place leases, above-market leases, and below-market leases for each of the next five years and thereafter are as follows:

	In-Place Leases	Above-Market Leases	Below-Market Leases)
2015	£ 11,454,552	3,402,132	(663,024)
2016	10,744,992	3,152,532	(620,064)
2017	5,445,900	1,311,780	(432,696)
2018	4,307,580	1,034,220	(395,496)
2019	4,307,580	1,034,220	(395,496)
Thereafter	8,414,354	1,750,237	(1,103,817)
	£ 44,674,958	11,685,121	(3,610,593)

KWVF PANTHER HOLDCO LIMITED

(A Jersey Company)

AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited) and 2013

(6) Mortgage Loan Payable (unaudited)

On August 29, 2013 (as amended on 31 January 2014), the Jersey PropCos obtained a mortgage loan from Bank of America Securities Limited collateralized by the Company's Investment with a principal of £162,500,000, which is split in two tranches: Tranche A of £60,500,000 and Tranche B of £102,000,000. As of December 31, 2014, the outstanding balance of the mortgage was £139,009,000 and it bears interest of LIBOR plus a spread of 4.1714% for Tranche A and 3.5% (unaudited) for Tranche B, which equates to a blended spread of 3.75% (4.72% for Tranche A and 4.05% for Tranche B, at December 31, 2014). The mortgage matures on August 31, 2018 and requires principal and interest payments on every January 31, April 30, July 31, and October 31 in every year through maturity with the first payment paid on October 31, 2013. Future principal repayments on this loan are as follows:

2015	£ 1,427,500
2016	1,427,500
2017	1,427,500
2018	134,726,500
	£ 139,009,000

(7) Income Taxes

The Company's taxable income from ordinary activities and its Jersey PropCos taxable income from rental activities in the United Kingdom are subject to the United Kingdom basic income tax rate of 20% as the Company is a non-resident landlord. The Company and its Jersey PropCos are not subject to income tax in Jersey as all income arises in the United Kingdom. For the year ended December 31, 2014, a tax expense attributable to income of £1,280,876 (unaudited) (2013: £558,374) is included in the accompanying consolidated statement of operations.

Income tax expense attributable to income from continuing operations consists of:

		Current	Deferred	Total
Income taxes arising in a foreign jurisdiction	2013	£ 558,374	—	558,374
	2014 (unaudited)	£ 1,280,876	—	1,280,876

Tax Rate Reconciliation

The income tax expense attributable to income from continuing operations was £1,280,876 (unaudited) for the year ended December 31, 2014 (2013: £558,374), and differed from the amounts computed by applying the United Kingdom income tax rate of 20% (unaudited) to pretax income from continuing operations as a result of the following:

	2014 (unaudited)	2013
Computed "expected tax" benefit	£ (242,937	) (3,187,228)
Reduction in income taxes resulting from non-taxable income	(1,295,572) —
Increase in income taxes resulting from expenses not deductible	2,819,385	3,745,602
Total tax expense	£ 1,280,876	558,374

KWVF PANTHER HOLDCO LIMITED

(A Jersey Company)

AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited) and 2013

(8) Transactions with Affiliates

The Umbrella Management Agreement (the UMA) provides that K-W Properties, an affiliate of KW Shareholder, be paid a fee (the Initial Services Fee) in the amount of £2,500,000 for the advisory and brokerage services in connection with the acquisition of the Company Investment by the Jersey PropCos and its financing. The fee is payable on the date of the UMA. In addition, each Jersey PropCo shall pay Kennedy Wilson UK Limited as the Asset Manager and Kennedy Wilson Europe Limited as the Property Portfolio Manager, which are the affiliates of KW Shareholder, a management fee in amount equal to (i) 1% of Net Operating Income related to that Jersey PropCo; and (ii) 1% of Net Disposable Proceeds from real estate sold. This management fee is payable quarterly in arrears and is initially allocated 20% to the Asset Manager and 80% to the Property Portfolio Manager.

The Company incurred a £2,500,000 Initial Services Fee from June 14, 2013 through December 31, 2013, that is included in the acquisition-related costs on the accompanying consolidated statement of operations.

During the year, the Asset Manager and the Property Portfolio Manager earned £446,337 (unaudited) (2013: £14,925) and £116,187 (unaudited) (2013: £59,702) in management fees, respectively. As of December 31, 2014, £nil (unaudited) (2013: £74,627) in management fees were due to the Asset Manager and the Property Portfolio Manager and are reflected in the accrued expenses on the accompanying consolidated balance sheet.

(9) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

(10) Subsequent Events

Management has evaluated all subsequent events occurring after the date of the balance sheet through March 27, 2015, the date the consolidated financial statements were available to be issued, to determine whether any subsequent events necessitated adjustment to or disclosure in the consolidated financial statements. No other events were identified that necessitated adjustment or disclosure.

Independent Auditors' Report

The Members

WH Valle Di Oro 79, LLC:

We have audited the accompanying financial statements of WH Valle Di Oro 79, LLC, which comprise the balance sheet as of December 31, 2013, and the related statements of operations, members' capital, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WH Valle Di Oro 79, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

The accompanying balance sheet of WH Valle Di Oro 79, LLC as of December 31, 2014 and the related statements of operations, members' capital, and cash flows for the year ended December 31, 2014 and the period from June 8, 2012 (inception) through December 31, 2012, were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Los Angeles, California
March 31, 2014

WH VALLE DI ORO 79, LLC
 (A California Limited Liability Company)
 Balance Sheets

	December 31,	
	2014	2013
	(Unaudited)	
Assets		
Cash	\$ 1,646,391	\$ 1,222,689
Sales receivable	—	34,686
Real estate development	344,206	6,837,526
Total assets	\$ 1,990,597	\$ 8,094,901
Liabilities and members' capital		
Liabilities		
Accounts payable	\$ 47,490	\$ 602,057
Accrued cost to complete	139,225	296,486
Due to affiliate	955,760	1,202,510
Construction loan	—	1,172,790
Total liabilities	1,142,475	3,273,843
Members' capital		
Members' capital	848,122	4,821,058
Total liabilities and members' capital	\$ 1,990,597	\$ 8,094,901
See accompanying notes to the financial statements.		

WH VALLE DI ORO 79, LLC
(A California Limited Liability Company)
Statements of Operations

	Year ended December 31,	Year ended December 31,	Period from June 8 (inception) through December 31, 2012
	2014 (Unaudited)	2013	(Unaudited)
Revenue			
Real estate sales	\$23,266,830	\$12,291,142	\$—
Cost of sales of real estate	(19,780,192)	(9,365,386)	—
Gross profit from real estate sales	\$3,486,638	\$2,925,756	\$—
Operating Expenses			
General and administrative	\$171,342	\$2,352	\$869
Total operating expenses	171,342	2,352	869
Net Income (loss)	\$3,315,296	\$2,923,404	\$(869)

See accompanying notes to the financial statements.

WH VALLE DI ORO 79, LLC
 (A California Limited Liability Company)
 Statements of Members' Capital

Members' capital at June 8, 2012 (inception) (unaudited)	\$—	
Contributions (unaudited)	4,121,916	
Net loss (unaudited)	(869))
Members' capital at December 31, 2012 (unaudited)	4,121,047	
Contributions	978,087	
Distributions	(3,201,480))
Net income	2,923,404	
Members' capital at December 31, 2013	4,821,058	
Contributions (unaudited)	455,556	
Distributions (unaudited)	(7,743,788))
Net income (unaudited)	3,315,296	
Members' capital at December 31, 2014 (unaudited)	\$848,122	

See accompanying notes to the financial statements.

WH VALLE DI ORO 79, LLC
(A California Limited Liability Company)
Statements of Cash Flows

	Year ended December 31,	Year ended December 31,	Period from June 8 (inception) through December 31, 2012
	2014 (unaudited)	2013	(unaudited)
Cash flows from operating activities:			
Net income (loss)	\$3,315,296	\$2,923,404	\$(869)
Change in assets and liabilities:			
Sales receivable	34,686	(34,686)	—
Real estate development	5,692,003	(961,570)	(4,071,389)
Accrued cost to complete	(157,261)	296,486	—
Net cash provided by (used in) operating activities	8,884,724	2,223,634	(4,072,258)
Cash flow from financing activities:			
Contributions from members	455,556	978,087	4,121,916
Distributions to members	(7,743,788)	(3,201,480)	—
Draws on construction loan	9,015,158	9,389,187	—
Repayment of construction loan	(10,187,948)	(8,216,397)	—
Net cash flow (used in) provided by financing activities	(8,461,022)	(1,050,603)	4,121,916
Net change in cash	423,702	1,173,031	49,658
Cash at beginning of period	1,222,689	49,658	—
Cash at end of period	\$1,646,391	\$1,222,689	\$49,658
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$80,318	\$102,696	\$—
Supplemental disclosure of noncash activity:			
Change in accruals for real estate development costs -			
Accounts payable	\$(554,568)	\$521,635	\$80,422
Due to affiliate	(246,750)	1,202,510	—

See accompanying notes to the financial statements.

