

Prospect Acquisition Corp
Form S-4
September 24, 2009

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As filed with the Securities and Exchange Commission on September 24, 2009.

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

**REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

PROSPECT ACQUISITION CORP.

(Exact Name of Each Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

6770
(Primary Standard Industrial
Classification Code Number)
9130 Galleria Court, Suite 318
Naples, Florida 34109
(239) 254-4481

26-0508760
(I.R.S. Employer
Identification Number)

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

David A. Minella
Chairman and Chief Executive Officer
9130 Galleria Court, Suite 318
Naples, Florida 34109
(239) 254-4481

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Mitchell S. Nussbaum, Esq.
Loeb & Loeb LLP
345 Park Avenue
New York, New York 10154
(212) 407-4159
Facsimile: (212) 504-3013

Floyd I. Wittlin
Laurie A. Cerveny
Bingham McCutchen LLP
399 Park Avenue
New York, NY
(212) 705-7000
Facsimile: (212) 752-5378

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Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the merger contemplated by the agreement and plan of merger included as Annex A to the proxy statement/prospectus forming part of this registration statement have been satisfied or waived.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated Filer <input checked="" type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(Do not check if a smaller reporting company)	

CALCULATION OF REGISTRATION FEE

Title of Each Class of Security Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Shares of Common Stock par value \$0.0001 per share	26,000,000(1)	\$9.87(2)	\$256,620,000.00	\$14,319.40(3)
Total Fee Due				\$14,319.40

- (1) Represents shares of common stock to be issued to the Kennedy-Wilson, Inc. stockholders upon consummation of the transaction with Prospect Acquisition Corp.
- (2) Based on the average high and low prices of common stock, par value \$0.0001 per share, of Prospect Acquisition Corp. on September 17, 2009 pursuant to Rule 457(f)(1).
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$55.80 per \$1,000,000 of the proposed maximum aggregate offering price.
-

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such

date as the SEC, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. Prospect Acquisition Corp. may not issue these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO AMENDMENT AND COMPLETION,
DATED _____, 2009**

**PROXY STATEMENT FOR SPECIAL MEETING OF
STOCKHOLDERS AND WARRANTHOLDERS OF
PROSPECT ACQUISITION CORP. AND
PROSPECTUS FOR UP TO 26,000,000 SHARES
OF COMMON STOCK**

Dear Stockholders and Warrantholders of Prospect Acquisition Corp.:

You are cordially invited to attend the special meeting of stockholders of Prospect Acquisition Corp. ("Prospect") and the special meeting of Prospect warrantholders scheduled to be held on _____, 2009 at 8:30 a.m., Eastern Standard time, at 9130 Galleria Court, Suite 318, Naples, FL 34109.

Prospect is pleased to report that its board of directors and the board of directors and stockholders of Kennedy-Wilson, Inc. ("Kennedy-Wilson") have approved an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides for a merger of KW Merger Sub Corp., Prospect's wholly-owned subsidiary formed for the purpose of consummating the merger ("Merger Sub"), with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect (the "Merger"). The proposal to approve the Merger Agreement and certain other proposals discussed in this proxy statement/prospectus will be presented at the special meeting of Prospect stockholders.

If the Merger is completed, Kennedy-Wilson's stockholders of record (the "Kennedy-Wilson Holders"), will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert into the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6412 shares of Prospect common stock) (the "Initial Shares"), minus any shares of Prospect common stock that would otherwise have been issuable to the Kennedy-Wilson Holders of dissenting shares (the "Dissenting Shares"), plus shares issued in lieu of fractional shares. Based on the closing market price of \$9.79 per share on September 8, 2009, the last trading day of Prospect common stock prior to the announcement of the Merger Agreement, the Initial Shares had an aggregate value of \$254.5 million. Based on the closing market price of Prospect common stock of \$_____ per share on _____, 2009 (the record date), the Initial Shares had an aggregate value of \$_____.

Prospect stockholders will be asked to (i) approve the Merger and the Merger Agreement, dated as of September 8, 2009, by and among Prospect, Merger Sub and Kennedy-Wilson, which, among other things, provides for the merger of Merger Sub with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect (the "Merger Proposal"); (ii) approve an amendment and restatement of Prospect's amended and restated certificate of incorporation to change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.," increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000, provide for Prospect's perpetual existence, delete and replace Article Sixth and make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial (the "Charter Amendment Proposal"); (iii) approve the Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan (the "2009 Plan"), which is an equity-based incentive plan for directors, officers, employees and certain consultants, pursuant to which Prospect will reserve up to 4,000,000 shares of Prospect common stock for issuance under the 2009 Plan (the "Equity Participation Plan Proposal");

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(iv) elect seven directors to serve on Prospect's board of directors (the "Director Election Proposal"); and (v) approve the adjournment of the special meeting of Prospect stockholders to a later date or dates if necessary to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Prospect stockholders, Prospect is not authorized to consummate the merger (the "Stockholder Adjournment Proposal").

Prospect warrant holders will be asked to approve an amendment (the "Warrant Amendment") to the warrant agreement that governs all of the warrants of Prospect, each of which is exercisable for one share of common stock of Prospect in order to (1) allow each Prospect warrant holder to elect to receive upon the closing of the Merger, for each outstanding Prospect warrant that was issued in Prospect's initial public offering (the "Public Warrants"), either (i) \$0.55 in cash (the "Cash Amount") or (ii) an amended and restated Public Warrant with a new exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described in this proxy statement/prospectus and (2) amend and restate the terms of the warrants purchased by each of Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities associated with Patrick J. Landers, a director and President of Prospect, and CMS Platinum Fund, L.P. (formerly Capital Management Systems Inc.), an entity affiliated with William Landman, one of Prospect's directors, in connection with Prospect's initial public offering (the "Sponsors Warrants"), to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013 (items (1) and (2), collectively, the "Warrant Amendment Proposal"). If the Merger is consummated, any warrant holder who votes against the approval of the Warrant Amendment Proposal or who makes no election will receive the Cash Amount in exchange for each of its Public Warrants. Warrant holders will also be asked to approve an adjournment of the special meeting of Prospect warrant holders to a later date or dates, if necessary, to permit further solicitation and vote of proxies in favor of the Warrant Amendment Proposal (the "Warrant holder Adjournment Proposal"). See the sections entitled "*The Warrant Amendment Proposal*" and "*The Warrant holder Adjournment Proposal*" for additional information.

Each of these proposals is more fully described in the accompanying proxy statement/prospectus.

Prospect's board of directors recommends (i) that Prospect stockholders vote "FOR" approval of the Merger Proposal, "FOR" approval of the Charter Amendment Proposal, "FOR" approval of the Equity Participation Plan Proposal, "FOR" approval of the Director Election Proposal, and "FOR" approval of the Stockholder Adjournment Proposal and (ii) that Prospect warrant holders vote "FOR" approval of the Warrant Amendment Proposal and "FOR" approval of the Warrant holder Adjournment Proposal.

Prospect's units, common stock and Public Warrants are currently quoted on NYSE AMEX LLC (formerly known as the American Stock Exchange) under the symbols "PAX.U", "PAX", and "PAX.WS", respectively. Prospect intends to apply for re-listing on NYSE AMEX LLC upon the consummation of the Merger. If Prospect's securities are re-listed on NYSE AMEX LLC, the symbols may change to symbols that are reasonably representative of the post-Merger company's corporate name.

Prospect is providing this proxy statement/prospectus and accompanying proxy card to its stockholders and warrant holders in connection with the solicitation of proxies to be voted at the special meeting of Prospect stockholders and the special meeting of Prospect warrant holders and at any adjournments or postponements of the meetings. This proxy statement/prospectus also constitutes a prospectus of Prospect for the securities of Prospect to be issued to stockholders of Kennedy-Wilson pursuant to the Merger Agreement.

This proxy statement/prospectus provides you with detailed information about the Merger and other matters to be considered by the Prospect stockholders and warrant holders. Prospect encourages you to carefully read the entire document and the documents incorporated by reference. **IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER "*RISK FACTORS*" BEGINNING ON PAGE 45.**

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Prospect Stockholders and Warrantholders Your vote is very important. Whether or not you expect to attend the special meeting of Prospect stockholders and/or the special meeting of Prospect warrantholders, the details of which are described on the following pages, please complete, date, sign and promptly return the accompanying proxy in the enclosed envelope.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated _____, 2009, and is first being mailed to Prospect stockholders and Prospect warrantholders on or about _____, 2009.

This proxy statement/prospectus incorporates important business and financial information about Prospect and Kennedy-Wilson that is not included in or delivered with this document. This information is available without charge to security holders upon written or oral request. To make this request, or if you would like additional copies of this proxy statement/prospectus or have questions about the Merger, you should contact James J. Cahill, Secretary, Prospect Acquisition Corp., 9130 Galleria Court, Suite 318, Naples, FL 34109, Telephone (239) 254-4481.

TO OBTAIN TIMELY DELIVERY OF REQUESTED MATERIALS, STOCKHOLDERS AND WARRANTHOLDERS MUST REQUEST THE INFORMATION NO LATER THAN FIVE BUSINESS DAYS BEFORE THE DATE THEY SUBMIT THEIR PROXIES OR ATTEND THE SPECIAL MEETING OF PROSPECT STOCKHOLDERS OR THE SPECIAL MEETING OF PROSPECT WARRANTHOLDERS. THE LATEST DATE TO REQUEST THE INFORMATION TO BE RECEIVED TIMELY IS _____, 2009.

All references in this proxy statement to "dollars" or "\$" are to U.S. dollars, unless otherwise noted. Except as otherwise indicated, all financial statements and financial data contained in this proxy statement have been prepared in accordance with generally accepted accounting principles in the United States of America. Unless the context requires otherwise, references to "you" are references to Prospect stockholders and Prospect warrantholders, as applicable, and references to "we", "us" and "our" are to Prospect.

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**PROSPECT ACQUISITION CORP.
9130 GALLERIA COURT, SUITE 318
NAPLES, FLORIDA 34109**

**NOTICE OF SPECIAL MEETING OF WARRANTHOLDERS
OF PROSPECT ACQUISITION CORP.
TO BE HELD ON _____, 2009.**

To the Warrantholders of Prospect Acquisition Corp.:

NOTICE IS HEREBY GIVEN that the special meeting of warrantholders of Prospect Acquisition Corp., a Delaware corporation ("Prospect"), will be held at 8:30 a.m., Eastern Standard time, on _____, 2009, at 9130 Galleria Court, Suite 318, Naples, FL 34109. You are cordially invited to attend the meeting, which will be held for the following purposes:

- 1) to approve an amendment (the "Warrant Amendment") to the warrant agreement that governs all of the warrants of Prospect, each of which is exercisable for one share of common stock of Prospect in connection with the consummation of the transactions contemplated by the Agreement and Plan of Merger, dated as of September 8, 2009 (the "Merger Agreement"), by and among Prospect, KW Merger Sub Corp., Prospect's wholly-owned subsidiary formed for the purpose of consummating the merger ("Merger Sub") and Kennedy-Wilson, Inc. ("Kennedy-Wilson"), which among other things provides for the merger of Merger Sub with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect (the "Merger"). The Warrant Amendment would (1) allow each Prospect warrantholder to elect to receive upon the closing of the Merger, for each outstanding Prospect warrant that was issued in Prospect's initial public offering (the "Public Warrants") either (i) \$0.55 in cash (the "Cash Amount") or (ii) an amended and restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described in this proxy statement/prospectus and (2) amend and restate the terms of the warrants purchased by each of Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities associated with Patrick J. Landers, a director and President of Prospect, and CMS Platinum Fund, L.P. (formerly Capital Management Systems Inc.), an entity affiliated with William Landman, one of Prospect's directors, in connection with Prospect's initial public offering, to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013 (items (1) and (2), collectively, the "Warrant Amendment Proposal"). If the Merger is consummated, any holder of Public Warrants who votes against the approval of the Warrant Amendment Proposal or who makes no election will receive the Cash Amount in exchange for each of its Public Warrants; and
- 2) to approve an adjournment of the special meeting of Prospect warrantholders to a later date or dates, if necessary, to permit further solicitation and vote of proxies in favor of the Warrant Amendment Proposal (the "Warrantholder Adjournment Proposal").

These items of business are described in the enclosed proxy statement/prospectus, which you are encouraged to read in its entirety before voting. Only holders of record of Prospect warrants at the close of business on _____, 2009 are entitled to notice of the special meeting of Prospect warrantholders and to vote and have their votes counted at the special meeting of Prospect warrantholders and any adjournments or postponements thereof.

Prospect's board of directors has determined that the Warrant Amendment Proposal and the Warrantholder Adjournment Proposal are fair to and in the best interests of Prospect and its warrantholders and unanimously recommends that you vote or give instruction to vote "FOR" the Warrant Amendment Proposal and "FOR" the Warrantholder Adjournment Proposal.

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All Prospect warrantholders are cordially invited to attend the special meeting of Prospect warrantholders in person. Your vote is very important. To ensure your representation at the special meeting of Prospect warrantholders, however, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a warrantholder of record of Prospect warrants, you may also cast your vote in person at the special meeting of Prospect warrantholders. If your warrants are held in an account at a brokerage firm or bank, you must instruct your broker, bank or nominee on how to vote your warrants or, if you wish to attend the special meeting of Prospect warrantholders and vote in person, obtain a proxy from your broker, bank or nominee. If you do not vote or do not instruct your broker, bank or nominee how to vote, it will have the same effect as voting "AGAINST" the Warrant Amendment Proposal, but will have no effect on the Warrantholder Adjournment Proposal.

A complete list of Prospect warrantholders of record entitled to vote at the special meeting of Prospect warrantholders will be available for ten days before the special meeting of Prospect warrantholders at 9130 Galleria Court, Suite 300, Naples, Florida 34109 for inspection by warrantholders during ordinary business hours for any purpose germane to the special meeting of Prospect warrantholders.

Your vote is important to us regardless of the number of warrants you own. Whether or not you plan to attend the special meeting of Prospect warrantholders, please read the enclosed proxy statement/prospectus carefully, and sign, date and return the enclosed proxy card as soon as possible in the envelope provided. If your warrants are held in "street name" or are in a margin or similar account, you should contact your broker, bank or nominee to ensure that votes related to the warrants you beneficially own are properly counted.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors

David A. Minella
Chairman and Chief Executive Officer

IF YOU RETURN YOUR PROXY CARD WITHOUT AN INDICATION OF HOW YOU WISH TO VOTE, YOUR WARRANTS WILL BE VOTED IN FAVOR OF EACH OF THE PROPOSALS.

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**PROSPECT ACQUISITION CORP.
9130 GALLERIA COURT, SUITE 318
NAPLES, FLORIDA 34109**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
OF PROSPECT ACQUISITION CORP.
TO BE HELD ON _____, 2009.**

To the Stockholders of Prospect Acquisition Corp.:

NOTICE IS HEREBY GIVEN that the special meeting of stockholders of Prospect Acquisition Corp., a Delaware corporation ("Prospect"), will be held immediately following the special meeting of Prospect warrantholders scheduled for 8:30 a.m. Eastern time, on _____, 2009 at 9130 Galleria Court, Suite 318, Naples, FL 34109. You are cordially invited to attend the meeting, which will be held for the following purposes:

- (1) to consider and vote upon a proposal to approve the Merger (as defined below) and the Agreement and Plan of Merger, dated as of September 8, 2009, by and among Prospect, KW Merger Sub Corp., Prospect's wholly-owned subsidiary formed for the purpose of consummating the merger ("Merger Sub"), and Kennedy-Wilson, Inc. ("Kennedy-Wilson"), which, among other things, provides for the merger of Merger Sub with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect (the "Merger") we refer to this proposal as the "Merger Proposal;"
 - (2) to consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to (i) change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.," (ii) increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000, (iii) provide for Prospect's perpetual existence, (iv) delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly, and (v) make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial we refer to this proposal as the "Charter Amendment Proposal;"
 - (3) to consider and vote upon a proposal to approve the Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan (the "2009 Plan"), which is an equity-based incentive plan for directors, officers, employees and certain consultants, pursuant to which Prospect will reserve up to 4,000,000 shares of Prospect common stock for issuance under the 2009 Plan we refer to this proposal as the "Equity Participation Plan Proposal;"
 - (4) to consider and vote upon the election of seven directors to Prospect's board of directors, effective immediately following and contingent upon closing of the Merger, of whom Cathy Hendrickson and Thomas Sorell will serve until the annual meeting of Prospect stockholders to be held in 2010, Jerry Solomon and David A. Minella will serve until the annual meeting of Prospect stockholders to be held in 2011 and William J. McMorrow, Kent Mouton and Norman Creighton will serve until the annual meeting of Prospect stockholders to be held in 2012 and, in each case, until their successors are elected and qualified we refer to this proposal as the "Director Election Proposal;" and
 - (5) to consider and vote upon a proposal to adjourn the special meeting of Prospect stockholders to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Prospect stockholders, Prospect is not authorized to consummate the Merger we refer to this proposal as the "Stockholder Adjournment Proposal."
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These items of business are described in the enclosed proxy statement/prospectus, which we encourage you to read in its entirety before voting. Only holders of record of Prospect common stock at the close of business on _____, 2009 are entitled to notice of the special meeting of Prospect stockholders and to vote and have their votes counted at the special meeting of Prospect stockholders and any adjournments or postponements of the special meeting of Prospect stockholders.

Prospect's board of directors has determined that the Merger Proposal and the other proposals are fair to and in the best interests of Prospect and its stockholders and unanimously recommends that you vote or give instruction to vote "FOR" the approval of all of the proposals and all of the persons nominated by Prospect's management for election as directors.

All Prospect stockholders are cordially invited to attend the special meeting of Prospect stockholders in person. To ensure your representation at the special meeting of Prospect stockholders, however, you are urged to complete, sign, date and return the enclosed proxy card as soon as possible. If you are a holder of record of Prospect common stock, you may also cast your vote in person at the special meeting of Prospect stockholders. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker, bank or nominee on how to vote your shares or, if you wish to attend the special meeting of Prospect stockholders and vote in person, obtain a proxy from your broker or bank. If you do not vote or do not instruct your broker, bank or nominee how to vote, it will have the same effect as voting "AGAINST" the Charter Amendment Proposal, but will have no effect on the Merger Proposal, the Equity Participation Plan Proposal, the Director Election Proposal, and the Stockholder Adjournment Proposal.

A complete list of Prospect stockholders of record entitled to vote at the special meeting of Prospect stockholders will be available for ten days before the special meeting of Prospect stockholders at 9130 Galleria Court, Suite 300, Naples, Florida 34109 for inspection by stockholders during ordinary business hours for any purpose germane to the special meeting of Prospect stockholders.

Your vote is important regardless of the number of shares you own. Whether you plan to attend the special meeting of Prospect stockholders or not, please sign, date and return the enclosed proxy card as soon as possible in the envelope provided. If your shares are held in "street name" or are in a margin or similar account, you should contact your broker to ensure that votes related to the shares you beneficially own are properly counted.

Thank you for your participation. We look forward to your continued support.

By Order of the Board of Directors
David A. Minella
Chairman and Chief Executive Officer

IF YOU RETURN YOUR PROXY CARD WITHOUT AN INDICATION OF HOW YOU WISH TO VOTE, YOUR SHARES WILL BE VOTED IN FAVOR OF EACH OF THE PROPOSALS AND YOU WILL NOT BE ELIGIBLE TO HAVE YOUR SHARES CONVERTED INTO A PRO RATA PORTION OF THE TRUST ACCOUNT IN WHICH A SUBSTANTIAL PORTION OF THE NET PROCEEDS OF PROSPECT'S INITIAL PUBLIC OFFERING ARE HELD. IN ORDER TO PROPERLY EXERCISE YOUR CONVERSION RIGHTS, YOU MUST (I) AFFIRMATIVELY VOTE AGAINST THE MERGER PROPOSAL BY PROXY OR IN PERSON AT THE SPECIAL MEETING OF PROSPECT'S STOCKHOLDERS, (II) PRESENT WRITTEN INSTRUCTIONS TO PROSPECT'S TRANSFER AGENT NO LATER THAN ONE BUSINESS DAY PRIOR TO THE VOTE ON THE MERGER PROPOSAL STATING THAT YOU WISH TO CONVERT YOUR SHARES INTO CASH AND THAT YOU WILL CONTINUE TO HOLD YOUR SHARES THROUGH THE CLOSING DATE OF THE MERGER, (III) CONTINUE TO HOLD YOUR SHARES THROUGH THE CLOSING DATE OF THE MERGER AND (IV) TENDER YOUR SHARES TO PROSPECT'S TRANSFER AGENT WITHIN THE

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PERIOD SPECIFIED IN A NOTICE YOU WILL RECEIVE FROM OR ON BEHALF OF PROSPECT, WHICH PERIOD WILL NOT BE LESS THAN 20 DAYS. YOU MAY TENDER YOUR SHARES BY EITHER DELIVERING YOUR STOCK CERTIFICATE TO THE TRANSFER AGENT OR BY DELIVERING YOUR SHARES ELECTRONICALLY USING THE DEPOSITORY TRUST COMPANY'S DWAC (DEPOSIT/WITHDRAWAL AT CUSTODIAN) SYSTEM. IF THE MERGER IS NOT COMPLETED, THEN THESE SHARES WILL NOT BE CONVERTED INTO CASH. IF YOU HOLD THE SHARES IN STREET NAME, YOU WILL NEED TO INSTRUCT THE ACCOUNT EXECUTIVE AT YOUR BANK, BROKER OR NOMINEE TO WITHDRAW THE SHARES FROM YOUR ACCOUNT IN ORDER TO EXERCISE YOUR CONVERSION RIGHTS. SEE "*SPECIAL MEETING OF PROSPECT WARRANTHOLDERS AND SPECIAL MEETING OF PROSPECT STOCKHOLDERS CONVERSION RIGHTS*" FOR MORE SPECIFIC INSTRUCTIONS.

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SUMMARY OF THE MATERIAL TERMS OF THE MERGER

This summary highlights selected information from this proxy statement/prospectus and does not contain all of the information that is important to you. To better understand the Merger, you should read this entire document carefully, including "Risk Factors," the Merger Agreement attached as Annex A, and all annexes and exhibits attached to this proxy statement/prospectus. The Merger Agreement is the legal document that governs the Merger and the other transactions that will be undertaken in connection with the Merger. It is also described in detail elsewhere in this proxy statement/prospectus.

The parties to the Merger (as defined below) are Prospect Acquisition Corp. ("Prospect"), KW Merger Sub Corp., Prospect's wholly-owned subsidiary formed for the purpose of consummating the merger ("Merger Sub"), and Kennedy-Wilson, Inc. ("Kennedy-Wilson"). Pursuant to the Agreement and Plan of Merger, dated as of September 8, 2009, by and among Prospect, Merger Sub, and Kennedy-Wilson (the "Merger Agreement"), Merger Sub will merge with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect (the "Merger"). See the section entitled "*The Merger Proposal*" for additional information.

Prospect is a blank check development stage company organized under the laws of the State of Delaware on July 9, 2007. Prospect was formed to acquire control of, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, one or more businesses or assets in the financial services industry. Other than interest income, Prospect has generated no revenue to date. Since its initial public offering completed on November 14, 2007 (the "IPO"), Prospect has been actively engaged in identifying a suitable business combination candidate.

Founded in 1977, Kennedy-Wilson is a diversified, international real estate company that provides investment and real estate services. Kennedy-Wilson has grown from an auction business in one office into a vertically-integrated operating company with over 300 professionals in 21 offices throughout the U.S. and Japan. Kennedy-Wilson is an industry leader, currently owning real estate (through its closed-end funds and joint ventures) representing \$2.9 billion in "aggregate value" (1) and managing over 40 million square feet of residential, multifamily and commercial real estate, including 10,000 apartment units, throughout the U.S. and Japan. See the section entitled "*Business of Kennedy-Wilson*" for additional information.

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- (1) "Aggregate Value" is defined as the aggregate value of a transaction, which includes all debt and equity for each investment at cost at the time of initial investment or follow-on investment, including amounts representing investments by third parties unaffiliated with Kennedy-Wilson and closing costs.

Prospect believes that Kennedy-Wilson's management has the experience to successfully lead Kennedy-Wilson's business and that Kennedy-Wilson has in place the infrastructure for strong business operations and to achieve growth both organically and through strategic acquisitions. As a result, Prospect also believes that a business combination with Kennedy-Wilson will provide Prospect stockholders with an opportunity to participate in a company with significant growth potential.

If the Merger is consummated, Kennedy-Wilson's stockholders (the "Kennedy-Wilson Holders"), will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert into the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6412 shares of Prospect common stock) (the "Initial Shares"), minus any shares of Prospect common stock that would otherwise have been issuable to the Kennedy-Wilson Holders of dissenting shares (the "Dissenting Shares"). Based on the

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closing market price of \$9.79 per share on September 8, 2009, the last trading day of Prospect common stock prior to the announcement of the Merger Agreement, the Initial Shares had an aggregate value of \$254.5 million. Based on the closing market price Prospect common stock of \$_____ per share on _____, 2009 (the record date), the Initial Shares had an aggregate value of \$_____. If a fractional share is required to be issued to a Kennedy-Wilson Holder, Prospect will round up to the nearest whole share in lieu of issuing fractional shares. Upon completion of the Merger, assuming that none of the shares that Prospect issued during its initial public offering (the "Public Shares") are converted into cash, the Kennedy-Wilson Holders will own approximately 44.2% of the shares of Prospect common stock outstanding immediately after the closing of the Merger, the current Prospect stockholders will own approximately 48.8% and the other new Prospect stockholders (including recipients of awards under the 2009 Plan, defined below) will own approximately 7.0% of Prospect's outstanding common stock. If 29.99% of the holders of Public Shares elect to convert their shares into cash, such percentages would be 50.7%, 41.3% and 8.0%, respectively. See the section entitled "*Summary of the Proxy Statement/Prospectus The Merger and The Merger Proposal*" for additional information.

The Merger Agreement provides that either Prospect or Kennedy-Wilson may terminate the agreement if the Merger is not consummated by November 13, 2009. The Merger Agreement may also be terminated, among other reasons, upon material breach of a party. See the section entitled "*The Merger Agreement Termination*" for additional information.

The Prospect stockholders must approve an amendment and restatement to the amended and restated certificate of incorporation of Prospect, to (i) change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.," (ii) increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000, (iii) provide for Prospect's perpetual existence, (iv) delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly, and (v) make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial (the "Charter Amendment Proposal"). The stockholders of Prospect will also vote on proposals to approve the Kennedy-Wilson Holdings, Inc. 2009 Equity Participation Plan (the "2009 Plan"), which is an equity-based incentive plan for directors, officers, employees and certain consultants, pursuant to which Prospect will reserve up to 4,000,000 shares of Prospect common stock for issuance under the 2009 Plan (the "Equity Participation Plan Proposal"), to elect seven directors to Prospect's board of directors (the "Director Election Proposal"), and to approve an adjournment of the special meeting of Prospect stockholders to a later date or dates, if necessary to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Prospect stockholders, Prospect is not authorized to consummate the Merger (the "Stockholder Adjournment Proposal"). See the sections entitled "*The Charter Amendment Proposal*," "*The Equity Participation Plan Proposal*," "*The Director Election Proposal*," and "*The Stockholder Adjournment Proposal*" for additional information.

The Prospect warrant holders must approve an amendment (the "Warrant Amendment") to the warrant agreement (the "Warrant Agreement") that governs all of the warrants of Prospect, each of which is exercisable for one share of common stock of Prospect in order to (1) allow each Prospect warrant holder to elect to receive upon the closing of the Merger, for each outstanding warrant that was issued in Prospect's IPO (the "Public Warrants"), either (i) \$0.55 in cash (the "Cash Amount") or (ii) an amended and restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described in this proxy statement/prospectus and (2) amend and restate the terms of the warrants purchased by each of Flat Ridge Investments, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer,

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LLM Structured Equity Fund L.P. and LLM Investors L.P., entities associated with Patrick J. Landers, a director and President of Prospect, and CMS Platinum Fund, L.P. (formerly Capital Management Systems Inc.), an entity affiliated with William Landman, one of Prospect's directors, in connection with Prospect's initial public offering (the "Sponsors Warrants"), to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013 (items (1) and (2), collectively, the "Warrant Amendment Proposal"). The warrant holders are also being asked to approve an adjournment of the special meeting of Prospect warrant holders to a later date or dates, if necessary to permit further solicitation and vote of proxies in favor of the Warrant Amendment Proposal (the "Warrant holder Adjournment Proposal"). Based on the closing market price of \$0.28 per Public Warrant on September 8, 2009, the last trading day prior to the announcement of the Merger Agreement, the Public Warrants had an aggregate value of \$7,000,000. Based on the closing market price of \$_____ per Public Warrant on _____, 2009 (the record date), the Public Warrants had an aggregate value of \$_____.

After the Merger, if management's nominees are elected, the directors of Prospect following the Merger will be William J. McMorrow, Kent Mouton, Norman Creighton, Jerry Solomon, Cathy Hendrickson and Thomas Sorell, who are designees of Kennedy-Wilson, and David A. Minella, who is a designee of Prospect.

Following closing of the Merger, certain officers of Kennedy-Wilson will become officers of Prospect, holding positions similar to the positions such officers held with Kennedy-Wilson. These officers are William J. McMorrow, who will become Chief Executive Officer of Prospect, and Freeman A. Lyle, who will become Executive Vice President and Chief Financial Officer of Prospect. In addition, following closing of the Merger, Barry S. Schlesinger, Co-CEO of KW Commercial Investment Group, Mary Ricks, Co-CEO of KW Commercial Investment Group, James A. Rosten, President of Kennedy-Wilson Properties, Donald J. Herrema, CEO of KW Capital Markets, and Robert E. Hart, President of KW Multi-Family Management Group, will continue to be employed with the combined company. Each of these persons is currently an executive officer of Kennedy-Wilson, other than Mr. Schlesinger, and has an employment agreement with Kennedy-Wilson which will be assumed by Prospect as a result of the Merger. See the section entitled "*Executive Compensation Kennedy-Wilson Executive Compensation*" for additional information.

After the Merger, Prospect anticipates having approximately \$_____ million in cash available from the trust account ("Trust Account") it established in connection with its IPO completed on November 14, 2007. If you are a holder of Public Shares, you have the right to vote against the Merger Proposal and demand that Prospect convert your shares into a pro rata portion of the Trust Account. Prospect sometimes refers to these rights to vote against the Merger and demand conversion of the Public Shares into a pro rata portion of the Trust Account as "conversion rights". If you are a holder of Public Shares and wish to exercise your conversion rights, you must (i) affirmatively vote against the Merger Proposal by proxy or in person at the special meeting of Prospect stockholders, (ii) present written instructions to Prospect's transfer agent no later than one business day prior to the vote on the Merger Proposal stating that you wish to convert your shares into cash and that you will continue to hold your shares through the closing date of the Merger, (iii) continue to hold your shares through the closing date of the Merger, and (iv) tender your shares to Prospect's transfer agent within the period specified in a notice you will receive from or on behalf of Prospect, which period will not be less than 20 days. You may tender your shares by either delivering your stock certificate to the transfer agent or by delivering your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System. If the Merger is not completed, then these shares will not be converted into cash. Any action that does not include

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an affirmative vote against the Merger will prevent you from exercising your conversion rights. Your vote on any proposal other than the Merger Proposal will have no impact on your right to seek conversion. For more information about exercising your conversion rights, see the section entitled "*Questions and Answers for Prospect Stockholders and Warrantheolders about the Proposals How do I exercise my conversion rights?*" If 30% or more of the outstanding Public Shares are converted (7,500,000 shares), Prospect may not consummate the Merger. If, however, no more than 30% of the outstanding Public Shares (minus one share) are converted (7,499,999), Prospect may still consummate the Merger and such payments to holders who exercise their conversion rights would total approximately \$ _____ million based on a conversion price of \$ _____ per share.

If you are a stockholder, when you consider the recommendation of Prospect's board of directors in favor of approval of the Merger Proposal, you should keep in mind that Prospect's executive officers and members of Prospect's board have interests in the Merger that are different from, or in addition to, your interests as a stockholder. Amongst others, these interests include: (i) the 6,250,000 shares of common stock held by Prospect's directors and officers that were acquired before the IPO will be worthless if the Merger is not consummated because Prospect's directors and officers are not entitled to receive any of the proceeds with respect to such shares in the event of a liquidation; (ii) the 5,250,000 Sponsors Warrants issued by Prospect to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities associated with Patrick J. Landers, a director and President of Prospect, and CMS Platinum Fund, L.P. (formerly Capital Management Systems Inc.), an entity affiliated with William Landman, one of Prospect's directors, and 200,000 Public Warrants held by a founder will become worthless if the Merger is not consummated by November 14, 2009; (iii) David A. Minella will be a director of Prospect if the Merger is consummated and will receive any cash fees, stock options or stock awards that the Prospect board of directors determines to pay to its non-executive directors; and (iv) if Prospect liquidates, David A. Minella, Prospect's Chairman and Chief Executive Officer, and each of LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, a director and President of Prospect, will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect. See the section entitled, "*The Merger Proposal Interests of Prospect's Directors and Officers in the Merger*" for additional information. Immediately prior to the Merger, 2,575,000 founder shares held by the founders will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

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**QUESTIONS AND ANSWERS
FOR PROSPECT STOCKHOLDERS AND WARRANTHOLDERS ABOUT THE PROPOSALS**

Why am I receiving this proxy statement/prospectus?

Prospect and Kennedy-Wilson have agreed to a business combination under the terms of the Merger Agreement that are described in this proxy statement/prospectus in the sections entitled "*The Merger Proposal*" and "*The Merger Agreement*." This agreement is referred to as the Merger Agreement. A copy of the Merger Agreement which is incorporated by reference is attached to this proxy statement/prospectus as Annex A, which Prospect encourages you to read.

Prospect warrantholders are being asked to consider and vote upon a proposal, which we refer to as the Warrant Amendment Proposal, to approve the Warrant Amendment to the Warrant Agreement that governs all Prospect warrants, each of which is exercisable for one share of Prospect common stock, to (1) allow each Prospect warrantholder to elect to receive upon the closing of the Merger, for each outstanding Public Warrant, either (i) the Cash Amount of \$0.55, or (ii) an amended and restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described in this proxy statement/prospectus and (2) amend and restate the terms of the Sponsors Warrants to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013. If the Merger is consummated, any warrantholder who votes against the approval of the Warrant Amendment Proposal or who makes no election will receive the Cash Amount in exchange for each of its Public Warrants. The exchange of the Public Warrants for cash is referred to herein as the "Cash Exchange" and the exchange of the Public Warrants for the amended and restated Public Warrants and the amendment of the Sponsors Warrants, is referred to herein as the "Warrant Exchange." The form of Warrant Amendment is attached to this proxy statement/prospectus as Annex B and the form of Amended and Restated Warrant Agreement, which will be in effect upon consummation of the Merger, is attached to this proxy statement/prospectus as Annex C and both are incorporated into this proxy statement/prospectus by reference. Prospect warrantholders are also being asked to consider and vote on the Warrantholder Adjournment Proposal to adjourn the special meeting of Prospect warrantholders to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Prospect warrantholders, Prospect is not authorized to amend the Warrant Agreement.