WH VALLE DI ORO 79, LLC
(A California Limited Liability Company)
Notes to Financial Statements
December 31, 2014 (unaudited), 2013 and 2012 (Unaudited)

NOTE 1—ORGANIZATION

WH Valle Di Oro 79, LLC (the Company), a California limited liability company, is owned by KW Residential Capital, LLC, a Delaware limited liability company (wholly owned by Kennedy-Wilson Holdings, Inc., "KW"), and Williams Communities LLC ("Williams"), a California limited liability company and the managing member of the Company. The Company was formed upon the filing of the Articles of Formation with the California Secretary of State on June 8, 2012. The term of the Company extends until the date that the Company is terminated pursuant to the terms defined in the Company's operating agreement.

The Company was organized to invest in and fully own the property known as Valle Di Oro (the Property). The Property is a development project to construct and sell 79 single family homes, located on approximately 21.5 acres of land in Santa Clarita, California. The purchase price of the property was \$3,000,000 and was completed on July 31, 2012. The initial capital contributions were \$3,100,000 from KW and \$555,556 from Williams. The initial percentage ownership between the members was 85% by KW and 15% by Williams.

The Company will continue in existence until dissolved in accordance with the provisions of its operating agreement and is funded through the equity contributions of its members. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual company. The members are not obligated to restore capital deficits.

Distributions with respect to the Company's investments shall be initially used to pay the release price under the construction loan (note 4), then used to pay any sales costs and administrative costs which are due and payable or were previously accrued and remain unpaid, and finally any remaining proceeds will be distributed as follows:

- (i) First, 100% to KW and Williams until both have received on a pari passu basis, distributions in an amount equal to a 12% preferred return per annum, compounded quarterly, on their respective capital contributions;
- (ii) Second, 75% to KW and 25% to Williams until KW has received distributions in an amount equal to a 22% internal rate of return and a 140% total return on their respective capital;
- (iii) Third, 50% to KW and 50% to Williams until KW has received distributions in an amount equal to a 22% internal rate of return and a 150% total return on their respective capital;
- (iv) Fourth, 40% to KW and 60% to Williams.

During the year ended December 31, 2014, 2013 and 2012, total combined preferred returns earned by KW and Williams totaled \$151,927 (unaudited), \$627,103, and \$207,877 (unaudited), respectively. As of December 31, 2014, 2013 and 2012, KW had net unreturned contributions of \$0 (unaudited), \$1,629,027, and \$3,566,361 (unaudited), respectively.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION—During 2013, the Company completed development of common project costs for certain phases of the development and commenced the sale of residential lots within these phases. Residential lots are recorded and profit recognized when a sale is consummated, the buyer's initial and continuing investments are adequate, any receivables are not subject to future subordination, and the usual risks and rewards of ownership have been transferred to the buyer.

USE OF ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and

circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

CASH—Cash includes highly liquid investments purchased with original maturities of three months or less.

Periodically, the Company maintains cash balances in various bank accounts in excess of federally insured limits. To date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

REAL ESTATE DEVELOPMENT—Real estate development costs are carried at cost less any impairment charges. Real estate development costs include direct and indirect land costs, offsite costs and onsite improvements, as well as carrying charges

WH VALLE DI ORO 79, LLC
(A California Limited Liability Company)
Notes to Financial Statements
December 31, 2014 (unaudited), 2013 and 2012 (Unaudited)

which are capitalized to the real estate project while the project is under active development. Land and land development costs are accumulated and allocated to individual phases within the project using a method that approximates relative fair value. Selling and other marketing costs are expensed in the period incurred.

INCOME TAXES—As a limited liability company, the members elected for the Company to be a pass-through entity for income tax purposes; therefore, the Company's taxable income or loss is allocated to members in accordance with their respective ownership, and no provision or liability for income taxes has been included in the financial statements. Management has evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of this guidance.

NOTE 3—REAL ESTATE DEVELOPMENT

The Company's Real Estate Development is a short-term project with an anticipated build-out of approximately 3 years. Management's assessment of the recoverability of the development costs contemplates that the Company has the intent and ability to hold and develop the Real Estate Development over the development period. The recoverability assessment requires significant judgments and estimates about the Real Estate Development's future performance. Factors that may affect the Real Estate Development's future performance include general economic climate, competition from other projects, local economic conditions such as unemployment which may impact the Real Estate Project's absorption pace and sales prices, and the availability of financing, all of which could impact the Company's ability to hold and develop the Real Estate Development in the ordinary course of business. Any adverse changes in these and other factors, or a change in the Company's intent or ability to hold the Real Estate Development over the development period, could cause the estimated aggregate future cash flows to be less than the carrying amount, in which case the Real Estate Development would likely be impaired. If management of the Company changes its intent or elects not to hold and develop the Real Estate Development, and instead decides to sell it in its current condition, the fair value achieved in a bulk land sale could be significantly less than the carrying amount. Management evaluates its real estate project for impairment when indicators of impairment are present. An impairment loss is recorded if the undiscounted cash flows estimated to be generated by the real estate development are less than the carrying amount. The amount of the loss is calculated as the difference between the carrying amount and the fair value of the real estate development. As of December 31, 2014 (unaudited) and 2013, there were no impairments recorded by the Company.

After the sale of each home, there may be certain costs incurred specific to each lot and are reflected in accrued cost to complete on the accompanying balance sheet. As of December 31, 2014 and 2013, total accrued cost to complete was \$139,225 (unaudited) and \$296,486, respectively.

NOTE 4—CONSTRUCTION LOAN

On March 26, 2013, the Company obtained a construction loan from a third-party financial institution. The loan bears interest at a variable rate of PRIME plus 0.50%, and also contains an interest rate floor of 5.5%. In conjunction with the sale of each home, the Company uses sales proceeds to make principal payments based on an agreed upon amount by the Company and the lender, determined by the type of home sold. The loan matures on March 1, 2016 with the full principal balance and any accrued interest due at maturity. The outstanding principal due for the construction loan totaled \$1,172,790 as of December 31, 2013, and was fully paid off as of December 31, 2014 (unaudited). Interest costs were capitalized in accordance with Financial Accounting Standards Boards (FASB) Accounting Standards Codification (ASC) 835-20, Capitalization of Interest.

NOTE 5—TRANSACTIONS WITH AFFILIATES

Affiliates are eligible to earn asset management fees, sales commissions fees, and warranty fees. Fees earned by affiliates were as follows for the years ended December 31, 2014 and 2013 and were capitalized to real estate development.

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WH VALLE DI ORO 79, LLC
 (A California Limited Liability Company)
 Notes to Financial Statements
 December 31, 2014 (unaudited), 2013 and 2012 (Unaudited)

	December 31,	
	2014	2013
	(unaudited)	
Asset Management fees	\$783,554	\$542,470
Sales Commissions	296,440	151,239
Warranty fees	174,435	90,744
	\$1,254,429	\$784,453

No fees were earned in 2012. In addition, certain costs were paid for by affiliates on behalf of the Company. As of December 31, 2014 and 2013, these amounts totaled \$8,871,085 (unaudited) and \$1,202,510 respectively, and the amounts outstanding are reflected in due to affiliate on the accompanying balance sheet.

NOTE 6—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

We follow the policy of monitoring our properties for the presence of hazardous or toxic substances. While there can be no assurance that a material environmental liability does not exist, we are not currently aware of any environmental liability with respect to the properties that would have a material effect on our financial condition, results of operations, and cash flows. Further, we are not aware of any environmental liability or any unasserted claim or assessment with respect to an environmental liability other than our conditional asset retirement obligations that we believe would require additional disclosure or the recording of a loss contingency.