Prospect stockholders are being asked to consider and vote upon a proposal to approve the Merger and the Merger Agreement, which, among other things, provides for the merger of Merger Sub with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect. You are also being requested to vote to approve: (i) the amendment and restatement of Prospect's amended and restated certificate of incorporation to (a) change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.," (b) increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000, (c) provide for Prospect's perpetual existence, (d) delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and (e) make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial; (ii) the 2009 Plan; (iii) the election of seven directors; and (iv) the Stockholder Adjournment Proposal. With respect to the Charter Amendment Proposal, Article Sixth and its preamble relate to the operation of Prospect as a blank check company prior to the consummation of a business combination and will not be applicable after consummation of the Merger. Clause A of Article Sixth requires that the business combination be submitted to Prospect's stockholders for approval under the Delaware General Corporation Law ("DGCL") and be approved by the vote of a majority of the Public Shares present at the special meeting of Prospect stockholders in person or by proxy and eligible to vote thereon, provided that the business combination shall not be consummated if the holders of 30% or more of the Public Shares exercise their conversion rights. Clause B of Article Sixth provides that the proceeds of Prospect's IPO

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and the sale of the Sponsors Warrants are to be deposited in the Trust Account. Clause C of Article Sixth specifies the procedures for exercising conversion rights. Clause D of Article Sixth provides that Prospect shall take action to liquidate if it does not consummate an initial business combination prior to the "Termination Date" (November 14, 2009). Clause E of Article Sixth provides that holders of Public Shares are entitled to receive distributions from Prospect's Trust Account only if a business combination is not consummated by the "Termination Date" or by demanding conversion in accordance with Clause C. Clause F of Article Sixth provides that Prospect must consummate the "Business Combination," as defined in the preamble of Article Sixth, before Prospect can consummate any other type of business combination. Clause G of Article Sixth provides that Prospect shall not, and no employee of Prospect shall, disburse any funds from the Trust Account other than set forth in such clause. Clause H of Article Sixth provides the procedure by which Prospect's Audit Committee must approve all payments to Prospect's initial stockholders, sponsors, officers, directors and their or Prospect's affiliates. Clause I of Article Sixth provides the procedure by which the Audit Committee is required to review and monitor compliance with the requirements of the agreements entered into by Prospect in connection with its IPO. Clause J of Article Sixth prohibits Prospect's board of directors from issuing any securities (other than those issued in the IPO) that would participate in the proceeds of the Trust Account or vote as a class with the common stock on a business combination prior to the consummation of the initial business combination. Clause K of Article Sixth permits Prospect to have a classified board of directors prior to the business combination. See the section entitled "*The Charter Amendment Proposal*" for additional information.

The approval of the Warrant Amendment Proposal by Prospect warrantholders and the approval of the Merger Proposal and the Charter Amendment Proposal by Prospect stockholders are conditions to the consummation of the Merger. If the Warrant Amendment Proposal is not approved, the stockholder proposals, other than the Stockholder Adjournment Proposal, will not be presented to the Prospect stockholders. If the Merger Proposal is not approved, the other proposals will not be presented to the stockholders for a vote. If the Charter Amendment Proposal is not approved, the other proposals will not be presented to the stockholders for a vote and the Merger will not be consummated. Prospect's second amended and restated certificate of incorporation, as it will appear if the Charter Amendment Proposal is approved, is attached to this proxy statement/prospectus as Annex D and you are encouraged to read it in its entirety. The 2009 Plan is attached to this proxy statement/prospectus as Annex E and you are encouraged to read it in its entirety. In addition to the foregoing proposals, the stockholders will also be asked to consider and vote upon the election of seven directors of Prospect, which proposal, along with the Equity Participation Plan Proposal, will not be presented for a vote if either the Merger Proposal or the Charter Amendment Proposal is not approved. The stockholders will also be asked to consider and vote upon a proposal to adjourn the special meeting of Prospect stockholders to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Prospect stockholders, Prospect would not have been authorized to consummate the Merger. The warrantholders will also be asked to consider and vote upon a proposal to adjourn the special meeting of Prospect warrantholders to a later date or dates to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Prospect warrantholders, Prospect would not have been authorized to amend the Warrant Agreement. This proxy statement/prospectus contains important information about the proposed Merger and the other matters to be acted upon at the special meetings of Prospect stockholders and Prospect warrantholders. You should read it carefully.

Your vote is important. Prospect encourages you to vote as soon as possible after carefully reviewing this proxy statement/prospectus.

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Why is Prospect proposing the Merger?

Prospect was organized to effect an acquisition, capital stock exchange, asset acquisition or other similar business combination with an operating business.

On November 20, 2007, Prospect issued and sold 25,000,000 units in its IPO. Each of Prospect's units consists of one share of Prospect's common stock and one warrant. Each warrant sold in the IPO entitles the holder to purchase one share of common stock at an exercise price of \$7.50. Prospect's units began publicly trading on November 15, 2007. Prospect's Public Warrants and common stock have traded separately since December 3, 2007. The public offering price of each unit was \$10.00, and the IPO raised gross proceeds of \$250,000,000. Of the gross proceeds: (i) Prospect deposited \$241,750,000 into a Trust Account at JP Morgan Chase Bank, NA, maintained by Continental Stock Transfer & Trust Company, as trustee, which included \$10,000,000 of contingent underwriting discount (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO); (ii) the underwriters received \$7,500,000 as underwriting discount (excluding the contingent underwriting discount); and (iii) Prospect retained \$700,000 for offering expenses, plus \$50,000 for working capital. In addition, Prospect deposited into the Trust Account \$5,250,000 that it received from the private placement of 5,250,000 Sponsors Warrants to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, and CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), a corporation affiliated with William Landman, one of Prospect's directors. The \$247,000,000 held in the Trust Account will not be released until the earlier of (i) the completion of the initial business combination or (ii) Prospect's liquidation. Therefore, unless and until the initial business combination is consummated, the proceeds held in the Trust Account will not be available to Prospect, other than amounts required to pay taxes on any interest income earned on the Trust Account balance and up to \$2,750,000 of interest income earned on the Trust Account balance, net of income taxes payable on such amount, which can be released to fund working capital requirements. As of _____, 2009 (the record date), approximately \$_____ was held in deposit in the Trust Account, including \$10,000,000 of deferred underwriting compensation (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with, the terms of the underwriting agreement for the IPO). Prospect intends to use the funds released from the Trust Account (i) to pay Prospect stockholders who exercise conversion rights, (ii) to pay Prospect warrant holders in connection with the Cash Exchange, (iii) to pay expenses related to the business combination, (iv) to pay the deferred underwriting compensation, and (v) to pay investment banker's fees and to use the remaining funds released from the Trust Account for working capital and general corporate purposes.

Founded in 1977, Kennedy-Wilson is a diversified, international real estate company that provides investment and real estate services. Kennedy-Wilson has grown from an auction business in one office into a vertically-integrated operating company with over 300 professionals in 21 offices throughout the U.S. and Japan. Kennedy-Wilson is an industry leader, currently owning real estate (through its closed-end funds and joint ventures) representing \$2.9 billion in aggregate value and managing over 40 million square feet of residential, multifamily and commercial real estate, including 10,000 apartment units, throughout the U.S. and Japan.

Based on its due diligence investigations of Kennedy-Wilson and the industry in which it operates, including the financial and other information provided by Kennedy-Wilson, Prospect believes that Kennedy-Wilson's management has the experience to successfully lead Kennedy-Wilson's business and that Kennedy-Wilson has in place the infrastructure for strong business operations and to achieve strong organic growth. As a result, Prospect also believes that a business combination with Kennedy-Wilson will provide Prospect stockholders with an opportunity to participate in a company with

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significant growth potential. See the section entitled "*The Merger Proposal Prospect's Board of Directors' Reasons for the Approval of the Merger*" for additional information. In accordance with Prospect's amended and restated certificate of incorporation, if Prospect is unable to complete the business combination with Kennedy-Wilson by November 14, 2009, its corporate existence will terminate and it will be required to liquidate.

Are the proposals conditioned on one another?

Yes. If the Warrant Amendment Proposal is not approved at the special meeting of Prospect warrantholders, none of the other warrant holder proposal or the stockholder proposals will be presented for a vote and if the Merger Proposal is not approved at the special meeting of Prospect stockholders, the other stockholder proposals will not be presented for a vote.

What vote is required to approve the proposals presented at the special meeting of Prospect warrantholders?

Approval of the Warrant Amendment Proposal requires the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants affected by the Warrant Amendment and entitled to vote thereon as of the record date.

Approval of the Warrant holder Adjournment Proposal requires the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the outstanding Prospect warrants represented in person or by proxy and entitled to vote thereon as of the record date.

Abstentions will have the same effect as a vote "AGAINST" the Warrant Amendment Proposal and the Warrant holder Adjournment Proposal. A broker non-vote will have the same effect as a vote "AGAINST" the Warrant Amendment Proposal. Broker non-votes will have no effect on the Warrant holder Adjournment Proposal.

What vote is required to approve the proposals presented at the special meeting of Prospect stockholders?

Directors are elected by a plurality of all of the votes cast in person or by proxy and entitled to vote thereon as of the record date.

Approval of the Charter Amendment Proposal requires the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock entitled to vote thereon as of the record date.

Approval of the Merger Proposal requires the affirmative vote of a majority of the issued and outstanding Public Shares represented in person or by proxy and entitled to vote thereon as of the record date. In addition, if holders of 30% or more of the Public Shares vote against the Merger Proposal and properly exercise their conversion rights, Prospect will not be permitted to consummate the Merger. See the section entitled "*Special Meeting of Prospect Warrant holders and Special Meeting of Prospect Stockholders Conversion Rights*" for additional information.

Approval of the Equity Participation Plan Proposal requires the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock represented in person or by proxy and entitled to vote thereon as of the record date.

Approval of the Stockholder Adjournment Proposal requires the affirmative vote of a majority of the shares of Prospect common stock represented in person or by proxy and entitled to vote thereon.

Abstentions will have the same effect as a vote "AGAINST" the Charter Amendment Proposal, the Merger Proposal, the Equity Participation Plan Proposal and the Stockholder Adjournment Proposal, but will have no effect on the Director Election Proposal. A broker non-vote will have the same effect as a vote "AGAINST" the Charter Amendment Proposal. Broker non-votes, while considered present for the purposes of establishing a quorum, will have no effect on the Merger

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Proposal, the Equity Participation Plan Proposal, the Director Election Proposal, and the Stockholder Adjournment Proposal.

How will Prospect's directors and officers vote?

In connection with the IPO, Prospect and the underwriters in the IPO entered into agreements with each of the Prospect founders (including its officers and directors) pursuant to which each Prospect founder agreed to (i) vote his or its founders shares on the Merger Proposal in accordance with the majority of the votes cast by the holders of Public Shares and (ii) waive any right to receive a liquidation distribution with respect to the founders shares in the event Prospect fails to consummate the initial business combination.

This voting arrangement does not apply to any proposal other than the Merger Proposal, although the Prospect founders (including its officers and directors) have also indicated that they intend to vote their shares and warrants in favor of all other proposals. Approval of the Merger Proposal requires the affirmative vote of a majority of the issued and outstanding Public Shares represented in person or by proxy and entitled to vote thereon, and approval of the Charter Amendment Proposal requires the affirmative vote of a majority of the outstanding shares of Prospect common stock entitled to vote thereon as of the record date. As of the record date of the special meeting of Prospect stockholders, 6,250,000 founder shares, or 20% of the issued and outstanding shares of Prospect common stock, would be voted in accordance with the majority of the votes cast by Prospect stockholders with respect to the Merger Proposal. If the founders or Prospect's officers and directors purchase Public Shares from existing Prospect public stockholders that are likely to vote against the Merger Proposal or that are likely to elect to exercise their conversion rights, the probability that the vote to approve the Merger Proposal will succeed would increase.

What will happen in the Merger?

At the closing of the Merger, Kennedy-Wilson Holders, will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert into the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6412 shares of Prospect common stock), minus any Dissenting Shares. Upon completion of the Merger, assuming that none of the Public Shares are converted into cash, the Kennedy-Wilson Holders will own approximately 44.2% of the shares of Prospect common stock outstanding immediately after the closing of the Merger, the current Prospect stockholders will own approximately 48.8% and the other new Prospect stockholders (including recipients of awards under the 2009 Plan) will own approximately 7.0% of Prospect's outstanding common stock. If 29.99% of the holders of Public Shares elect to convert their shares into cash, such percentages would be 50.7%, 41.3% and 8.0%, respectively. The holders of Prospect Public Warrants will receive either (i) \$0.55 in cash or (ii) an amended and restated warrant (the "Amended and Restated Public Warrants"), for each Public Warrant they own immediately prior to the Merger. Each of the Amended and Restated Public Warrants and will have an exercise price of \$12.50 per share, will be redeemable by the Company at \$0.01 subject to a \$19.50 redemption trigger price per share and will expire on November 14, 2013. The holders of Sponsors Warrants will have their terms amended and restated to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013. However, the Sponsor Warrants will not be redeemable so long as they are held by the founders or their permitted transferees. See the sections entitled "*The Merger Proposal*," "*The Merger Agreement*," "*The Warrant Amendment Proposal*" and "*Description of Prospect Securities*" for additional information.

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Do I have conversion rights?

If you are a holder of Public Shares, you have the right to vote against the Merger Proposal and request that Prospect convert your shares into a pro rata portion of the Trust Account in which a substantial portion of the net proceeds of the IPO are held.

How do I exercise my conversion rights?

If you are a holder of Public Shares and wish to exercise your conversion rights, you must (i) affirmatively vote against the Merger Proposal by proxy or in person at the special meeting of Prospect stockholders, (ii) present written instructions to Prospect's transfer agent no later than one business day prior to the vote on the Merger Proposal stating that you wish to convert your shares into cash and that you will continue to hold your shares through the closing date of the Merger, (iii) continue to hold your shares through the closing date of the Merger, and (iv) tender your shares to Prospect's transfer agent within the period specified in a notice you will receive from or on behalf of Prospect, which period will be not be less than 20 days. You may tender your shares by either delivering your stock certificate to the transfer agent or by delivering your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System. If the Merger is not completed, then these shares will not be converted into cash.

Any action that does not include an affirmative vote against the Merger will prevent you from exercising your conversion rights. Your vote on any proposal other than the Merger Proposal will have no impact on your right to seek conversion.

You may exercise your conversion rights either by checking the box on the proxy card or by submitting your request in writing to Prospect's secretary at the address listed at the end of this section. If you (i) initially vote for the Merger Proposal but then wish to vote against it and exercise your conversion rights or (ii) initially vote against the Merger Proposal and wish to exercise your conversion rights but do not check the box on the proxy card providing for the exercise of your conversion rights or do not send a written request to Prospect to exercise your conversion rights or (iii) initially vote against the Merger, but later wish to vote for it, you may request that Prospect send you another proxy card on which you may indicate your intended vote. You may make such request by contacting Prospect at the phone number or address listed at the end of this section.

Any corrected or changed proxy card or written demand of conversion rights must be received by Prospect's secretary no later than one business day prior to the special meeting of Prospect stockholders.

If, notwithstanding your negative vote, the Merger is completed, then, if you have also properly exercised your conversion rights, you will be entitled to receive a pro rata portion of the Trust Account, including any interest earned thereon, calculated as of two business days prior to the date of the consummation of the Merger. As of _____, 2009 (the record date), there was approximately \$_____ in the Trust Account, or approximately \$_____ per Public Share. If you exercise your conversion rights, then you will be exchanging your shares of Prospect common stock for cash and will no longer own these shares.

Exercise of your conversion rights does not result in either the exercise or loss of any Prospect warrants that you may hold. Your warrants will continue to be outstanding following a conversion of your common stock and will become exercisable upon consummation of the Merger. A registration statement must be in effect to allow you to exercise any warrants you may hold or to allow Prospect to call the warrants for redemption if the redemption conditions are satisfied. If the Merger is not consummated and Prospect does not consummate an acquisition by November 14, 2009, the warrants will not become exercisable and will be worthless.

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Do I have appraisal rights if I object to the proposed acquisition?

No. Prospect stockholders do not have appraisal rights in connection with the Merger under the DGCL.

Do Kennedy-Wilson Holders have appraisal rights if they object to the proposed acquisition?

Yes. Kennedy-Wilson Holders have appraisal rights under the DGCL. Any shares held by a Kennedy-Wilson stockholder who has not voted in favor of the Merger and who has demanded appraisal for such shares in accordance with the DGCL will not be converted into a right to receive the Merger consideration, unless such Kennedy-Wilson Holder fails to perfect, withdraws or otherwise loses such Kennedy-Wilson Holder's right to appraisal under the DGCL. If, after the consummation of the Merger, such Kennedy-Wilson Holder fails to perfect, withdraws or otherwise loses such Kennedy-Wilson Holder's right to appraisal, each such share will be treated as if it had been converted as of the consummation of the Merger into a right to receive the Merger consideration.

Kennedy-Wilson's holders of common stock may also have appraisal rights under Chapter 13 of the California General Corporation Law (the "CGCL"). Any stockholder who does not vote in favor of the Merger and remains a holder of Kennedy-Wilson common stock at the effective time of the Merger may, by complying with the procedures set forth in Chapter 13 of the CGCL and sending Kennedy-Wilson a written demand for appraisal, be entitled to seek appraisal of the fair value of their shares as determined by the proper California superior court. These dissenters' rights are contingent upon consummation of the Merger.

Prospect is not required to effect the Merger in the event that either (i) holders of more than 10% of the outstanding shares of Kennedy-Wilson common stock or (ii) holders of more than 10% of the outstanding shares of Kennedy-Wilson preferred stock exercise their appraisal rights. Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Internal Revenue Code of 1986, as amended (the "Code"), solely in exchange for Prospect common stock. See the section entitled "*Appraisal Rights*" for additional information.

What happens to the funds deposited in the Trust Account after consummation of the Merger?

Upon consummation of the Merger, the funds in the Trust Account will be released to Prospect and used by Prospect to pay stockholders who properly exercise their conversion rights, to pay warrant holders in connection with the Cash Exchange, for expenses it incurred in pursuing its business combination, and for working capital and general corporate purposes. Such expenses include \$6,000,000 that will be paid to the underwriters of Prospect's IPO for deferred underwriting compensation (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO), plus \$3,000,000 in cash to Citigroup Global Markets Inc. ("Citigroup") for acting as Prospect's financial advisor in connection with the Merger, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$30,000, and \$85,000, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$5,000, that will be paid to Houlihan Smith & Company, Inc. ("Houlihan Smith") for the fairness opinion it issued in connection with the Merger. De Guardiola Advisors, Inc. ("De Guardiola") also will receive a fee of \$1,500,000, plus the reimbursement of reasonable out-of-pocket expenses, as well as 375,000 shares of Prospect common stock (to be held by its parent company, De Guardiola Holdings, Inc.) for acting as Prospect's financial advisor in connection with the Merger.

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What happens to Prospect units, common stock and Public Warrants after consummation of the Merger?

Prospect's units, common stock and Public Warrants will continue to trade on the NYSE AMEX LLC (formerly known as the American Stock Exchange) ("AMEX"), upon consummation of the Merger. In addition, the Public Warrants will become exercisable upon consummation of the Merger in accordance with their terms as amended by the Warrant Amendment.

What happens if the Merger is not consummated?

Prospect must liquidate if it does not consummate the Merger by November 14, 2009. In any liquidation of Prospect, the funds deposited in the Trust Account, plus any interest earned thereon, less claims requiring payment from the Trust Account by creditors who have not waived their rights against the Trust Account, if any, will be distributed pro rata to the holders of Public Shares. Holders of Prospect common stock issued prior to the IPO, including all of Prospect's officers and directors, have waived any right to any liquidation distribution with respect to these shares. David A. Minella, Prospect's Chairman and Chief Executive Officer and each of LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, a director and President of Prospect, have agreed, pursuant to an agreement with Prospect and Citigroup, the representative of the underwriters of the IPO, that if Prospect liquidates prior to the consummation of a business combination, they will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect, other than with respect to amounts claimed by any third-party who executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable). Prospect cannot assure you that Mr. Minella, LLM Structured Equity Fund L.P. and LLM Investors L.P. would be able to satisfy those obligations. Pursuant to the underwriting agreement between Prospect and Citigroup, Prospect agreed not to commence its due diligence investigation of any operating business which it sought to acquire or obtain the services of any vendor without using its best efforts to obtain an agreement pursuant to which such party would waive any claims against the Trust Account. As of the date of this proxy statement/prospectus, Prospect has received waiver agreements from each of its vendors other than its independent registered accounting firm and Kennedy-Wilson with respect to certain provisions in the Merger Agreement. There is currently an outstanding balance to Prospect's independent registered accounting firm of approximately \$112,000 and Prospect intends to pay such fees in full in accordance with its past practices. Further, under the Merger Agreement, Kennedy-Wilson agreed to waive all rights, title and claims to the Trust Account, except for \$10,000,000, in case of breach by Prospect of its no-shop/non-solicit provision. See the section entitled "*Information Related to Prospect Liquidation If No Business Combination*" for additional information.

When do you expect the Merger to be completed?

Assuming that all regulatory approvals have been obtained, it is currently anticipated that the Merger will be completed on _____, one day after the special meeting of Prospect stockholders and the special meeting of warrant holders both to be held on _____, 2009. For a description of the conditions to the completion of the Merger, see the section entitled "*The Merger Agreement Conditions to Closing of the Merger*" for additional information.

Because the prospectus for the IPO did not disclose that Prospect may seek to amend the Warrant Agreement and exchange a portion of the Prospect Public Warrants for cash, what are my legal rights?

You should be aware that because the registration statement for the IPO (the "IPO Prospectus"), did not disclose that Prospect may seek to amend the terms of the Warrant Agreement and exchange a portion of outstanding Public Warrants for cash proceeds released from the Trust Account, each holder of Public Shares at the time of the Merger who purchased such shares in the IPO may have securities law claims against Prospect for rescission (under which a successful claimant has the right to receive

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the total amount paid for his or her securities pursuant to an allegedly deficient prospectus, plus interest and less any income earned on the securities, in exchange for surrender of the securities) or damages (compensation for loss on an investment caused by alleged material misrepresentations or omissions in the sale of a security). Such claims may entitle such stockholders asserting them to up to \$10.00 per share, based on the initial offering price of the Prospect units issued in the IPO, each comprised of one share of Prospect common stock and a Prospect warrant exercisable for an additional share of Prospect common stock, less any amount received from the sale of the original Public Warrants purchased with such Prospect units, plus interest from the date of the IPO (which, in the case of holders of Public Shares, may be more than the pro rata share of the Trust Account to which they are entitled if they exercise their conversion rights or if Prospect liquidates). See the sections entitled "*The Merger Proposal Rescission Rights*" for more information.

What do I need to do now?

Prospect urges you to read carefully and consider the information contained in this proxy statement/prospectus, including the "*Risk Factors*" and annexes, and to consider how the Merger will affect you as a stockholder of Prospect or how the Warrant Amendment will affect you as a warrantholder of Prospect, as the case may be. You should then vote as soon as possible in accordance with the instructions provided in this proxy statement/prospectus and on the enclosed proxy card, or if you hold your shares or warrants through a brokerage firm, bank or other nominee, on the voting instruction form provided by the broker, bank or nominee.

What is a "proxy?"

A proxy is your legal designation giving another person permission to vote the shares or warrants you own. The person you designate is called your "proxy," and the document that designates someone as your proxy is called a "proxy" or "proxy card." A proxy card is included with this proxy statement/prospectus. When you sign the proxy card, you designate James J. Cahill and David A. Minella as your proxies at the special meeting of Prospect stockholders and special meeting of Prospect warrantholders.

Who is paying for this proxy statement/prospectus and the solicitation of my proxy, and how are proxies solicited?

Prospect will pay the cost of soliciting proxies for both the special meeting of Prospect stockholders and special meeting of Prospect warrantholders. Proxies may be solicited on behalf of Prospect by directors, officers or employees of Prospect in person or by mail, telephone, or facsimile or other means of communication. In addition, brokerage firms, banks and other custodians, nominees and fiduciaries will send copies of these proxy materials to the beneficial owners of the stock held by them. Prospect will reimburse these institutions for the reasonable costs they incur to do so. Though Prospect does not plan to do so now, it may later decide to retain a professional proxy solicitation service. The cost of that service would be paid by Prospect.

How do I vote?

If you are a holder of record of Prospect common stock or Prospect warrants on _____, 2009 (the record date for the special meeting of stockholders and the special meeting of Prospect warrantholders), you may vote in person at the special meeting of Prospect stockholders or at the special meeting of Prospect warrantholders, as the case may be, or by submitting a proxy. You may submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope. If you hold your shares or warrants in "street name," which means your shares or warrants are held of record by a broker, bank or nominee, you should contact your broker, bank or nominee to ensure that votes related to the shares or warrants you beneficially own are properly counted. In this regard, you must provide the record holder of your shares or warrants with instructions on how to vote your shares or, if you wish to attend the special

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meeting of Prospect stockholders or the special meeting of Prospect warrantholders and vote in person, obtain a proxy from your broker, bank or nominee. You may also be represented by another person at these meetings by executing a proper proxy designating that person. If you hold your shares or warrants through a bank, broker or nominee, you must obtain a legal proxy from your broker, bank or nominee and present it to the inspector of elections with your ballot to be able to vote in person at the special meeting of Prospect stockholders or special meeting of Prospect warrantholders.

What is a "holder of record?"

If your shares are registered in your name with Prospect's transfer agent, Continental Stock Transfer & Trust Company, then you are considered the holder of record for those shares. If your warrants are registered in your name with Prospect's warrant agent, Continental Stock Transfer & Trust Company, then you are considered the holder of record for those warrants. Prospect sends proxy materials directly to all holders of record.

If my shares or warrants are held in "street name," will my broker, bank or nominee automatically vote my shares or warrants for me?

No. Except with respect to the election of directors, your broker, bank or nominee cannot vote your shares or warrants unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee.

What will happen if I abstain from voting or fail to vote at the special meeting of Prospect warrantholders or special meeting of prospect stockholders?

Prospect will count a properly executed proxy marked "ABSTAIN" with respect to a particular proposal as present for purposes of determining whether a quorum is present at the special meeting of Prospect stockholders. For purposes of approval, an abstention or failure to vote on the Merger Proposal will have the same effect as a vote "AGAINST" the proposal, but will preclude you from having your shares converted into cash. In order to exercise your conversion rights, you must cast a vote against the Merger, make an election on the proxy card to convert such shares of common stock and follow the instructions under "*Special Meeting of Prospect Warrantholders and Special Meeting of Prospect Stockholders Conversion Rights*" on page 74.

An abstention from the Warrant Amendment Proposal, the Warrantholder Adjournment Proposal, the Charter Amendment Proposal, the Merger Proposal, the Equity Participation Plan Proposal and the Stockholder Adjournment Proposal will have the same effect as a vote "AGAINST" these proposals, but will have no effect on the Director Election Proposal.

If I am not going to attend the special meeting of Prospect warrantholders or the special meeting of Prospect stockholders in person, should I return my proxy card instead?

Yes. Whether or not you plan to attend the special meeting of Prospect warrantholders or the special meeting of Prospect stockholders, after carefully reading and considering the information contained in this proxy statement/prospectus, please complete and sign your proxy card. Then return the proxy card in the pre-addressed postage-paid envelope provided herewith as soon as possible, so your shares or warrants, as the case may be, may be represented at the special meeting of Prospect warrantholders or the special meeting of Prospect stockholders.

May I change my vote after I have mailed my signed proxy card?

Yes. Send a later-dated, signed proxy card to Prospect's secretary at the address set forth below so that it is received by Prospect's secretary prior to the special meeting of Prospect stockholders or the special meeting of Prospect warrantholders or attend the special meetings in person and vote. You also may revoke your proxy by sending a notice of revocation to Prospect's secretary, which must be

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received by Prospect's secretary at least one day prior to the special meeting of Prospect stockholders and the special meeting of Prospect warrantholders.

Who will count the votes?

A representative of Prospect will tabulate votes cast by proxy and be appointed to act as the inspector of elections and tabulate votes cast in person at both the special meeting of Prospect warrantholders and the special meeting of Prospect stockholders.

What should I do with my stock certificates?

Prospect stockholders who do not elect to have their shares converted into the pro rata share of the Trust Account should not submit their stock certificates now or after the Merger, because their shares will not be converted or exchanged in the Merger. Prospect stockholders who vote against the Merger and exercise their conversion rights must deliver their stock to Prospect's transfer agent (either physically or electronically) as instructed by Prospect and set forth in this proxy statement/prospectus on page 74.

What should I do if I receive more than one set of voting materials?

You may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your shares or warrants in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares or warrants. If you are a holder of record and your shares or warrants are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive in order to cast a vote with respect to all of your Prospect shares or warrants.

Who can help answer my questions?

If you have questions about the Merger or if you need additional copies of the proxy statement/prospectus or the enclosed proxy card, please contact:

James J. Cahill
Prospect Acquisition Corp.
9130 Galleria Court, Suite 318
Naples, Florida 34109
Tel: (239) 254-4481

To obtain timely delivery, Prospect stockholders and Prospect warrantholders must request the materials no later than _____, 2009.

You may also obtain additional information about Prospect from documents filed with the U.S. Securities and Exchange Commission ("SEC") by following the instructions in the section entitled "*Where You Can Find More Information.*" If you intend to vote against the Merger and seek conversion of your shares, you will need to deliver your stock (either physically or electronically) to Prospect's transfer agent at the address below after the special meeting of Prospect stockholders and after receiving delivery instructions from or on behalf of Prospect. If you have questions regarding the certification of your position or delivery of your stock, please contact:

Mark Zimkind
Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
(212) 845-3287

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FORWARD-LOOKING STATEMENTS

Prospect and Kennedy-Wilson believe that some of the information in this proxy statement/prospectus constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. However, because Prospect is a "blank check" company, the safe-harbor provisions of that act do not apply to statements made in this proxy statement/prospectus. You can identify these statements by forward-looking words such as "may," "expect," "anticipate," "contemplate," "believe," "estimate," "intend," "seek" and "continue" or similar words. You should read statements that contain these words carefully because they:

discuss future expectations and the future financial performance of Prospect following the Merger;

discuss the anticipated benefits of the Merger;

contain projections of future results of operations or financial condition; or

state other "forward-looking" information.

Prospect and Kennedy-Wilson believe it is important to communicate their expectations to their stockholders. However, there may be events in the future that they are not able to predict accurately or over which they have no control. The risk factors and cautionary language discussed in this proxy statement/prospectus provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by Prospect or by Kennedy-Wilson in such forward-looking statements, including among other things:

the number and percentage of Prospect stockholders voting against the Merger Proposal and seeking conversion and Prospect's ability to consummate the Merger;

Prospect's expectations regarding consummation and timing of the Merger and related transactions, including satisfaction of the closing conditions of the Merger;

Prospect's ability to effect the Warrant Amendment Proposal;

the receipt of necessary regulatory approvals;

Prospect's ability to dissolve and liquidate in a timely manner and as anticipated, if necessary;

the post-Merger company's expectations regarding competition;

difficulties encountered in integrating the merged businesses;

the amount of cash on hand available to the combined company after the Merger;

Kennedy-Wilson's revenues and operating performance;

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general economic conditions;

industry trends;

real estate values and prices;

changes adversely affecting the business in which Kennedy-Wilson is engaged;

legislation or regulatory requirements or changes affecting the businesses in which Kennedy-Wilson is engaged;

management of growth;

Kennedy-Wilson's business strategy and plans;

fluctuations in customer demand;

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the result of future financing efforts;

the reduction of the proceeds held in the Trust Account due to third-party claims;

dependence on key personnel;

conflicts of interest of officers, directors and sponsors (as described herein); and

costs of complying with United States securities laws and regulations.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this proxy statement/prospectus.

All forward-looking statements included herein attributable to any of Prospect, Kennedy-Wilson or any person acting on either party's behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, Prospect and Kennedy-Wilson undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

Before you grant your proxy or instruct how your vote should be cast or vote on the Merger Proposal or any of the other proposals, you should be aware that the occurrence of the events described in the "*Risk Factors*" section and elsewhere in this proxy statement/prospectus may adversely affect Prospect and/or Kennedy-Wilson.

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SUMMARY OF THE PROXY STATEMENT/PROSPECTUS

This summary highlights selected information from this proxy statement/prospectus and does not contain all of the information that is important to you. To better understand the Merger, you should read this entire document carefully, including "Risk Factors," the Merger Agreement attached as Annex A, and all annexes and exhibits attached to this proxy statement/prospectus. The Merger Agreement is the legal document that governs the Merger and the other transactions that will be undertaken in connection with the Merger. It is also described in detail elsewhere in this proxy statement/prospectus.

This proxy statement/prospectus is:

a proxy statement of Prospect for use in solicitation of proxies for the special meeting of Prospect warrantholders and the special meeting of Prospect stockholders; and

a prospectus of Prospect relating to the issuance of shares of Prospect common stock in connection with the Merger.

The Parties

Prospect

Prospect is a blank check company formed on July 9, 2007 as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business.

The funds deposited in the Trust Account, with the interest earned thereon, will be released to Prospect upon consummation of the Merger, and used to pay any amounts payable to Prospect stockholders who vote against the Merger and exercise their conversion rights, to pay warrantholders in connection with the Cash Exchange, and to pay expenses incurred in connection with the business combination, including deferred underwriting compensation of \$6,000,000 (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with, the terms of the underwriting agreement for the IPO), a \$3,000,000 cash fee, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$30,000, to Citigroup for acting as Prospect's financial advisor in connection with the Merger, a cash fee to De Guardiola of \$1,500,000, plus the reimbursement of reasonable out-of-pocket expenses, as well as 375,000 shares of Prospect common stock (to be held by its parent company, De Guardiola Holdings, Inc.) for acting as Prospect's financial advisor in connection with the Merger, and \$85,000 that will be paid to Houlihan Smith, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$5,000, for the fairness opinion issued in connection with the Merger. Remaining proceeds will be used for working capital and general corporate purposes.

If Prospect does not complete the Merger by November 14, 2009, its corporate existence will terminate and it will liquidate and promptly distribute to its public stockholders the amount in the Trust Account plus any remaining non-Trust Account funds after payment of its liabilities.

The Prospect common stock, Public Warrants to purchase common stock and units are quoted on AMEX under the symbols "PAX" for the common stock, "PAX.W," for the Public Warrants and "PAX.U" for the units. Prospect intends to apply for re-listing on AMEX upon the consummation of the Merger. If Prospect's securities are re-listed on AMEX, the symbols may change to symbols that are reasonably representative of the post-Merger company's corporate name.

The mailing address of Prospect's principal executive office is 9130 Galleria Court, Suite 318, Naples, FL 34109. Its telephone number is (239) 254-4481 and its website is <http://www.prospectac.com>. After the consummation of the Merger, the post-Merger company's principal executive office will be located at 9701 Wilshire Blvd., Suite 700, Beverly Hills, CA 90210 and its telephone number will be (310) 887-6400.

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Merger Sub

Merger Sub, a corporation organized under the laws of the State of Delaware on September 2, 2009, is a wholly-owned subsidiary of Prospect. Merger Sub was formed by Prospect to consummate the Merger. In the Merger, Merger Sub will merge with and into Kennedy-Wilson with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect. Merger Sub will cease to exist upon the consummation of the Merger.

The mailing address of Merger Sub's principal executive office is 9130 Galleria Court, Suite 318, Naples, Florida 34109.

Kennedy-Wilson

Founded in 1977, Kennedy-Wilson is a diversified, international real estate company that provides investment and real estate services. Kennedy-Wilson has grown from an auction business in one office into a vertically-integrated operating company with over 300 professionals in 21 offices throughout the U.S. and Japan. Kennedy-Wilson is an industry leader, currently owning real estate (through its closed-end funds and joint ventures) representing \$2.9 billion in aggregate value and managing over 40 million square feet of residential, multifamily and commercial real estate, including 10,000 apartment units, throughout the U.S. and Japan.

In June 2009, a joint venture of which Kennedy-Wilson's Residential Condominium Group has a 51.6% ownership interest, acquired 149 unsold units in a Los Angeles condominium property. As of September 21, 2009, the joint venture sold and closed escrow on 76 units generating a net gain on sale after expenses of \$9.5 million. As of the same date, an additional 36 units are under contract. Although no assurances can be provided, Kennedy-Wilson anticipates that all or substantially all of the remaining units will be sold.

In August 2009, a joint venture in which Kennedy-Wilson's Japanese Multi-family Group has a 35% interest, reduced the balance outstanding of a portfolio loan in the amount of \$16 million with a payoff of the loan for \$10 million, generating a net benefit to Kennedy-Wilson of \$2.1 million.

Kennedy-Wilson's principal executive offices are located at 9601 Wilshire Blvd., Suite 220, Beverly Hills, CA 90210 and its telephone number is (310) 887-6400. Kennedy-Wilson will be moving its executive officers sometime between October 15, 2009 and November 15, 2009 to 9701 Wilshire Blvd., Suite 700, Beverly Hills, CA 90210. Kennedy-Wilson's website is <http://www.KennedyWilson.com>. The information contained in, or that can be accessed through, its website is not part of this proxy statement/prospectus and should not be relied upon in determining whether to vote in favor of the proposals.

The Warrant Amendment Proposal

Prospect proposes the Warrant Amendment to the Warrant Agreement governing all of Prospect's Warrants to allow (1) each Prospect warrant holder to elect to receive for each Public Warrant, either (i) the Cash Amount of \$0.55, or (ii) an Amended and Restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described in this proxy statement/prospectus and (2) amend and restate the Sponsors Warrants to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013 (the "Amended and Restated Sponsors Warrants"). If the Merger is consummated, any warrant holder who votes against the approval of the Warrant Amendment Proposal or who makes no election will receive the Cash Amount in exchange for its Public Warrants. We refer to the elections by holders of Public Warrants to receive the Cash Amount or the Amended and Restated Public Warrants as the "Warrant Election." We also refer to the exchange of the Public Warrants for the Cash Amount as the Cash Exchange and the exchange of the Public Warrants for the Amended and Restated Public Warrants as the Warrant Exchange.

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The form of Warrant Amendment is attached to this proxy statement/prospectus as Annex B and the form of Amended and Restated Warrant Agreement, which will be in effect upon consummation of the Merger, is attached to this proxy statement/prospectus as Annex C and both are incorporated into this proxy statement/prospectus by reference. You are encouraged to read the Warrant Amendment in its entirety. See the section entitled "*The Warrant Amendment Proposal*" for additional information.

If the Warrant Amendment Proposal is not approved at the special meeting of Prospect warrantholders, the Merger Proposal will not be presented to Prospect stockholders for a vote. If the Merger is not consummated and Prospect does not consummate any other business combination by November 14, 2009, Prospect will be required to liquidate and the Prospect warrants will expire and become worthless.

The Warrantholder Adjournment Proposal

If, based on the tabulated vote, there are not sufficient votes at the time of the special meeting of Prospect warrantholders to approve the Warrant Amendment Proposal, the Warrantholder Adjournment Proposal allows Prospect's board of directors to adjourn the special meeting of Prospect warrantholders to a later date or dates, if necessary, to permit further solicitation and vote of proxies to approve the Warrant Amendment Proposal. See the section entitled "*The Warrantholder Adjournment Proposal*" for additional information.

The Merger and the Merger Proposal

The Merger Agreement provides for a business combination transaction by means of the Merger of Merger Sub with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect. At the closing, the Kennedy-Wilson Holders will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert in to the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6412 shares of Prospect common stock) minus any Dissenting Shares. Based on the closing market price of \$9.79 per share on September 8, 2009, the last trading day of Prospect common stock prior to the announcement of the Merger Agreement, the Initial Shares had an aggregate value of \$254.5 million. Based on the closing market price of Prospect common stock of \$_____ per share on _____ (the record date), the Initial Shares had an aggregate value of \$_____. If a fractional share is required to be issued to a Kennedy-Wilson Holder, Prospect will round up to the nearest whole share in lieu of issuing fractional shares. Each outstanding Public Warrant will be converted into either (i) \$0.55 in cash, or the Cash Amount, or (ii) the right to receive one Amended and Restated Public Warrant, subject to adjustment and proration as described in this proxy statement/prospectus. Based on the closing market price of \$0.28 per Public Warrant on September 8, 2009, the last trading day prior to the announcement of the Merger Agreement, the Public Warrants had an aggregate value of \$7,000,000. Based on the closing market price of \$_____ per Public Warrant on _____, 2009, the Public Warrants had an aggregate value of \$_____.

Prospect and Kennedy-Wilson plan to complete the Merger promptly after the special meetings of Prospect stockholders and warrantholders, so long as, among other things:

holders of a majority of the outstanding Public Warrants have approved the Warrant Amendment Proposal;

holders of a majority of the Public Shares present and eligible to vote thereon have approved the Merger Proposal;

holders of a majority of the outstanding shares of Prospect common stock eligible to vote thereon have approved the Charter Amendment Proposal;

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holders of fewer than 30% of the Public Shares have voted against the Merger Proposal and demanded conversion of their shares into cash;

all necessary governmental approvals or waiting periods have been obtained or expired, as applicable;

no more than 10% of either the outstanding shares of Kennedy-Wilson common stock or the outstanding shares of Kennedy-Wilson preferred stock have exercised appraisal rights under the DGCL and the CGCL with respect to the transactions contemplated by the Merger Agreement, provided that Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Code, solely in exchange for Prospect common stock; and

the other conditions specified in the Merger Agreement have been satisfied or waived.

After consideration of the factors identified and discussed in the section entitled "*The Merger Proposal Prospect's Board of Directors' Reasons for the Approval of the Merger*," Prospect's board of directors concluded that the Merger met all of the requirements disclosed in Prospect's Registration Statement on Form S-1 (Reg. No. 333-145110), that became effective on November 14, 2007, including that Kennedy-Wilson has a fair market value of at least 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount).

Upon completion of the Merger, assuming that none of the holders of Public Shares elects to convert such shares into cash, the Kennedy-Wilson Holders will own approximately 44.2% of the shares of Prospect common stock outstanding immediately after the closing of the Merger, the current Prospect stockholders will own approximately 48.8% and the other new Prospect stockholders (including recipients of awards under the 2009 Plan) will own approximately 7.0% of Prospect's outstanding common stock. If 29.99% of the holders of Public Shares elect to convert their shares into cash, such percentages would be 50.7%, 41.3% and 8%, respectively. The following table illustrates the relative ownership of Prospect shares:

	Post Merger Ownership Percentage		
	Kennedy-Wilson Holders Ownership	Current Prospect Stockholders Ownership	Other New Prospect Stockholders(1) Ownership
No Public Shares Elect Cash Conversion	44.2%	48.8%	7.0%
29.99% of Public Shares Elect Cash Conversion	50.7%	41.3%	8.0%

(1)

Includes recipients of awards under the 2009 Plan.

If the Merger Proposal is not approved by Prospect's stockholders at the special meeting of Prospect stockholders, none of the stockholder proposals (other than the Stockholder Adjournment Proposal, as discussed below) will be presented at the special meeting of Prospect stockholders.

Fairness Opinion

Prospect engaged Houlihan Smith to render an opinion that the consideration to be paid by Prospect in connection with the Merger with Kennedy-Wilson on the terms and conditions set forth in the Merger Agreement is fair to Prospect stockholders from a financial point of view and that the fair market value of Kennedy-Wilson is at least 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). Houlihan Smith is an investment banking firm that regularly is engaged in the evaluation of businesses and their securities in connection with acquisitions, corporate restructurings, private placements and for other purposes. Prospect's board of directors decided to use the services of Houlihan Smith because it is a

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recognized investment banking firm that has substantial experience in similar matters. The engagement letter provides that Prospect will pay Houlihan Smith a fee of \$85,000 and will reimburse Houlihan Smith for its reasonable out-of-pocket expenses, which will not exceed \$5,000. Prospect also agreed to indemnify Houlihan Smith in the event Houlihan Smith were to incur certain losses as a result of its engagement by Prospect. No material relationship exists or has existed in the past between Houlihan Smith and Prospect or Kennedy-Wilson.

Houlihan Smith delivered a presentation in conjunction with its written opinion to the board of directors of Prospect on September 5, 2009, which stated that, as of September 5, 2009, and based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the fairness opinion, (i) the Merger consideration to be paid by Prospect for Kennedy-Wilson in conjunction with the Merger is fair from a financial point of view to the stockholders of Prospect, and (ii) the fair market value of Kennedy-Wilson is at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount).

The amount of the Merger consideration was determined pursuant to negotiations between Prospect and Kennedy-Wilson and not pursuant to recommendations of Houlihan Smith. The full text of the written opinion of Houlihan Smith is attached as Annex F and is incorporated by reference into this proxy statement/prospectus. You are urged to read the Houlihan Smith opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and limitations on the review undertaken by Houlihan Smith in rendering its opinion. The summary of the Houlihan Smith opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. See the section entitled "*The Merger Proposal Fairness Opinion*" for additional information.

The Charter Amendment Proposal

If the Charter Amendment Proposal is not approved by Prospect's stockholders at the special meeting of Prospect stockholders, the Merger will not be consummated. If the Merger is not consummated and Prospect does not consummate any other business combination by November 14, 2009, Prospect will be required to liquidate. The amendment and restatement of Prospect's amended and restated certificate of incorporation addressed by the Charter Amendment Proposal would, upon consummation of the Merger, (i) change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.," (ii) increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000, (iii) provide for Prospect's perpetual existence, (iv) delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly, and (v) make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial. Prospect's second amended and restated certificate of incorporation, as it is proposed to be amended and restated, is attached as Annex D to this proxy statement/prospectus. Prospect encourages you to read it in its entirety. See the section entitled "*The Charter Amendment Proposal*" for additional information.

The Equity Participation Plan Proposal

If the Equity Participation Plan Proposal is approved, 4,000,000 shares of Prospect common stock would be reserved for issuance to executive officers (including executive officers who are also directors), employees, directors and consultants in accordance with the terms of the 2009 Plan. The purpose of the 2009 Plan is to provide Prospect's directors, executive officers and other employees as well as consultants who, by their position, ability and diligence are able to make important contributions to Prospect's growth and profitability, with an incentive to assist Prospect in achieving its long-term corporate objectives, to attract and retain executive officers and other employees of outstanding competence and to provide such persons with an opportunity to acquire an equity interest

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in Prospect. The 2009 Plan is attached as Annex E to this proxy statement/prospectus. Prospect encourages you to read the 2009 Plan in its entirety. See the section entitled "*The Equity Participation Plan Proposal*" for additional information.

The Director Election Proposal

At the special meeting of Prospect stockholders, stockholders will be asked to vote to elect seven directors to Prospect's board of directors effective immediately following and contingent upon closing of the Merger, of whom two will serve until the annual meeting of Prospect stockholders to be held in 2010, two will serve until the annual meeting of Prospect stockholders to be held in 2011 and three will serve until the annual meeting of Prospect stockholders to be held in 2012 and, in each case, until their successors are elected and qualified.

Following the consummation of the Merger, if management's nominees are elected, the directors of Prospect will be classified as follows:

Cathy Hendrickson and Thomas Sorell in the class to stand for reelection in 2010;

Jerry Solomon and David A. Minella in the class to stand for reelection in 2011; and

William J. McMorrow, Kent Mouton and Norman Creighton in the class to stand for reelection in 2012.

Following the consummation of the Merger, the executive officers of Prospect will be William J. McMorrow, Chief Executive Officer and Freeman A. Lyle, Executive Vice President and Chief Financial Officer. In addition, following consummation of the Merger, Barry S. Schlesinger, Co-CEO of KW Commercial Investment Group, Mary Ricks, Co-CEO of KW Commercial Investment Group, James A. Rosten, President of Kennedy-Wilson Properties, Donald J. Herrema, CEO of KW Capital Markets, and Robert E. Hart, President of KW Multi-Family Management Group, will continue to be employed with the combined company. Each of such persons is currently an executive officer of Kennedy-Wilson. See the section entitled "*Executive Compensation Kennedy-Wilson Executive Compensation*" for additional information.

If either the Merger Proposal or the Charter Amendment Proposal is not approved by Prospect's stockholders at the special meeting of Prospect stockholders, the Director Election Proposal and the Equity Participation Plan Proposal (but not the Stockholder Adjournment Proposal, as discussed below) will not be presented to the special meeting of stockholders for a vote and Prospect's current directors and executive officers will continue in office.

The Stockholder Adjournment Proposal

If, based on the tabulated vote, there are not sufficient votes at the time of the special meeting of Prospect stockholders to authorize Prospect to consummate the Merger (because either the Merger Proposal or the Charter Amendment Proposal is not approved or if holders of 30% or more of the Public Shares vote against the Merger Proposal and elect to convert their Public Shares into cash), Prospect's board of directors may submit a proposal to adjourn the special meeting of Prospect stockholders to a later date or dates, if necessary, to permit further solicitation of proxies. See the section entitled "*The Stockholder Adjournment Proposal*" for additional information.

Vote of Prospect's Founders

As of _____, 2009, the record date for the special meeting of Prospect stockholders, Michael Castine, a Prospect director, in his personal capacity, Daniel Gressel, a Prospect director, in his personal capacity, Michael Downey, a Prospect director, in his personal capacity, James Merchant, a Prospect director, in his personal capacity, James J. Cahill, Prospect's Secretary and Chief Financial Officer, in his personal capacity, Flat Ridge Investments LLC, an entity affiliated with David A.

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Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, a director and President of Prospect, CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), a corporation affiliated with William Landman, one of Prospect's directors, and SJC Capital LLC, an entity affiliated with William Cvengros, a Prospect director, who are collectively referred to herein as the Prospect "founders," beneficially owned and were entitled to vote 6,250,000 shares which were issued to them prior to the IPO, referred to herein as the "founders shares." The founders shares issued to the Prospect founders constituted approximately 20% of the outstanding shares of Prospect common stock immediately after the IPO.

In connection with the IPO, Prospect and Citigroup entered into agreements with each of the Prospect founders (including its officers and directors) pursuant to which each Prospect founder agreed to (i) vote his or its founders shares on the Merger Proposal in accordance with the majority of the votes cast by the holders of Public Shares and (ii) waive any right to receive a liquidation distribution with respect to the founders shares in the event Prospect fails to consummate the initial business combination. The Prospect founders (including its officers and directors) have also indicated that they intend to vote their founders shares in favor of all other proposals being presented at the special meeting of Prospect stockholders. The founders shares have no liquidation rights and will be worthless if no business combination is effected by Prospect. The Prospect founders have also indicated that they intend to vote their Sponsors Warrants in favor of all the proposals being presented at the special meeting of Prospect warrant holders. The warrants will be worthless if no business combination is effected by Prospect. In connection with the IPO, the Prospect founders entered into agreements with Citigroup restricting the sale of their founders shares until one year after the date of the completion of the initial business combination or earlier if, subsequent to the initial business combination, (i) the closing price of Prospect's common stock equals or exceeds \$14.50 per share for any 20 trading days within any 30 trading day period or (ii) Prospect consummates a subsequent liquidation, merger, stock exchange or other similar transaction which results in all of Prospect's stockholders having the right to exchange their shares of common stock for cash, securities or other property; provided, however, that transfers can be made to permitted transferees who agree in writing to be bound by the same restrictions, agree to vote in the same manner as a majority of the public stockholders who vote at the special or annual meeting called for the purpose of approving Prospect's initial business combination and waive any rights to participate in any liquidating distribution if Prospect fails to consummate its initial business combination. For so long as the founders shares are subject to such transfer restrictions they will be held in an escrow account maintained by Continental Stock Transfer & Trust Company.

As of the record date, the percentage of outstanding shares of Prospect common stock held by directors, executive officers and their affiliates was 20%. Of these shares, 6,250,000 (20% of the outstanding shares of common stock) are founders shares which must be voted in accordance with the majority of the votes cast by the holders of Public Shares. Immediately prior to and subject to consummation of the Merger, 2,575,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock. As of the record date, the percentage of outstanding warrants held by directors, executive officers and affiliates was 18% of which 200,000 Public Warrants are held by a founder and 5,250,000 are Sponsors Warrants held by the sponsors, which are expected to be voted in favor of the Warrant Amendment Proposal and Warrant Adjournment Proposal.

Date, Time and Place of the Special Meeting of Prospect Warrant holders and the Special Meeting of Prospect Stockholders

The special meeting of Prospect warrant holders and the special meeting of Prospect stockholders will be held at 8:30 a.m., Eastern time, on _____, 2009 at 9130 Galleria Court, Suite 318, Naples, FL 34109, or such other date, time and place to which such meetings may be adjourned or postponed to consider and vote upon the proposals. A proposal to adjourn the special meeting of Prospect stockholders to a later date or dates may be presented if, based upon the tabulated vote at

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the time of the special meeting of Prospect stockholders, Prospect is not authorized to consummate the Merger. A proposal to adjourn the special meeting of Prospect warrant holders to a later date or dates may be presented if, based upon the tabulated vote at the time of the special meeting of Prospect warrant holders, Prospect is not authorized to approve the Warrant Amendment Proposal.

Voting Power; Record Date

You are entitled to vote or direct votes to be cast at the special meeting of Prospect stockholders or special meeting of Prospect warrant holders, as the case may be, if you owned shares of Prospect common stock or Prospect warrants at the close of business on _____, 2009, which is the record date for the special meeting of Prospect stockholders and the special meeting of Prospect warrant holders. You will have one vote for each share of Prospect common stock you owned and one vote for each share of common stock issuable upon exercise of your Prospect warrants (with respect to the special meeting of Prospect warrant holders) at the close of business on the record date. If your shares or warrants are held in "street name" or are in a margin or similar account, you should contact your broker, bank or nominee to ensure that votes related to the shares or warrants you beneficially own are properly counted. On the record date, there were 31,250,000 shares of Prospect common stock outstanding, of which 25,000,000 are Public Shares and 6,250,000 are shares held by the Prospect founders that were acquired prior to the IPO. On the record date, there were 30,250,000 Prospect warrants outstanding, of which 25,000,000 are Public Warrants (of which 200,000 are held by a Prospect founder) and 5,250,000 are Sponsors Warrants held by the sponsors. Immediately prior to and subject to consummation of the Merger, 2,575,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

Quorum and Required Vote for Warrant holder Proposals

A quorum of Prospect warrant holders is necessary to hold a valid meeting. A quorum will be present at the special meeting of Prospect warrant holders if a majority of the shares underlying the warrants entitled to vote at the meeting are represented in person or by proxy. Abstentions and broker non-votes will count as present for purposes of establishing a quorum.

Approval of the Warrant Amendment Proposal requires the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants affected by the Warrant Amendment and entitled to vote thereon as of the record date.

Approval of the Warrant holder Adjournment Proposal requires the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants represented in person or by proxy at the special meeting of Prospect warrant holders and entitled to vote thereon as of the record date.

Abstentions will have the same effect as a vote "AGAINST" the Warrant Amendment Proposal and the Warrant holder Adjournment Proposal. Broker non-votes will have the same effect as a vote "AGAINST" the Warrant Amendment Proposal and will have no effect on the Warrant holder Adjournment Proposal.

The Merger is conditioned upon approval of the Warrant Amendment Proposal. The stockholder proposals will not be presented at the special meeting of Prospect stockholders unless the Warrant Amendment Proposal is approved.

Quorum and Required Vote for Stockholder Proposals

A quorum of Prospect stockholders is necessary to hold a valid meeting. A quorum will be present at the special meeting of Prospect stockholders if a majority of the outstanding shares entitled to vote at the meeting are represented in person or by proxy. Abstentions and broker non-votes will count as

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present for purposes of establishing a quorum. As of the record date, the Prospect founders hold 6,250,000 founders shares, which represents approximately 20% of the outstanding shares of Prospect common stock. The founders shares will be voted on the Merger Proposal in accordance with the majority of the votes cast by the holders of Public Shares and in favor of all of the other proposals and for the election as directors of management's nominees.

Pursuant to Prospect's amended and restated certificate of incorporation, the approval of the Merger Proposal will require the affirmative vote of a majority of the issued and outstanding Public Shares as of the record date represented at the special meeting of Prospect stockholders in person or by proxy and entitled to vote thereon. There are 31,250,000 shares of Prospect common stock outstanding as of the record date for the special meeting of Prospect stockholders, of which 25,000,000 are Public Shares. The Merger will not be consummated if the holders of 30% or more of the Public Shares (7,500,000 shares or more) properly demand conversion of their Public Shares into cash.

The approval of the Charter Amendment Proposal will require the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock as of the record date entitled to vote thereon.

The approval of the Equity Participation Plan Proposal will require the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock on the record date represented in person or by proxy and entitled to vote thereon at the special meeting of Prospect stockholders.

The election of directors requires a plurality of the votes cast in person or represented by proxy and entitled to vote at the special meeting of Prospect stockholders as of the record date. "Plurality" means that the individuals who receive the largest number of votes cast "FOR" are elected as directors. Consequently, any shares not voted "FOR" a particular nominee (whether as a result of abstentions or a direction to withhold authority) will not be counted in the nominee's favor.

The approval of the Stockholder Adjournment Proposal will require the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock as of the record date represented at the special meeting of Prospect stockholders in person or by proxy and entitled to vote thereon.

Abstentions, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal, and the Stockholder Adjournment Proposal, if the latter is presented. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the Charter Amendment Proposal, but will have no effect on the Merger Proposal, the Equity Participation Plan Proposal, the Director Election Proposal and the Stockholder Adjournment Proposal, if the latter is presented. Please note that you cannot seek conversion of your shares unless you affirmatively vote against the Merger Proposal.

The Merger is conditioned upon approval of the Merger Proposal and the Charter Amendment Proposal, but not upon the approval of the Equity Participation Plan Proposal or the Director Election Proposal. The Equity Participation Plan Proposal and the Director Election Proposals will not be presented for a vote at the special meeting of Prospect stockholders unless both the Merger Proposal and the Charter Amendment Proposal are approved.

Conversion Rights

Pursuant to Prospect's amended and restated certificate of incorporation, a holder of Public Shares may, if the holder affirmatively votes against the Merger, demand that Prospect convert its shares into cash if the Merger is consummated. See the section entitled "*Special Meeting of Warranholders and*

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Special Meeting of Prospect Stockholders Conversion Rights" for the procedures to be followed if you wish to convert your shares into cash. If properly demanded, Prospect will convert each Public Share into a pro rata portion of the Trust Account, calculated as of two business days prior to the anticipated consummation of the Merger. As of _____, 2009 (the record date), this would amount to approximately \$_____ per share. If you exercise your conversion rights, then you will be exchanging your shares of Prospect common stock for cash and will no longer own the shares. You will be entitled to receive cash for these shares only if you (i) affirmatively vote against the Merger Proposal by proxy or in person at the special meeting of Prospect stockholders, (ii) present written instructions to Prospect's transfer agent no later than one business day prior to the vote on the Merger Proposal stating that you wish to convert your shares into cash and that you will continue to hold your shares through the closing date of the Merger, (iii) continue to hold your shares through the closing date of the Merger, and (iv) tender your shares to Prospect's transfer agent within the period specified in a notice you will receive from or on behalf of Prospect, which period will be not less than 20 days. You may tender your shares by either delivering your stock certificate to the transfer agent or by delivering your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System. If the Merger is not completed, these shares will not be converted into cash.

If Prospect is unable to complete the Merger by November 14, 2009, its corporate existence will terminate and, upon its resulting liquidation, the holders of shares issued in the IPO will receive an amount equal to the amount of funds in the Trust Account at the time of the liquidation distribution divided by the number of Public Shares. Although both the per share liquidation price and the per share conversion price are equal to the amount of funds in the Trust Account divided by the number of Public Shares, the amount a holder of Public Shares would receive at liquidation may be more or less than the amount such a holder would have received had it sought conversion of its shares in connection with the Merger because (i) there may be greater earned interest in the Trust Account at the time of a liquidation distribution since it may occur at a later date than a conversion and (ii) Prospect may incur expenses that it would otherwise would not incur if Prospect consummates the Merger, including, potentially, claims requiring payment from the Trust Account by creditors who have not waived their rights against the Trust Account. David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, a director and Prospect's President, have agreed, pursuant to an agreement with Prospect and Citigroup, the representative of the underwriters in the IPO, that if Prospect liquidates prior to the consummation of a business combination, they will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect, other than with respect to amounts claimed by any third-party who executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable). Pursuant to the underwriting agreement between Prospect and Citigroup, Prospect agreed not to commence its due diligence investigation of any operating business which it sought to acquire or obtain the services of any vendor without using its best efforts to obtain an agreement pursuant to which such party would waive any claims against the Trust Account. As of the date of this proxy statement/prospectus, Prospect has received waiver agreements from each of its vendors other than its independent registered accounting firm and Kennedy-Wilson with respect to certain provisions of the Merger Agreement. There is currently an outstanding balance to Prospect's independent registered accounting firm of approximately \$112,000 and Prospect intends to pay such fees in full in accordance with its past practices. Further, under the Merger Agreement, Kennedy-Wilson agreed to waive all rights, title and claims to the Trust Account, except for \$10,000,000, in case of breach by Prospect of its no-shop/non-solicit provision. See the section entitled "*Information Related to Prospect Liquidation if No Business Combination*" for additional information.

The Merger will not be consummated if the holders of 30% or more of the Public Shares (7,500,000 shares or more) properly demand conversion of their shares into cash.

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Appraisal Rights

Prospect stockholders do not have appraisal rights in connection with the Merger under the DGCL.

Kennedy-Wilson Holders who do not vote in favor of adopting the Merger, and who otherwise comply with the applicable provisions of Section 262 of the DGCL ("Section 262") will be entitled to exercise appraisal rights under Section 262. Any shares held by a Kennedy-Wilson Holder who has not voted in favor of the Merger and who has demanded appraisal for such shares in accordance with the DGCL will not be converted into a right to receive the Merger consideration, unless such Kennedy-Wilson Holder fails to perfect, withdraws or otherwise loses such Kennedy-Wilson Holder's right to appraisal under the DGCL. If, after the consummation of the Merger, such Kennedy-Wilson Holder fails to perfect, withdraws or otherwise loses such Kennedy-Wilson Holder's right to appraisal, each such share will be treated as if it had been converted as of the consummation of the Merger into a right to receive the Merger consideration. Under the Merger Agreement, if more than 10% of the outstanding shares of Kennedy-Wilson common stock or 10% of the outstanding shares of Kennedy-Wilson preferred stock exercise appraisal rights, Prospect is not required to effect the Merger. Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Code solely in exchange for Prospect common stock.

Kennedy-Wilson's holders of common stock may also have appraisal rights under Chapter 13 of the CGCL. Any stockholder who does not vote in favor of the Merger and remains a holder of Kennedy-Wilson common stock at the effective time of the Merger may, by complying with the procedures set forth in Chapter 13 of the CGCL and sending Kennedy-Wilson a written demand for appraisal before the vote is taken by Kennedy-Wilson stockholders on the Merger Agreement, be entitled to seek appraisal of the fair value of their shares as determined by the proper California superior court. These dissenter's rights are contingent upon consummation of the Merger.

See the section entitled "*Appraisal Rights*" for additional information.

Rescission Rights

A Prospect securityholder at the time of the closing of the Merger that purchased Prospect units in the IPO (an "IPO Purchaser"), may have securities law claims against Prospect for rescission or damages on the basis, for example, that the IPO Prospectus, did not disclose that Prospect may seek to amend the terms of the Warrant Agreement and exchange a portion of its outstanding Public Warrants for cash proceeds released from the Trust Account. Rescission would give a successful IPO Purchaser claimant the right to receive the total amount paid for his or her securities pursuant to an allegedly deficient prospectus, plus interest and less any income earned on the securities, in exchange for surrender of the securities. An IPO Purchaser who has properly exercised its conversion rights or dissenter's rights will not be eligible for rescission in connection with any securities law claims it may have against Prospect in connection with Prospect units purchased in the IPO. In addition, an IPO Purchaser who purchased Prospect units in the IPO but who has separated its Prospect units into the component common stock and warrants and no longer owns the common stock or warrants included in such Prospect units may not be entitled to rescission in connection with any such securities law claims.

A successful IPO Purchaser claimant for damages under federal or state law could be awarded an amount to compensate for the decrease in value of his or her securities caused by the alleged violation (including, possibly, punitive damages), together with interest, while retaining such securities. Such claims may entitle IPO Purchasers asserting them to up to \$10.00 per Prospect unit, based on the initial offering price of the Prospect units sold in the IPO, or \$10.00 per share less any amount received from the sale or fair market value of the original Public Warrants purchased as part of the Prospect units,

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plus interest from the date of the IPO. In the case of IPO Purchasers, this amount may be more than the cash to which they are entitled upon exercise of their conversion rights or dissenters' rights or upon liquidation of Prospect.

In general, a person who contends that he or she purchased a security pursuant to a prospectus that contains a material misstatement or omission must make a claim for rescission within the applicable statute of limitations period, which, for claims made under Section 12 of the Securities Act of 1933, as amended (the "Securities Act") and some state statutes, is one year from the time the claimant discovered or reasonably should have discovered the facts giving rise to the claim, but not more than three years from the occurrence of the event giving rise to the claim. Claims under the anti-fraud provisions of the federal securities laws must generally be brought within two years of discovery, but not more than five years after occurrence. Rescission and damages claims would not necessarily be finally adjudicated by the time the Merger is completed, and such claims would not be extinguished by consummation of that transaction. See the section entitled "*The Merger Proposal Rescission Rights*" for additional information about rescission rights.

Proxies

Proxies may be solicited by mail, telephone or in person. If you grant a proxy, you may still vote your shares or warrants in person if you revoke your proxy before the special meeting of Prospect stockholders or special meeting of Prospect warrant holders. You may also change your vote by submitting a later-dated proxy as described in the section entitled "*Special Meeting of Prospect Warrant holders and Prospect Stockholders Revoking Your Proxy*."

Comparison of Rights of Stockholders of Prospect and Kennedy-Wilson

Prospect and Kennedy-Wilson are incorporated under the laws of the State of Delaware. Upon consummation of the Merger, Kennedy-Wilson stockholders will become stockholders of Prospect. Prospect's amended and restated certificate of incorporation that will be in effect at the closing of the Merger differs from Kennedy-Wilson's amended and restated certificate of incorporation. For a more complete description of the differences between the rights of the stockholders of Prospect and the rights of stockholders of Kennedy-Wilson, please refer to the section entitled "*Comparison of Rights of Prospect and Kennedy-Wilson Holders*."

Interests of Kennedy-Wilson's Directors and Executive Officers in the Merger

When you consider the recommendation to vote in favor of approval of the Merger Proposal, you should be aware that certain members of the Kennedy-Wilson board and certain executive officers of Kennedy-Wilson have agreements or arrangements that provide them with interests in the Merger.

If the Merger is consummated, William J. McMorrow and Mary Ricks will be potentially entitled to receive certain cash bonus payments of up to \$11.7 million and \$4.0 million, respectively. The cash bonus payments will be payable as follows: (i) Mr. McMorrow and Ms. Ricks will be entitled to receive \$4.85 million and \$2.0 million, respectively, on October 15, 2009, provided, however, that such payments will be repaid to Kennedy-Wilson in the event the Merger is not consummated by November 15, 2009 or the executive is not employed by Kennedy-Wilson on the effective date of the Merger (these employment requirements will not apply, however, in the case of a termination of employment due to death or disability); (ii) Mr. McMorrow and Ms. Ricks will receive "performance unit awards" under the 2009 Plan which will entitle them to receive \$2.425 million and \$1.0 million, respectively, on April 1, 2010, provided that the Performance Target is met as of March 31, 2010 (in the event that the Performance Target is not met as of March 31, 2010, the bonus otherwise due April 1, 2010 shall, nevertheless, be paid on July 1, 2010, October 1, 2010, or January 1, 2011, respectively, if the Performance Target is satisfied as of the earliest of June 30, 2010, September 30,

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2010, or December 31, 2010, respectively), and the executive remains employed through the date on which the Performance Target is satisfied; and (iii) Mr. McMorrow and Ms. Ricks will receive additional "performance unit awards" under the 2009 Plan which will entitle them to receive cash payments in the amounts of \$4.425 and \$1.0 million, respectively, on January 1, 2011, provided that the Performance Target is met as of December 31, 2010 and he or she, as applicable, remains employed by the post-Merger company through January 1, 2011. Notwithstanding the foregoing, in the event that the Merger is consummated and the employment of Mr. McMorrow or Ms. Ricks is terminated by the post-Merger company without cause or he or she, as applicable, resigns from his or her, as applicable, employment with the post-Merger company for good reason, the payments referred to in clauses (ii) and (iii) above will still be payable on the applicable payment dates if the Performance Target is met. The "Performance Target" is met as of a particular date if Kennedy-Wilson's assets under management plus the cost of properties subject to property management contracts are at least \$3.0 billion as of such date. The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger.

On April 10, 2006, William J. McMorrow borrowed \$3,543,127 from Kennedy-Wilson evidenced by a Promissory Note bearing simple interest at a rate of 7.5% per annum and scheduled to mature on April 9, 2011 (the "McMorrow Note"). Mr. McMorrow's employment agreement has been amended to provide that the McMorrow Note will be forgiven if the Merger is consummated.