NOTE 7—SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through March 27, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Independent Auditors' Report

The Members

KW Stadium Gateway Partners, LLC:

We have audited the accompanying consolidated financial statements of KW Stadium Gateway Partners, LLC and subsidiary, which comprise the consolidated balance sheets as of December 31, 2013, and the related consolidated statements of operations, members' capital, and cash flows for the year ended December 31, 2013 and for the period from April 9, 2012 (inception) through December 31, 2012, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KW Stadium Gateway Partners, LLC and subsidiary as of December 31, 2013, and the results of their operations and their cash flows for the year ended December 31, 2013 and the period from April 9, 2012 (inception) through December 31, 2012, in accordance with U.S. generally accepted accounting principles. The accompanying consolidated balance sheet of KW Stadium Gateway Partners, LLC and subsidiary as of December 31, 2014, and the related consolidated statement of operations, members' capital, and cash flows for the year then ended were not audited by us and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Los Angeles, California
March 31, 2014

KW STADIUM GATEWAY PARTNERS, LLC
(A Delaware Limited Liability Company)
Consolidated Balance Sheets

	December 31, 2014	2013
Assets	(unaudited)	
Real estate:		
Land	\$ 13,021,688	\$ 13,021,688
Buildings and improvements	36,695,637	36,636,072
Total	49,717,325	49,657,760
Accumulated depreciation	(2,959,647)	(1,576,626)
Real estate, net	46,757,678	48,081,134
Cash	846,450	661,897
Debt service escrows and deposits	2,587,589	2,069,953
Deferred leasing costs, net of accumulated amortization of \$369,540 (unaudited) and \$143,518 at December 31, 2014 and 2013	1,097,565	1,292,607
Deferred financing fees, net of accumulated amortization of \$222,595 (unaudited) and \$132,048 at December 31, 2014 and 2013	98,094	188,641
Acquired in-place lease value, net of accumulated amortization of \$8,739,955 (unaudited) and \$5,184,719 at December 31, 2014 and 2013	1,333,045	4,888,281
Acquired intangible for above market leases, net of accumulated amortization of \$1,587,476 (unaudited) and \$941,723 at December 31, 2014 and 2013	242,524	888,277
Deferred rent	2,014,971	988,406
Tenant receivables	52,947	34,387
Prepaid expenses	108,262	100,790
Total assets	\$55,139,125	\$59,194,373
Liabilities and members' capital		
Liabilities		
Mortgage loan payable	\$52,387,698	\$52,702,524
Prepaid rent	312,984	288,171
Tenant deposits	82,210	99,157
Accounts payable and accrued expenses	350,053	375,231
Acquired intangible for below market leases, net of accumulated amortization of \$516,078 (unaudited) and \$306,148 at December 31, 2014 and 2013	78,922	288,852
Total liabilities	53,211,867	53,753,935
Members' capital	1,927,258	5,440,438
Total liabilities and members' capital	\$55,139,125	\$59,194,373
See accompanying notes to consolidated financial statements.		

KW STADIUM GATEWAY PARTNERS, LLC
(A Delaware Limited Liability Company)
Consolidated Statement of Operations

	Year ended December 31,	Year ended December 31,	Period from April 9, (inception) through December 31, 2012
	2014	2013	
Revenue	(unaudited)		
Rental income	\$6,884,708	\$5,991,300	\$2,799,028
Operating expense recoveries	616,227	484,453	175,471
Other	13,071	15,479	3,620
Total revenue	7,514,006	6,491,232	2,978,119
Operating Expenses			
Property taxes	679,752	632,790	310,675
Utilities	820,748	775,626	324,553
Repairs and maintenance	808,771	765,183	353,887
Salaries and wages	314,261	288,066	110,982
Management fees	206,812	168,604	104,101
General and administrative	78,102	51,874	51,938
Insurance	167,771	161,093	68,567
Depreciation	1,383,021	1,193,835	382,791
Amortization	3,781,258	3,696,779	1,631,458
Interest expense	2,757,690	2,773,004	1,334,417
Acquisition-related costs	—	—	123,690
Total operating expenses	10,998,186	10,506,854	4,797,059
Net loss	\$(3,484,180)	\$(4,015,622)	\$(1,818,940)

See accompanying notes to consolidated financial statements.

KW STADIUM GATEWAY PARTNERS, LLC
 (A Delaware Limited Liability Company)
 Consolidated Statement of Members' Capital

Members' capital, April 9, 2012 (inception)	\$—	
Capital contributions	7,400,000	
Net loss	(1,818,940)
Members' capital at December 31, 2012	5,581,060	
Capital contributions	3,875,000	
Net loss	(4,015,622)
Members' capital at December 31, 2013	5,440,438	
Capital contributions (unaudited)	171,000	
Capital distributions (unaudited)	(200,000)
Net loss (unaudited)	(3,484,180)
Members' capital at December 31, 2014 (unaudited)	\$1,927,258	
See accompanying notes to consolidated financial statements.		

KW STADIUM GATEWAY PARTNERS, LLC
(A Delaware Limited Liability Company)
Consolidated Statement of Cash Flows

	Year ended December 31,	Year ended December 31,	Period from April 9, (inception) through December 31, 2012
	2014	2013	
Cash flows from operating activities:	(unaudited)		
Net loss	\$(3,484,180)	\$(4,015,622)	\$(1,818,940)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	1,383,021	1,193,835	382,791
Amortization	3,781,258	3,696,779	1,631,458
Amortization of deferred financing costs	90,547	90,547	41,501
Amortization of fair value adjustment to mortgage	(314,826)	(299,512)	(120,456)
Adjustment to revenue for above and below market leases	435,823	435,823	199,752
Change in assets and liabilities:			
Deferred rent	(1,026,565)	(853,767)	(134,639)
Utility deposits	—	107,470	(107,470)
Tenant receivables	(18,560)	(29,474)	(4,913)
Prepaid expenses	(7,472)	(8,906)	(91,884)
Prepaid rent	24,813	(142,394)	430,565
Tenant deposits	(16,947)	—	99,157
Accounts payable and accrued expenses	(25,178)	(41,204)	416,435
Net cash provided by operating activities	821,734	133,575	923,357
Cash flows from investing activities:			
Acquisition of real estate	—	—	(4,000,000)
Additions to real estate	(59,565)	(3,347,074)	(496,194)
Deferred leasing costs	(30,980)	(1,364,236)	(71,889)
Change in debt service escrows and deposits	(517,636)	767,122	(2,837,075)
Net cash flow used in investing activities	(608,181)	(3,944,188)	(7,405,158)
Cash flow from financing activities:			
Contributions from members	171,000	3,875,000	7,400,000
Distributions from members	(200,000)	—	—
Payments made for financing costs	—	—	(320,689)
Net cash flow (used in) provided by financing activities	(29,000)	3,875,000	7,079,311
Net increase in cash	184,553	64,387	597,510
Cash at beginning of period	661,897	597,510	—
Cash at end of period	\$846,450	\$661,897	\$597,510
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$2,981,969	\$2,981,969	\$1,160,109

KW STADIUM GATEWAY PARTNERS, LLC
 (A Delaware Limited Liability Company)
 Consolidated Statement of Cash Flows (continued)

	Year ended December 31,	Year ended December 31,	Period from April 9, (inception) through December 31, 2012
	2014 (unaudited)	2013	
Supplemental disclosure of noncash investing activities:			
Acquisition of real estate (note 3)			
Land	\$—	\$—	\$ 13,019,788
Building	—	—	32,794,704
In-place lease value	—	—	10,073,000
Above market leases	—	—	1,830,000
Below market leases	—	—	(595,000)
Mortgage loan payable assumed	—	—	(53,122,492)
	\$—	\$—	\$4,000,000

See accompanying notes to consolidated financial statements.

KW STADIUM GATEWAY PARTNERS, LLC

(A Delaware Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited), 2013 and 2012

NOTE 1—ORGANIZATION

KW Stadium Gateway Partners, LLC (the Company), a Delaware limited liability company, is 50% owned by KW Fund IV - Stadium Gateway, LLC (wholly owned by Kennedy Wilson Real Estate Fund IV, LP) and 50% owned by K-W Properties (Manager and wholly owned by Kennedy-Wilson, Inc.). The Company was formed upon the filing of the Articles of Formation with the Delaware Secretary of State on April 9, 2012. The term of the Company extends until the date that the Company is terminated pursuant to the terms defined in the Company's operating agreement. The Company owns a 100% interest in KW Stadium Gateway, LLC, which was organized to invest in and fully own the property known as Stadium Gateway (the Property). The Property is an office building totaling approximately 273,000 rentable square feet, located in Anaheim, California.

Initial capital contributions to acquire the Property were \$3,450,000 from KW Fund IV - Stadium Gateway, LLC and \$3,450,000 from K-W Properties, for a total initial investment of \$6,900,000. KW Fund IV-Stadium Gateway, LLC and K-W Properties have made additional capital contributions totaling \$4,546,000 (unaudited) from inception through December 31, 2014. Additionally, KW Fund IV-Stadium Gateway, LLC and K-W Properties have received capital distributions totaling \$200,000 (unaudited) from inception through December 31, 2014.

The Manager may elect from time to time to distribute available cash to the Members in proportion to their percentage interests at the time of distribution. Profit and loss for each fiscal period shall be allocated among the members in proportion to their percentage interests.