If the Merger is consummated, certain of Kennedy-Wilson's executive officers will continue to be employed with the post-Merger company, including William J. McMorrow, Freeman A. Lyle, Barry S. Schlesinger, Mary Ricks, James A. Rosten, Robert E. Hart and Donald J. Herrema. In addition, it is proposed that six members of the board of directors of Kennedy-Wilson will be elected to serve as directors of the post-Merger company. To reward and incentivize Kennedy-Wilson's key employees and management after the Merger, up to 4,000,000 shares of Prospect common stock will be reserved for issuance under the 2009 Plan. If the Merger is consummated, certain Kennedy-Wilson officers, directors and key employees will be issued an aggregate of 3,740,000 restricted shares of Prospect common stock under the 2009 Plan upon the closing of the Merger as set forth in the table below:

Name of Group	Dollar (\$)	Number of Shares of Restricted Stock
William McMorrow, Chief Executive Officer	\$	900,000
Freeman Lyle, Chief Financial Officer	\$	50,000
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$	900,000
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$	125,000
Robert Hart, President of KW Multi-Family Management Group	\$	125,000
James Rosten, President of Kennedy-Wilson Properties	\$	125,000
All executive officers, as a group	\$	3,495,000
All directors who are not executive officers, as a group	\$	25,000
All employees, including all current officers who are not executive officers, as a group	\$	220,000

In the event that the recipient of the restricted shares remains employed by (or continues to perform services as a director for) the post-Merger company through the relevant vesting date, $\frac{1}{5}$ of the restricted shares will vest on each of the first five anniversaries of the date of issuance, provided that the Performance Target is met as of the September 30 immediately preceding the applicable anniversary date (in the case of the installments vesting on the fourth and fifth anniversary dates, the Performance Target must be met as of the September 30 immediately preceding the third anniversary date). The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger. Notwithstanding the foregoing, in the event the employment with the

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post-Merger company of an employee who has been granted restricted shares is terminated without cause or if the employee resigns from his employment with the combined company for good reason, the restricted shares will continue to vest on the applicable anniversary dates (subject to the satisfaction of the Performance Target), subject to certain limitations. In addition, in the event of a "Change of Control" as defined in the 2009 Plan (see *"The Equity Participation Plan Proposal - Change of Control"*), any unvested restricted shares of Prospect common stock that have not previously been forfeited will become vested, subject to certain limitations. See section *"The Equity Participation Plan Proposal Awards to Particular Officers, Directors and Employees"* for additional information.

In connection with the Merger, Mr. McMorrow and Ms. Ricks have entered into amendments to their employment agreements which provide for, among other things, (i) the removal of certain benefits in the event of a change in control; (ii) the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties; (iii) the grant to each executive of 900,000 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above; (iv) the cash bonus payments set forth above and (v) in the case of Mr. McMorrow, the McMorrow Note forgiveness described above. Mr. Herrema has also entered into an amendment to his employment agreement which provides for the extension of his employment term from December 31, 2010 to January 31, 2014 as well as clauses (ii) (iii) above. In addition, each of the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended (i) to provide for a reduction in the amount of payments or benefits payable or provided to them under their respective employment agreements or otherwise to ensure that no payment or benefit is subject to the excise tax imposed by Section 4999 of the Code (certain golden parachute payments) which reduction may, in certain circumstances, result in the repayment of certain previously paid amounts (plus earnings) to the post-Merger company and (ii) to achieve compliance with Section 409A of the Code.

Interests of Prospect's Directors and Officers in the Merger

When you consider the recommendation of Prospect's board of directors in favor of approval of the Merger Proposal, you should keep in mind that Prospect's executive officers and members of Prospect's board have interests in the Merger that are different from, or in addition to, your interests as a stockholder or warrant holder. These interests include, among other things:

If the Merger is not consummated by November 14, 2009, Prospect will be liquidated. In such event, the 6,250,000 shares of common stock held by Prospect's founders that were acquired before the IPO for an aggregate purchase price of \$24,906 will be worthless because Prospect's directors and officers are not entitled to receive any of the liquidation proceeds with respect to such shares. Such shares had an aggregate market value of \$_____ based upon the closing price of Prospect common stock of \$_____ on AMEX on _____, 2009, the record date for the special meeting of Prospect stockholders. Immediately prior to and subject to consummation of the Merger, 2,575,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

On November 14, 2007, Prospect issued 5,250,000 Sponsors Warrants (exercisable at \$7.50 per warrant) to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, and CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), a corporation affiliated with William Landman, one of Prospect's directors for an aggregate purchase price of \$5,250,000. All of the proceeds Prospect received from these purchases were placed in the Trust Account. The Sponsors Warrants are identical to the Public Warrants underlying the units sold in Prospect's IPO except that (i) the Sponsors Warrants are non-redeemable so long as of they are

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held by any of the sponsors or their permitted transferees, (ii) they are non-transferable, other than to permitted transferees, until the date that is 30 days after the date on which Prospect consummates its initial business combination, (iii) for so long as the Sponsors Warrants are subject to the transfer restrictions described in clause (ii), the Sponsors Warrants are not exercisable, and (iv) the Sponsors Warrants are exercisable on a cashless basis at the holder's option so long as the warrants are held by the sponsors or their affiliates. Prospect has agreed to register the shares underlying the Sponsors Warrants at any time after Prospect has consummated its initial business combination, but the purchasers of the Sponsors Warrants have agreed that the Sponsors Warrants will not be sold or, subject to certain limited exceptions, transferred by them and they may not exercise the Sponsors Warrants until 30 days after Prospect has completed a business combination. Accordingly, the Sponsors Warrants have been placed in escrow and will not be released until 30 days after the completion of a business combination. The Sponsors Warrants are not publicly traded and, as amended by the Warrant Amendment, will have an exercise price of \$12.50 per warrant, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013. All of the Sponsors Warrants will become worthless if the Merger is not consummated by November 14, 2009 (as will the remainder of the Public Warrants).

The transactions contemplated by the Merger Agreement provide that David A. Minella, appointee of Prospect, will be a director of Prospect after the closing of the Merger. As such, in the future he will receive any cash fees, stock options or stock awards that the Prospect board of directors determines to pay to its non-executive directors.

David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, have agreed, pursuant to an agreement with Prospect and Citigroup, the representative of the underwriters in the IPO, that if Prospect liquidates prior to the consummation of a business combination, they will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect, other than with respect to amounts claimed by any third-party who executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable). Prospect cannot assure you that they would be able to satisfy those obligations. However, Prospect believes that none of David A. Minella, LLM Structured Equity Fund L.P. and LLM Investors L.P. have any risk of being required to provide indemnification since all persons who have had contractual obligations with Prospect have waived their rights against the Trust Account, except for Prospect's independent accounting firm, which will be paid in accordance with Prospect's past practices. However, while Kennedy-Wilson has generally agreed that it may not proceed against the Trust Account to the extent it may have claims for damages arising out of the proposed Merger and the Merger Agreement, this waiver does not extend to damages arising from Prospect's or its representatives' breach of an agreement not to seek to consummate a different business combination. If Prospect or its representatives should breach this provision, Kennedy-Wilson would have the right to proceed against assets in the Trust Account, up to a maximum of \$10,000,000, which would reduce the amount of cash available in the Trust Account.

In addition, at any time prior to the special meeting of Prospect stockholders and special meeting of Prospect warrant holders, during a period when they are not then aware of any material nonpublic information regarding Prospect or its securities, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates may purchase shares or Public Warrants from institutional and other investors, or execute agreements to purchase such shares of common stock or Public Warrants from them in the future, or they may enter into transactions with such persons and others to provide them with incentives to acquire shares of Prospect common stock or Public Warrants

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or vote their shares or Public Warrants in favor of the Merger Proposal and the Warrant Amendment Proposal, as applicable. The purpose of such Public Warrant purchases and other transactions would be to increase the likelihood that holders of a majority of shares underlying the warrants is present and voting at the special meeting of Prospect warrantholders. The purpose of such share purchases and other transactions would be to increase the likelihood of satisfaction of the requirements that the holders of a majority of the Public Shares present in person or by proxy and eligible to vote at the special meeting of Prospect stockholders vote in favor of the Merger Proposal, and that holders of fewer than 30% of the Public Shares vote against the Merger Proposal and demand conversion of their Public Shares into cash where it appears that such requirements would otherwise not be met.

While the exact nature of any incentives that would be provided by the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates has not been determined as of the date of this proxy statement/prospectus, they might include, without limitation, arrangements to protect such investors or holders against potential loss in value of their shares or Public Warrants, including the granting of put options and the transfer to such investors or holders of shares or Public Warrants owned by the Prospect founders for nominal value. Prospect will not enter into any such arrangement, either prior to or after the consummation of the Merger, and no funds in its Trust Account will be used to make such purchases or to fund other such arrangements. Entering into any such arrangements may have a depressive effect on Prospect's stock and Public Warrants.

If such transactions are effected, the consequence could be to cause the Merger Proposal or the Warrant Amendment Proposal to be approved in circumstances where such approval could not otherwise be obtained. Purchases of shares of common stock or Public Warrants by the persons described above would allow them to exert more influence over the approval of the Merger Proposal or the Warrant Amendment Proposal and other proposals and would likely increase the chances that such proposals would be approved. Moreover, any such purchases may make it less likely that the holders of 30% or more of the Public Shares will vote against the Merger Proposal and exercise their conversion shares.

As of the date of this proxy statement/prospectus, there have been no such discussions with respect to any such transaction and no agreements to such effect have been entered into with any such investor or holder. Prospect will file a Current Report on Form 8-K to disclose any arrangements entered into or significant purchases made by any of the aforementioned persons that would affect the vote on the Merger Proposal, the Warrant Amendment Proposal, the Charter Amendment Proposal, or the conversion threshold.

Recommendations to Prospect Warrantholders

Prospect's board of directors believes that each of the Warrant Amendment Proposal and the Warrantholder Adjournment Proposal to be presented at the special meeting of Prospect warrantholders are fair to and in the best interest of Prospect's warrantholders and unanimously recommends that its warrantholders vote "FOR" each of the proposals.

Recommendation to Prospect Stockholders

Prospect's board of directors believes that each of the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal, the Director Election Proposal and the Stockholder Adjournment Proposal to be presented at the special meeting of Prospect stockholders are fair to and in the best interest of Prospect's stockholders and unanimously recommends that its stockholders vote "FOR" each of the proposals.

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Conditions to Closing of the Merger

General Conditions

Consummation of the Merger by Prospect and Kennedy-Wilson is conditioned upon, among other things:

Prospect having filed and the SEC having declared this proxy statement/prospectus effective and no stop order suspending the effectiveness of this proxy statement/prospectus having been issued by the SEC and no proceeding for that purpose having been initiated or, to the knowledge of Prospect or Kennedy-Wilson, threatened by the SEC;

Prospect receiving the approval of the Merger by its stockholders in accordance with its amended and restated certificate of incorporation and less than 30% of the Public Shares having exercised their conversion rights;

Kennedy-Wilson receiving the approval of the Merger by its stockholders in accordance with the DGCL;

both parties having executed and delivered each of the transaction documents;

legal opinions received by both parties from the counsel representing the other party;

certificates of good standing received by both parties;

the certificate of Merger being filed with and accepted by the Secretary of State of the State of Delaware and the Merger being effective under the DGCL; and

all applicable waiting periods (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") having expired or otherwise been terminated and all notices, reports, registrations and other filings with, and all consents, approvals and authorizations with governmental authorities having been made or obtained, as the case may be.

Either party may waive one or more conditions to the consummation of the Merger. However, to the extent a material condition is waived by one of the parties, which waiver would render any prior disclosure materially misleading, Prospect intends to resolicit the approval of its stockholders of the Merger.

Kennedy-Wilson's Conditions to Closing

The obligations of Kennedy-Wilson to consummate the transactions contemplated by the Merger Agreement also are conditioned upon the following, among other things:

Prospect's representations and warranties set forth in Merger Agreement being true in all material respects as of the closing (except where the failure of such representations or warranties to be so true and correct, individually or in the aggregate, has not had or would not reasonably be expected to have a material adverse effect on Prospect) and Prospect having performed and complied in all material respects with all covenants and agreements required by the Merger Agreement prior to the closing of the Merger;

since the date of the Merger Agreement there having been no occurrence, event, change, effect or development that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on Prospect;

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no action, suit or proceeding having been instituted by any court or governmental or regulatory body to (i) restrain, modify or prevent the Merger Agreement, or seek damages or a discovery order in connection with the Merger Agreement or (ii) which has a material adverse effect on Prospect;

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Prospect's warrant holders having approved the Warrant Amendment;

Prospect's directors and officers, who are not continuing as directors or officers of Prospect after the Merger, having resigned and provided copies of the resignation letters to Prospect, stating that they have no claim for employment compensation from Prospect;

Prospect delivering an officer's certificate certifying that the authorizing documents are true, complete and correct and remain in full force and effect;

Prospect delivering a compliance certificate certifying that the conditions to the Merger have been fulfilled;

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or legal or regulatory restraint provision limiting Prospect's conduct or operation of the business after the closing of the Merger;

Prospect and Merger Sub having filed all reports required under the U.S. federal securities laws as of the effective time of the Merger;

no formal or informal SEC investigation or proceeding having been initiated by the SEC against Prospect or any of its officers or directors;

Prospect having maintained its status as a company whose common stock and warrants are listed on AMEX and no reason existing as to why such status shall not continue immediately following the effective time of the Merger;

Prospect founders having delivered certificates representing 2.575 million shares of Prospect common stock duly endorsed in blank with executed blank stock powers pursuant to the terms of the forfeiture agreement; and

Prospect having available a minimum of \$75,000,000, after taking into account all expenses and liabilities of Prospect and Kennedy-Wilson, except amounts to be paid to officers in connection with the Merger and any debt accelerated for failure of Kennedy-Wilson to obtain a consent, plus an amount equal to the number of shares of Prospect common stock which would be issuable pursuant to Dissenting Shares if such shares had not exercised dissenters' rights multiplied by \$37.00, up to a maximum of \$11,370,026, for use by the post-Merger company after the closing.

Prospect's Conditions to Closing

The obligations of Prospect to consummate the transactions contemplated by the Merger Agreement also are conditioned upon the following, among other things:

Kennedy-Wilson's representations and warranties set forth in Merger Agreement being true in all material respects as of the closing (except where the failure of such representations or warranties to be so true and correct, individually or in the aggregate, has not had or would not reasonably be expected to have a material adverse effect on Kennedy-Wilson) and Kennedy-Wilson having performed and complied in all material respects with all covenants and agreements required by the Merger Agreement prior to the closing of the Merger;

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no action, suit or proceeding having been instituted by any court or governmental or regulatory body to (i) restrain, modify or prevent the Merger Agreement, or seek damages or a discovery order in connection with the Merger Agreement or (ii) which has a material adverse effect on Kennedy-Wilson;

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since the date of the Merger Agreement there not having been any occurrence, event, change, effect or development that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on Kennedy-Wilson;

Prospect's warrant holders having approved the Warrant Amendment;

Kennedy-Wilson having entered into amended employment agreements with each of William McMorrow, Mary Ricks and Donald Herrema;

the holders of Kennedy-Wilson options granted under its 1992 Incentive and Nonstatutory Stock Option Plan ("1992 Plan") having exercised such options for Kennedy-Wilson common stock and the holders of other options and equity compensation having agreed to cancel such rights and Kennedy-Wilson having terminated its 1992 and 2009 plans;

Kennedy-Wilson delivering an officer's certificate certifying that the authorizing documents are true, complete and correct and remain in full force and effect;

Kennedy-Wilson delivering a compliance certificate certifying that the conditions to the Merger have been fulfilled;

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or legal or regulatory restraint provision limiting Kennedy-Wilson's conduct or operation of the business after the closing of the Merger;

holders of no more than 10% of the issued and outstanding Kennedy-Wilson common stock, and no more than 10% of the issued and outstanding Kennedy-Wilson preferred stock, have validly exercised their appraisal rights, provided that Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Code, solely in exchange for Prospect common stock;

Kennedy-Wilson having delivered to Prospect evidence that all required consents have been obtained;

no formal or informal SEC investigation or proceeding having been initiated by the SEC against Kennedy-Wilson or any of its officers or directors; and

Kennedy-Wilson having filed an amendment to its Certificate of Designation, Preferences and Rights of its preferred stock.

Termination

The Merger Agreement may be terminated prior to closing:

by mutual written consent of Prospect and Kennedy-Wilson;

by Prospect if Kennedy-Wilson notifies Prospect that it will be unable to obtain one or more required consents by October 15, 2009; or

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by either Prospect or Kennedy-Wilson if:

- (i) the Merger is not consummated on or before November 13, 2009;
- (ii) a governmental authority shall enter an order which prohibits the Merger;
- (iii) it is not in material breach of the Merger Agreement and the other party is in breach of the Merger Agreement in a manner which prevents satisfaction of the closing conditions in the Merger Agreement, which breach is not cured with 10 business days' notice;

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- (iv) if the board of directors of the other party fails to recommend, or withdraws or modifies its recommendation of the Merger Agreement;
- (v) if the Prospect common stockholders fail to approve the Merger, or if 30% or more of the Prospect common stockholders exercise their conversion rights; or
- (vi) if the Kennedy-Wilson common stockholders do not approve the Merger on or prior to November 13, 2009.

Effect of Termination

Except as otherwise provided in the Merger Agreement, in the event of proper termination of the Merger Agreement by either Prospect or Kennedy-Wilson, the Merger Agreement will have no further force and effect, without any liability or obligation on the part of Prospect or Kennedy-Wilson and each party will destroy all documents, work papers and materials of the other party relating to the transactions contemplated; provided, however, that those provisions which survive the termination of the Merger Agreement, including that Kennedy-Wilson will not seek recourse against the Trust Account except for a claim for damages if Prospect breaches its no shop/non-solicit provision, shall not be void and that such termination will not terminate the rights or remedies of any party against another party that has violated or breached the Merger Agreement prior to such termination.

If the Merger Agreement is terminated by either party should Kennedy-Wilson fail to receive its common stockholder approval, Kennedy-Wilson shall be obligated to pay Prospect \$10,000,000. If such amount is not paid within 30 days after termination of the Merger Agreement, interest will begin to accrue on this amount.

Fees and Expenses

All fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby will be paid by the party incurring such expenses, except that the parties will each pay one-half of fees related to filings under the HSR Act.

Certain United States Federal Income Tax Consequences

For United States federal income tax purposes:

No gain or loss will be recognized by Prospect or non-converting United States Holders (as such term is defined in "*The Merger Proposal Material United States Federal Income Tax Consequences General*") of Prospect common stock as a result of the Merger;

A United States Holder of Prospect common stock who exercises conversion rights and effects a complete termination of the stockholder's interest in Prospect (including any actual or constructive interest in Prospect) generally will be required to recognize capital gain or loss upon the exchange of that stockholder's shares of common stock of Prospect for cash, if such shares were held as a capital asset at the time of the exchange. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder's shares of Prospect common stock; and

A United States Holder of Public Warrants who elects the Cash Exchange will recognize capital gain or loss with respect to the Public Warrants equal to the difference between the amount of cash received for the Public Warrants and the holder's adjusted basis in the Public Warrants, if such warrants were held as a capital asset at the time of the exchange. A United States Holder of Public Warrants who elects the Warrant Exchange and a United States Holder of Sponsor Warrants, as applicable, will be treated as exchanging his or her "old" warrants for "new" warrants in connection with the merger transaction. As such, neither a United States Holder of

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Public Warrants nor a United States Holder of Sponsor Warrants should recognize any gain or loss on the Warrant Exchange.

Furthermore, the Merger is intended to qualify as a reorganization within the meaning of Section 368(a) of Code.

If the Merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, no gain or loss will be recognized by United States Holders of Kennedy-Wilson common stock or preferred stock who receive solely shares of Prospect common stock in exchange for shares of Kennedy-Wilson stock pursuant to the Merger. However, a United States Holder of Kennedy-Wilson common stock or preferred stock who exercises its appraisal rights and who receives cash in exchange for its shares of Kennedy-Wilson common stock or preferred stock generally will recognize capital gain or loss if such shares were held as a capital asset at the time of the exchange. Such gain or loss is generally measured by the difference between the amount of cash received and the tax basis of that stockholder's shares of Kennedy-Wilson common stock or preferred stock transferred.

For a further description of these material United States federal income tax consequences of the Merger, please see the information set forth in "*The Merger Proposal Material United States Federal Income Tax Consequences*" for additional information.

Anticipated Accounting Treatment

The acquisition will be accounted for as a "reverse merger" and recapitalization since immediately following the completion of the transaction, the stockholders of Kennedy-Wilson immediately prior to the business combination will have effective control of Prospect through its approximately 44.2% stockholder interest in the combined entity, assuming no share conversions (50.7% in the event of maximum share conversion), which includes its largest principal stockholder owning approximately 24.8% of the Kennedy-Wilson stockholder interest in the combined company. In addition, through Kennedy-Wilson's 44.2% stockholder interest, Kennedy-Wilson will maintain effective control of the combined entity through control of a substantial portion of the board of directors by maintaining six of the seven board seats for an expected term ranging from one to three years. Additionally, all of Kennedy-Wilson's senior executive positions will continue on as management of the post-Merger company after consummation of the Merger. For accounting purposes, Kennedy-Wilson will be deemed to be the accounting acquirer in the Merger and, consequently, the Merger will be treated as a recapitalization of Kennedy-Wilson. Accordingly, Kennedy-Wilson's assets, liabilities and results of operations will become the historical financial statements of the registrant, and Prospect's assets, liabilities and results of operations will become consolidated with Kennedy-Wilson effective as of the acquisition date. No step-up in basis or intangible assets or goodwill will be recorded in this transaction. All direct costs of the Merger will be charged to operations in the period that such costs are incurred.

Regulatory Matters

Prospect and Kennedy-Wilson do not expect that the Merger will be subject to any state or federal regulatory requirements other than (i) filings under applicable securities laws and the effectiveness of the registration statement of which this proxy statement/prospectus is a part, (ii) expiration or early termination of any applicable waiting periods under the HSR Act, and (iii) the filing of certain merger documents with the Secretary of State of the State of Delaware. Prospect and Kennedy-Wilson intend to comply with all such requirements.

Risk Factors

In evaluating the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal, the Director Election Proposal and the Stockholder Adjournment Proposal, stockholders

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should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled "*Risk Factors*."

In evaluating the Warrant Amendment Proposal and the Warrant Adjournment Proposal, warrant holders should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled "*Risk Factors*."

Selected Historical Financial Information

To assist you in your analysis of the financial aspects of the Merger, please see the financial information set forth in the section "*Selected Historical Financial Information*" on page 129.

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**SELECTED UNAUDITED PRO FORMA CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

The selected unaudited pro forma condensed consolidated financial statements are presented on a pro forma basis for Kennedy-Wilson after giving effect to the reverse merger with Prospect.

Anticipated Accounting Treatment

The acquisition will be accounted for as a "reverse merger" and recapitalization since immediately following the completion of the transaction, the stockholders of Kennedy-Wilson immediately prior to the business combination will have effective control of Prospect through its approximately 44.2% stockholder interest in the combined entity, assuming no share conversions (50.7% in the event of maximum share conversion), which includes its largest principal stockholder owning approximately 24.8% of the Kennedy-Wilson stockholder interest in the combined company. In addition, through Kennedy-Wilson's 44.2% stockholder interest, Kennedy-Wilson will maintain effective control of the combined entity through control of a substantial portion of the board of directors by maintaining six of the seven board seats for an expected term ranging from one to of three years. Additionally, all of Kennedy-Wilson's senior executive positions will continue on as management of the post-Merger company after consummation of the Merger. For accounting purposes, Kennedy-Wilson will be deemed to be the accounting acquirer in the Merger and, consequently, the Merger will be treated as a recapitalization of Kennedy-Wilson. Accordingly, Kennedy-Wilson's assets, liabilities and results of operations will become the historical financial statements of the registrant, and Prospect's assets, liabilities and results of operations will become consolidated with Kennedy-Wilson effective as of the acquisition date. No step-up in basis or intangible assets or goodwill will be recorded in this transaction. All direct costs of the Merger will be charged to operations in the period that such costs are incurred.

Selected Unaudited Pro Forma Condensed Consolidated Financial Information

The following unaudited pro forma condensed consolidated financial information has been prepared assuming that the Merger had occurred (i) at the beginning of the pro forma statements of operations for the year ended December 31, 2008 and for the six months ended June 30, 2009, and (ii) at June 30, 2009 for the pro forma balance sheet.

Pursuant to Prospect's amended and restated certificate of incorporation, Prospect will not proceed with a transaction if stockholders owning 30% or more of the Public Shares vote against the transaction and exercise their conversion rights. Accordingly, Prospect may effect a transaction if stockholders owning up to one share less than 30% of the Public Shares exercise their conversion rights. If this occurred, Prospect would be required to convert for cash up to one share less than 30% of the 25,000,000 shares of common stock included in the units sold in the IPO, or 7,499,999 shares of common stock.

Furthermore, as a condition of the proposed transaction, each holder of the 25,000,000 Public Warrants must elect either to be redeemed for the Cash Amount of \$0.55 per Public Warrant at closing, or to exchange its Public Warrants for Amended and Restated Public Warrants, with each such Amended and Restated Public Warrant entitling the holder thereof to purchase one share of Prospect common stock at an exercise price of \$12.50 per share, with a redemption trigger price of \$19.50 per share, and an expiration date of November 14, 2013. No more than 50% of the outstanding Public Warrants may be exchanged for Amended and Restated Public Warrants. Accordingly, Prospect will be required to redeem a minimum of 12,500,000 Public Warrants and a maximum of 25,000,000 Public Warrants for an aggregate Cash Amount at closing ranging from \$6,875,000 to \$13,750,000, respectively.

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Accordingly, the unaudited pro forma condensed consolidated financial information presents two possible scenarios for the approval of the Merger by the stockholders of Prospect, as follows:

Assuming No Stock Conversion and Minimum Warrant Repurchase: This presentation assumes that no holders of Public Shares exercise their conversion rights and that 12,500,000 Public Warrants are repurchased for the Cash Amount; and

Assuming Maximum Stock Conversion and Maximum Warrant Repurchase: This presentation assumes that holders of 7,499,999 Public Shares (29.99%) exercise their conversion rights and that 25,000,000 Public Warrants are repurchased for the Cash Amount.

The unaudited pro forma condensed consolidated financial information is provided for illustrative purposes only. The historical financial information in the unaudited pro forma condensed consolidated balance sheet has been adjusted to give effect to pro forma events that are directly attributable to the Merger and are factually supportable. The historical financial information in the unaudited pro forma condensed consolidated statements of operations has been adjusted to give effect to pro forma events that are directly attributable to the Merger, are factually supportable, and are expected to have a continuing impact on the consolidated results. Actual results could differ from the pro forma information presented herein.

The unaudited pro forma condensed consolidated balance sheet data reflects the acquisition of Kennedy-Wilson, as discussed in greater detail in the section entitled "*Summary of the Material Terms of the Merger.*" The historical balance sheet of Prospect at June 30, 2009 used in the preparation of the unaudited pro forma condensed consolidated financial information has been derived from the unaudited balance sheet of Prospect at June 30, 2009. For more detailed financial information, see the section entitled "*Unaudited Pro Forma Condensed Consolidated Financial Information.*"

The selected unaudited pro forma condensed balance sheet as of June 30, 2009 is based on the unaudited historical consolidated balance sheets as of June 30, 2009 for Prospect and Kennedy-Wilson and gives effect to the Merger. The selected unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2008 has been derived from audited consolidated financial statements for the year ended December 31, 2008. The selected unaudited pro forma condensed consolidated statement of operations for the six months ended June 30, 2009 has been derived from the selected unaudited consolidated financial statements of Prospect and Kennedy-Wilson for the six months ended June 30, 2009. The selected unaudited pro forma condensed statements of operations give effect to the Merger as if it occurred on the first day of the period presented.

The following selected unaudited pro forma combined financial information has been derived from, and should be read in conjunction with, the unaudited pro forma condensed combined financial statements and related notes thereto included elsewhere in this proxy statement/prospectus, each of Prospect's and Kennedy-Wilson's historical consolidated financial statements and related notes, each of Prospect's and Kennedy-Wilson's "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section and other financial information contained in this proxy statement/prospectus. The selected unaudited pro forma information presented herein is not intended to represent or be indicative of the financial position or results of operations that would have actually occurred had the Merger occurred on the dates indicated and should not be taken as representative of the future consolidated financial position or results operations.

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KENNEDY-WILSON HOLDINGS, INC.
Pro Forma Summary Unaudited Financial Information
(In thousands of U.S. Dollars, except per share amounts)

	Years Ended December 31,				Six Months Ended June 30,	
	2007		2008		2009	
	Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase)	Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase)	Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase)	Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase)	Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase)	Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase)
Revenue	\$ 34,065	\$ 34,065	\$ 32,528	\$ 32,528	\$ 19,352	\$ 19,352
Net income (loss) attributable to common stockholders	\$ 5,747	\$ 5,747	\$ (3,583)	\$ (3,583)	\$ (6,261)	\$ (6,261)
Net income (loss) available to common stockholders	\$ 5,747	\$ 5,747	\$ (3,583)	\$ (3,583)	\$ (6,261)	\$ (6,261)
Net income per common share						
Basic	\$ 0.11	\$ 0.13	\$ (0.06)	\$ (0.07)	\$ (0.11)	\$ (0.13)
Diluted	\$ 0.11	\$ 0.13	\$ (0.06)	\$ (0.07)	\$ (0.11)	\$ (0.13)
Cash dividends per common share	\$	\$	\$	\$	\$	\$
Total assets	\$ 371,134	\$ 290,159	\$ 480,798	\$ 399,756	\$ 507,640	\$ 426,589
Total liabilities	\$ 96,064	\$ 96,064	\$ 158,775	\$ 158,775	\$ 186,401	\$ 186,401
Total equity	\$ 275,070	\$ 194,095	\$ 322,023	\$ 240,981	\$ 321,239	\$ 240,188

Pro forma summary unaudited financial information is not presented for the year ended December 31, 2006 since Prospect was not formed until July 9, 2007.

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HISTORICAL AND UNAUDITED COMPARATIVE PRO FORMA PER SHARE DATA

The following table sets forth selected historical equity ownership information for Prospect and Kennedy-Wilson and unaudited pro forma combined per share ownership information after giving effect to the Merger, assuming: (i) that no holders of Public Shares exercise their conversion rights and that 12,500,000 Public Warrants are purchased for cash; and (ii) that holders of 7,499,999 Public Shares (29.99%) exercise their conversions rights and that 25,000,000 Public Warrants are repurchased for cash. Prospect is providing this information to aid you in your analysis of the financial aspects of the Merger. The historical information should be read in conjunction with "*Selected Historical Financial Information*" included elsewhere in this proxy statement/prospectus and the historical consolidated financial statements of Prospect and Kennedy-Wilson and the related notes thereto included elsewhere in this proxy statement/prospectus. The unaudited pro forma per share information is derived from, and should be read in conjunction with, the unaudited condensed combined pro forma financial data and related notes included elsewhere in this proxy statement/prospectus.

The unaudited pro forma consolidated per share information does not purport to represent what the actual results of operations of Prospect or Kennedy-Wilson would have been had the Merger been completed or to project Prospect's or Kennedy-Wilson's results of operations that may be achieved after the Merger. The unaudited pro forma book value per share information below does not purport to represent what the value of Prospect and Kennedy-Wilson would have been had the Merger been completed nor the book value per share for any future date or period.

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KENNEDY-WILSON HOLDINGS, INC.
Comparative Per Share Information

	Prospect Acquisition Corp.	Kennedy- Wilson, Inc.	Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase)	Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase)
Historical Information				
Number of common shares issued and outstanding				
December 31, 2008	31,250,000	5,466,150		
June 30, 2009	31,250,000	5,387,997		
Basic net income (loss) per common share from continuing operations				
Year ended December 31, 2006		NA(1) \$ 1.23		
Year ended December 31, 2007	\$ 0.05(1)	\$ 1.49		
Year ended December 31, 2008	\$ 0.05	\$ (0.32)		
Six months ended June 30, 2009	\$ (0.01)	\$ (1.24)		
Diluted net income (loss) per common share from continuing operations				
Year ended December 31, 2006		NA(1) \$ 1.07		
Year ended December 31, 2007	\$ 0.05(1)	\$ 1.35		
Year ended December 31, 2008	\$ 0.05	\$ (0.32)		
Six months ended June 30, 2009	\$ (0.01)	\$ (1.24)		
Net assets at book value per common share				
December 31, 2008	\$ 7.65(2)	\$ 18.80		
June 30, 2009	\$ 7.65(2)	\$ 19.30		
Pro Forma Information				
Number of common shares issued and outstanding at closing				
Under no conversion assumption	29,050,000	26,000,000	55,050,000	
(% of total)	52.77%	47.23%	100.00%	
Under maximum conversion assumption	21,550,001	26,000,000		47,550,001
(% of total)	45.32%	54.68%		100.00%
Basic net income (loss) per common share from continuing operations				
Year ended December 31, 2007			\$ 0.11	\$ 0.13
Year ended December 31, 2008			\$ (0.06)	\$ (0.07)
Six months ended June 30, 2009			\$ (0.11)	\$ (0.13)
Diluted net income (loss) per common share from continuing operations				
Year ended December 31, 2007			\$ 0.11	\$ 0.13
Year ended December 31, 2008			\$ (0.06)	\$ (0.07)
Six months ended June 30, 2009			\$ (0.11)	\$ (0.13)
Net assets at book value per common share				
December 31, 2008			\$ 5.85	\$ 5.07
June 30, 2009			\$ 5.84	\$ 5.05

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Historical and pro forma basic and diluted net income (loss) per common share for Prospect is presented from Prospect's date of inception, July 9, 2007.

- (2) Net assets used to calculate Prospect's historical book value per share includes the value of common stock subject to possible conversion.

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RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement/prospectus, before you decide whether to vote or instruct your vote to be cast to approve the proposals described in this proxy statement/prospectus.

Risks Related to Kennedy-Wilson's Business and Operations Following the Merger

The success of Kennedy-Wilson's business is significantly related to general economic conditions and the real estate industry and, accordingly, its business has been and could continue to be harmed by the economic slowdown and downturn in real estate asset values, property sales and leasing activities.

Kennedy-Wilson's business is closely tied to general economic conditions and the real estate industry. As a result, Kennedy-Wilson's economic performance, the value of its real estate and real estate secured notes, and its ability to implement its business strategies may be affected by changes in national and local economic conditions. The condition of the real estate markets in which Kennedy-Wilson operates tends to be cyclical and related to the condition of the economy in the U.S. and Japan as a whole and to the perceptions of investors of the overall economic outlook. Rising interest rates, declining demand for real estate or periods of general economic slowdown or recession have had a direct negative impact on the real estate market in the past and a recurrence of these conditions in the U.S. or a deeper recession in Japan could result in a reduction in Kennedy-Wilson's revenues. In addition, the economic condition of each local market where Kennedy-Wilson operates may be dependent on one or more industries. Kennedy-Wilson's ability to change its portfolio promptly in response to economic or other conditions is limited. Certain significant expenditures, such as debt service costs, real estate taxes, and operating and maintenance costs are generally not reduced when market conditions are poor. These factors would impede Kennedy-Wilson from responding quickly to changes in the performance of its investments and could adversely impact its business, financial condition and results of operations. Kennedy-Wilson has experienced in past years, is currently experiencing, and expects in the future to be negatively impacted by, periods of economic slowdown or recession, and corresponding declines in the demand for real estate and related services, within the markets in which it operates. The current economic recession has been extraordinary for its worldwide scope, its severity and its impact on major financial institutions, among other aspects. The current recession and the downturn in the real estate market have resulted in and/or may continue to result in:

a general decline in rents due to defaulting tenants or less favorable terms for renewed or new leases;

fewer purchases and sales of properties by clients, resulting in a decrease in property management fees and brokerage commissions;

a decline in actual and projected sale prices of Kennedy-Wilson's properties resulting in lower returns on the properties in which it has invested;

higher interest rates, higher loan costs, less desirable loan terms and a reduction in the availability of mortgage loans and mezzanine financing, all of which could increase costs and could limit Kennedy-Wilson's ability to acquire additional real estate assets; and

a decrease in the availability of lines of credit and other sources of capital used to purchase real estate investments and distressed notes.

Kennedy-Wilson's real estate investments involve risk of losses and fluctuations in operating results.

Kennedy-Wilson participates as a principal in real estate investments, and the timing of its purchases and sales of those investments could result in significant fluctuations in its net operating results and cash flow. Kennedy-Wilson may experience one or more quarters without acquiring or

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disposing of real estate, which could have a material adverse effect on its business, financial condition and results of operations.

There is the inherent possibility in all of Kennedy-Wilson's real estate investments that it could lose all or part of its investment. Real estate investments are generally illiquid, which may affect Kennedy-Wilson's ability to change its portfolio in response to changes in economic and other conditions. Moreover, in its joint ventures and funds that invest in real estate, Kennedy-Wilson may not be able to unilaterally decide the timing of the disposition of an investment, and as a result, may not control when and whether any gain will be realized or loss avoided. The value of Kennedy-Wilson's investments can also be diminished by:

civil unrest, acts of war and terrorism and acts of God, including earthquakes, hurricanes and other natural disasters (which may result in uninsured or underinsured losses);

the impact of present or future legislation in the U.S. or in Japan (including environmental regulation, changes in laws concerning foreign ownership of property, changes in real estate tax rates, changes in zoning laws and laws requiring upgrades for disabled persons) and the cost of compliance with these types of legislation; and

liabilities relating to claims to the extent insurance is not available or is inadequate.

Part of Kennedy-Wilson's investment strategy is to locate and acquire real estate assets that it believes are undervalued and to improve them to increase their resale value. Kennedy-Wilson faces risks arising from the acquisition of properties not yet fully developed or in need of substantial renovation or redevelopment, particularly the risk that Kennedy-Wilson overestimates the value of the property and the risk that the cost or time to complete the renovation or redevelopment will exceed the budgeted amount. Such delays or cost overruns may arise from:

shortages of materials or skilled labor;

a change in the scope of the original project;

the difficulty in obtaining necessary zoning, land-use, environmental, building, occupancy and other governmental permits and authorization;

the discovery of structural or other latent defects in the property once construction has commenced; and

delays in obtaining tenants.

Any failure to complete a redevelopment project in a timely manner and within budget or to sell or lease the project after completion could have a material adverse effect upon Kennedy-Wilson's business, results of operation and financial condition.

Kennedy-Wilson also has made and expects to continue to make or acquire mezzanine loans, which are loans that are secured by real property, but are subject to the interests of lenders who are senior to Kennedy-Wilson. These mezzanine loans are considered to involve a high degree of risk compared to other types of loans secured by real property. This is due to a variety of factors, including that a foreclosure by the holder of the senior loan could result in its mezzanine loan becoming uncollectible. Accordingly, Kennedy-Wilson may not recover the full amount, or any, of its investment in mezzanine loans. In addition, mezzanine loans may have higher loan to value ratios than conventional term loans.

If Kennedy-Wilson is unable to raise additional debt and equity capital, its results of operations could suffer.

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Kennedy-Wilson's operations are dependent upon its ability to raise additional capital, particularly with respect to third-party equity and debt financings used in connection with real estate investments.

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Kennedy-Wilson's access to capital funding is uncertain. The current global economic crisis has resulted in a severe tightening of the credit markets as well as other sources of capital. Kennedy-Wilson's inability to raise additional capital on terms reasonably acceptable to it could jeopardize the future success of its business.

Kennedy-Wilson may be subject to additional risks resulting from increased operations in Japan.

One of Kennedy-Wilson's strategies for the future is to continue its operations and investments in Asia, particularly in Japan. In furtherance of this strategy, Kennedy-Wilson expects to commit additional resources to expand its sales and marketing activities in Japan and expand its service offerings and products in selected markets throughout Asia. If Kennedy-Wilson is successful in implementing this strategy, the increased scope of its international operations may lead to more volatile financial results and difficulties in managing its businesses. This volatility and difficulty could be caused by, among other things, the following:

currency fluctuations, restrictions and problems relating to the repatriation of profits;

difficulties and costs of staffing and managing international operations;

the burden of complying with multiple and potentially conflicting laws;

laws restricting foreign companies from conducting business and unexpected changes in regulatory requirements;

the impact of different business cycles and economic instability;

political instability and civil unrest;

greater difficulty in perfecting its security interests, collecting accounts receivable, foreclosing on security and protecting its interests as a creditor in bankruptcies in certain geographic regions;

potentially adverse tax consequences;

share ownership restrictions on foreign operations;

Japanese property and income taxes, tax withholdings and tariffs; and

geographic, time zone, language and cultural differences between personnel in different areas of the world.

The current economic downturn has significantly affected countries throughout Asia, including Japan. The worldwide recession has led to falling stock prices and asset values in Asia and reduced economic growth prospects in Asia. Several property markets in Asia have been affected by real estate developments that resulted in an oversupply of completed or partially completed space. Property prices have fallen along with prices of other investments and asset values.

Kennedy-Wilson's revenues and earnings may be affected by foreign currency fluctuations.

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Kennedy-Wilson's revenues from non-U.S. operations have been primarily denominated in the local currency where the associated revenues were earned. Thus, Kennedy-Wilson may experience significant fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. To date, Kennedy-Wilson's foreign currency exposure has been limited to the Japanese Yen. Due to the constantly changing currency exposures to which Kennedy-Wilson will be subject and the volatility of currency exchange rates, there can be no assurance that Kennedy-Wilson will not experience currency losses in the future, nor can Kennedy-Wilson predict the effect of exchange rate fluctuations upon future operating results. Kennedy-Wilson's management may decide to use currency hedging instruments from time to time including foreign currency forward contracts, purchased currency options (where applicable) and foreign currency borrowings. The economic risks associated

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with these hedging instruments include unexpected fluctuations in inflation rates, which could impact cash flow relative to paying down debt, and unexpected changes in Kennedy-Wilson's underlying net asset position. There can be no assurance that any hedging will be effective.

Kennedy-Wilson's joint venture activities involve unique risks.

Kennedy-Wilson has utilized joint ventures for large commercial investments and real estate developments. Kennedy-Wilson plans to continue to acquire interests in additional limited and general partnerships, joint ventures and other enterprises (collectively, "Joint Ventures") formed to own or develop real property or interests in real property or note pools. It is Kennedy-Wilson's strategy in Japan to invest primarily through Joint Ventures. Kennedy-Wilson has acquired and may acquire minority interests in Joint Ventures and it may also acquire interests as a passive investor without rights to actively participate in management of the Joint Ventures. Investments in Joint Ventures involve additional risks, including the possibility that the other participants may become bankrupt or have economic or other business interests or goals which are inconsistent with Kennedy-Wilson's, that Kennedy-Wilson will not have the right or power to direct the management and policies of the Joint Ventures and that other participants may take action contrary to its instructions or requests and against its policies and objectives. Should a participant in a material Joint Venture act contrary to its interest, it could have a material adverse effect upon Kennedy-Wilson's business, results of operations and financial condition. Moreover, Kennedy-Wilson cannot be certain that it will continue these investments, or that it can identify suitable Joint Venture partners and form new Joint Ventures in the future.

Kennedy-Wilson may incur losses on its note investments.

Kennedy-Wilson may purchase notes that are unsecured or secured by real or personal property. These notes are generally non-performing or sub-performing, and often are in default at the time of purchase. In general, the distressed notes Kennedy-Wilson acquires are highly speculative investments and have a greater than normal risk of future defaults and delinquencies as compared to newly originated loans. Returns on loan investments depend on the borrower's ability to make required payments or, in the event of default, Kennedy-Wilson's security interests, if any, and its ability to foreclose and liquidate whatever property may be securing the note. Kennedy-Wilson cannot be sure that it will be able to collect on a defaulted loan or foreclose on security successfully or in a timely fashion. There may also be instances when Kennedy-Wilson is able to acquire title to an underlying property and sell it, but not make a profit on its investment.

Kennedy-Wilson's operating results may vary from quarter to quarter.

Kennedy-Wilson has experienced a fluctuation in its financial performance from quarter to quarter due in part to the significance of revenues from the sales of real estate on overall performance. The timing of purchases and sales of its real estate investments has varied, and will continue to vary, widely from quarter to quarter due to variability in market opportunities, changes in interest rates, and the overall demand for residential and commercial real estate, among other things. While these factors have contributed to Kennedy-Wilson experiencing increased operating income and earnings in the fourth quarter in past years, there can be no assurance that Kennedy-Wilson will continue to perform better in the fourth quarter.

In addition, the timing and magnitude of brokerage commissions paid to Kennedy-Wilson may vary widely from quarter to quarter depending upon overall activity in the general real estate market and the nature of its brokerage assignments, among other things.

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The real estate services and investment businesses are highly competitive.

Real estate services and investment businesses are highly competitive. Kennedy-Wilson's principal competitors include both large multinational companies and national and regional firms, such as Jones Lang LaSalle, Inc., and CB Richard Ellis, Inc. Many of its competitors have greater financial resources and broader global presences than Kennedy-Wilson. Kennedy-Wilson competes with companies in the U.S., and to a limited extent, in Japan, with respect to:

selling commercial and residential properties on behalf of customers through brokerage and auction services;

leasing and property management, including construction and engineering services;

purchasing commercial and residential properties, as well as undeveloped land for Kennedy-Wilson's own account; and

acquiring secured and unsecured loans.

Kennedy-Wilson's property management operations must compete with a growing number of national firms seeking to expand market share. There can be no assurance that it will be able to continue to compete effectively, maintain current fee levels or arrangements, continue to purchase investment property profitably or avoid increased competition.

Kennedy-Wilson may lose property management agreements or client relationships.

Kennedy-Wilson is highly dependent on long-term client relationships and on revenues received for services under various property management and leasing agreements with third-party owners of properties. A considerable amount of Kennedy-Wilson's revenues are derived from fees related to these agreements.

The majority of Kennedy-Wilson's property management agreements are cancelable prior to their expiration by the client for any reason on as little as 30 to 60 days' notice. These contracts also may not be renewed when their respective terms expire. Kennedy-Wilson believes many of its clients will continue to use its services for their current holdings and will engage Kennedy-Wilson for newly acquired properties. If, however, Kennedy-Wilson fails to maintain existing relationships, fails to develop and maintain new client relationships or otherwise loses a substantial number of management agreements, Kennedy-Wilson could experience a material adverse change in its business, financial condition and results of operations.

Kennedy-Wilson's property management fees are generally structured as a percentage of the revenues generated by the properties that it manages. Similarly, its leasing commissions typically are based on the value of the lease commitments. As a result, Kennedy-Wilson's revenues are adversely affected by decreases in the performance of the properties it manages and declines in rental value. Property performance will depend upon Kennedy-Wilson's ability to attract and retain creditworthy tenants, its ability to control operating expenses (some of which are beyond its control), financial conditions generally and in the specific areas where properties are located and the condition of the real estate market generally.

The growth of Kennedy-Wilson's business depends on its ability to renew leases or secure new tenants.

A significant portion of Kennedy-Wilson's property management business involves facilitating the leasing of commercial space. In certain areas of operation, there may be inadequate commercial space to meet demand and there is a potential for a decline in the number of overall lease and brokerage transactions. In areas where the supply of commercial space exceeds demand, Kennedy-Wilson may not be able to renew leases or obtain new tenants for its owned and managed rental properties as leases expire. Moreover, the terms of new leases and renewals (including renovation costs or costs of

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concessions to tenants) may be less favorable than current leases. Kennedy-Wilson's revenues may be adversely affected by the failure to promptly find tenants for substantial amounts of vacant space, if rental rates on new or renewal leases are significantly lower than expected, or if reserves for costs of re-leasing prove inadequate. Kennedy-Wilson cannot be sure that it can continue to lease properties for its clients and for its own account in a profitable manner.

Kennedy-Wilson's ability to lease properties also depends on:

the attractiveness of the properties to tenants;

competition from other available space;

its ability to provide for adequate maintenance and insurance and to pay increased operating expenses which may not be passed through to tenants;

the availability of capital to periodically renovate, repair and maintain the properties, as well as for other operating expenses; and

the existence of potential tenants desiring to lease the properties.

The growth of Kennedy-Wilson's business depends on its ability to integrate acquisitions into existing operations.

Acquisitions and expansion have been, and will continue to be, a significant component of Kennedy-Wilson's growth strategy for the future. While maintaining its existing business lines, Kennedy-Wilson intends to continue to pursue a sustained growth strategy by increasing revenues from existing clients, expanding the breadth of its service offerings, seeking selective co-investment opportunities and pursuing strategic acquisitions.

Kennedy-Wilson's ability to manage its growth will require it to effectively integrate new acquisitions into its existing operations while managing development of principal properties. Kennedy-Wilson expects that significant growth in several business lines occurring simultaneously will place substantial demands on its managerial, administrative, operational and financial resources. Kennedy-Wilson's future success and profitability will depend, in part, on its ability to attract, retain and motivate qualified managers and other personnel, and successfully implement enhancements to management and operating systems. In addition, expansion will likely require increased financing from third-party lenders. Kennedy-Wilson cannot be sure that it will be able to successfully manage all factors necessary for a successful expansion of its business. Moreover, Kennedy-Wilson's strategy of growth depends on the existence of and its ability to identify attractive and synergistic acquisition targets. The unavailability of suitable acquisition targets, or Kennedy-Wilson's inability to find them, may result in a decline in business, financial condition and results of operations.

Kennedy-Wilson depends on key personnel whose continued service is not guaranteed.

Kennedy-Wilson's continued success is dependent to a significant degree upon the efforts of its senior executives, who have each been essential to its business. Certain of its executives have employment contracts with Kennedy-Wilson that are renewable annually. The departure of all or any of its executives for whatever reason or the inability of all or any of them to continue to serve in their present capacities or Kennedy-Wilson's inability to attract and retain other qualified personnel could have a material adverse effect upon its business, financial condition and results of operations. Kennedy-Wilson's executives have built highly regarded reputations in the real estate industry. Its executives attract business opportunities and assist both in negotiations with lenders and potential joint venture partners and in the representation of large and institutional clients. If Kennedy-Wilson lost their services, its relationships with lenders, joint venturers and clients would diminish significantly.

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In addition, certain of Kennedy-Wilson's officers have strong regional reputations and they aid in attracting and identifying opportunities and negotiating for Kennedy-Wilson and on behalf of its clients. In particular, Kennedy-Wilson views the establishment and maintenance of strong relationships through certain officers as critical to its success in the Japanese market. As Kennedy-Wilson continues to grow, its success will be largely dependent upon its ability to attract and retain qualified personnel in all areas of business. Kennedy-Wilson cannot be sure that it will be able to continue to hire and retain a sufficient number of qualified personnel to support or keep pace with planned growth.

Kennedy-Wilson is highly dependent upon the economy and real estate market in California.

Kennedy-Wilson has a high concentration of its business activities in California. Consequently, its business, results of operations and financial condition are dependent upon general trends in the Californian economy and real estate market. The California economy has experienced a significant downturn in the current recession and a sustained decline in the value of California real estate. Real estate market declines in California have become so severe that the market value of a number of properties securing loans has become significantly less than the outstanding balances of those loans. Real estate market declines may negatively affect Kennedy-Wilson's ability to sell property at a profit. In addition, California historically has been vulnerable to certain natural disaster risks, such as earthquakes, floods, wild fires and erosion-caused mudslides. The existence of adverse economic conditions or the occurrence of natural disasters in California could have a material adverse effect on Kennedy-Wilson's business, financial condition and results of operations.

Kennedy-Wilson's use of debt to finance acquisitions could adversely impact its results.

Kennedy-Wilson has historically financed new acquisitions and property purchases with cash derived from secured and unsecured loans and lines of credit. For instance, it typically purchases real property with loans secured by a mortgage on the property acquired. Kennedy-Wilson anticipates continuing this trend. It does not have a policy limiting the amount of debt that it may incur. Accordingly, Kennedy-Wilson's management and board of directors have discretion to increase the amount of its outstanding debt at any time. Kennedy-Wilson could become more highly leveraged, resulting in an increase in debt service costs that could adversely affect results of operations and increase the risk of default on debt.

Much of Kennedy-Wilson's debt bears interest at variable rates. As a result, Kennedy-Wilson is subject to fluctuating interest rates that may impact, adversely or otherwise, results of operations and cash flows. Kennedy-Wilson may be subject to risks normally associated with debt financing, including the risk that cash flow will be insufficient to make required payments of principal and interest, and the risk that existing indebtedness on its properties will not be able to be refinanced or that the terms of available new financing will not be as favorable as the terms of existing indebtedness. If Kennedy-Wilson is unable to satisfy the obligations owed to any lender with a lien on one of its properties, the lender could foreclose on the real property or other assets securing the loan and Kennedy-Wilson would lose that property or asset. The loss of any property or asset to foreclosure could have a material adverse effect on Kennedy-Wilson's business, financial condition and results of operations.

Kennedy-Wilson has guaranteed a number of loans in connection with various joint venture partnerships which may result in it being obligated to make substantial payments.

Kennedy-Wilson has provided guarantees associated with loans secured by assets held in various joint venture partnerships. The maximum potential amount of future payments (undiscounted) Kennedy-Wilson could be required to make under the guarantees was approximately \$68.5 million at June 30, 2009. Subsequent to June 30, 2009, several loans have been paid down, which reduced the maximum potential amount of future payments (undiscounted) Kennedy-Wilson could be required to make under the guarantees to approximately \$41.5 million. The guarantees expire by the year end of

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2011 and Kennedy-Wilson's performance under the guarantees would be required to the extent there is a shortfall in liquidation between the principal amount of the loan and the net sales proceeds of the property. If Kennedy-Wilson were to become obligated to perform on these guarantees, it could have an adverse effect on its financial condition.

Kennedy-Wilson's auction services business has historically been countercyclical, and as a result, its operating results may be adversely affected when general economic conditions are improving.

Kennedy-Wilson's results of operations are dependent on the performance of its auction services group, which historically has been countercyclical. Kennedy-Wilson's auction services group has recently experienced an increase in revenues due to, among other things, the substantial increase in the number of foreclosures stemming from the current economic crisis. Improvements in general economic conditions may cause auction service revenues to decrease, which could cause a material adverse impact on Kennedy-Wilson's results of operations.

Kennedy-Wilson may have liabilities in connection with real estate brokerage and property management activities.

As a licensed real estate broker, Kennedy-Wilson and its licensed employees are subject to certain statutory due diligence, disclosure and standard-of-care obligations. Failure to fulfill these obligations could subject Kennedy-Wilson or its employees to litigation from parties who purchased, sold or leased properties they brokered or managed. In addition, Kennedy-Wilson may become subject to claims by participants in real estate sales claiming that it did not fulfill its statutory obligations as a broker.

In Kennedy-Wilson's property management capacity, it hires and supervises third-party contractors to provide construction and engineering services for its properties. While Kennedy-Wilson's role is limited to that of a supervisor, it cannot be sure that it will not be subjected to claims for construction defects or other similar actions. Adverse outcomes of property management litigation could have a material adverse effect on Kennedy-Wilson's business, financial condition and results of operations.

Kennedy-Wilson's properties may subject it to potential environmental liability.

Under various federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the clean up of hazardous or toxic substances and may be liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by governmental entities or third parties in connection with the contamination. Such laws typically impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances, even when the contaminants were associated with previous owners or operators. The costs of investigation, remediation or removal of hazardous or toxic substances may be substantial, and the presence of those substances, or the failure to properly remediate those substances, may adversely affect the owner's or operator's ability to sell or rent the affected property or to borrow using the property as collateral. The presence of contamination at a property can impair the value of the property even if the contamination is migrating onto the property from an adjoining property. Additionally, the owner of a site may be subject to claims by parties who have no relation to the property based on damages and costs resulting from environmental contamination emanating from the site.

In connection with the direct or indirect ownership, operation, management and development of real properties, Kennedy-Wilson may be considered an owner or operator of those properties or as having arranged for the disposal or treatment of hazardous or toxic substances. Therefore, Kennedy-Wilson may be potentially liable for removal or remediation costs.

Certain federal, state and local laws, regulations and ordinances also govern the removal, encapsulation or disturbance of asbestos-containing materials during construction, remodeling,

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renovation or demolition of a building. Such laws may impose liability for release of asbestos-containing materials, and third parties may seek recovery from owners or operators of real properties for personal injuries associated with asbestos-containing materials. Kennedy-Wilson may be potentially liable for those costs for properties that it owns. In the past, Kennedy-Wilson has been required to remove asbestos from certain buildings that it owns. There can be no assurance that in the future Kennedy-Wilson will not be required to remove asbestos from its buildings or incur other substantial costs of environmental remediation.

Before consummating the acquisition of a particular piece of property, it is Kennedy-Wilson's policy to retain independent environmental consultants to conduct a thorough environmental review of the property to check for contaminants, including performing a Phase I environmental review. These assessments have included, among other things, a visual inspection of the properties and the surrounding area and a review of relevant federal, state and historical documents. To date, the assessments Kennedy-Wilson has had done have not revealed any environmental liability that Kennedy-Wilson believes would have a material adverse effect on its business, assets or results of operations as a whole, nor is it aware of any material environmental liability of the types described. Nevertheless, it is possible that the assessments Kennedy-Wilson commissioned do not reveal all environmental liabilities or that there are material environmental liabilities of which Kennedy-Wilson is currently unaware. There can be no assurance that future laws, ordinances or regulations will not impose any material environmental liability or that the current environmental condition of its properties will not be affected by tenants, by the condition of land or operations in the vicinity of those properties, or by unrelated third parties. Kennedy-Wilson believes that its properties are in substantial compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances. Kennedy-Wilson has not been notified by any governmental authority, and is not otherwise aware of any material noncompliance, liability or claim relating to hazardous or toxic substances in connection with any of its properties. There can be no assurance that federal, state and local agencies or private plaintiffs will not bring these types of actions in the future, or that those actions, if adversely resolved, would not have a material adverse effect on Kennedy-Wilson's business, financial condition and results of operations.

Kennedy-Wilson may incur unanticipated expenses relating to laws benefiting disabled persons.

The Americans with Disabilities Act (the "ADA") generally requires that public accommodations such as hotels and office buildings be accessible to disabled people. Kennedy-Wilson believes that its properties are in substantial compliance with the ADA and that it will not be required to make substantial capital expenditures to address the requirements of the ADA. If, however, its properties are not in compliance with the ADA, the U.S. federal government could fine Kennedy-Wilson or private litigants could be awarded money damages. If Kennedy-Wilson is required to make substantial alterations to one or more of its properties, its results of operations could be materially adversely affected.

Kennedy-Wilson may incur significant costs complying with laws, regulations and covenants that are applicable to its properties and operations.

The properties in Kennedy-Wilson's portfolio and its operations are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Such laws and regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict Kennedy-Wilson's use of its properties and may require it to obtain approval from local officials or community standards organizations at any time with respect to its properties, including prior to acquiring a property or when undertaking renovations of any of its existing properties. Among other things, these restrictions may relate to fire and safety, seismic, asbestos-cleanup or hazardous material abatement requirements.

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There can be no assurance that existing laws and regulations will not adversely affect Kennedy-Wilson or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Kennedy-Wilson's failure to obtain required permits, licenses and zoning relief or to comply with applicable laws could have a material adverse effect on its business, financial condition and results of operations.

Kennedy-Wilson has insurance coverage limitations.

Kennedy-Wilson carries comprehensive general liability coverage and umbrella coverage on all of its properties of which it owns more than 50% with limits of liability which Kennedy-Wilson deems adequate and appropriate under the circumstances (subject to deductibles) to insure against liability claims and provide for the cost of legal defense. There are, however, certain types of extraordinary losses that may be either uninsurable, or that are not generally insured because it is not economically feasible to insure against those losses. Should any uninsured loss occur, Kennedy-Wilson could lose its investment in, and anticipated revenues from, a property, which loss or losses could have a material adverse effect on its operations. Currently, Kennedy-Wilson also insures some of its properties for loss caused by earthquake in levels it deems appropriate and, where it believes necessary, for loss caused by flood. Kennedy-Wilson cannot be sure that the occurrence of an earthquake, flood or other natural disaster will not have a materially adverse effect on its business, financial condition and results of operations.

Risks Related to the Merger

If holders of 30% or more of the Public Shares vote against the proposed Merger, Prospect will be forced to liquidate, and Prospect stockholders may receive less than \$9.88 per share and the warrants will expire and be worthless.

Pursuant to Prospect's amended and restated certificate of incorporation, if holders of 30% or more of the Public Shares vote against the proposed Merger and elect to convert their shares to cash, Prospect will not be able to close the Merger with Kennedy-Wilson and will be forced to liquidate in accordance with the terms of its amended and restated certificate of incorporation because it will not be able to consummate a business combination by November 14, 2009. In any liquidation, the net proceeds of Prospect's IPO held in the Trust Account, plus any interest earned thereon, less up to \$2,750,000 of interest which has been drawn for working capital purposes and less taxes, will be distributed on a pro rata basis to the holders of Public Shares. As of _____, 2009 (the record date), there was approximately \$_____ per share in the Trust Account after accounting for taxes owing and Prospect's working capital. Upon liquidation there will be no distribution with respect to Prospect's outstanding warrants and, accordingly, the warrants will expire and be worthless.

Working capital will be reduced if any of Prospect's holders of Public Shares exercise their right to convert their common stock into cash and a reduction in working capital may adversely affect the post-Merger company's business and future operations.

Pursuant to Prospect's amended and restated certificate of incorporation, holders of Public Shares may vote against the Merger Proposal and demand that Prospect convert their shares into a pro rata share of the Trust Account, calculated as of two business days prior to the anticipated consummation of the Merger. Prospect and Kennedy-Wilson will not consummate the Merger if holders of 30% or more of the Public Shares exercise these conversion rights. If no holders elect to convert their Public Shares, the Trust Account will be approximately \$_____ million at closing. If the Merger is consummated and holders of Public Shares have demanded to convert their shares, there will be a corresponding reduction in the amount of funds available to the post-Merger company's business and future operations. If conversion rights are exercised with respect to 7,499,999 shares, which is one share

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less than the 30% of the Public Shares, the maximum potential conversion cost would be approximately \$_____ million.

Prospect's outstanding Sponsors Warrants may be exercised in the future, which would increase the number of shares eligible for future resale in the public market and result in dilution to Prospect's stockholders.

Outstanding redeemable Sponsors Warrants to purchase an aggregate of 5,250,000 shares of common stock issued to the Prospect founders in a private placement concurrent with the IPO will become exercisable upon the consummation of the Merger, assuming it is completed. These Sponsors Warrants likely will be exercised only if the exercise price is below the market price of Prospect common stock. To the extent such Sponsors Warrants are exercised, additional shares of Prospect common stock will be issued, which will result in dilution to Prospect's stockholders and increase the number of shares of common stock eligible for resale in the public market. Sales of such shares of common stock, as well as the sale of common stock issued pursuant to the 2009 Plan, in the public market could adversely affect the market price of Prospect common stock.

Prospect's founders, including its officers and directors, control a substantial interest in Prospect and thus may influence certain actions requiring a stockholder or warrant holder vote.

The Prospect founders (including all of its officers and directors) collectively own 20% of its issued and outstanding shares of common stock as of the record date. Immediately prior to and subject to consummation of the Merger, 2,575,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock. Prospect's founders, because of their ownership position, will continue to exert control at least until the consummation of the Merger. In the event that Prospect's sponsors, initial stockholders, officers or directors purchase additional shares of Prospect's common stock or Prospect's Public Warrants in the open market, Prospect believes that they will vote any such shares acquired by them in favor of the Merger Proposal and in favor of the Charter Amendment Proposal and will vote any Public Warrants acquired by them in favor of the Warrant Amendment Proposal. The sponsors are also expected to vote their Sponsor's Warrants in favor of the Warrant Amendment Proposal as well. Thus, any additional purchase of shares of Prospect's common stock or Public Warrants by its sponsors, initial stockholders, officers or directors would likely allow them to exert additional influence over the approval of these proposals.

Prospect's management's ability to require holders of its warrants to exercise such warrants on a cashless basis will cause holders to receive fewer shares of common stock upon their exercise of the warrants than they would have received had they been able to exercise their warrants for cash.

If Prospect calls its warrants for redemption after the redemption criteria have been satisfied, Prospect's management will have the option to require any holder that wishes to exercise his warrant to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" and (y) the fair market value. The "fair market value" shall mean the average reported last sale prices of Prospect common stock for the 10 trading days ending on the third trading day prior to the date on which notice of redemption is sent to the holders of the warrants. If Prospect's management chooses to require holders to exercise their warrants on a cashless basis, the number of shares of common stock received by a holder upon exercise will be fewer than it would have been had such holder exercised his warrants for cash. This will have the effect of reducing the potential "upside" of the holder's investment in Prospect.

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Prospect may redeem a warrant holder's unexpired warrants prior to their exercise at a time that is disadvantageous to them, thereby making such warrants worthless.

Assuming approval of the Warrant Amendment Proposal, Prospect will have the ability to redeem outstanding warrants (other than warrants held by Prospect founders or their permitted transferees) at any time after they become exercisable and prior to their expiration, at a price of \$0.01 per warrant, provided that the last reported sales price of Prospect common stock equals or exceeds \$19.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to proper notice of such redemption provided that on the date Prospect gives notice of redemption and during the entire period thereafter until the time Prospect redeems the warrants, Prospect has an effective registration statement under the Securities Act covering the shares of common stock issuable upon exercise of the warrants and a current prospectus relating to them is available. Redemption of the outstanding warrants could force a warrant holder (i) to exercise its warrants and pay the exercise price therefor at a time when it may be disadvantageous for it to do so, (ii) to sell its warrants at the then-current market price when it might otherwise wish to hold such warrants, or (iii) to accept the nominal redemption price that, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of the warrants.

If Prospect's founders or its sponsors or their permitted transferees exercise their registration rights with respect to the founders shares or Sponsors Warrants and underlying securities, it may have an adverse effect on the market price of Prospect's common stock.

The Prospect founders or their permitted transferees are entitled to up to three demands that Prospect register the resale of the founders shares at any time generally commencing nine months after the consummation of the Merger. Additionally, Prospect's sponsors or their permitted transferees are entitled to up to three demands that it register the resale of their Sponsors Warrants and underlying shares of common stock at any time after Prospect consummates the Merger. Prospect will bear the cost of registering these securities. If such individuals exercise their registration rights with respect to all of their securities, then there will be an additional 3,675,000 shares of common stock and 5,250,000 warrants (as well as the 5,250,000 shares of common stock underlying the warrants) eligible for trading in the public market. The presence of these additional securities trading in the public market may have an adverse effect on the market price of Prospect's common stock. In addition, the existence of these rights may make it more difficult to effectuate the Merger or increase the cost of acquiring Kennedy-Wilson as their stockholders may be discouraged from approving the Merger with Prospect because of the potential negative effect the exercise of such rights may have on the trading market for Prospect's common stock.

If you do not vote your Public Shares at the special meeting of Prospect stockholders AGAINST the Merger or give instructions to your broker to vote AGAINST the Merger and demand that Prospect convert your shares into cash you will NOT be eligible to exercise your conversion rights and receive a portion of the Trust Account upon consummation of the Merger.

If you are a holder of Public Shares, you have the right to vote against the Merger Proposal and demand that Prospect convert your shares into a pro rata portion of the Trust Account. To exercise your conversion rights, you must (i) affirmatively vote against the Merger Proposal by proxy or in person at the special meeting of Prospect stockholders, (ii) present written instructions to Prospect's transfer agent no later than one business day prior to the vote on the Merger Proposal stating that you wish to convert your shares into cash, (iii) continue to hold your shares through the closing date of the Merger, and (iv) tender your shares to Prospect's transfer agent within the period specified in a notice you will receive from or on behalf of Prospect, which period will be not be less than 20 days. You may tender your shares by either delivering your stock certificate to the transfer agent or by delivering your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian)

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System. **Any action that does not include an affirmative vote AGAINST the Merger will prevent you from exercising your conversion rights.** You may exercise your conversion rights either by checking the box on the proxy card or by submitting your request in writing to James J. Cahill, Prospect's secretary, at the address listed in this proxy statement/prospectus.

If, notwithstanding your negative vote, the Merger is completed, then, if you have properly exercised your conversion rights, you will be entitled to receive a pro rata portion of the Trust Account, including any interest earned thereon, calculated as of two business days prior to the date of the consummation of the Merger. If you exercise your conversion rights, then you will be exchanging your shares of Prospect common stock for cash and you will no longer own these shares. However, if the Merger is not completed, then these shares will not be converted into cash. Your vote on any proposal other than the Merger Proposal will have no impact on your right to seek conversion. If no more than 30% of the outstanding Public Shares (minus one share) are converted (7,499,999 shares), Prospect may still consummate the Merger. If Prospect does not consummate a business combination by November 14, 2009, Prospect will liquidate and stockholders will receive their per-share distribution from the Trust Account.

The post-Merger company may incur expenses associated with defending law suits filed by Kennedy-Wilson Holders.

Kennedy-Wilson's common stock is currently traded on the Pink Sheets Electronic OTC, and a small percentage of Kennedy-Wilson's outstanding common stock is owned by holders who are not known to Kennedy-Wilson's management. If one or more of these holders were to bring a claim alleging that members of Kennedy-Wilson's board of directors breached their fiduciary duties in connection with approving the Merger, Kennedy-Wilson and the post-Merger company would incur costs defending and/or settling such claim.

Upon consummation of the Merger, the post-Merger company's directors and officers and their affiliates will be significant stockholders, which will make it possible for them to have significant influence over the outcome of all matters submitted to stockholders for approval and which influence may be alleged to conflict with the post-Merger company's interests and the interests of its other stockholders.

Upon the consummation of the Merger, the post-Merger company's directors and executive officers and their respective affiliates will own an aggregate of approximately 38.2% of the outstanding shares of Prospect common stock assuming no Public Shares are converted upon consummation of the Merger. The post-Merger company's directors and executive officers and their respective affiliates also will hold warrants, which if exercised, will give them greater control of the post-Merger company. These stockholders will have significant influence over the outcome of all matters submitted for stockholder approval, including the election of the post-Merger company's directors and other corporate actions. In addition, such influence by one or more of these affiliates could have the effect of discouraging others from attempting to purchase or take over the post-Merger company and/or reducing the market price offered for Prospect common stock in such an event.

Prospect's current directors, executive officers and/or affiliates beneficially own shares of common stock and warrants that will be worthless if the Merger is not consummated by November 14, 2009. Such interests may have influenced their decision to approve the business combination with Kennedy-Wilson.

Certain Prospect directors, executive officers and/or their affiliates beneficially own common stock in Prospect that they purchased prior to Prospect's IPO. Additionally, some of Prospect's founders, who also serve as Prospect's directors and executive officers, or their affiliates, purchased 5,250,000 Sponsors Warrants in a private placement that occurred simultaneously with Prospect's IPO. Additionally, a

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founder purchased 200,000 Public Warrants on the open market after the IPO. Prospect's directors, executive officers and their affiliates are not entitled to receive any of the cash proceeds that will be distributed upon Prospect's liquidation with respect to common stock these individuals acquired prior to Prospect's IPO. Therefore, if the Merger is not consummated prior to November 14, 2009 and Prospect is forced to liquidate, such shares held by such persons will be worthless. This will also be true with respect to their Sponsors Warrants. As of _____, 2009 (the record date), Prospect's directors, executive officers and their affiliates held \$_____ in common stock (based on a market price of \$_____) and 5,250,000 Sponsors Warrants, which are not publicly traded and will have an exercise price of \$12.50 per warrant (assuming approval of the Warrant Amendment Proposal) and 200,000 Public Warrants, which are publicly traded.