The limited liability companies (LLC) will continue in existence until dissolved in accordance with the provisions of their operating agreement and are funded through the equity contributions of their members. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

USE OF ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

CASH—Cash includes highly liquid investments purchased with original maturities of three months or less. Periodically, the Company maintains cash balances in various bank accounts in excess of federally insured limits. To date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

REAL ESTATE ASSETS—Real estate assets are carried at depreciated cost. Depreciation on buildings and improvements has been provided for in the accompanying financial statements using the straight-line method based on

estimated useful lives of 40 years for buildings and the lease life for tenant improvements. Amortization of intangible assets associated with in-place leases has been provided for in the accompanying financial statements using the straight-line method based on the remaining lease lives. Maintenance and repairs are charged to expense as incurred, and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

KW STADIUM GATEWAY PARTNERS, LLC

(A Delaware Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited), 2013 and 2012

IMPAIRMENT OF LONG-LIVED ASSETS—In accordance with accounting guidance for long-lived assets, the Property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indications of impairment exist, the Company will evaluate the Property by comparing the carrying amount of the Property to the estimated future undiscounted cash flows of the Property. If impairment exists, an impairment loss will be recognized based on the amount by which the carrying amount exceeds the fair value of the asset or asset group. For the year ended December 31, 2014 (unaudited) and 2013, there were no impairments recorded.

CONCENTRATION OF RISK—The Company's real estate is located in California. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Company's investment.

DEFERRED FINANCING COSTS, NET—Financing costs incurred in obtaining long-term debt are capitalized and amortized over the term of the related debt on a straight-line basis.

INCOME TAXES—As a limited liability company, the members elected for the Company to be a pass-through entity for income tax purposes; therefore, the Company's taxable income or loss is allocated to members in accordance with their respective ownership, and no provision or liability for income taxes has been included in the financial statements. Management has evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of this guidance.

FAIR VALUE MEASUREMENTS—The Company follows the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three hierarchy levels are defined as follows: Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.

Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and

quoted prices in markets that are not active.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

For certain financial instruments, including cash, tenant receivables, debt service escrows and deposits, utility deposits, prepaid expenses, accounts payable and accrued expenses, prepaid rent, and tenant deposits, recorded amounts approximate fair value due to the relatively short-term nature of these instruments.

Other than the accounting treatment for the assets and liabilities acquired upon acquisition of the Property, as described in notes 3 and 4, the Company has no assets or liabilities measured at fair value on a recurring or nonrecurring basis in the financial statements as of December 31, 2014 (unaudited) and 2013.

NOTE 3—REAL ESTATE ACQUISITION

The fair value of the Property upon the acquisition date was allocated to the acquired tangible assets, consisting primarily of land and buildings and improvements, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases and below-market leases, in accordance with Business Combinations ASC Subtopic 805-10. Acquisition related costs are expensed as incurred.

The fair value of real estate was determined by valuing the Property as if it were vacant, which was then allocated to land and buildings and improvements, based on management's determination of the relative fair values of these assets. The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period. The allocation of the Property's value to the relevant financial statement captions is presented in the non-cash section of the statement of cash flows.

KW STADIUM GATEWAY PARTNERS, LLC

(A Delaware Limited Liability Company)

Notes to Consolidated Financial Statements

December 31, 2014 (unaudited), 2013 and 2012

NOTE 4—MORTGAGES PAYABLE

Upon acquisition of the Property, the Company assumed a mortgage loan payable to a third-party financial institution, which is secured by the Property. The outstanding principal due for the mortgage totaled \$52,000,000 as of December 31, 2014 (unaudited) and 2013. The mortgage bears a fixed interest rate of 5.66%, matures on February 1, 2016 and requires monthly interest payments through maturity. Aggregate principal payments of \$52,000,000 under the mortgage payable are due in 2016.

The Company recorded the mortgage at \$53,122,492 upon assumption, representing the fair value of the obligation at that time. The fair value was estimated based on the quoted market prices for the same or similar issues for debt of the same remaining maturities as well as the credit quality of the Company. Although the Company has determined that the majority of the inputs used to value the mortgage fall within Level 2 of the fair value hierarchy, the assessment of the Company's credit quality associated with the valuation utilized Level 3 inputs. However, the Company assessed the significance of the impact of the Level 3 inputs on the overall valuation of the liability and determined that it is not significant to the overall valuation of the mortgage. As a result, the Company has determined that its mortgage loan valuation in its entirety be classified in Level 2 of the fair value hierarchy, as defined in note 2. The fair value amount does not necessarily represent the amount that would be required to satisfy the debt obligation. The fair value of the debt as of December 31, 2014 and 2013 was \$52,607,166 (unaudited) and \$53,067,027, respectively.

The difference between the carrying value of the debt and the fair value upon assumption is being amortized through maturity. The carrying value of the liability as of December 31, 2014 (unaudited) and 2013 is \$52,000,000.

NOTE 5 - TENANT CONCENTRATIONS

The top three tenants accounted for approximately \$1,981,343 (unaudited), \$1,639,982 (unaudited) and \$734,568 (unaudited), or 27.1% (unaudited), 22.4%, (unaudited) and 10.0% (unaudited), respectively, of the Company's rental income for the year ended December 31, 2014. No other tenant comprised more than 10% of the Company's combined rental income for the year ended December 31, 2014 (unaudited).

The top three tenants accounted for approximately \$1,639,982, \$1,168,181 and \$734,568, or 25.5%, 18.2%, and 11.4%, respectively, of the Company's rental income for the year ended December 31, 2013. No other tenant comprised more than 10% of the Company's combined rental income for the year ended December 31, 2013.

NOTE 6—MINIMUM FUTURE LEASE RENTALS

As of December 31, 2014 (unaudited), the minimum future cash rents receivable under non-cancellable operating leases in each of the next five years and thereafter are as follows:

2015	\$6,517,500
2016	6,058,819
2017	5,306,657
2018	4,705,977
2019	3,294,304
Thereafter	1,581,053
	\$27,464,310

NOTE 7—INTANGIBLE ASSETS

The value of the acquired in-place leases, above-market lease asset, and below-market lease liability was \$10,073,000, \$1,830,000, and \$595,000, respectively, at the date of acquisition.

KW STADIUM GATEWAY PARTNERS, LLC
(A Delaware Limited Liability Company)
Notes to Consolidated Financial Statements
December 31, 2014 (unaudited), 2013 and 2012

The value of the net acquired in-place leases is amortized over 34 months, consistent with the remaining weighted-average term of the in-place leases. The amortization expense related to in-place leases was \$3,555,236 (unaudited), \$3,555,236, and \$1,629,483 for the year ended December 31, 2014, 2013, and 2012, respectively. Additionally, \$435,823 (unaudited), \$435,823, and \$199,752 in net amortization expense associated with the above-market lease asset and the below-market lease liability are recorded as a component of rental revenues in the consolidated statement of operations for the year ended December 31, 2014, 2013, and 2012, respectively. As of December 31, 2014 (unaudited), the annual amortization expense of in place-leases, above-market leases and below-market leases for each of the next five years and thereafter are as follows:

	IPLV	Above Market Leases	Below Market Leases
2015	1,333,045	242,524	(78,922)
2016	—	—	—
2017	—	—	—
2018	—	—	—
2019	—	—	—
Thereafter	—	—	—
	\$1,333,045	\$242,524	\$(78,922)

NOTE 8—TRANSACTIONS WITH THE AFFILIATES

Affiliates receive leasing commissions, a management fee, a construction management fee, reimbursements for certain billed management and administrative related costs.

Fees earned and reimbursements received by Kennedy-Wilson Holdings, Inc. and its affiliates were as follows:

	Year Ended December 31,	
	2014	2013
	(unaudited)	
Management fees	206,812	\$168,604
Accounting fees	12,000	12,000
Leasing salary reimbursement	11,822	—
Leasing commissions	—	67,201
Construction management	997	126,665
	\$231,631	\$374,470

As of December 31, 2014, and 2013, the outstanding balance due to affiliates was \$875 (unaudited) and \$0, respectively, and presented as accounts payable and accrued expenses in the consolidated balance sheet.

NOTE 9—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

NOTE 10—SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through March 27, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

KW STADIUM GATEWAY PARTNERS, LLC
(A Delaware Limited Liability Company)
Notes to Consolidated Financial Statements
December 31, 2014 (unaudited), 2013 and 2012

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Independent Auditors' Report

The Members

KW Marina View, LLC:

We have audited the accompanying financial statements of KW Marina View, LLC, which comprise the balance sheet as of December 31, 2013, and the related statement of operations, members' capital, and cash flows for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KW Marina View, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year ended December 31, 2013, in accordance with U.S. generally accepted accounting principles.