These financial interests of Prospect's directors, executive officers and their affiliates may have influenced their decision to approve the Merger and to continue to pursue the Merger. In considering the recommendations of Prospect's board of directors to vote for the Merger Proposal and other proposals, you should consider these interests.

Prospect's Chairman and Chief Executive Officer, David A. Minella and each of LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, a director and Prospect's President, are jointly liable to ensure that proceeds of the Trust Account are not reduced by vendor claims in the event the business combination is not consummated. Such liability may have influenced their decision to approve the business combination with Kennedy-Wilson.

If Prospect liquidates prior to the consummation of the Merger, David A. Minella, and each of LLM Structured Equity Fund L.P. and LLM Investors L.P., have agreed, pursuant to an agreement with Prospect and Citigroup, the representative of the underwriters in the IPO, that if Prospect liquidates prior to the consummation of a business combination, they will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect, other than with respect to amounts claimed by any third-party who executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable). Prospect cannot assure you that they would be able to satisfy those obligations. Pursuant to the underwriting agreement between Prospect and Citigroup, Prospect agreed not to commence its due diligence investigation of any operating business which it sought to acquire or obtain the services of any vendor without using its best efforts to obtain an agreement pursuant to which such party would waive any claims against the Trust Account. As of the date of this proxy statement/prospectus, Prospect has received waiver agreements from each of its vendors other than its independent registered accounting firm and Kennedy-Wilson with respect to certain provisions of the Merger Agreement. There is currently an outstanding balance to Prospect's independent registered accounting firm of approximately \$112,000 and Prospect intends to pay such fees in full in accordance with its past practices. Further, under the Merger Agreement, Kennedy-Wilson agreed to waive all rights, title and claims to the Trust Account, except for \$10,000,000, in case of breach by Prospect of its no-shop/non-solicit provision.

If Prospect is unable to complete the Merger by November 14, 2009, Prospect's corporate existence will terminate and Prospect will be forced to liquidate. In such event, third parties may bring claims against Prospect and, as a result, the proceeds held in trust could be reduced and the per-share liquidation price received by stockholders could be less than \$9.88 per share.

Prospect must complete the Merger with Kennedy-Wilson by November 14, 2009, when Prospect's corporate existence will terminate and Prospect will be required to liquidate. In such event, third parties may bring claims against Prospect, although Prospect has obtained waiver agreements from certain vendors and service providers. Prospect has engaged, and owes money to, third-party vendors and other entities in connection with the negotiation with prospective target businesses. While most

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parties have waived any right, title, interest or claim of any kind they may have in or to any monies held in the Trust Account, there is no guarantee that they or other vendors who did not execute such waivers will not seek recourse against the Trust Account notwithstanding such agreements. Furthermore, there is no guarantee that a court will uphold the validity of such agreements. Accordingly, the proceeds held in the Trust Account could be subject to claims that could take priority over those of Prospect's stockholders. Additionally, if Prospect is forced to file a bankruptcy case or an involuntary bankruptcy case is filed against Prospect which is not dismissed, the proceeds held in the Trust Account could be subject to applicable bankruptcy law, and may be included in Prospect's bankruptcy estate and subject to the claims of third parties with priority over the claims of Prospect's stockholders. If any bankruptcy or other claims deplete the Trust Account, Prospect cannot assure you that it will be able to return to Prospect's stockholders at least \$9.88 per share.

Prospect's stockholders may be held liable for claims by third parties against Prospect to the extent of distributions received by Prospect's stockholders.

If Prospect is unable to complete the Merger with Kennedy-Wilson by November 14, 2009, Prospect will be liquidated. Under Sections 280 through 282 of the DGCL, stockholders may be liable for claims by third parties against a corporation to the extent of distributions received by them. Pursuant to Section 280, if the corporation complies with certain procedures intended to ensure that it makes reasonable provisions for all claims against it, including a 60 day notice period during which any third-party claims can be brought against the corporation, a 90 day period during which the corporation may reject any claim brought and an additional 150 day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the liquidation. Prospect will seek to conclude the process as soon as possible and as a result does not intend to comply with those procedures.

Because Prospect will not be complying with those procedures, Prospect is required, pursuant to Section 281 of the DGCL, to adopt a plan that will provide for Prospect's payment, based on facts known to Prospect at such time, of (i) all existing claims, (ii) all pending claims, and (iii) all claims that may be potentially brought against Prospect within the subsequent 10 years. Accordingly, Prospect would be required to provide for any creditors known to Prospect at that time or those that Prospect believes could be potentially brought against Prospect within the subsequent 10 years prior to distributing the funds held in the Trust Account to Prospect's stockholders. All claims that may be potentially brought against Prospect may not be properly assessed. As such, Prospect's stockholders could potentially be liable for any claims to the extent of distributions received by them in a liquidation and any liability of Prospect's stockholders may extend well beyond the third anniversary of such liquidation. Accordingly, third parties may seek to recover from Prospect's stockholders amounts owed to them by Prospect.

Additionally, if Prospect is forced to file a bankruptcy case or an involuntary bankruptcy case is filed against Prospect that is not dismissed, any distributions received by Prospect's stockholders in Prospect's liquidation might be viewed under applicable debtor/creditor and/or bankruptcy laws as either a "preferential transfer" or a "fraudulent conveyance." As a result, a bankruptcy court could seek to recover all amounts received by Prospect's stockholders in Prospect's liquidation. Furthermore, because Prospect intends to distribute the proceeds held in the Trust Account to Prospect's stockholders as soon as possible after Prospect's liquidation, this may be viewed or interpreted as giving preference to Prospect's stockholders over any potential creditors with respect to access to or distributions from Prospect's assets. Furthermore, Prospect's board of directors may be viewed as having breached their fiduciary duties to Prospect's creditors and/or may have acted in bad faith, thereby exposing Prospect's board of directors and Prospect to claims of punitive damages, by paying

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Prospect's stockholders from the Trust Account prior to addressing the claims of creditors and/or complying with certain provisions of the DGCL with respect to Prospect's liquidation. Claims may be brought against Prospect for these reasons.

Neither Prospect nor its stockholders will have the protection of any practical indemnification, escrow, price adjustment or other provisions that allow for recourse in the event that any of the representations and warranties made by Kennedy-Wilson in the Merger Agreement prove to be inaccurate or incorrect.

The representations and warranties made by Prospect and Kennedy-Wilson to each other in the Merger Agreement generally will survive the completion of the Merger for a period of twelve months. Only Kennedy-Wilson, which will be a wholly-owned subsidiary of Prospect, and not Kennedy-Wilson's stockholders, is providing indemnification to Prospect for breaches of Kennedy-Wilson's representations and warranties in the Merger Agreement. This means Prospect would be seeking to recover damages from its own subsidiary. Kennedy-Wilson's liability is capped at \$10,000,000 with a \$1,000,000 deductible. In addition, there is no escrow for indemnification and no purchase price adjustment if Kennedy-Wilson's financial position is different than what was represented to Prospect. As a result, Prospect and its stockholders will not have the protection of additional escrow, price adjustment or other provisions that present a real opportunity to recover damages or for a post-closing adjustment to be made to the Merger consideration if any representation or warranty made by Kennedy-Wilson in the Merger Agreement proves to be inaccurate or incorrect.

Prospect and Kennedy-Wilson expect to incur significant costs associated with the Merger, whether or not the Merger is completed, which will reduce the amount of cash available for other corporate purposes.

Both Prospect and Kennedy-Wilson expect to incur significant costs associated with the Merger, whether or not the Merger is completed. These costs will reduce the amount of cash available for other corporate purposes. Prospect estimates that it will incur direct transaction costs of approximately \$3.3 million associated with the Merger, which will be recorded as financing expense for accounting purposes if the Merger is completed. Kennedy-Wilson estimates that it will incur direct transaction costs of approximately \$4.8 million, which will be recorded as share issuance costs for accounting purposes if the Merger is completed. In addition, upon completion of the Merger, Prospect will be required to pay \$6,000,000 of previously accrued deferred underwriting fees to Citigroup (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO), plus \$3,000,000 in cash fees for acting as Prospect's financial advisor in connection with the Merger. The actual costs may exceed these estimates. In addition, the post-Merger company may incur additional material charges reflecting additional costs associated with the arrangement in fiscal quarters subsequent to the quarter in which the Merger is completed. There is no assurance that the significant costs associated with the Merger will prove to be justified in light of the benefits ultimately realized.

Kennedy-Wilson has not waived its right to proceed against the assets in the Trust Account in the event of a breach by Prospect or its representatives of certain no-shop/non-solicit provisions in the Merger Agreement and Kennedy-Wilson may be liable for a break-up fee if it should fail to receive stockholder approval for the Merger.

Pursuant to the Merger Agreement, Kennedy-Wilson has generally agreed that it may not proceed against the Trust Account to the extent it may have claims for damages arising out of the proposed Merger and the Merger Agreement. However, this waiver does not extend to damages arising from Prospect's or its representatives' breach of an agreement not to seek to consummate a different business combination. If Prospect or its representatives should breach this provision, Kennedy-Wilson

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would have the right to proceed against assets in the Trust Account, up to a maximum of \$10,000,000, which would reduce the amount of cash available in the Trust Account. In addition, if either party terminates the Merger Agreement because Kennedy-Wilson fails to receive its common stockholder approval for the Merger by November 14, 2009, Kennedy-Wilson is obligated to pay to Prospect \$10,000,000 as liquidated damages. If such amount is not paid within 30 days after termination of the Merger Agreement, interest will begin to accrue on this amount. This payment would reduce the amount of working capital available to Kennedy-Wilson.

As a result of the Merger, the ownership interest of Prospect's current stockholders will be substantially reduced, resulting in a dilution of Prospect's current stockholders' voting power.

In connection with the consummation of the Merger, Prospect will issue 30.115 million shares of Prospect common stock, including 26 million shares to be issued to Kennedy-Wilson stockholders, 375,000 shares to be issued to DGA, and 3,740,000 shares to be issued to employees of Kennedy-Wilson under the 2009 Plan. The issuance of these 30.115 million shares of Prospect common stock (offset in part by the forfeiture of 2.575 million shares by the Prospect founders), will dilute Prospect's existing stockholders' voting interest from 100% to approximately 48.8% of the post-Merger company's voting interests (assuming none of Prospect's stockholders exercise their conversion rights), and approximately 41.3% of the post-Merger company's voting interests (assuming 29.99% of Prospect's stockholders exercise their conversion rights).

While a majority of the proposed members of the post-Merger board of directors are considered "independent" under the listing standards of AMEX, the post-Merger company's board will contain six members of Kennedy-Wilson's existing board of directors and one member of Prospect's existing board of directors. In addition, certain officers of Kennedy-Wilson will become officers of Prospect. The directors who were formerly directors of Kennedy-Wilson and the officers who were formerly officers of Kennedy-Wilson may align their interests with those of the former stockholders of Kennedy-Wilson rather than those of the stockholders of Prospect prior to the Merger.

In addition, following the Merger, Prospect's outstanding common stock will be subject to substantial potential dilution by outstanding Prospect warrants and, if the Equity Participation Plan Proposal is approved, by future awards granted under the 2009 Plan.

The post-Merger company may issue additional equity securities which may dilute your interest in the post-Merger company.

In order to expand the post-Merger company's business, the post-Merger company may consider offering and issuing additional equity or equity-based securities. Holders of the post-Merger company's securities may experience a dilution in the net tangible book value per share held by them if this occurs. The number of shares that the post-Merger company may issue for cash without stockholder approval will be limited by the rules of the exchange on which the post-Merger company's securities are then listed. However, there are generally exceptions which allow companies to issue a limited number of equity securities which would dilute your ownership.

The ownership interest of Prospect's current stockholders will be substantially diluted with the assumption of the Guardian Note.

In connection with the Merger, Prospect has agreed to assume the Guardian Note which bears interest at a fixed rate of 7% payable quarterly, the outstanding balance of which is due on November 3, 2010. Under the terms of the Guardian Note, Guardian may convert, in whole or in part, the outstanding principal balance and accrued interest into common stock at a conversion price of \$10.52 per share any time prior to the tenth anniversary of the original issue date. To the extent the Guardian Note is converted, additional shares of the post-Merger company's common stock will be

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issued, which will result in dilution to the post-Merger company's stockholders and increase the number of shares of common stock eligible for resale into the public market. Sales of such shares of common stock could adversely affect the market price of the post-Merger company's common stock.

If the Merger's benefits do not meet the expectations of financial or industry analysts, the market price of the post-Merger company's common stock may decline.

The market price of the post-Merger company's common stock may decline as a result of the Merger if:

the post-Merger company does not achieve the perceived benefits of the Merger as rapidly, or to the extent anticipated by, financial or industry analysts; or

the effect of the Merger on the post-Merger company's financial results is not consistent with the expectations of financial or industry analysts.

Accordingly, the post-Merger company's stockholders may experience a loss as a result of a decline in the market price of Prospect common stock. In addition, a decline in the market price of the post-Merger company common stock could adversely affect the post-Merger company's ability to issue additional securities and the post-Merger company's ability to obtain additional financing in the future.

The price of the post-Merger company's common stock after the consummation of the Merger may be volatile.

The price of the post-Merger company's common stock after the consummation of the Merger may be volatile, and may fluctuate due to factors such as:

changes in real estate prices;

actual or anticipated fluctuations in the post-Merger company's quarterly and annual results and those of its publicly held competitors;

mergers and strategic alliances among any real estate companies;

market conditions in the industry;

changes in government regulation and taxes;

shortfalls in the post-Merger company's operating results from levels forecasted by securities analysts;

investor sentiment toward the stock of real estate companies in general;

announcements concerning the post-Merger company or its competitors; and

the general state of the securities markets.

If Prospect is unable to consummate the Merger or another business combination, Prospect's holders of Public Shares will be forced to wait before receiving liquidation distributions.

Prospect has until November 14, 2009 to consummate the Merger or another business combination. If Prospect does not consummate the Merger or another business combination during such time period, Prospect will liquidate in accordance with its amended and restated certificate of incorporation. Prospect has no obligation to return funds to Prospect's stockholders prior to such date unless Prospect consummates the Merger or another business combination prior thereto and only then in cases where Prospect's stockholders have sought conversion of their shares. Only after the expiration of this period will Prospect's stockholders be entitled to liquidation distributions if Prospect is unable to complete the Merger or another business combination. Further, Prospect may not be able to disburse

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the funds in the Trust Account immediately following November 14, 2009, until it has commenced the liquidation process in accordance with its amended and restated certificate of incorporation and the DGCL. If Prospect has not consummated the Merger or another business combination by November 14, 2009, Prospect will automatically liquidate without the need for a stockholder vote.

If the Merger is not consummated, time and resources spent by Prospect in pursuit of the Merger will have been wasted, and Prospect likely will not have time to locate and acquire or merge with another business.

The investigation of Kennedy-Wilson and the negotiation, drafting, and execution of relevant agreements, disclosure documents, and other instruments in connection with the Merger have required substantial management time and attention, along with substantial costs for accountants, attorneys and others. If a decision is made to not complete the Merger, the costs incurred up to that point for the Merger likely would not be recoverable. Furthermore, Prospect may fail to consummate the Merger for any number of reasons including those beyond Prospect's control, such as if the number of Prospect's stockholders who vote against the Merger Proposal and properly exercise their conversion rights represent more than 30% (minus one share) of the outstanding Public Shares. Such an event would result in a loss to Prospect of the related costs incurred which could materially adversely affect Prospect's subsequent attempts to locate and acquire or merge with another business.

Prospect's holders of Public Shares could vote against the Merger Proposal and exercise their conversion rights and a large number of warrant holders could opt for the Cash Exchange, resulting in less working capital for the post-Merger company.

If some of the current Prospect holders of Public Shares vote against the Merger Proposal and decide to convert their shares of Prospect common stock for cash upon consummation of the Merger and if up to one hundred percent of the Prospect warrant holders elect the Cash Exchange in the context of the Warrant Amendment Proposal, it would deplete the amount of cash available to the post-Merger company upon consummation of the Merger. The post-Merger company may be unable to implement its business plan if the maximum number of Prospect's holders of Public Shares exercised their conversion rights and one hundred percent of Prospect warrant holders elect the Cash Exchange option.

Prospect does not have any operations and Kennedy-Wilson has not recently operated as a "reporting company". Fulfilling the post-Merger company's obligations as a "reporting company" after the Merger will be expensive and time consuming.

Kennedy-Wilson has not been a public reporting company since 2004 and since that time has not been required to document and assess the effectiveness of its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002. Although Prospect has maintained disclosure controls and procedures and internal control over financial reporting as required under the federal securities laws with respect to its activities, Kennedy-Wilson has not been required to establish and maintain such disclosure controls and procedures and internal controls over financial reporting as will be required with respect to a public company with substantial operations. Under the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC, Kennedy-Wilson will be required to implement additional corporate governance practices and to adhere to a variety of reporting requirements and accounting rules. Compliance with these obligations will require significant time and resources from Kennedy-Wilson's management, finance and accounting staff and will significantly increase Kennedy-Wilson's legal, insurance and financial compliance costs. As a result of the increased costs associated with being a "reporting company," Kennedy-Wilson's operating income as a percentage of revenue is likely to be lower.

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The completion of the Merger could result in disruptions in business, loss of customers or contracts or other adverse effects.

The completion of the Merger may cause disruptions, including potential loss of customers and other business partners, and have material adverse effects on the post-Merger company's business and operations. It is possible that Kennedy-Wilson's pre-Merger customers and other business partners, in response to the completion of the Merger, may adversely change or terminate their relationships with the post-Merger company, which could have a material adverse effect on the business of the post-Merger company.

The pro forma condensed combined financial statements are not an indication of the post-Merger company's financial condition or results of operations following the Merger.

The pro forma condensed combined financial statements contained in this proxy statement/prospectus are not an indication of the post-Merger company's financial condition or results of operations following the Merger. The pro forma condensed combined financial statements have been derived from the historical financial statements of Prospect and Kennedy-Wilson and many adjustments and assumptions have been made regarding the post-Merger company after giving effect to the Merger. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. As a result, the actual financial condition and results of operations of the post-Merger company may not be consistent with, or evident from, these pro forma financial statements. In addition, the actual earnings per share ("EPS"), of the post-Merger company may decrease below that reflected in the pro forma condensed combined financial statements for several reasons. The assumptions used in preparing the pro forma financial statements may not prove to be accurate and other factors may affect the post-Merger company's actual EPS following the Merger.

AMEX may delist Prospect's securities from quotation on its exchange, which could limit your ability to trade Prospect securities and subject Prospect to additional trading restrictions.

Prospect's securities are listed on AMEX, a national securities exchange. Although Prospect currently satisfies the minimum listing standards set forth in Section 101 of the AMEX Company Guide, which only requires that it meet certain requirements relating to stockholders' equity, market capitalization, aggregate market value of publicly held shares and distribution requirements, Prospect cannot assure you that its or the post-Merger company's securities will continue to be listed on AMEX in the future. Additionally, in connection with the Merger, it is likely that AMEX will require Prospect to file a new initial listing application and meet its initial listing requirements as opposed to its more lenient continued listing requirements. Even if such application is accepted, the post-Merger company may be unable to maintain the listing of its securities in the future.

If AMEX delists Prospect's or the post-Merger company's securities from trading on its exchange, Prospect could face significant material adverse consequences, including:

a limited availability of market quotations for the post-Merger company's securities;

a limited amount of news and analyst coverage for the post-Merger company;

a decreased ability for the post-Merger company to issue additional securities or obtain additional financing in the future;
and

limited liquidity for the post-Merger company's stockholders due to thin trading.

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Activities taken by existing Prospect's stockholders to increase the likelihood of approval of the Merger Proposal and other proposals could have a depressive effect on the value of Prospect common stock.

At any time prior to the special meeting of Prospect stockholders, during a period when they are not then aware of any material non-public information regarding Prospect or its securities, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates may purchase shares of Prospect common stock or Public Warrants from institutional and other investors, or execute agreements to purchase such shares or Public Warrants from them in the future, or they may enter into transactions with such persons and others to provide them with incentives to acquire shares of Prospect common stock or Public Warrants and vote the acquired shares or Public Warrants in favor of the Merger Proposal or the Warrant Amendment Proposal, as applicable. The purposes of such common stock or Public Warrant purchases and other transactions would be (i) to increase the likelihood of satisfaction of the requirements that holders of a majority of the Public Shares present at the special meeting of Prospect stockholders in person or by proxy and eligible to vote thereon vote in favor of the Merger Proposal, (ii) to increase the likelihood that holders of fewer than 30% of the Public Shares vote against the Merger Proposal and demand conversion of their Public Shares into cash or (iii) to increase the likelihood that the holders of a majority of Public Warrants vote in favor of the Warrant Amendment Proposal. Entering into any such arrangements may have a depressive effect on the value of Prospect common stock or Public Warrants. Prospect will not enter into any such arrangement, either prior to or after the consummation of the Merger, and no funds in its Trust Account will be used to make such purchases or to fund other such arrangements.

An investor will only be able to exercise a Prospect warrant if the issuance of Prospect common stock upon such exercise has been registered or qualified or is deemed exempt under the securities laws of the state of residence of the holder of the warrants.

No Prospect warrants will be exercisable, and Prospect is not required to issue shares of Prospect common stock, unless the Prospect common stock issuable upon such exercise has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Because the exemptions from qualification in certain states for resales of warrants and for issuances of common stock by the issuer upon exercise of a warrant may be different, a warrant may be held by a holder in a state where an exemption is not available for issuance of Prospect common stock upon exercise and the holder will be precluded from exercise of the warrant. After the closing of the Merger, the Prospect warrants will be exercisable and Prospect expects the Prospect common stock and warrants to be listed on a national securities exchange, which would provide an exemption from registration in every state. If Prospect's securities are not so listed or another exemption is not available, Prospect would be required to register the warrants in every state. Accordingly, Prospect believes holders in every state will be able to exercise their warrants as long as Prospect's prospectus relating to the Prospect common stock issuable upon exercise of the Prospect warrants is current. However, the market for the Prospect warrants may be limited and the holders of the Prospect warrants may not be able to exercise their warrants if the Prospect common stock issuable upon such exercise is not qualified or exempt from qualification in the jurisdictions in which the holders of the Prospect warrants reside.

Although Prospect has agreed to maintain the effectiveness of the registration statement registering the shares of Prospect common stock issuable upon exercise of Prospect warrants, an effective registration statement may not be in place when an investor desires to exercise warrants, thus precluding such investor from being able to exercise its warrants.

Prospect is not required to issue shares of Prospect common stock unless, at the time such holder seeks to exercise such warrant, Prospect has a registration statement under the Securities Act in effect covering the shares of Prospect common stock issuable upon the exercise of the warrants and a current

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prospectus relating to the common stock. Under the terms of the Warrant Agreement, as amended, Prospect has agreed to use its best efforts to have a registration statement in effect covering the shares of Prospect common stock issuable upon exercise of the Prospect warrants from the date of the closing until the expiration of the warrants and to maintain a current prospectus relating to the common stock issuable upon exercise of the warrants. However, Prospect cannot assure holders of the Prospect warrants that it will be able to do so, and if it does not maintain a current prospectus related to the common stock issuable upon exercise of Prospect warrants, holders will be unable to exercise their warrants. If the prospectus relating to the common stock issuable upon the exercise of Prospect warrants is not current, Prospect will have no obligation to settle the warrants for cash or by net settlement, and in such event the market for such warrants may be limited. While Prospect intends to list the warrants on AMEX and to maintain such listing during the period in which the warrants are exercisable, there can be no assurance that the listing will be approved or that Prospect will be successful in maintaining the listing.

Prospect's staggered board may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders and certain anti-takeover provisions in Prospect's organizational documents may discourage a change in control.

Prospect's proposed amended and restated certificate of incorporation provides that its board of directors will be divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. As a result, at any annual meeting only a minority of the board of directors will be considered for election. Since this "staggered board" would prevent its stockholders from replacing a majority of its board of directors at any annual meeting, it may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders. Additionally, following the consummation of the Merger, certain provisions of Prospect's second amended and restated certificate of incorporation and Prospect's amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

These provisions provide for, among other things:

a classified board of directors' divided into three classes with staggered three-year terms;

the board of directors' ability to designate and issue undesignated preferred stock; and

no ability for stockholders to call special stockholder meetings.

In addition, Section 203 of the DGCL may, under certain circumstances, make it more difficult for a person who would be an "interested stockholder," which is defined generally as a person with 15% or more of a corporation's outstanding voting stock, to effect a "business combination" with the corporation for a three-year period. A "business combination" is defined generally as mergers, consolidations and certain other transactions, including sales, leases or other dispositions of assets with an aggregate market value equal to 10% or more of the aggregate market value of the corporation.

These anti-takeover provisions could make it more difficult for a third party to acquire Prospect, even if the third party's offer may be considered beneficial by many stockholders. As a result, stockholders may be limited in their ability to obtain a premium for their shares.

The receipt of Prospect common stock by Kennedy-Wilson stockholders may be taxable if the Merger does not qualify as a tax-free reorganization.

It is intended that the Merger will qualify as a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code. If the Merger is treated as such a reorganization, no gain or loss will be recognized by United States Holders (as such term is defined in

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"*The Merger Proposal Material United States Federal Income Tax Consequences General*") of Kennedy-Wilson common stock or preferred stock who receive solely shares of Prospect common stock in exchange for Kennedy-Wilson stock pursuant to the Merger. If the Merger should fail to qualify as a reorganization within the meaning of Section 368(a) of the Code, a United States Holder of Kennedy-Wilson common stock or preferred stock generally will recognize capital gain or loss with respect to its Kennedy-Wilson common stock or preferred stock if such shares are held as a capital asset at the time of the exchange. Such gain or loss generally will be equal to the difference, if any, between the United States Holder's tax basis in its Kennedy-Wilson common stock or preferred stock and the fair market value of the Prospect common stock received in the Merger. See "*The Merger Proposal Material United States Federal Income Tax Consequences Tax Consequences of the Merger to United States Holders of Kennedy-Wilson Stock*" for additional information.

If Prospect's due diligence investigation of Kennedy-Wilson was inadequate, then stockholders of Prospect following the Merger could lose some or all of their investment.

Even though Prospect conducted a due diligence investigation of Kennedy-Wilson, it cannot be sure that this diligence investigation surfaced all material issues that may be present inside Kennedy-Wilson or its business, or that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of Kennedy-Wilson and its business and outside of its control will not later arise. In particular, given the number of properties in which Kennedy-Wilson has an interest, Prospect did only limited environmental due diligence. Even if Prospect's due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with Prospect's preliminary risk analysis.

Prospect may waive one or more of the conditions to the closing of the Merger without resoliciting stockholder or warrant holder approval.

Prospect may agree to waive, in whole or in part, some of the conditions to its obligations to complete the Merger, to the extent permitted by applicable laws. Prospect's board of directors will evaluate the materiality of any waiver to determine whether amendment of this proxy statement/prospectus and resolicitation of proxies is warranted. In some instances, if Prospect's board of directors determines that a waiver is not sufficiently material to warrant resolicitation of stockholders or warrant holders, Prospect has the discretion to complete the Merger without seeking further stockholder or warrant holder approval.

The financial statements included in this proxy statement/prospectus do not take into account the consequences to Prospect of a failure to consummate a business combination by November 14, 2009.

The financial statements included in this proxy statement/prospectus have been prepared assuming that Prospect would continue as a going concern. As discussed in Note 1 to the Notes to Prospect's Audited Financial Statements beginning on page F-8, Prospect is required to consummate an initial business combination by November 14, 2009. The possibility of the Merger or another business combination not being consummated raises substantial doubt as to Prospect's ability to continue as a going concern and the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Prospect securityholders at the time of the Merger who purchased Prospect units in the IPO and do not properly exercise their conversion rights with respect to their Public Shares may have rescission rights and related claims.

There are several aspects of the Merger and the other matters described in this proxy statement/prospectus which were not described in the prospectus issued by Prospect in connection with its IPO. These include that Prospect may seek to amend the terms of the Warrant Agreement and exchange its

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outstanding Public Warrants for cash proceeds released from the Trust Account. Consequently, Prospect's exchange of a portion of the outstanding Public Warrants for cash might be grounds for a Prospect stockholder, unitholder or warrant holder who purchased Prospect units, shares or Public Warrants in the IPO, excluding the founders, and who still holds their Prospect units at the time of the Merger, or an IPO Purchaser, without seeking to convert their Public Shares into a pro rata portion of the Trust Account to seek rescission of their purchase of the Prospect units (or shares or Public Warrants) that such Prospect stockholder acquired in the IPO. A successful IPO Purchaser claimant for damages under federal or state law could be awarded an amount to compensate for the decrease in value of such securityholder's securities caused by the alleged violation (including, possibly, punitive damages), together with interest, while retaining the securities.

Risks If the Stockholder Adjournment Proposal Is Not Approved

If the Stockholder Adjournment Proposal is not approved, and an insufficient number of votes is obtained to authorize the consummation of the Merger, Prospect's board of directors will not have the ability to adjourn the special meeting of Prospect stockholders to a later date in order to solicit further votes, and, therefore, the Merger will not be approved and Prospect will be required to liquidate.

Prospect's board of directors is seeking approval to adjourn the special meeting of Prospect stockholders to a later date or dates if, at the special meeting of Prospect stockholders, based upon the tabulated votes, there are insufficient votes to approve the consummation of the Merger. If the Stockholder Adjournment Proposal is not approved, Prospect's board of directors will not have the ability to adjourn the special meeting of Prospect stockholders to a later date and, therefore, will not have more time to solicit additional votes to approve the consummation of the Merger. In such event, the Merger would not be completed and Prospect will be required to liquidate if Prospect does not consummate a business combination by November 14, 2009.

Risks If the Warrantholder Adjournment Proposal Is Not Approved

If the Warrantholder Adjournment Proposal is not approved, and an insufficient number of votes is obtained to approve the Warrant Amendment Proposal, Prospect's board of directors will not have the ability to adjourn the special meeting of Prospect warrant holders to a later date in order to solicit further votes, and, therefore, the Merger will not be approved and Prospect will be required to liquidate.

Prospect's board of directors is seeking approval to adjourn the special meeting of Prospect warrant holders to a later date or dates if, at the special meeting of Prospect warrant holders, based upon the tabulated votes, there are insufficient votes to approve the Warrant Amendment Proposal. If the Warrantholders Adjournment Proposal is not approved, Prospect's board of directors will not have the ability to adjourn the special meeting of Prospect warrant holders to a later date and, therefore, will not have more time to solicit additional votes to approve the Warrant Amendment Proposal. In such event, the Merger would not be completed and Prospect will be required to liquidate if Prospect does not consummate a business combination by November 14, 2009.

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**SPECIAL MEETING OF PROSPECT WARRANTHOLDERS AND
SPECIAL MEETING OF PROSPECT STOCKHOLDERS**

General

Prospect is furnishing this proxy statement/prospectus to its warrantholders and stockholders as part of the solicitation of proxies by its board of directors for use at the special meeting of Prospect warrantholders and the special meeting of Prospect stockholders to be held on _____, 2009 and at any adjournment or postponement thereof. This proxy statement/prospectus is first being furnished to Prospect warrantholders and stockholders on or about _____, 2009. This proxy statement/prospectus provides you with information you need to know to be able to vote or instruct your vote to be cast at the special meeting of Prospect warrantholders and special meeting of Prospect stockholders, as applicable.

Date, Time and Place

The special meeting of Prospect warrantholders will be held on _____, 2009, at 8:30 a.m. Eastern time, at 9130 Galleria Court, Suite 318, Naples, Florida 34109, or such other date, time and place to which such meeting may be adjourned or postponed. The special meeting of Prospect stockholders will be held immediately following the special meeting of Prospect warrantholders at 8:30 a.m., Eastern time, at 9130 Galleria Court, Suite 318, Naples, Florida 34109, or such other date, time and place to which such meeting may be adjourned or postponed.

Purpose of Special Meeting of Prospect Warrantholders

At the special meeting of Prospect warrantholders, Prospect is asking holders of its warrants to:

consider and vote upon a proposal to amend the Warrant Agreement that governs the terms of Prospect's Warrants in connection of Prospect's consummation of the Merger, which we refer to as the Warrant Amendment. The Warrant Amendment would allow (1) Prospect warrantholders to elect to receive upon the closing of the Merger, for each Public Warrant, either (i) \$0.55 in cash or (ii) an amended and restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described in this proxy statement/prospectus and (2) amend and restate the terms of the Sponsors Warrants purchased by each of Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities associated with Patrick J. Landers, a director and President of Prospect, and CMS Platinum Fund, L.P. (formerly Capital Management Systems Inc.), an entity affiliated with William Landman, one of Prospect's directors, in connection with Prospect's initial public offering, to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013. If the Merger is consummated, any warrantholder who votes against the approval of the Warrant Amendment Proposal or who makes no election will receive the Cash Amount in exchange for each of its Public Warrants; and

consider and vote upon a proposal to adjourn the special meeting of Prospect warrantholders to a later date or dates, if necessary, to permit further solicitation and vote of proxies, if based upon the tabulated vote at the time of the special meeting, there are not sufficient votes to approve the Warrant Amendment Proposal.

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Purpose of Special Meeting of Prospect Stockholders

At the special meeting of Prospect stockholders, Prospect is asking holders of its common stock to:

consider and vote upon a proposal to adopt and approve the Merger and the Merger Agreement;

consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to: (i) change its name from "Prospect Acquisition Corp." to "Kennedy-Wilson Holdings, Inc.;" (ii) increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000; (iii) provide for Prospect's perpetual existence; (iv) delete the current Article Sixth, as such provisions will no longer be applicable to Prospect after the Merger, and replace it with a new Article Sixth; and (v) make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial;

consider and vote upon a proposal to approve the adoption of the 2009 Plan;

consider and vote upon a proposal to elect seven directors to Prospect's board of directors effective immediately following and contingent upon the closing of the Merger, of whom two will serve until the annual meeting of Prospect stockholders to be held in 2010, two will serve until the annual meeting of Prospect stockholders to be held in 2011 and three will serve until the annual meeting of Prospect stockholders to be held in 2012 and, in each case, until their successors are elected and qualified; and

consider and vote upon a proposal to adjourn the special meeting of Prospect stockholders to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event that, based upon the tabulated votes at the time of the special meeting of Prospect stockholders, Prospect would not have been authorized to consummate the Merger.

Recommendation of Prospect Board of Directors

After careful consideration of each of the proposals for the special meeting of warrant holders, Prospect's board of directors has determined that each of the Warrant Amendment Proposal and the Warrantholder Adjournment Proposal is fair to, and in the best interests of, Prospect and Prospect warrantholders and recommends that Prospect warrantholders vote "FOR" the Warrant Amendment Proposal and "FOR" the Warrantholder Adjournment Proposal.

After careful consideration of each of the proposals for the special meeting of stockholders, Prospect's board of directors has determined that each of the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal, the Director Election Proposal and the Stockholder Adjournment Proposal is fair to, and in the best interests of, Prospect and Prospect stockholders and recommends that Prospect stockholders vote "FOR" the Merger Proposal, "FOR" the Charter Amendment Proposal, "FOR" the Equity Participation Plan Proposal, "FOR" the Director Election Proposal and "FOR" the Stockholder Adjournment Proposal.

Record Date; Who is Entitled to Vote

Prospect has fixed the close of business on _____, 2009, as the record date for determining the Prospect warrantholders and the Prospect stockholders entitled to notice of and to attend and vote at the special meeting of Prospect warrantholders and the special meeting of Prospect stockholders, respectively. As of the close of business on _____, 2009, there were 30,250,000 Prospect warrants outstanding and entitled to vote, of which 25,000,000 are Public Warrants. Each Prospect warrant is entitled to one vote for each share of Prospect common stock issuable upon exercise of the warrants at the special meeting of Prospect warrantholders. As of the close of business on _____, 2009, there were 31,250,000 shares of Prospect common stock outstanding and entitled

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to vote, of which 25,000,000 are Public Shares. Each share of Prospect common stock is entitled to one vote per share at the special meeting of Prospect stockholders.

Quorum

A quorum of Prospect stockholders and a quorum of Prospect warrant holders are necessary to hold valid special meetings. The presence, in person or by proxy, of a majority of all the outstanding shares of common stock entitled to vote constitutes a quorum at the special meeting of Prospect stockholders. Abstentions and broker non-votes, as defined below, will count as present for purposes of establishing a quorum.

The presence, in person or by proxy, of a majority of all the outstanding shares of common stock underlying the warrants entitled to vote constitutes a quorum at the special meeting of Prospect warrant holders. Abstentions and broker non-votes will count as present for purposes of establishing a quorum.

Abstentions and Broker Non-Votes

Under the rules of various national and regional securities exchanges, your broker, bank or nominee cannot vote your shares or warrants with respect to non-discretionary matters unless you provide instructions on how to vote in accordance with the information and procedures provided to you by your broker, bank or nominee. Proxies that are marked "abstain" and proxies relating to "street name" shares that are returned to Prospect, but marked by brokers as "not voted" will be treated as shares present for purposes of determining the presence of a quorum on all matters. The latter will not be treated as shares entitled to vote on the matter as to which authority to vote is withheld from the broker. Prospect believes that all proposals presented to the stockholders at the special meeting of Prospect stockholders, with the exception of the Director Election Proposal, and all proposals presented to the warrant holders at the special meeting of Prospect warrant holders, will be considered non-discretionary and therefore your broker, bank or nominee cannot vote your shares or warrants without your instruction. If you do not provide instructions with your proxy, your bank, broker or nominee may deliver a proxy card expressly indicating that it is NOT voting your shares; this indication that a bank, broker or nominee is not voting your shares is referred to as a "broker non-vote." Broker non-votes will be counted for the purpose of determining the existence of a quorum at the special meetings of stockholders and warrant holders, as applicable, but will not count for purposes of determining the number of votes cast at the special meetings, and your broker may not vote your shares or warrants on the proposals. Your bank, broker or nominee can vote your shares or warrants only if you provide instructions on how to vote. You should instruct your broker to vote your shares or warrants in accordance with directions you provide. Since a stockholder must affirmatively vote "AGAINST" the Merger Proposal to have conversion rights, individuals who fail to vote or who abstain from voting may not exercise their conversion rights. See the information set forth in "*Special Meeting of Prospect Warrant holders and Special Meeting of Prospect Stockholders Conversion Rights*" for additional information.

Abstentions, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal, and the Stockholder Adjournment Proposal, if the latter is presented. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the Charter Amendment Proposal. Abstentions, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the Warrant Amendment Proposal and the Warrant holder Adjournment Proposal, if the latter is presented. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the Warrant Amendment Proposal.

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Vote of Prospect's Stockholders Required

The Merger Proposal will require the affirmative vote of a majority of the issued and outstanding Public Shares represented at the special meeting of Prospect stockholders in person or by proxy and entitled to vote thereon as of the record date. There are 31,250,000 shares of Prospect common stock outstanding as of the record date for the special meeting of Prospect stockholders, of which 25,000,000 are Public Shares. The Merger will not be consummated if the holders of 30% or more of the Public Shares (7,500,000 shares or more) properly demand conversion of their Public Shares into cash. Abstentions will have the same effect as a vote "AGAINST" this proposal.

The Charter Amendment Proposal will require the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock entitled to vote thereon as of the record date. Abstentions and broker non-votes will have the same effect as a vote "AGAINST" this proposal.

Directors are elected by a plurality of all votes cast in person or by proxy at the special meeting of Prospect stockholders and entitled to vote thereon as of the record date. "Plurality" means that the individuals who receive the largest number of votes cast "FOR" are elected as directors.

The approval of the Equity Participation Plan Proposal and the Stockholder Adjournment Proposal, if presented, will require the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock represented at the special meeting of Prospect stockholders in person or by proxy and entitled to vote thereon as of the record date. Abstentions will have the same effect as a vote "AGAINST" either proposal.

Vote of Prospect's Warrantholders Required

Approval of the Warrant Amendment Proposal will require the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants affected by the Warrant Amendment and entitled to vote thereon as of the record date. Abstentions and broker non-votes will have the same effect as a vote "AGAINST" this proposal.

Approval of the Warrantholder Adjournment Proposal will require the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants represented in person or by proxy at the special meeting of Prospect warrantholders and entitled to vote thereon as of the record date. Abstentions will have the same effect as a vote "AGAINST" this proposal.

Voting Your Warrants or Shares

Each Prospect warrant or share of Prospect common stock that you own in your name entitles you to one vote on the applicable proposals. Your proxy card shows the number of shares of Prospect common stock or Prospect warrants that you own. If your shares or warrants are held in "street name" or are in a margin or similar account, you should contact your broker, bank or nominee to ensure that votes related to the shares or warrants you beneficially own are properly counted.

There are two ways to vote your shares of Prospect common stock and Prospect warrants:

You Can Vote By Signing and Returning the Enclosed Proxy Card. If you vote by proxy card, your "proxy," whose name is listed on the proxy card, will vote your shares or warrants as you instruct on the applicable proxy card. If you sign and return the proxy card, but do not give instructions on how to vote your warrants, your warrants will be voted as recommended by Prospect's board, "FOR" the Warrant Amendment Proposal and "FOR" the Warrant Adjournment Proposal. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted as recommended by Prospect's board "FOR" the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal,

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the persons nominated by Prospect's management for election as directors and, if necessary, the Stockholder Adjournment Proposal. Votes received after a matter has been voted upon at the special meeting of Prospect stockholders will not be counted.

You Can Attend the Special Meeting of Prospect Stockholders and the Special Meeting of Prospect Warrantholders and Vote in Person. Prospect will give you a ballot when you arrive. However, if your shares or warrants are held in the name of your broker, bank or nominee, you must get a proxy from the broker, bank or nominee. That is the only way Prospect can be sure that the broker, bank or nominee has not already voted your shares or warrants.

IF YOU RETURN YOUR PROXY CARD WITHOUT AN INDICATION OF HOW YOU WISH TO VOTE, YOUR SHARES WILL BE VOTED IN FAVOR OF EACH OF THE STOCKHOLDER PROPOSALS AND YOU WILL NOT BE ELIGIBLE TO HAVE YOUR SHARES CONVERTED INTO A PRO RATA PORTION OF THE TRUST ACCOUNT IN WHICH A SUBSTANTIAL PORTION OF THE NET PROCEEDS OF PROSPECT'S INITIAL PUBLIC OFFERING ARE HELD. IN ORDER TO PROPERLY EXERCISE YOUR CONVERSION RIGHTS, YOU MUST (I) AFFIRMATIVELY VOTE AGAINST THE MERGER PROPOSAL BY PROXY OR IN PERSON AT THE SPECIAL MEETING OF PROSPECT STOCKHOLDERS, (II) PRESENT WRITTEN INSTRUCTIONS TO PROSPECT'S TRANSFER AGENT NO LATER THAN ONE BUSINESS DAY PRIOR TO THE VOTE ON THE MERGER PROPOSAL STATING THAT YOU WISH TO CONVERT YOUR SHARES INTO CASH AND THAT YOU WILL CONTINUE TO HOLD YOUR SHARES THROUGH THE CLOSING DATE OF THE MERGER, (III) CONTINUE TO HOLD YOUR SHARES THROUGH THE CLOSING DATE OF THE MERGER AND (IV) TENDER YOUR SHARES TO PROSPECT'S TRANSFER AGENT WITHIN THE PERIOD SPECIFIED IN A NOTICE YOU WILL RECEIVE FROM OR ON BEHALF OF PROSPECT, WHICH PERIOD WILL NOT BE LESS THAN 20 DAYS. YOU MAY TENDER YOUR SHARES BY EITHER DELIVERING YOUR STOCK CERTIFICATE TO THE TRANSFER AGENT OR BY DELIVERING YOUR SHARES ELECTRONICALLY USING THE DEPOSITORY TRUST COMPANY'S DWAC (DEPOSIT/WITHDRAWAL AT CUSTODIAN) SYSTEM. IF THE MERGER IS NOT COMPLETED, THEN THESE SHARES WILL NOT BE CONVERTED INTO CASH. IF YOU HOLD THE SHARES IN STREET NAME, YOU WILL NEED TO INSTRUCT THE ACCOUNT EXECUTIVE AT YOUR BANK, BROKER OR NOMINEE TO WITHDRAW THE SHARES FROM YOUR ACCOUNT IN ORDER TO EXERCISE YOUR CONVERSION RIGHTS. SEE "*SPECIAL MEETING OF PROSPECT WARRANTHOLDERS AND SPECIAL MEETING OF PROSPECT STOCKHOLDERS CONVERSION RIGHTS*" FOR MORE SPECIFIC INSTRUCTIONS.

Revoking Your Proxy

If you give a proxy, you may revoke it at any time before it is exercised by doing any one of the following:

you may send another proxy card with a later date;

you may notify James J. Cahill, Prospect's secretary, in writing before the special meeting of Prospect stockholders that you wish to revoke your proxy; or

you may attend the special meeting of Prospect stockholders, revoke your proxy, and vote in person, as indicated above.

Who Can Answer Your Questions About Voting Your Warrants or Shares

If you have any questions about how to vote or direct a vote in respect of your warrants or shares, you may call James J. Cahill, Prospect's secretary, at (239) 254-4481.

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No Additional Matters May Be Presented at the Special Meetings

The special meeting of Prospect warrantholders has been called only to consider the approval of the Warrant Amendment Proposal and the Warrantholder Adjournment Proposal, if necessary. The special meeting of Prospect stockholders has been called only to consider the Merger Proposal, the Charter Amendment Proposal, the Equity Participation Plan Proposal, the Director Election Proposal and the Stockholder Adjournment Proposal, if necessary. Under Prospect's bylaws, other than procedural matters incident to the conduct of the meetings, no other matters may be considered at either special meeting if they are not included in the notice of the applicable special meeting.

Conversion Rights

Stockholders holding Public Shares as of the record date of the special meeting of Prospect stockholders who affirmatively vote their Public Shares against the Merger Proposal may also demand that Prospect convert such shares into a pro rata portion of the Trust Account, calculated as of two business days prior to the consummation of the Merger. If demand is properly made and the Merger is consummated, Prospect will convert these shares into a pro rata portion of the funds in the Trust Account plus interest, calculated as of such date.

If you are a holder of Public Shares and wish to exercise your conversion rights, you must (i) affirmatively vote against the Merger Proposal by proxy or in person at the special meeting of Prospect stockholders (abstentions and broker non-votes do not satisfy this requirement), (ii) present written instructions to Prospect's transfer agent no later than one business day prior to the vote on the Merger Proposal stating that you wish to convert your shares into cash and that you will continue to hold your shares through the closing date of the Merger, (iii) continue to hold your shares through the closing date of the Merger, and (iv) tender your shares to Prospect's transfer agent within the period specified in a notice you will receive from or on behalf of Prospect, which period will not be less than 20 days. You may tender your shares by either delivering your stock certificate to the transfer agent or by delivering your shares electronically using the Depository Trust Company's DWAC (Deposit/Withdrawal At Custodian) System. If you hold the shares in street name, you will have to coordinate with your broker to have your shares certificated or delivered electronically. Certificates that have not been tendered (either physically or electronically) in accordance with these procedures will not be converted into cash.

You may exercise your conversion rights either by checking the box on the proxy card or by submitting your request in writing to Prospect's secretary at its principal executive office, 9130 Galleria Court, Suite 318, Naples, Florida. If you (i) initially vote for the Merger Proposal but then wish to vote against it and exercise your conversion rights or (ii) initially vote against the Merger Proposal and wish to exercise your conversion rights but do not check the box on the proxy card providing for the exercise of your conversion rights or do not send a written request to Prospect to exercise your conversion rights or (iii) initially vote against the Merger, but later wish to vote for it, you may request that Prospect send you another proxy card on which you may indicate your intended vote. You may make such request by contacting Prospect at its address at 9130 Galleria Court, Suite 318, Naples, Florida 34109, or by telephone at (239) 254-4481.

Any corrected or changed proxy card or written demand of conversion rights must be received by Prospect's secretary no later than the business day prior to the special meeting of Prospect stockholders.

If, notwithstanding your negative vote, the Merger is completed, then, if you have also properly exercised your conversion rights, you will be entitled to receive a pro rata portion of the Trust Account, including any interest earned thereon, calculated as of two business days prior to the date of the consummation of the Merger. As of _____, 2009 (the record date for the special meeting of Prospect stockholders), there was approximately \$ _____ in the Trust Account, or approximately

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\$_____ per Public Share. If you exercise your conversion rights, then you will be exchanging your shares of Prospect common stock for cash and will no longer own these shares.

Exercise of your conversion rights does not result in either the exercise or loss of any Prospect warrants that you may hold. Your warrants will continue to be outstanding following a conversion of your common stock and will become exercisable upon consummation of the Merger, in accordance with the terms of the Warrant Amendment. A registration statement must be in effect to allow you to exercise any warrants you may hold or to allow Prospect to call the warrants for redemption if the redemption conditions are satisfied. If the Merger is not consummated and Prospect does not consummate an acquisition by November 14, 2009, the warrants will not become exercisable and will be worthless.

Prior to exercising conversion rights, stockholders should verify the market price of Prospect common stock as they may receive higher proceeds from the sale of their common stock in the public market than from exercising their conversion rights if the market price per share is higher than the conversion price. Prospect cannot assure its stockholders that they will be able to sell their shares of Prospect common stock in the open market, even if the market price per share is higher than the conversion price stated above, as there may not be sufficient liquidity in Prospect securities when Prospect stockholders wish to sell their shares.

If the holders of at least 7,500,000 or more Public Shares (an amount equal to 30% or more of the Public Shares), vote against the Merger Proposal and properly demand conversion of their shares, Prospect will not be able to consummate the Merger. If the Merger is not completed, then these shares will not be converted into cash. Any action that does not include an affirmative vote against the Merger will prevent you from exercising your conversion rights. Your vote on any proposal other than the Merger Proposal will have no impact on your right to seek conversion.

Appraisal Rights

Prospect stockholders do not have appraisal rights in connection with the Merger under the DGCL.

Kennedy-Wilson Holders who do not vote in favor of adopting the Merger, and who otherwise comply with the applicable provisions of Section 262 will be entitled to exercise appraisal rights under Section 262. Any shares held by a Kennedy-Wilson Holder who has not voted in favor of the Merger and who has demanded appraisal for such shares in accordance with the DGCL will not be converted into a right to receive the Merger consideration, unless such Kennedy-Wilson Holder fails to perfect, withdraws or otherwise loses such Kennedy-Wilson Holder's right to appraisal under the DGCL. If, after the consummation of the Merger, such Kennedy-Wilson Holder fails to perfect, withdraws or otherwise loses such Kennedy-Wilson Holder's right to appraisal, each such share will be treated as if it had been converted as of the consummation of the Merger into a right to receive the Merger consideration. Under the Merger Agreement, if more than 10% of the outstanding shares of Kennedy-Wilson common stock or 10% of the outstanding shares of Kennedy-Wilson preferred stock exercise appraisal rights, Prospect is not required to effect the Merger. Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Code solely in exchange for Prospect common stock. See the section entitled "*Appraisal Rights*" for additional information.

Kennedy-Wilson's holders of common stock may also have appraisal rights under Chapter 13 of the CGCL. Any stockholder who does not vote in favor of the Merger and remains a holder of Kennedy-Wilson common stock at the effective time of the Merger may, by complying with the procedures set forth in Chapter 13 of the CGCL and sending Kennedy-Wilson a written demand for appraisal before

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the vote is taken by Kennedy-Wilson stockholders on the Merger Agreement, be entitled to seek appraisal of the fair value of their shares as determined by the proper California superior court. These dissenters' rights are contingent upon consummation of the Merger.

See the section entitled "*Appraisal Rights*" for additional information.

Proxy Solicitation Costs

Prospect is soliciting proxies on behalf of its board of directors and will pay the cost of this proxy solicitation. This solicitation is being made by mail, but also may be made by telephone or in person. Prospect and its directors, officers and employees may also solicit proxies in person, by telephone or by other electronic means.

Prospect will ask banks, brokers and other institutions, nominees and fiduciaries to forward proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. Prospect will reimburse them for their reasonable expenses.

Prospect Founders

As of _____, 2009, the record date, the Prospect founders beneficially owned and were entitled to vote 6,250,000 founders shares. The founders shares issued to the Prospect founders constituted approximately 20% of the outstanding shares of Prospect common stock immediately after the IPO. In connection with the IPO, Prospect and Citigroup entered into agreements with each of the Prospect founders (including its officers and directors) pursuant to which each Prospect founder agreed to (i) vote his or its founders shares on the Merger Proposal in accordance with the majority of the votes cast by the holders of Public Shares and (ii) waive any right to receive a liquidation distribution with respect to the founders shares in the event Prospect fails to consummate an initial business combination. The Prospect founders (including its officers and directors) have also indicated that they intend to vote their founders shares in favor of all other proposals being presented at the special meeting of Prospect stockholders. The founders shares have no liquidation rights and will be worthless if no business combination is effected by Prospect. In connection with the IPO, the Prospect founders entered into agreements with Citigroup restricting the sale of their founders shares until one year after the date of the completion of the initial business combination or earlier if, subsequent to the initial business combination, (i) the closing price of Prospect's common stock equals or exceeds \$14.50 per share for any 20 trading days within any 30 trading day period or (ii) Prospect consummates a subsequent liquidation, merger, stock exchange or other similar transaction which results in all of Prospect's stockholders having the right to exchange their shares of common stock for cash, securities or other property; provided, however, that transfers can be made to permitted transferees who agree in writing to be bound by the same restrictions, agree to vote in the same manner as a majority of the holders of Public Shares who vote at the special or annual meeting called for the purpose of approving Prospect's initial business combination and waive any rights to participate in any liquidation distribution if Prospect fails to consummate its initial business combination. For so long as the founders shares are subject to such transfer restrictions they will be held in an escrow account maintained by Continental Stock Transfer & Trust Company. Immediately prior to and subject to consummation of the Merger, 2,575,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

In addition, at any time prior to the special meeting of Prospect stockholders and special meeting of Prospect warrant holders, during a period when they are not then aware of any material nonpublic information regarding Prospect or its securities, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates may purchase shares or Public Warrants from institutional and other investors, or execute agreements to purchase such shares of common stock or Public Warrants from them in the future, or they may enter into transactions with such persons and

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others to provide them with incentives to acquire shares of Prospect common stock or Public Warrants or vote their shares of common stock or Public Warrants in favor of the Merger Proposal and the Warrant Amendment Proposal, as applicable. The purpose of such Public Warrant purchases and other transactions would be to increase the likelihood that holders of a majority of shares underlying the warrants is present and voting at the special meeting of Prospect warrantholders. The purpose of such share purchases and other transactions would be to increase the likelihood of satisfaction of the requirements that the holders of a majority of the Public Shares present in person or by proxy and eligible to vote at the special meeting of Prospect stockholders vote in favor of, and that holders of fewer than 30% of the Public Shares vote against, the Merger Proposal and demand conversion of their Public Shares into cash where it appears that such requirements would otherwise not be met.

While the exact nature of any incentives that would be provided by the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates has not been determined as of the date of this proxy statement/prospectus, they might include, without limitation, arrangements to protect such investors or holders against potential loss in value of their shares or Public Warrants, including the granting of put options and the transfer to such investors or holders of shares of common stock or Public Warrants owned by the Prospect founders for nominal value. Prospect will not enter into any such arrangement, either prior to or after the consummation of the Merger, and no funds in its Trust Account will be used to make such purchases or to fund other such arrangements. Entering into any such arrangements may have a depressive effect on Prospect's common stock.

If such transactions are effected, the consequence could be to cause the Merger Proposal or the Warrant Amendment Proposal to be approved in circumstances where such approval could not otherwise be obtained. Purchases of shares of common stock or Public Warrants by the persons described above would allow them to exert more influence over the approval of the Merger Proposal or the Warrant Amendment Proposal and other proposals and would likely increase the chances that such proposals would be approved. Moreover, any such purchases may make it less likely that the holders of 30% or more of the Public Shares will vote against the Merger Proposal and exercise their conversion shares.

As of the date of this proxy statement/prospectus, there have been no such discussions with respect to any such transaction and no agreements to such effect have been entered into with any such investor or holder. Prospect will file a Current Report on Form 8-K to disclose any arrangements entered into or significant purchases made by any of the aforementioned persons that would affect the vote on the Merger Proposal, the Warrant Amendment Proposal, the Charter Amendment Proposal or the conversion threshold.

Outstanding Public Warrants

The closing price as reported by AMEX of Prospect Public Warrants on _____, 2009 (the record date for the special meeting of Prospect warrantholders) was \$_____. Prior to voting on the Warrant Amendment Proposal, holders of Public Warrants should verify the market price of the Prospect Public Warrants as they may receive higher proceeds from the sale of their Public Warrants in the public market than from Prospect's exchange of the Public Warrants for cash in connection with the Merger if the market price per warrant is higher than the Cash Exchange price of \$0.55 per warrant. Prospect cannot assure its holders of Public Warrants that they will be able to sell their Public Warrants in the open market, even if the market price per warrant is higher than the exchange price stated above, as there may not be sufficient liquidity in Prospect's securities when holders of Public Warrants wish to sell their Public Warrants. Based on the closing market price of \$0.28 per Public Warrant on September 8, 2009, the last trading day prior to the announcement of the Merger Agreement, the Public Warrants had an aggregate value of \$7,000,000. Based on the closing market price of \$_____ per Public Warrant on _____, 2009 (the record date), the Public Warrants had an aggregate value of \$_____.

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If you elect to participate in the Cash Exchange, you will be exchanging your Public Warrants for cash and will no longer own those warrants. You will be entitled to receive cash for these Public Warrants only if you deliver your warrant certificate (either physically or electronically) to Prospect's transfer agent in accordance with the procedures outlined in the section entitled "*The Warrant Amendment Proposal*." Additionally, if you select the Warrant Exchange, you will be exchanging your Public Warrants for the Amended and Restated Public Warrants and must exchange your Public Warrants in accordance with the procedures outlined in the section entitled "*The Warrant Amendment Proposal*."

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THE WARRANT AMENDMENT PROPOSAL

Purpose of the Warrant Amendment

In connection with the proposed Merger, Prospect is proposing an amendment to the Warrant Agreement governing all of the Prospect warrants, which we refer to as the Warrant Amendment, in order to, among other things, (1) allow each Prospect warrant holder to elect to receive upon the closing of the Merger, for each Public Warrant held by such holder, either (i) the Cash Amount of \$0.55, or (ii) an Amended and Restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013, subject to adjustment and proration as described below and (2) provide that the terms of the Sponsors Warrants be amended and restated to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013. If the Merger is consummated, any holder of Public Warrants who votes against the approval of the Warrant Amendment Proposal or who makes no election will receive the Cash Amount in exchange for its Public Warrants. We refer to the elections by Prospect warrant holders to receive the Cash Amount or the Amended and Restated Public Warrants as the Warrant Election. We further refer to the exchange of Public Warrants for the Cash Amount as the Cash Exchange and the exchange of Public Warrants for the Amended and Restated Public Warrants and the amendment of the Sponsor Warrants as the Warrant Exchange.

Prospect will exchange up to fifty percent (or 12,500,000) of the Public Warrants outstanding immediately prior to the consummation of the Merger for Amended and Restated Public Warrants, which we refer to as the "Warrant Limit." If Prospect warrant holders elect to receive in the aggregate more Amended and Restated Public Warrants than the Warrant Limit, the total Amended and Restated Public Warrants exchanged will be apportioned among the Prospect warrant holders who make a Warrant Election by multiplying the number of Amended and Restated Public Warrants evidenced by a specific Warrant Election by a fraction (x) the numerator of which is the Warrant Limit and (y) the denominator of which is the aggregate number of Amended and Restated Public Warrants evidenced by all Warrant Elections. Further, Public Warrants for which Prospect warrant holders make no election will be converted into the right to receive the Cash Exchange. There is no limit on the number of Public Warrants that may be exchanged for cash. In the event that the Warrant Amendment Proposal is approved, Prospect warrant holders who voted against the Warrant Amendment Proposal will receive the Cash Amount.

The terms of the Amended and Restated Public Warrants will be substantially similar to the terms of the Public Warrants, except that the Amended and Restated Public Warrants:

will have an exercise price of \$12.50;

will be redeemable by Prospect in whole or in part at a price of \$0.01 per warrant if the sales price of Prospect common stock equals or exceeds \$19.50 per share for any 20 trading days within a 30 day trading period; and

will expire on November 14, 2013.

The terms of the Amended and Restated Sponsors Warrants will be substantially similar to the terms of the Sponsors Warrants, except that the Amended and Restated Sponsors Warrants:

will have an exercise price of \$12.50;

will be redeemable by Prospect in whole or part at a price of \$0.01 per warrant if the sales price of Prospect common stock equals or exceeds \$19.50 per share for any 20 trading days within a 30 trading day period; and

will expire on November 14, 2013.

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Pursuant to Section 18 of the Warrant Agreement, Prospect and its Warrant Agent (as therein defined) may amend any provision of the Warrant Agreement with the consent of the holders of Prospect warrants exercisable for a majority in interest of the shares of Prospect common stock issuable upon exercise of all outstanding Prospect warrants that would be affected by such amendment. Approval of the Warrant Amendment Proposal requires the affirmative vote of the holders of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants as of the record date for the special meeting of Prospect warrant holders. The approval of the Warrant Amendment Proposal is a condition to the consummation of the Merger. If the Prospect warrant holders approve the Warrant Amendment Proposal, then the Warrant Agreement will be amended and the holders of Public Warrants will be permitted to receive the Cash Amount or an Amended and Restated Public Warrant upon consummation of the Merger.

Prospect believes the Cash Exchange and Warrant Exchange will provide benefits to Prospect and its warrant holders, including the following:

Prospect believes that the Cash Exchange is an important step in the consummation of the Merger because the reduction of Public Warrants in Prospect's capital structure following the consummation of the Merger will decrease potential dilution and increase attractiveness to future investors; and

The closing price of Prospect Public Warrants on _____, 2009 (the record date) was \$_____. The Cash Amount of \$0.55 per warrant is a significant premium to the market price of \$0.28 on September 8, 2009 for the Public Warrants. Prospect's board of directors believes the Cash Amount is fair to Prospect warrant holders.

In the event the Warrant Amendment Proposal is not approved, the Merger Proposal will not be presented to Prospect stockholders for a vote. If the Merger is not consummated and Prospect does not consummate another business combination by November 14, 2009, Prospect will be required to liquidate and all Prospect warrants will expire and become worthless.

United States Holders of Public Warrants should note that they will recognize gain or loss for United States federal income tax purposes if the Warrant Amendment Proposal is approved and the Cash Exchange is consummated, while United States Holders of Public Warrants who elect the Warrant Exchange, and United States Holders of Sponsor Warrants, should not recognize any gain or loss with respect to the Warrant Exchange. For a discussion of the United States federal income tax consequences of the Warrant Election for United States Holders of Public Warrants and Sponsor Warrants, please see the sections entitled "*The Merger Proposal Material United States Federal Income Tax Consequences Tax Consequences of the Warrant Amendment to United States Holders of Prospect Warrants*" for additional information.

Certain Effects of the Cash Exchange

A minimum of \$6,875,000 will be required to purchase Public Warrants in the Cash Exchange, plus an estimate of approximately \$12,000 of related fees and expenses. The Cash Exchange will be funded from the funds released to Prospect from the Trust Account in connection with the consummation of the Merger.

Warrant Election/Exchange Procedures

Continental Stock Transfer & Trust Company (the "Exchange Agent") has been appointed by Prospect to receive elections ("Elections") by holders of Public Warrants to receive either the Cash Amount or the Amended and Restated Public Warrants, and to act as exchange agent with respect to the Merger. Prospect will prepare a form of election, pursuant to which each holder of Public Warrants may make its Election. An Election will have been properly made only if a properly completed and

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signed form of election, accompanied by the Public Warrant certificate or certificates to which such form of election relates (if any), (i) is received by the Exchange Agent prior to the date and time of the special meeting of Prospect warrant holders (the "Election Date") or (ii) is delivered to the Exchange Agent at the special meeting of Prospect warrant holders.

Any Public Warrant holder may at any time prior to the Election Date change such holder's election if the Exchange Agent receives (i) prior to the Election Date written notice of such change accompanied by a new properly completed form of election or (ii) at the special meeting of Prospect warrant holders a new, properly completed form of election. Prospect will have the right in its sole discretion to permit changes in Elections after the Election Date.

In connection with the above procedures, (i) the holders of warrant certificates evidencing Public Warrants will surrender such certificates to the Exchange Agent, (ii) upon surrender of a warrant certificate the holder thereof will be entitled to receive the Cash Amount or an Amended and Restated Public Warrant, as applicable, and (iii) the warrant certificates surrendered will be canceled. The Cash Amount is substantially less than the market price of the shares of Prospect common stock issuable upon exercise of the Public Warrants, but the Cash Amount is substantially more than the price that could be obtained upon the sale of Public Warrants in the open market. See the section entitled "*Price Range of Securities and Dividends*" herein for information on the historical market prices for Prospect Public Warrants and Prospect common stock on AMEX.

To physically surrender Public Warrants for exchange, holders should deliver certificates representing their Public Warrants to the Exchange Agent, at the following address:

Mark Zimkind
Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
(212) 845-3287

Recommendation and Required Vote

Approval of the Warrant Amendment Proposal requires the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants affected by the Warrant Amendment and entitled to vote thereon as of the record date. Approval of the Warrant Amendment Proposal is a condition to the Merger and to the presentation of the stockholder proposals at the special meeting of Prospect stockholders.

**PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S WARRANTHOLDERS VOTE
"FOR" THE APPROVAL OF THE WARRANT AMENDMENT PROPOSAL.**

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THE WARRANTHOLDER ADJOURNMENT PROPOSAL

The Warrantholder Adjournment Proposal, if adopted, will allow Prospect's board of directors to adjourn the special meeting of Prospect warrant holders to a later date or dates to permit further solicitation of proxies in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting to approve the Warrant Amendment Proposal. The Warrantholder Adjournment Proposal will only be presented to Prospect warrant holders in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting of Prospect warrant holders to approve the Warrant Amendment Proposal.

Consequences if the Warrantholder Adjournment Proposal is Not Approved

If the Warrantholder Adjournment Proposal is not approved by the warrant holders, Prospect's board of directors may not be able to adjourn the special meeting of Prospect warrant holders to a later date in the event, based on the tabulated votes, there are not sufficient votes at the time of the special meeting to approve the Warrant Amendment Proposal. In such event, the Cash Exchange and the Warrant Exchange would not be approved, the Merger could not be consummated and, unless Prospect were able to consummate another business combination by November 14, 2009, it would be required to dissolve and liquidate and all Prospect warrants would expire worthless.

Recommendation and Required Vote

Adoption of the Warrantholder Adjournment Proposal requires the affirmative vote of a majority in interest of the shares of Prospect common stock issuable upon exercise of the Prospect warrants represented in person or by proxy at the special meeting of Prospect warrant holders and entitled to vote thereon as of the record date. Adoption of the Warrantholder Adjournment Proposal is not a condition to the adoption of any of the other proposals.

PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S WARRANTHOLDERS VOTE "FOR" THE APPROVAL OF THE WARRANTHOLDER ADJOURNMENT PROPOSAL.

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THE MERGER PROPOSAL

The discussion in this proxy statement/prospectus of the Merger and the principal terms of the Merger Agreement by and among Prospect, Merger Sub and Kennedy-Wilson is subject to, and is qualified in its entirety by reference to, the Merger Agreement. A copy of the Merger Agreement is attached as Annex A to this proxy statement/prospectus and incorporated herein by reference.

Structure of the Merger

The Merger Agreement provides for the merger of Merger Sub with and into Kennedy-Wilson, with Kennedy-Wilson continuing as the surviving corporation and becoming a direct wholly-owned subsidiary of Prospect.

Merger Consideration

Pursuant to the Merger Agreement, in the Merger, the Kennedy-Wilson Holders will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert into the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6412 shares of Prospect common stock), minus any Dissenting Shares.

If a fractional share is required to be issued to a Kennedy-Wilson Holder, Prospect will round up to the nearest whole share in lieu of issuing fractional shares.

Prospect Warrant Amendment

In addition, each outstanding Public Warrant will be exchanged, at the election of each holder of Public Warrants, for either (i) \$0.55 in cash or (ii) an Amended and Restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013; provided that the aggregate number of Amended and Restated Public Warrants issuable upon the closing of the Merger is capped at 50% (or 12,500,000) of the Public Warrants outstanding on the date of the Merger, which we refer to as the "Warrant Limit." If holders of Public Warrants elect to receive in the aggregate more Amended and Restated Public Warrants than the Warrant Limit, the total Amended and Restated Public Warrants exchanged will be apportioned among the holders of Public Warrants who make a Warrant Election by multiplying the number of Amended and Restated Public Warrants evidenced by a specific Warrant Election by a fraction (x) the numerator of which is the Warrant Limit and (y) the denominator of which is the aggregate number of Amended and Restated Public Warrants evidenced by all Warrant Elections. Further, Public Warrants for which holders of Public Warrants make no election will be converted into the right to receive the Cash Exchange. There is, however, no limit on the number of Public Warrants that may be exchanged for cash.

Also, each Sponsor Warrant will be amended and restated to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013.