The accompanying balance sheet of KW Marina View LLC, as of December 31, 2014 and the related statements of operations, members' capital and cash flows for the year ended December 31, 2014 and the period from October 17, 2012 (inception) through December 31, 2012, were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Los Angeles, California
March 31, 2014

KW MARINA VIEW, LLC
(A Delaware Limited Liability Company)
Balance Sheets

	December 31, 2014 (Unaudited)	2013
Assets		
Real estate:		
Land	\$3,838,000	\$3,838,000
Buildings and improvements	21,914,423	19,214,351
Total	25,752,423	23,052,351
Accumulated depreciation	(881,489	) (438,992)
Real estate, net	24,870,934	22,613,359
Cash	330,252	27,776
Tax and insurance escrow	108,379	48,609
Capital escrow deposits	534,899	518,752
Deferred leasing costs, net of accumulated amortization \$12,295 (unaudited) in 2014 and \$4,031 in 2013	35,245	23,968
Deferred financing fees, net of accumulated amortization \$134,603 (unaudited) in 2014 and \$67,843 in 2013	50,099	116,859
Acquired in place lease value, net of accumulated amortization \$784,000 (unaudited) in 2014 and \$409,036 in 2013	—	374,964
Acquired intangible for above market leases, net of accumulated amortization \$16,000 (unaudited) in 2014 and \$8,352 in 2013	—	7,648
Deferred rent	46,924	46,567
Utility deposits	13,350	13,350
Tenant receivables, net of bad debt allowance	69,024	19,755
Prepaid expenses	25,149	26,954
Total assets	\$26,084,255	\$23,838,561
Liabilities and members' capital		
Liabilities		
Mortgage loan payable	\$13,511,480	\$13,712,232
Prepaid rent	5,391	4,422
Tenant deposits	73,423	67,176
Accounts payable and accrued expenses	67,427	175,471
Acquired intangible for below market leases, net of accumulated amortization \$52,018 (unaudited) in 2014 and \$27,124 in 2013	—	24,876
Total liabilities	13,657,721	13,984,177
Members' capital	12,426,534	9,854,384
Total liabilities and members' capital	\$26,084,255	\$23,838,561
See accompanying notes to financial statements.		

KW MARINA VIEW, LLC
(A Delaware Limited Liability Company)
Statement of Operations

	Year ended December 31,	Year ended December 31,	Period from October 17, (inception) through December 31, 2012 (Unaudited)
	2014 (Unaudited)	2013	
Revenue			
Rental income	\$611,552	\$609,323	\$9,378
Operating expense recoveries	297,193	217,425	—
Other	2,407	5,966	33
Total revenue	911,152	832,714	9,411
Operating Expenses			
Property taxes	269,195	273,681	2,077
Utilities	152,094	101,496	—
Repairs and maintenance	370,514	292,646	—
Salaries and wages	16,751	20,045	—
Management fees	30,000	30,000	187
General and administrative	106,360	23,855	2,597
Insurance	55,581	66,118	861
Bad debt	29,624	—	—
Depreciation	442,497	432,331	6,661
Amortization	383,228	413,075	—
Interest expense	889,158	903,208	23,732
Acquisition-related costs	—	3,475	59,947
Total operating expenses	2,745,002	2,559,930	96,062
Net loss	\$(1,833,850)	\$(1,727,216)	\$(86,651)
See accompanying notes to financial statements.			

KW MARINA VIEW, LLC
 (A Delaware Limited Liability Company)
 Statement of Members' Capital

Members' capital, October 17, 2012 (inception)	\$—	
Capital contributions (unaudited)	10,500,000	
Net loss (unaudited)	(86,651))
Members' capital at December 31, 2012 (unaudited)	10,413,349	
Capital contributions	1,168,251	
Net loss	(1,727,216))
Members' capital at December 31, 2013	9,854,384	
Capital contributions (unaudited)	4,406,000	
Net loss (unaudited)	(1,833,850))
Members' capital at December 31, 2014 (unaudited)	\$12,426,534	
See accompanying notes to financial statements.		

KW MARINA VIEW, LLC
(A Delaware Limited Liability Company)
Statement of Cash Flows

	Year ended December 31,	Year ended December 31,	Period from October 17, (inception) through December 31, 2012 (Unaudited)
	2014 (Unaudited)	2013	
Cash flows from operating activities:			
Net loss	(1,833,850	) \$(1,727,216	) \$(86,651
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	442,497	432,331	6,661
Amortization	383,228	413,075	—
Amortization of deferred financing costs	66,760	66,760	1,083
Amortization of fair value adjustment to mortgage	58,431	58,431	9,738
Bad debt	29,624	—	—
Adjustment to revenue for above and below market leases	(17,228	) (18,772) —
Change in assets and liabilities:			
Tax and insurance escrow	(59,770	) (1,789	) (46,820
Deferred rent	(357	) (46,567) —
Utility deposits	—	(13,350) —
Tenant receivables	(78,893	) (19,755) —
Prepaid expenses	1,805	(5,281	) (21,673
Prepaid rent	969	4,422	—
Tenant deposits	6,247	2,660	64,516
Accounts payable and accrued expenses	(129,147	) 89,144	15,188
Net cash used in operating activities	(1,129,684	) (765,907	) (57,958
Cash flows from investing activities:			
Acquisition of real estate	—	—	(7,563,812
Additions to real estate	(2,678,969	) (2,276,213) —
Deferred leasing costs	(19,541	) (27,999) —
Change in capital escrow deposits	(16,147	) (13,764	) (504,988
Net cash flow used in investing activities	(2,714,657	) (2,317,976	) (8,068,800
Cash flow from financing activities:			
Contributions from members	4,406,000	1,168,251	10,500,000
Principal payments on mortgage payable	(259,183	) (245,132) —
Payments made for financing costs	—	—	(184,702
Net cash flow provided by financing activities	4,146,817	923,119	10,315,298
Net change in cash	302,476	(2,160,764	) 2,188,540
Cash at beginning of period	27,776	2,188,540	—
Cash at end of period	\$330,252	\$27,776	\$2,188,540
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$763,967	\$778,017	\$12,911
Supplemental disclosure of noncash activity:			
Accrued capital expenditures	\$21,103	\$71,131	\$—

KW MARINA VIEW, LLC
 (A Delaware Limited Liability Company)
 Statement of Cash Flows

	Year ended December 31,	Year ended December 31,	Period from October 17, (inception) through December 31, 2012
	2014	2013	(Unaudited)
	(Unaudited)		(Unaudited)
Supplemental disclosure of noncash investing activities:			
Acquisition of real estate (note 3)			
Land	\$—	\$—	\$3,838,000
Building	—	—	16,867,007
In-place lease value	—	—	784,000
Above market leases	—	—	16,000
Below market leases	—	—	(52,000)
Mortgage loan payable assumed	—	—	(13,889,195)
	\$—	\$—	\$7,563,812

See accompanying notes to financial statements.

KW MARINA VIEW, LLC

(A Delaware Limited Liability Company)

Notes to Financial Statements

December 31, 2014 (unaudited), 2013, and 2012 (Unaudited)

NOTE 1—ORGANIZATION

KW Marina View, LLC (the Company), a Delaware limited liability company, is 50% owned by KW Fund IV - Marina View, LLC (wholly owned by Kennedy Wilson Real Estate Fund IV, LP) and 50% owned by K-W Properties (wholly owned by Kennedy-Wilson, Inc.). The Company was formed upon the filing of the Articles of Formation with the Delaware Secretary of State on October 17, 2012. The term of the Company extends until the date that the Company is terminated pursuant to the terms defined in the Company's operating agreement.

The Company was organized to invest in and fully own the property known as Marina View (the Property). The Property was acquired on December 26, 2012. The Property consists of an office building totaling approximately 61,000 rentable square feet, and a retail building totaling approximately 15,000 rentable square feet, both located in Marina Del Rey, California. At the time of acquisition, the retail building was fully occupied and the office building was vacant. The office building is under renovation and leasing commenced upon the completion of the renovation in 2014. As of December 31, 2014, the retail building was fully occupied.

Initial capital contributions to acquire the Property were \$5,250,000 from KW Fund IV - Marina View, LLC and \$5,250,000 from K-W Properties, for a total initial investment of \$10,500,000. Subsequent to the initial capital contributions, KW Fund IV - Marina View, LLC and K-W Properties have made additional capital contributions totaling \$5,574,251 (unaudited) from inception through December 31, 2014. Subsequent to December 31, 2014, KW Fund IV - Marina View, LLC and K-W Properties have made additional capital contributions totaling \$642,000 (unaudited).

Available cash may be distributed to the Members in proportion to their percentage interests at the time of distribution. Profit and loss for each fiscal period shall be allocated among the members in proportion to their percentage interests.

The limited liability companies (LLC) will continue in existence until dissolved in accordance with the provisions of their operating agreement and are funded through the equity contributions of their members. As an LLC, except as may otherwise be provided under applicable law, no member shall be bound by, or personally liable for, the expenses, liabilities, or obligations of the individual companies. The members are not obligated to restore capital deficits.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

USE OF ESTIMATES—The preparation of the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, and the reported amounts of income and expenses. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

CASH—Cash includes highly liquid investments purchased with original maturities of three months or less.

Periodically, the Company maintains cash balances in various bank accounts in excess of federally insured limits. To

date, no losses have been experienced related to such amounts. The Company places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

REAL ESTATE ASSETS—Real estate assets are carried at depreciated cost. Depreciation on buildings and improvements has been provided for in the accompanying financial statements using the straight-line method based on estimated useful lives of 40 years for buildings and the lease life for tenant improvements. Amortization of intangible assets associated with in-place leases has been provided for in the accompanying financial statements using the straight-line method based on the remaining lease lives. Maintenance and repairs are charged to expense as incurred, and costs of renewals or betterments are capitalized and depreciated at the appropriate rates.

KW MARINA VIEW, LLC

(A Delaware Limited Liability Company)

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IMPAIRMENT OF LONG-LIVED ASSETS—In accordance with accounting guidance for long-lived assets, the Property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indications of impairment exist, the Company will evaluate the Property by comparing the carrying amount of the Property to the estimated future undiscounted cash flows of the Property. If impairment exists, an impairment loss will be recognized based on the amount by which the carrying amount exceeds the fair value of the asset or asset group. For the year ended December 31, 2014 (unaudited) and the period ended December 31, 2013, there were no impairments recorded.

CONCENTRATION OF RISK—The Company's real estate is located in California. Adverse conditions in the sector or geographic location would likely result in a material decline in the value of the Company's investment.

DEFERRED FINANCING COSTS, NET—Financing costs incurred in obtaining long-term debt are capitalized and amortized over the term of the related debt on a straight-line basis.

INCOME TAXES—As a limited liability company, the members elected for the Company to be a pass-through entity for income tax purposes; therefore, the Company's taxable income or loss is allocated to members in accordance with their respective ownership, and no provision or liability for income taxes has been included in the financial statements. Management has evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements in order to comply with the provisions of this guidance.

FAIR VALUE MEASUREMENTS—The Company follows the provisions of FASB ASC Topic 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. ASC Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date.

A three-level hierarchy was established for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three hierarchy levels are defined as follows: Level 1 - Valuations based on unadjusted quoted market prices in active markets for identical securities.

Level 2 - Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets and

quoted prices in markets that are not active.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment.

For certain financial instruments, including cash, tenant receivables, escrows and deposits, prepaid expenses, accounts payable and accrued expenses, prepaid rent, and tenant deposits, recorded amounts approximate fair value due to the relatively short-term nature of these instruments.

Other than the accounting treatment for the assets and liabilities acquired upon acquisition of the Property, as described in notes 3 and 4, the Company has no assets or liabilities measured at fair value on a recurring or nonrecurring basis in the financial statements as of December 31, 2014 (unaudited) and 2013.

NOTE 3—REAL ESTATE ACQUISITION

The fair value of the Property upon the acquisition date was allocated to the acquired tangible assets, consisting primarily of land and buildings and improvements, and to the identified acquired intangible assets, which comprise in-place leases, above-market leases and below-market leases, in accordance with Business Combinations ASC Subtopic 805-10. Acquisition related costs are expensed as incurred.

The fair value of real estate was determined by valuing the Property as if it were vacant, which was then allocated to land and buildings and improvements, based on management's determination of the relative fair values of these assets. The value of the acquired in-place leases was determined by calculating the present value of the cash flows provided by the leases, net of related incremental expenses over the estimated lease-up period. The allocation of the Property's value to the relevant financial statement captions is presented in the non-cash section of the statement of cash flows.

KW MARINA VIEW, LLC

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Notes to Financial Statements

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NOTE 4—MORTGAGE PAYABLE

Upon acquisition of the Property, the Company assumed a mortgage loan payable to a third-party financial institution, which is secured by the Property. The mortgage bears a fixed interest rate of 5.51%, matures on June 1, 2015 and requires monthly interest and principal payments through maturity. Management of the Company intends to refinance the mortgage in 2015.

The Company recorded the mortgage at \$13,889,195 upon assumption, representing the fair value of the obligation at that time. The fair value was estimated based on the quoted market prices for the same or similar issues for debt of the same remaining maturities as well as the credit quality of the Company. Although the Company has determined that the majority of the inputs used to value the mortgage fall within Level 2 of the fair value hierarchy, the assessment of the Company's credit quality associated with the valuation utilized Level 3 inputs. However, the Company assessed the significance of the impact of the Level 3 inputs on the overall valuation of the liability and determined that it is not significant to the overall valuation of the mortgage. As a result, the Company has determined that its derivative valuation in its entirety be classified in Level 2 of the fair value hierarchy, as defined in note. The fair value amount does not necessarily represent the amount that would be required to satisfy the debt obligation.

The difference between the carrying value of the mortgage and the fair value upon assumption is being amortized through maturity. The carrying value of the liability as of December 31, 2014 and 2013 was \$13,535,826 (unaudited) and \$13,795,009, respectively. The fair value of the debt as of December 31, 2014 and 2013 was \$13,686,326 (unaudited) and \$13,705,405, respectively.

Aggregate principal payments due under the mortgage loan subsequent to December 31, 2014 is as follows (unaudited):

2015	\$ 13,535,826
Aggregate principal payments	\$ 13,535,826
Unamortized debt discount	(24,346)
Mortgage loan payable	\$ 13,511,480

The Company is required to fund taxes, insurance and capital expenditures into a reserve account on a monthly basis. The amounts in reserve as of December 31, 2014 and 2013 for taxes and insurance were \$108,379 (unaudited) and \$48,609, respectively and are included on the balance sheet. The amounts in reserve as of December 31, 2014 and 2013 for capital expenditures were \$534,899 (unaudited) and \$518,752, respectively, and are included on the balance sheet as capital escrow deposits.

NOTE 5 - TENANT CONCENTRATIONS

The top four tenants accounted for approximately \$203,636 (unaudited), \$121,296 (unaudited), \$101,629 (unaudited), and \$89,204 (unaudited) or 36.0% (unaudited), 21.4% (unaudited), 18.0% (unaudited), and 15.8% (unaudited) , respectively, of the Company's combined rental income for the year ended December 31, 2014. No other tenant comprised more than 10% of the Company's combined rental income for the year ended December 31, 2014.

The top four tenants accounted for approximately \$204,184, \$121,296, \$101,629, and \$89,260 or 33.5%, 19.9%, 16.7%, and 14.7% , respectively, of the Company's combined rental income for the year ended December 31, 2013. No other tenant comprised more than 10% of the Company's combined rental income for the year ended December 31, 2013.

NOTE 6—MINIMUM FUTURE LEASE RENTALS

There are seven lease agreements in place with tenants to lease space at the Property, including two leases which were signed and executed as of December 31, 2014, but do not commence rental payments until 2015 (unaudited). As of December 31, 2014 (unaudited), the minimum future cash rents receivable under non-cancellable operating leases in each of the next five years and thereafter are as follows:

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Notes to Financial Statements
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2015	\$794,018
2016	1,275,024
2017	1,189,323
2018	1,062,507
2019	1,039,917
Thereafter	1,836,612
	\$7,197,401

NOTE 7—INTANGIBLE ASSETS

The value of the acquired in-place leases, above-market lease asset, and below-market lease liability was \$784,000, \$16,000, and \$52,000, respectively, at the date of acquisition.

The value of the net acquired in-place leases is amortized over 23 months, consistent with the remaining weighted-average terms of the in-place leases. For the year ended December 31, 2014 and 2013, the amortization expense related to in-place leases was \$374,964 (unaudited) and \$409,036, respectively. Additionally for the year ended December 31, 2014 and 2013, the net amortization revenue in the amount of \$17,228 (unaudited) and \$18,772, respectively, associated with the above-market lease asset and the below-market lease liability is recorded as a component of rental revenues in the statement of operations.

The acquired in-place lease value, above-market lease asset, and below market lease liability were fully amortized as of December 31, 2014.

NOTE 8—TRANSACTIONS WITH THE AFFILIATES

Affiliates receive leasing commissions, a management fee, a construction management fee, reimbursements for certain billed management and administrative related costs.

Fees earned and reimbursements received by Kennedy-Wilson Holdings, Inc. and its affiliates were as follows:

	Year Ended December 31,	
	2014	2013
	(unaudited)	
Management fees	\$30,000	\$30,000
Accounting fees	6,000	5,000
Construction management	85,118	54,552
Leasing commissions	10,768	—
	\$131,886	\$89,552

As of December 31, 2014 (unaudited) and 2013, there were \$10,768 and \$0 amounts due to affiliates, respectively.

NOTE 9—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Company does not have any material commitments or contingencies.

NOTE 10—SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through March 27, 2015, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

The Partners

KWF Real Estate Venture VI, L.P.:

We have audited the accompanying consolidated financial statements of KWF Real Estate Venture VI, L.P. and subsidiary, which comprise the consolidated balance sheets as of December 31, 2013, and the related consolidated statements of operations and comprehensive income (loss), partners' capital, and cash flows for the years ended December 31, 2013 and 2012, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KWF Real Estate Venture VI, L.P. and subsidiary as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

The accompanying consolidated balance sheet of KWF Real Estate Venture VI, L.P. and subsidiary, as of December 31, 2014 and the related consolidated statements of operations and comprehensive income (loss), partners' capital and cash flows for the year ended December 31, 2014 were not audited by us, and accordingly, we do not express an opinion on them.

/s/ KPMG LLP

Los Angeles, California
March 31, 2014

KWF REAL ESTATE VENTURE VI, L.P.
 (A Delaware Limited Partnership) AND SUBSIDIARY
 Consolidated Balance Sheets

	December 31, 2014 (unaudited)	2013
Assets:		
Cash	\$259,654	\$279,313
Escrow deposits	—	74
Accounts receivable	12,292	11,890
Total assets	\$271,946	\$291,277
Liabilities and Partners' capital		
Liabilities:		
Total liabilities	—	—
Partners' capital:		
General partner's capital	(17,329,683)	(15,228,325)
Limited partners' capital	(17,329,683)	(15,228,325)
Accumulated surplus	34,931,312	30,747,927
Total partners' capital	271,946	291,277
Total liabilities and partners' capital	\$271,946	\$291,277
See accompanying notes to consolidated financial statements		

KWF REAL ESTATE VENTURE VI, L.P.
(A Delaware Limited Partnership) AND SUBSIDIARY
Consolidated Statements of Operations and Comprehensive Income

	Year ended December 31,		
	2014	2013	2012
Revenues:	(unaudited)		
Participation interest income	\$4,393,819	\$26,044,138	\$19,782,000
Expenses:			
Interest expense	—	319,301	11,444,083
Administrative costs	191,830	414,308	227,037
Foreign currency translation loss	18,605	3,184,578	—
Total expenses	210,435	3,918,187	11,671,120
Net income	4,183,384	22,125,951	8,110,880
Other comprehensive income - foreign currency translation (loss) gain	—	(1,147,845)	4,818,860
Total comprehensive income	\$4,183,384	\$20,978,106	\$12,929,740
See accompanying notes to consolidated financial statements			

KWF REAL ESTATE VENTURE VI, L.P.
(A Delaware Limited Partnership) AND SUBSIDIARY
Consolidated Statement of Partners' Capital

	General Partner	Limited Partners	Total
Balance at December 31, 2011	59,619,752	59,619,751	119,239,503
Distributions	(10,200,036)	(10,200,036)	(20,400,072)
Net income	4,055,440	4,055,440	8,110,880
Foreign currency translation gain	2,409,430	2,409,430	4,818,860
Balance at December 31, 2012	55,884,586	55,884,585	111,769,171
Distributions	(66,228,000)	(66,228,000)	(132,456,000)
Net income	11,062,975	11,062,976	22,125,951
Foreign currency translation loss	(573,923)	(573,922)	(1,147,845)
Balance at December 31, 2013	145,638	145,639	291,277
Distributions (unaudited)	(2,101,357)	(2,101,358)	(4,202,715)
Net income (unaudited)	2,091,692	2,091,692	4,183,384
Balance at December 31, 2014 (unaudited)	\$ 135,973	\$ 135,973	\$ 271,946

See accompanying notes to consolidated financial statements

KWF REAL ESTATE VENTURE VI, L.P.
(A Delaware Limited Partnership) AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Year ended December 31,		
	2014	2013	2012
Cash flows from operating activities:	(unaudited)		
Net income	\$4,183,384	\$22,125,951	\$8,110,880
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Change in accretion on participation interest	—	(26,019,624	) (19,782,000)
Realized foreign currency translation loss	18,605	3,184,578	—
Changes in operating assets and liabilities:			
Escrow deposits	74	372,810	(289,040)
Accounts receivable	(402	) (11,890) —
Accrued interest payable	—	(34,377	) (341,716)
Accounts payable	—	(7,920	) 6,834
Net cash provided by (used in) operating activities	4,201,661	(390,472	) (12,295,042)
Cash flows from investing activities:			
Investment in participation interest	—	—	—
Distributions from investment in participation interest	—	157,941,147	241,300,680
Net cash provided by investing activities	—	157,941,147	241,300,680
Cash flows from financing activities:			
Proceeds from note payable	—	—	—
Repayment of note payable	—	(24,114,388	) (209,241,405)
Contributions	—	—	—
Distributions	(4,202,715	) (132,456,000	) (20,400,072)
Net cash used in financing activities	(4,202,715	) (156,570,388	) (229,641,477)
Effect of currency exchange rates on cash	(18,605	) (784,416	) 375,743
Net increase (decrease) in cash	(19,659	) 195,871	(260,096)
Cash, beginning of period	279,313	83,442	343,538
Cash, end of period	\$259,654	\$279,313	\$83,442
Supplemental disclosure of noncash financing activity:			
Cash paid for interest	—	\$353,678	\$11,841,850

See accompanying notes to consolidated financial statements

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KWF REAL ESTATE VENTURE VI, L.P.
(A Delaware Limited Partnership) AND SUBSIDIARY
Notes to Consolidated Financial Statements
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NOTE 1—ORGANIZATION

KWF Real Estate Venture VI, L.P., a Delaware limited partnership (the Partnership) was formed by and between KWF Manager VI, LLC, a Delaware limited liability company as general partner (the General Partner); and TIG Insurance Company, a California corporation, and Odyssey Reinsurance Corporation, a Connecticut corporation, as limited partners (the Limited Partners). The Partnership was formed upon the filing of the Certificate of Limited Partnership in the office of the Secretary of State of the State of Delaware on October 5, 2011. The term of the Partnership extends until the date all Partnership investments have been liquidated, the Partnership is dissolved, or at any time there are no Limited Partners.

The business of the Partnership shall be to acquire, hold, manage, and dispose of investments, with a focus on acquiring participation interests in the pool of loans, swaps, and other transactions held by or in favor of KW UK Loan Partners Limited, an Irish Section 110 Company (the 110 Company). Such investments shall be made through a wholly owned subsidiary of the Partnership, KW EU Loan Partners I, LLC, a Delaware limited liability company (the Partnership Subsidiary). Investments shall be made pursuant to the Amended and Restated Participation Agreement dated December 5, 2011 (Participation Agreement) by and among the 110 Company; Deutsche Bank AG, London Branch; JP Morgan Chase Bank, N.A.; the Partnership Subsidiary; Odyssey Reinsurance Company, a Connecticut corporation; KW Loan Partners V, LLC, a Delaware limited liability company; and Burlington Loan Management Limited, a limited liability company incorporated in the Republic of Ireland. This Participation Agreement replaced an earlier agreement dated as of October 21, 2011.

In the event that (i) the Partnership Subsidiary receives a future advance notice pursuant to the Participation Agreement, (ii) a buy/sell procedure is initiated pursuant to the Participation Agreement, or (iii) the General Partner makes a request for capital contributions to pay partnership expenses, then the General Partner shall notify the Limited Partners of such event, and the General and Limited Partners shall make payments of additional capital in immediately available funds within five (5) business days. However, the General Partner may not make a request for capital contributions from the Limited Partners to the extent that capital contributions made by the Limited Partners exceed \$75,000,000 in the aggregate, unless the General Partner has obtained the prior written consent of the Limited Partners. Initial capital contributions made on October 14, 2011, the date of the Limited Partnership Agreement of KWF Real Estate Venture VI, LP, were \$67,500,000 by KWF Manager VI, LLC, \$36,500,000 by TIG Insurance Company, and \$31,000,000 by Odyssey Reinsurance Corporation.

The Partnership invested in a 25% participation interest in loans held by the 110 Company.

Profit and loss for each fiscal period shall generally be allocated among the partners in a manner to cause their capital account balances to equal the amounts of distributions that would be made if the Partnership were dissolved, its assets sold for their respective carrying values, and its liabilities satisfied in accordance with their terms, and all remaining amounts distributed. Distributions shall be made on a pari passu basis to the General Partner and the Limited Partners in accordance with their respective percentage interests.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

BASIS OF CONSOLIDATION—The consolidated financial statements include the accounts of the Partnership and its wholly owned subsidiary. All intercompany balances and transactions have been eliminated in the consolidation.

INVESTMENT IN LOAN POOL PARTICIPATION—Participation interest income from the investment in the loan pool participation is recognized on a level yield basis under the provisions of Loans and Debt Securities Acquired with Deteriorated Credit Quality Accounting Standards Codification (ASC) Subtopic 310-30, where a level yield model is utilized to determine a yield rate which, based upon projected future cash flows, accretes interest income over the estimated holding period. When the future cash flows of a note cannot reasonably be estimated, cash payments are applied to the cost basis of the note until it is fully recovered before any interest income is recognized.

In accordance with this guidance, projected future cash flows to be received by the Partnership through the Partnership Subsidiary are accreted on a level yield basis using the investment made to capitalize KW EU Loan Partners I, LLC as the initial net investment amount. On a periodic basis, the Partnership will reevaluate the projected future cash flows to be received by the Partnership and make adjustments to the level yield accretion as necessary.

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KWF REAL ESTATE VENTURE VI, L.P.
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OPERATING CURRENCY—The functional currency of the Partnership is the U.S. dollar. The functional currency of the 110 Company is the British pound sterling. The financial transactions related to the participation interests held by the 110 Company are translated into U.S. dollars by translating assets and liabilities at the closing exchange rate on the balance sheet date with translation adjustments reported directly in partners' capital and income statement items at average exchange rates during the year. Individually material income and expense transactions are translated using the closing exchange rate in effect on the date the transaction is recognized.

INCOME TAXES—As a limited partnership, the Partnership is a pass-through entity for income tax purposes; therefore, the Partnership's taxable income or loss is allocated to partners in accordance with their respective ownership, and no provision or liability for income taxes has been included in the consolidated financial statements.

Management has evaluated the Partnership's tax positions and concluded that the Partnership has taken no uncertain tax positions that require adjustment to the consolidated financial statements in order to comply with the provisions of ASC 740-10 Income Taxes-Overall.

CASH—Periodically, balances in various bank accounts exceeded federally insured limits. To date, no losses have been experienced related to such amounts. The Partnership places cash with quality financial institutions and does not believe there is a significant concentration of credit risk.

ESCROW DEPOSITS—An escrow deposit account is maintained pursuant to the Second Amended and Restated Loan Agreement dated December 22, 2011 with CBRE Loan Servicing Limited as administrative agent (Loan Agreement) for the loan payable that is funded from remittances from the loan participation in excess of current debt service requirements until such time that this reserve reaches a balance equal to one quarterly period's debt service.

NOTE 3—INVESTMENT IN LOAN POOL PARTICIPATION

During October 2011 (Tranche #1) and December 2011 (Tranche #2), the Partnership acquired a 25% participation interest in a pool of 24 loans from a European bank (the Pool). The loans were acquired for approximately £1.11 billion or \$1.75 billion and had an unpaid principal balance of approximately £1.31 billion or \$2.07 billion. The collateral upon inception was geographically located as follows: London, England (62%), the Midlands region of England (9%), Manchester, England (6%), the South East region of England (5%), and the North region (4%). The remaining 14% of the loans were located in other areas of England, Scotland, Wales, and Northern Ireland. The collateral was comprised of 39% office buildings, 26% retail properties, 25% multifamily properties, 9% industrial properties, and 1% land. On December 22, 2011, six of the loans were sold for £236,870,666 or \$371,515,059 and the proceeds distributed to the participants. The Partnership's share of the proceeds from the sale was £59,217,667 or \$92,878,765. During the year ended December 31, 2012, nine loans were fully resolved, bringing total cumulative cash collections to £379,588,346 or \$601,533,652. During the year ended December 31, 2013, eight loans were fully resolved, bringing total cumulative cash collections to £422,476,026 or \$661,103,160. During the year ended December 31, 2014, one loan was fully resolved, bringing total cumulative cash collections to £436,914,389 (unaudited) or \$685,031,189 (unaudited).

In accordance with the Participation Agreement, on each quarterly distribution date, available remittances from the loans in the loan pool are distributed as follows:

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KWF REAL ESTATE VENTURE VI, L.P.
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- (a) Pro rata to the participants, an amount equal to the Loan Cash Flow Allocation described below until the Partnership Subsidiary has been distributed sufficient funds to meet its current obligations with respect to the interest, principal, and reserve requirements pursuant to the Loan Agreement described below;
- (b) To pay base management fees and acquisition fees pursuant to the Asset Management Agreement described below;
- (c) To the reserve account to bring it to a targeted quarterly balance;
- (d) Pro rata to the participants until each participant has received aggregate payments to achieve the greater of a ten percent (10%) internal rate of return or one hundred fifteen percent (115%) of its Imputed Participation Amount, as defined in the participation agreement and was 26.6538% of its initial participation principal balance;
- (e) Until such time as each participant has received a twenty percent (20%) internal rate of return, eighty percent (80%) pro rata to the participants, and twenty percent (20%) to the Asset Manager, Kennedy Wilson Ireland Limited, an affiliate of the General Partner; and
- (f) Thereafter, seventy percent (70%) pro rata to the participants and thirty (30%) percent to the Asset Manager, Kennedy Wilson Ireland Limited, an affiliate of the General Partner.

Pursuant to the Amended and Restated Asset Management Agreement dated December 5, 2011 by and among the 110 Company, the loan participants and Kennedy Wilson Ireland Limited (Asset Manager), an affiliate of the General Partner, the loan pool shall pay the Asset Manager a base management fee in an amount equal to 0.614% per annum of the Imputed Participation Amount, as defined in the participation agreement. This base management fee is paid quarterly from remittances from the loan portfolio to the extent that such remittances are sufficient, with any unpaid fees deferred until the next remittance date.

The loan pool shall also be required to pay the Asset Manager an acquisition fee of 1% of the cost of the participation interests acquired of which 50% is payable at the time of the acquisition, 25% is payable on the first remittance date following the first anniversary of the closing, and the remaining 25% is payable on the first remittance date following the full repayment of the Partnership Subsidiary's loan payable. These fees are paid by the loan pool and are not the responsibility of the Partnership or its subsidiary.

NOTE 4—NOTE PAYABLE

In order to finance the loan pool participation investment, the Partnership Subsidiary entered into the Loan Agreement, which replaced an initial agreement dated October 21, 2011 with Deutsche Bank AG London Branch and a first amendment dated December 5, 2011 also with Deutsche Bank AG London Branch. The Partnership Subsidiary borrowed £159,993,968 or \$255,078,384 to acquire Tranche #1 and £43,725,122 or \$68,635,324 to acquire Tranche #2. On December 22, 2011, upon sale of the six loans in the portfolio, £57,691,620 or \$90,483,538 was paid down on the loan, leaving a balance of £146,027,470 or \$225,656,250 at December 31, 2011. During 2012, the loan was paid down by £130,066,133 or \$199,873,902, leaving a balance of £15,961,337 or \$25,782,348 at December 31, 2012. On March 21, 2013, the Partnership Subsidiary paid £15,961,337 or \$24,114,388 (\$1,667,960 less than the loan balance presented on the accompanying consolidated balance sheet at December 31, 2012 as a result of currency exchange rates) to pay off the loan in its entirety.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. Currently, the Partnership does not have any material commitments or contingencies.

NOTE 6—ACCUMULATED OTHER COMPREHENSIVE INCOME

The Partnership recorded no unrealized gains related to foreign currency translation during the year ended December 31, 2014 (unaudited).

The Partnership recorded unrealized losses related to foreign currency translation in the amount of \$4,332,423 during the year ended December 31, 2013. As a result of the substantial liquidation of the Pool, the Partnership has reclassified \$3,184,578 out of accumulated other comprehensive income and recognized a loss in foreign currency translations in the accompanying consolidated statement of operations for the year ended December 31, 2013. The net effect of this activity represents a \$1,147,845 loss in accumulated comprehensive income for the year ended December 31, 2013. The balance of accumulated other comprehensive income has been reduced to \$0 as of December 31, 2013.

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The Partnership recorded unrealized gains related to foreign currency translation in the amount of \$4,818,860 during the year ended December 31, 2012. No amounts were reclassified out of accumulated other comprehensive income for the year ended December 31, 2012.

NOTE 7—SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through March 27, 2015, the date that the consolidated financial statements are available for issuance.