Forfeiture of Founder Shares

Immediately prior to the Merger, 2,575,000 founder shares held by the founders will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

Management Incentive Shares

To reward and incentivize Kennedy-Wilson's key employees and management after the Merger, up to 4,000,000 shares of Prospect common stock will be reserved for issuance under the 2009 Plan. If the Merger is consummated, certain Kennedy-Wilson officers, directors and key employees will be issued an

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aggregate of 3,740,000 restricted shares of Prospect common stock under the 2009 Plan upon the closing of the Merger as set forth in the table below:

Name of Group	Dollar (\$)	Number of Shares of Restricted Stock
William McMorrow, Chief Executive Officer	\$	900,000
Freeman Lyle, Chief Financial Officer	\$	50,000
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$	900,000
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$	125,000
Robert Hart, President of KW Multi-Family Management Group	\$	125,000
James Rosten, President of Kennedy-Wilson Properties	\$	125,000
All executive officers, as a group	\$	3,495,000
All directors who are not executive officers, as a group	\$	25,000
All employees, including all current officers who are not executive officers, as a group	\$	220,000

In the event that the recipient of the restricted shares remains employed by (or continues to perform services as a director for) the post-Merger company through the relevant vesting date, $\frac{1}{5}$ of the restricted shares will vest on each of the first five anniversaries of the date of issuance, provided that the Performance Target is met as of the September 30 immediately preceding the applicable anniversary date (in the case of the installments vesting on the fourth and fifth anniversary dates, the Performance Target must be met as of the September 30 immediately preceding the third anniversary date). The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger. Notwithstanding the foregoing, in the event the employment with the post-Merger company of an employee who has been granted restricted shares is terminated without cause or if the employee resigns from his employment with the post-Merger company for good reason, the restricted shares will continue to vest on the applicable anniversary dates (subject to the satisfaction of the Performance Target), subject to certain limitations. In addition, in the event of a "Change of Control" as defined in the 2009 Plan (see *"The Equity Participation Plan Proposal Change of Control"*), any unvested restricted shares of Prospect common stock that have not previously been forfeited will become vested, subject to certain limitations. See section *"The Equity Participation Plan Proposal Awards to Particular Officers, Directors and Employees"* for additional information.

Management Bonuses

If the Merger is consummated, William J. McMorrow and Mary Ricks will be potentially entitled to receive certain cash bonus payments of up to \$11.7 million and \$4.0 million, respectively. The cash bonus payments will be payable as follows: (i) Mr. McMorrow and Ms. Ricks will be entitled to receive \$4.85 million and \$2.0 million, respectively, on October 15, 2009, provided, however, that such payments will be repaid to Kennedy-Wilson in the event the Merger is not consummated by November 15, 2009 or the executive is not employed by Kennedy-Wilson on the effective date of the Merger (these employment requirements will not apply, however, in the case of a termination of employment due to death or disability); (ii) Mr. McMorrow and Ms. Ricks will receive "performance unit awards" under the 2009 Plan which will entitle them to receive \$2.425 million and \$1.0 million, respectively, on April 1, 2010, provided that the Performance Target is met as of March 31, 2010 (in the event that the Performance Target is not met as of March 31, 2010, the bonus otherwise due April 1, 2010 shall, nevertheless, be paid on July 1, 2010, October 1, 2010, or January 1, 2011, respectively, if the Performance Target is satisfied as of the earliest of June 30, 2010, September 30, 2010, or December 31, 2010, respectively), and the executive remains employed through the date on which the Performance Target is satisfied; and (iii) Mr. McMorrow and Ms. Ricks will receive additional "performance unit awards" under the 2009 Plan which will entitle them to receive cash

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payments in the amounts of \$4.425 and \$1.0 million, respectively, on January 1, 2011, provided that the Performance Target is met as of December 31, 2010 and he or she, as applicable, remains employed by the post-Merger company through January 1, 2011. Notwithstanding the foregoing, in the event that the Merger is consummated and the employment of Mr. McMorrow or Ms. Ricks is terminated by the post-Merger company without cause or he or she, as applicable, resigns from his or her, as applicable, employment with the post-Merger company for good reason, the payments referred to in clauses (ii) and (iii) above will still be payable on the applicable payment dates if the Performance Target is met. The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger.

Note Forgiveness

On April 10, 2006, William J. McMorrow borrowed \$3,543,127 from Kennedy-Wilson evidenced by a Promissory Note bearing simple interest at a rate of 7.5% per annum and scheduled to mature on April 9, 2011. Mr. McMorrow's employment agreement has been amended to provide that the McMorrow Note will be forgiven if the Merger is consummated.

Amendments to Employment Agreements

In connection with the Merger, Mr. McMorrow and Ms. Ricks have entered into amendments to their employment agreements which provide for, among other things, (i) the removal of certain benefits in the event of a change in control; (ii) the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties; (iii) the grant to each executive of 900,000 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above; (iv) the cash bonus payments set forth above and (v) in the case of Mr. McMorrow, the McMorrow Note forgiveness described above. Mr. Herrema has also entered into an amendment to his employment agreement which provides for the extension of his employment term from December 31, 2010 to January 31, 2014 as well as clauses (ii) (iii) above. In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended (i) to provide for a reduction in the amount of payments or benefits payable or provided to them under their respective employment agreements or otherwise to ensure that no payment or benefit is subject to the excise tax imposed by Section 4999 of the Code (certain golden parachute payments) which reduction may, in certain circumstances, result in the repayment of certain previously paid amounts (plus earnings) to the post-Merger company, and (ii) to achieve compliance with Section 409A of the Code.

Assumption of Guardian Note

In connection with the Merger, Prospect has agreed to assume a convertible subordinated note with a principal amount of \$30 million that was issued to Guardian Life Insurance Company of America ("Guardian") in November 2008 (the "Guardian Note"). The Guardian Note bears interest at a fixed rate of 7%, payable quarterly, and the outstanding principal is due on November 3, 2018. Under the terms of the Merger Agreement, Prospect will assume the Guardian Note and Guardian may convert, in whole or in part, the outstanding principal balance and accrued interest into common stock at a conversion price of \$10.52 per share any time prior to the tenth anniversary of the original issue date. At any time on or after the ninth anniversary of the original issue date of the note and prior to the due date, Prospect (as successor) may demand that Guardian convert the note in accordance with its terms.

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Fractional Shares

No fractional shares of Prospect common stock will be issued in the Merger. In lieu thereof, the number of shares of Prospect common stock to be delivered to each Kennedy-Wilson Holder shall be rounded up to the nearest whole share.

Appraisal Rights

Prospect stockholders do not have appraisal rights in connection with the Merger under the DGCL. Kennedy-Wilson Holders with outstanding common stock and preferred stock immediately prior to the effective time of the Merger who do not vote in favor of adopting the Merger, and who otherwise comply with the applicable provisions of Section 262 will be entitled to exercise appraisal rights under Section 262. Any shares held by such Kennedy-Wilson Holder who demands appraisal for such shares in accordance with the DGCL will not be converted into the right to receive shares of Prospect common stock, unless such Holder fails to perfect, withdraws or otherwise loses such Holder's right to appraisal under the DGCL. If, such Holder fails to perfect, withdraws or otherwise loses such Holder's right to appraisal, each such share will be treated as if it had been converted as of the consummation of the Merger into a right to receive the Prospect common stock. Prospect is not required to effect the Merger in the event that either (i) holders of more than 10% of the outstanding shares of Kennedy-Wilson common stock or (ii) the holders of more than 10% of the outstanding shares of Kennedy-Wilson preferred stock exercise their appraisal rights. Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Code, solely in exchange for Prospect common stock.

Kennedy-Wilson's holders of common stock may also have appraisal rights under Chapter 13 of the CGCL. Any stockholder who does not vote in favor of the Merger and remains a holder of Kennedy-Wilson common stock at the effective time of the Merger may, by complying with the procedures set forth in Chapter 13 of the CGCL and sending Kennedy-Wilson a written demand for appraisal, be entitled to seek appraisal of the fair value of their shares as determined by the proper California superior court. These dissenters' rights are contingent upon consummation of the Merger.

See the section entitled "*Appraisal Rights*" for additional information.

Indemnification of Directors and Officers

Prospect has agreed that the post-Merger company will, for six years from the date of closing the Merger, maintain in effect the provisions in its amended and restated certificate of incorporation and amended and restated bylaws providing for indemnification of its current and former directors and officers with respect to the facts and circumstances occurring at or prior to the Merger to the fullest extent permitted by the DGCL.

Prospect has agreed that the post-Merger company will, for six years from the date of the closing of the Merger, provide each current and former director or officer of Prospect with insurance for acts or omissions occurring prior to the Merger covering each such person on terms not materially less favorable than those currently covered by Prospect's officers' and directors' liability insurance policy; provided that the premium for such coverage shall not exceed \$200,000.

Indemnification

Prospect will indemnify, defend and hold harmless Kennedy-Wilson, including Kennedy-Wilson's successors and permitted assigns, and Kennedy-Wilson will indemnify, defend and hold harmless Prospect, including Prospect's successors and permitted assigns, from and against all liabilities, loss,

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claims, damages, fines, penalties and expenses, including the costs of investigation and defense and reasonable attorneys' fees and court costs, arising from (i) any breach of any representation or warranty made by Prospect or Kennedy-Wilson in the Merger Agreement or in any certificate delivered by Prospect or Kennedy-Wilson pursuant to the Merger Agreement or (ii) any breach by Prospect or Kennedy-Wilson of its covenants or obligations in the Merger Agreement to be performed or complied with by Prospect or Kennedy-Wilson at or prior to Closing. Neither party is entitled to indemnification as so described unless the aggregate amount of damages exceeds \$1,000,000. The aggregate amount of damages for which either party may be liable shall not exceed \$10,000,000 and in any event, the practical benefits of this indemnification are limited since Kennedy-Wilson will be a direct, wholly-owned subsidiary of Prospect.

Name; Headquarters; Stock Symbols

After completion of the Merger:

the name of Prospect will be Kennedy-Wilson Holdings, Inc.;

the corporate headquarters and principal executive offices of the post-Merger company will be located at 9701 Wilshire Blvd., Suite 700, Beverly Hills, CA 90210, which will be Kennedy-Wilson's corporate headquarters as Kennedy-Wilson will be moving its executive officers sometime between October 15, 2009 and November 15, 2009 from its current location at 9601 Wilshire Blvd., Suite 220, Beverly Hills, CA 90210; and

Prospect's common stock, Public Warrants and units are currently quoted on the AMEX under the symbols PAX, PAX.WS and PAX.U, respectively. Prospect intends to apply for re-listing on AMEX upon the consummation of the Merger. If Prospect's securities are re-listed on AMEX, its common stock, Public Warrants and units will continue to trade, but the symbols may change to symbols that are reasonably representative of the post-Merger company's corporate name.

Lock-Up Agreements

In connection with the Merger, William J. McMorrow, Mary Ricks, Freeman Lyle, and Donald Herrema, executive officers of Kennedy-Wilson, have entered into Lock-Up Agreements with Prospect whereby each have agreed to not offer, sell, pledge or otherwise transfer (i) any of the shares of Prospect common stock received as merger consideration for three months after the Merger and (ii) 90% of the shares of Prospect common stock received as merger consideration and 100% of the shares of Prospect common stock received as management incentive shares in connection with grants to executives under the 2009 Plan, in each case, for one year after the Merger. The stockholders subject to such Lock-Up Agreements may transfer their shares to any controlled affiliate, to any partner, stockholder or member of the stockholder, or for estate planning purposes only; provided in each case that any transferee agrees to be bound to the terms of the Lock-Up Agreement prior to any transfer.

Background of the Merger

The terms of the Merger Agreement are the result of arm's-length negotiations between representatives of Prospect and Kennedy-Wilson. The following is a brief discussion of the background of these negotiations, the Merger Agreement and related transactions. Prospect is a blank check company incorporated in Delaware on July 9, 2007 in order to serve as a vehicle for the acquisition of an operating business. A registration statement for Prospect's IPO was declared effective on November 14, 2007. On November 20, 2007, Prospect sold 25,000,000 units. Each of Prospect's units consists of one share of common stock, \$0.0001 par value per share, and one warrant. Each warrant sold in the IPO entitles the holder to purchase one share of common stock at an exercise price of \$7.50. Prospect's units began publicly trading on November 15, 2007. Prospect's Public Warrants and common stock have traded separately since December 3, 2007. The public offering price of each unit

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was \$10.00, and the IPO raised gross proceeds of \$250,000,000. Of the gross proceeds: (i) Prospect deposited \$241,750,000 into a Trust Account at JP Morgan Chase Bank, NA, maintained by Continental Stock Transfer & Trust Company, as trustee, which included \$10,000,000 of contingent underwriting discount (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with, the terms of the underwriting agreement for the IPO); (ii) the underwriters received \$7,500,000 as underwriting discount (excluding the contingent underwriting discount); and (iii) Prospect retained \$700,000 for offering expenses, plus \$50,000 for working capital. In addition, Prospect deposited into the Trust Account \$5,250,000 that it received from the private placement of 5,250,000 Sponsors Warrants to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, and Capital Management Systems, Inc., a corporation affiliated with William Landman, one of Prospect's directors.

During the period from November 2007 through August 2009, Prospect was involved in sourcing and evaluating prospective businesses in search of a potential business combination. To minimize potential conflicts of interest which may have arisen from multiple corporate affiliations, each of Prospect's officers and directors agreed, until the earliest of a business combination, liquidation or such time as he ceases to be an officer or director, to present to Prospect prior to any other entity, any business opportunity which may reasonably be required to be presented to Prospect under the DGCL, in accordance with his fiduciary obligations. In general, officers and directors of a corporation incorporated under the DGCL are required to present business opportunities to a corporation if:

the corporation could financially undertake the opportunity;

the opportunity is within the corporation's line of business; and

it would not be fair to the corporation and its stockholders for the opportunity not to be brought to the attention of the corporation.

Prospect was created to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business. As such, its officers and directors are responsible for identifying, evaluating and selecting a target business and in their capacity as officers and directors of Prospect have focused their work on finding and analyzing potential acquisition targets, analyzing valuation work, negotiating potential transaction terms with potential target companies and reviewing various business case scenarios. In addition, they have assisted Prospect by preparing investment materials, analyzing market and industry research, coordinating and reviewing due diligence work, providing technical financial modeling, including pro forma financial statements, coordinating, conducting and analyzing business plans and assisting in the preparation of applicable SEC financial information and documentation. Prospect attempted to source opportunities both proactively and reactively, and given the mandate to find a suitable business combination partner, did not limit itself to any one transaction structure (i.e. cash versus stock issued to seller, straight merger, corporate spin-out or management buy-out). Proactive sourcing involved Prospect management, among other things:

initiating conversations, whether via phone, e-mail or other means and whether directly or via their underwriters with third-party companies they believed may make attractive business combination partners;

contacting professional service providers (lawyers, accountants, consultants and bankers);

utilizing their own network of business associates and friends for leads;

working with third-party intermediaries, including investment bankers;

inquiring of business owners of their interest in selling their business; and

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engaging consultants with whom Prospect entered into success fee based engagement letters.

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Reactive sourcing involved fielding inquiries or responding to solicitations by either (i) companies looking for capital or investment alternatives, (ii) lenders or equity investors which had portfolio companies for which they had a desire to engage in a sale or fundraising process or (iii) investment bankers or other similar professionals who represented a company engaged in a sale or fundraising process.

The efforts of the officers and directors of Prospect also included discussions with other board members that highlighted general trends and opportunities in the financial services sector, profiled companies which might be attractive business combination candidates and provided introductions to the management teams of such companies where they had relevant contacts.

Promptly following Prospect's IPO, Prospect contacted over 100 investment bankers, private equity firms, consulting firms, legal and accounting firms, as well as numerous other business relationships. In addition, Prospect directly solicited owners and executives of privately and publicly owned businesses and communicated the fact that Prospect was looking to acquire or merge with a company which had a profile that met Prospect's criteria. Through these efforts, Prospect identified and reviewed information with respect to more than 150 potential target companies.

Between December 2007 and August 2009, based on Prospect's screening efforts and criteria evaluation, approximately 34 companies were determined as appropriate targets to advance to the next phase of the selection process. Non-disclosure agreements (and trust waivers) were signed with these potential targets and preliminary discussions were initiated. From this universe of potential targets, nine companies were further pursued to the extent that Prospect held substantive discussions regarding the type, timing and amount of consideration to be provided in a potential transaction, conducted due diligence and engaged the potential seller in a negotiation process. In each of these cases, Prospect pursued the transaction because it believed the target company represented a favorable opportunity for Prospect stockholders. Furthermore, in the cases of the targets in the asset management industries, Prospect's management had experience in managing and/or acquiring businesses similar to these, and it had been Prospect's intention to focus on these businesses from its inception. However, except for Kennedy-Wilson, in each case, Prospect was unable to reach a mutually acceptable transaction value and structure with the target.

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The following table highlights the target businesses on which Prospect advanced to the negotiation stage, but which were ultimately dismissed as a business combination candidate:

Target Company Business	Activity Period	Reason not Pursued
Asset Management	December 2007 - March 2008	Executed letter of intent; could not agree on valuation
Asset Management	January 2008 - March 2008	Executed letter of intent; did not win auction process
Asset Management	February 2008 - April 2008	Executed letter of intent; seller decided not to sell
Mortgage processing	June 2008 - September 2008	Executed letter of intent; could not agree on valuation
Specialty finance	November 2008 - March 2009	Seller decided to pursue alternative transaction
Investment company	April 2009 - June 2009	Executed letter of intent; could not agree on valuation
Mortgage processing	April 2009 - June 2009	Executed letter of intent; insufficient audited financials of seller
Mortgage insurance	July 2009 - August 2009	Executed letter of intent; did not win auction process

On June 15, 2009, David A. Minella, Chairman and Chief Executive Officer of Prospect, was contacted by Roberto De Guardiola of De Guardiola. Mr. De Guardiola explained that Kennedy-Wilson was seeking to raise equity capital to enable it to expand its real estate investment activities, and that a special purpose acquisition company, such as Prospect, could address Kennedy-Wilson's equity raising goals while also achieving another objective of listing on a United States securities exchange.

On June 17, 2009, De Guardiola prepared some non-confidential information which outlined the business and management team at Kennedy-Wilson, in preparation for a teleconference between Prospect and Kennedy-Wilson management which was held on June 18, 2009.

On June 18, 2009, Prospect and Kennedy-Wilson entered into a non-disclosure agreement and Prospect received certain confidential information from Kennedy-Wilson. The Prospect team reviewed the materials and began gathering industry research with the assistance of De Guardiola. An initial meeting of Messrs. Minella and Cahill with the Kennedy-Wilson management team was held on June 23, 2009 at the offices of De Guardiola to discuss the Kennedy-Wilson business in more detail and how a potential transaction between the two organizations could be mutually beneficial.

On June 24, 2009, Prospect submitted a preliminary business due diligence request list to Kennedy-Wilson, and began to receive and review information related to the Kennedy-Wilson business, financial history and prospective growth objectives.

At this time, Prospect began to focus more closely on Kennedy-Wilson as a potential target because Prospect management believed that the Kennedy-Wilson business was well positioned to capitalize on growth opportunities in its business, and that the goals of Kennedy-Wilson current owners were strongly aligned with the special purpose acquisition company structure. Specifically, the existing Kennedy-Wilson's owners were interested in retaining their existing equity interest, becoming a public company listed on United States securities exchange, and using Prospect's cash to take advantage of distressed and other real estate investment opportunities. Prospect's management found this type of

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transaction structure to be very attractive because it aligned the interests of Prospect's stockholder base with those of Kennedy-Wilson's existing owners and also because Prospect's initial due diligence reflected that the real estate investment opportunities available to Kennedy-Wilson could generate significant returns for stockholders.

Continuing throughout the early part of July 2009, Prospect continued to review and consider the Kennedy-Wilson opportunity, while also continuing to investigate various other opportunities. Prospect executive management continued to speak with Kennedy-Wilson management regarding the prospective transaction and why it represented a compelling opportunity for both Prospect and Kennedy-Wilson stockholders.

The Prospect team, led by Mr. Minella, with the help of Prospect's financial advisors, Citigroup and De Guardiola, analyzed the current real estate investment environment, precedent merger and acquisition transaction valuations, and publicly available comparable company valuations. The team also considered Kennedy-Wilson's business plan, including the opportunity to grow both its investments and services businesses, both of which Prospect believed had strong growth potential.

On July 7, 2009, Mr. Minella had a follow-up meeting with William McMorrow and Donald Herrema of Kennedy-Wilson and Mr. De Guardiola, during which the parties shared their preliminary views on general terms that might be attractive to each regarding a transaction. Over the next several days, Prospect and Kennedy-Wilson continued to discuss potential transaction terms.

On July 13, 2009, the acquisition committee of the board of directors of Prospect held a telephonic meeting to discuss Prospect's progress in its discussions with Kennedy-Wilson and to seek approval to submit a non-binding letter of intent. The committee reviewed the general terms of a proposed transaction and unanimously approved execution of a non-binding letter of intent with Kennedy-Wilson.

On July 13, 2009, Prospect submitted a written proposal to Kennedy-Wilson. This proposal contemplated that Prospect would issue to Kennedy-Wilson's existing stockholders a total of 25.5 million shares of Prospect common stock, including common shares to be issued to Kennedy-Wilson's existing convertible preferred stockholders who would be required to convert the shares into common stock. This provided a total value to Kennedy-Wilson's shares of approximately \$255 million assuming a Prospect common stock price of \$10.00. The proposal also contemplated an allocation of an additional 2.2 million shares to a management incentive plan, as well as the issuance of 0.375 million shares being issued De Guardiola as partial payment of its advisory fee. The proposal also called for the Prospect founders to forfeit 2.575 million shares. In addition, the proposal called for Kennedy-Wilson, and potentially Prospect and De Guardiola, to purchase Prospect Public Warrants subsequent to the execution and announcement of the definitive Merger Agreement and for the existing Kennedy-Wilson management option plan to be cancelled. In connection with the option plan, the parties subsequently agreed that all Public Warrants purchased up to 50% of the amount currently held by the public would be retired, and any additional Public Warrants purchased would be set aside in a management incentive pool.

On July 13, 2009, Prospect and Kennedy-Wilson, executed a non-binding letter of intent which outlined the terms under which both sides agreed to work towards a definitive agreement and provided limitations on Kennedy-Wilson's ability to pursue alternative transactions.

On July 13, 2009, and subsequent to the execution of the non-binding letter of intent, Prospect provided an additional business due diligence request list to Kennedy-Wilson. Over the next several weeks Kennedy-Wilson provided business due diligence information to Prospect and its advisors, including Citigroup and De Guardiola, all of whom continued to review these materials.

On July 14, 2009, Messrs. Minella and Cahill, along with representatives from Citigroup and De Guardiola, met with Kennedy-Wilson's management team at Kennedy-Wilson's headquarters in Beverly Hills, California and discussed in more detail specific opportunities related to the Kennedy-Wilson business lines and how a potential transaction could help it achieve those objectives.

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On August 1, 2009, Loeb and Loeb LLP, on behalf of Kennedy-Wilson, provided Prospect with a draft Merger Agreement which formed the basis for the negotiation of a definitive agreement between Prospect and Kennedy-Wilson.

On August 8, 2009, Prospect provided a legal due diligence list to Kennedy-Wilson, and over the following several weeks Prospect and its legal counsel, Bingham McCutchen LLP, reviewed the information provided and continued to conduct legal due diligence and revise and negotiate the definitive Merger Agreement with Kennedy-Wilson and its legal representatives.

In the course of negotiating the definitive Merger Agreement, Prospect and Kennedy-Wilson sought to address each party's concerns about deal certainty. Because of logistical issues, obtaining an agreement from a majority of Kennedy-Wilson's common stockholders to vote in favor of the Merger might have precluded Prospect from registering the offering of its shares of common stock issued in the Merger. Accordingly, Prospect and Kennedy-Wilson agreed that Kennedy-Wilson would pay Prospect a break up fee of \$10 million if less than a majority of the shares of Kennedy-Wilson common stock approve the Merger. Prospect and Kennedy-Wilson also agreed to an exception to Kennedy-Wilson's blanket waiver of claims against the Trust Account that will permit Kennedy-Wilson to recover its damages up to \$10 million if it prevails in a claim that Prospect breached Prospect's no-shop covenant in the Merger Agreement.

On August 20, 2009, Prospect engaged Houlihan Smith to render a fairness opinion to the board of directors as to whether, on the date of such opinion, the purchase price was fair, from a financial point of view, to Prospect's stockholders, and to opine on whether the fair market value of Kennedy-Wilson was at least equal to 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). Representatives of Houlihan Smith held discussions with Prospect and the management team of Kennedy-Wilson, reviewed materials, including a draft of the Merger Agreement, dated September 2, 2009, financial statements of Kennedy-Wilson, internal financial statements and financial projections prepared by Kennedy-Wilson, as well as other due diligence materials concerning both Kennedy-Wilson and its industry.

On August 23, 2009, Prospect engaged RSM McGladrey ("RSM") to conduct limited scope financial and tax due diligence on Kennedy-Wilson. After the audit committee approval noted below, Representatives from RSM met with Kennedy-Wilson's management at its headquarters in Beverly Hills, California, performed limited scope financial due diligence, held discussions with management, met with Kennedy-Wilson's tax preparer and performed limited scope tax due diligence. During the period of its limited scope due diligence, RSM provided updates regarding its findings and analysis to Prospect on a regular basis.

On August 24, 2009, Prospect held a telephonic meeting of the audit committee of its board of directors, at which the audit committee approved the engagement of RSM to perform limited scope financial and tax due diligence on Kennedy-Wilson. Prospect also held an update call with its board of directors on August 24, 2009 to discuss the status of the negotiations regarding the definitive Merger Agreement with Kennedy-Wilson.

On August 31, 2009 Messrs. Minella and Cahill met with the Kennedy-Wilson management team at the offices of Citigroup, along with representatives from De Guardiola and Deutsche Bank, Kennedy-Wilson's financial advisor. The parties discussed the relative benefits of retiring any and all warrants that might be repurchased prior to or after the closing of the potential transaction as opposed to setting those aside for a management incentive pool. In place of the warrants that would have been set aside, the parties agreed to increase the number of management incentive shares to 4.0 million from 2.2 million. In addition, it was agreed that certain executive officer change of control payments which might have been triggered by the transaction, totaling approximately \$15.7 million, would be foregone, and instead an incentive bonus arrangement of an equivalent amount would be established. This arrangement called for the payment of \$6.9 million prior to closing, (to be returned if the transaction

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does not close), and an additional \$3.4 million during fiscal 2010 and \$5.4 million during fiscal 2011, subject to certain performance measures being attained. In addition, it was agreed that a note receivable owed to Kennedy-Wilson by Mr. McMorrow, totaling \$4.1 million, including accrued interest through June 30, 2009, would be forgiven. In addition, based upon the current momentum of the business as compared to what had been previously discussed, it was also agreed that the 25.5 million shares to be issued to Kennedy-Wilson common stockholders and convertible preferred stockholders would be increased to 26.0 million, valuing those shares at approximately \$260 million, assuming a Prospect common stock price of \$10.00.

On September 4, 2009, Prospect convened a telephonic meeting of the acquisition committee of its board of directors and Prospect's executive management presented the transaction to the committee. Citigroup, one of Prospect's financial advisors, presented an overview of the valuation analysis related to the pending transaction. RSM presented its limited scope financial and tax due diligence findings and Bingham McCutchen presented its legal due diligence findings to the acquisition committee. After extensive discussions, the acquisition committee approved making a recommendation to the board of directors that it adopt the Merger Agreement in substantially the form presented to the acquisition committee and authorize and empower certain Prospect officers to execute and deliver the Merger Agreement on behalf of Prospect.

On September 4, 2009, Kennedy-Wilson convened a telephonic meeting of its board of directors to discuss the Merger Agreement and related agreements. Kennedy-Wilson's executive management presented to the board of directors various aspects of the proposed Merger and Berkshire Capital Securities LLC, one of Kennedy-Wilson's financial advisors, delivered a presentation in which it opined that the purchase price was fair, from a financial point of view, to the stockholders of Kennedy-Wilson. In addition, Deutsche Bank Securities Inc., another Kennedy-Wilson financial advisor, provided an overview of the equity markets and the expected process. Finally, Frederic Cook & Co., Kennedy-Wilson's compensation consultant, presented on the 2009 Plan and other related compensation issues involved in the Merger. After a detailed discussion and question and answer session, the board of directors unanimously approved the Merger Agreement and other related documents substantially in the form presented to the board of directors and authorized and empowered certain Kennedy-Wilson officers to execute and deliver the Merger Agreement on behalf of Kennedy-Wilson.

On September 5, 2009, Prospect convened a telephonic meeting of its board of directors to discuss the Merger Agreement and related agreements. Prospect's executive management presented to the board of directors various aspects of the proposed Merger and Houlihan Smith delivered its opinion that the purchase price was fair, from a financial point of view, to the stockholders of Prospect, and that the fair market value of Kennedy-Wilson was equal to at least 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). Bingham McCutchen LLP provided an overview of board fiduciary duties in the context of a transaction, and summarized material terms of the Merger Agreement and ancillary agreements. After extensive discussions, the board of directors approved the Merger Agreement and ancillary documents substantially in the forms presented to the board of directors and authorized and empowered certain Prospect officers to execute and deliver such agreements on behalf of Prospect. The board of directors further determined that the Merger was fair to and in the best interests of Prospect's stockholders and that the fair market value of Kennedy-Wilson was equal to at least 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount) and resolved to recommend to the stockholders of Prospect that they approve and adopt the Merger Agreement.

Prospect and Kennedy-Wilson continued to finalize the Merger Agreement and ancillary agreements through September 7, 2009.

On September 8, 2009, Prospect again convened a telephonic meeting of its board of directors to establish a special independent committee to review certain post-closing compensation arrangements,

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which were presented to the committee by Prospect's executive management and legal representatives. After extensive discussions, the independent committee of the board of directors unanimously approved the post-closing compensation arrangements for Kennedy-Wilson management substantially in the forms presented to the committee.

On the night of September 8, 2009, the parties executed the Merger Agreement and jointly announced the agreement by means of a press release on the morning of September 9, 2009.

On September 11, 2009, Prospect and Kennedy-Wilson filed a Form 8-K containing an investor presentation which provided further public disclosure on the Merger. A joint public conference call was held the morning of September 14, 2009 regarding the Merger.

Prospect's Board of Directors' Reasons for the Approval of the Merger

The Prospect board of directors has concluded that the Merger with Kennedy-Wilson is in the best interests of Prospect's stockholders and unanimously recommends that you vote "FOR" the Merger Proposal.

In arriving at its determination to approve the Merger and the Merger Agreement with Kennedy-Wilson, the board of directors of Prospect relied on information (including financial information) relating to Kennedy-Wilson, the regulatory environment, industry dynamics, the reports of outside due diligence consultants and its own collective experience in investing in, managing and financing growth companies.

The Prospect board of directors also confirmed that the Merger with Kennedy-Wilson would satisfy the conditions for a merger candidate as set forth in the Prospect final prospectus dated November 14, 2007 for Prospect's IPO, including the requirement that Kennedy-Wilson's fair market value as the target business equal at least 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). The fair market value of Kennedy-Wilson was determined by the board of directors based on a variety of factors generally accepted by the financial community in valuing companies, including a comparative company analysis in which the board of directors analyzed other real estate services companies. The board of directors also considered the opinion of Houlihan Smith dated September 5, 2009 that the Merger is fair from a financial point of view to the Prospect stockholders and to the effect that, as of such date, the fair market value of Kennedy-Wilson as indicated by Houlihan Smith's financial analyses was at least equal to \$194 million. A copy of Houlihan Smith's opinion, which sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Smith in preparing its opinion is attached as Annex E and is discussed below under the section entitled "*The Merger Proposal Fairness Opinion.*"

The Prospect board of directors considered financial data for selected companies with publicly traded securities that it deemed similar to Kennedy-Wilson in one or more financial, operating or other respects as part of its analysis, as well as similar analyses which Houlihan Smith reviewed with the board of directors in connection with rendering its opinion.

The Prospect board of directors considered a wide variety of factors in connection with its evaluation of the Merger. In light of the complexity of those factors, the Prospect board of directors did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision. In addition, individual members of the Prospect board may have given different weight to different factors. Such factors included, among other things:

Kennedy-Wilson's financial condition and results of operations;

Kennedy-Wilson's growth potential;

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the experience and skills of Kennedy-Wilson's management and the availability of additional personnel;

Kennedy-Wilson's competitive position;

barriers to entry;

the valuation of comparable companies;

Kennedy-Wilson's industry dynamics, including the competitive landscape;

favorable long-term growth prospects;

the reports of outside due diligence consultants retained by Prospect;

research reports published by third parties on markets and/or companies similar to Kennedy-Wilson;

future capital requirements;

costs associated with effecting the transaction;

the oral opinion of Houlihan Smith to the board of directors of Prospect on September 5, 2009 (which was confirmed in writing by delivery of Houlihan Smith's written opinion the same day) with respect to the fairness of the Merger, from a financial point of view, to Prospect's stockholders and that the fair market value of Kennedy-Wilson as indicated by Houlihan Smith's financial analyses was at least equal to 80% of the balance in the Trust Account (excluding the amount held in the trust account representing a portion of the underwriters' discount); and

the underlying businesses and components of Kennedy-Wilson.

The analysis of Prospect's board of directors in reaching this conclusion is described in more detail below. In considering the Merger, Prospect's board gave considerable weight to the following positive factors:

Kennedy-Wilson's record of high investment returns and high potential for future growth, as well as its historical financial and investment performance;

Kennedy-Wilson's diversified revenue stream in terms of multiple business segments and geographic markets;

Kennedy-Wilson's prospective position as a real estate acquisition and services platform in a highly fragmented industry; and

compelling investment opportunities given the current state of the real estate environment.

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Prospect's board of directors' belief that Kennedy-Wilson has the ability to continue its growth because opportunities exist to:

continue to increase its assets under management;

execute high return on investment real estate transactions; and

continue to grow its real estate services platform.

The Experience of Kennedy-Wilson's Management

An important consideration of Prospect's board of directors in approving the Merger was Kennedy-Wilson's seasoned management team, which has acquired, developed and managed more than \$15 billion of real estate. On average, the members of Kennedy-Wilson's senior management team have more than 25 years of real estate experience and have worked together for more than a decade. Kennedy-Wilson's executives have built highly regarded reputations in the real estate industry, which they have utilized to attract large institutional clients, execute successful, high return real estate

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transactions, negotiate with lenders and potential joint venture partners and develop a diversified real estate services firm. Prospect's board of directors believes that the experience of Kennedy-Wilson's management team provides it with a competitive advantage in this regard.

Comparable Company and Comparable Transaction Valuation Metrics

The Prospect board of directors reviewed valuation metrics from management's analysis and that of third-party investment banks for companies that it believed were somewhat representative of Kennedy-Wilson's services and asset management business lines and, in that regard, within the context of the proposed Merger. Comparable asset management and real estate companies considered included:

The Blackstone Group L.P.

Jones Lang LaSalle Incorporated

CB Richard Ellis Group, Inc.

The Terms of the Merger Agreement

The terms of the Merger Agreement, including the closing conditions, restrictions on each party's ability to respond to competing proposals and the termination provisions are customary and reasonable.

Additional Factors

Prospect's board of directors believes that the above factors strongly supported its determination and recommendation to approve the Merger. The Prospect board of directors did, however, consider potentially negative factors, among others, including the risk factors included in this proxy statement/prospectus, in its deliberations concerning the Merger.

Prospect's board of directors also considered the risk that the current public stockholders of Prospect would vote against the Merger and demand to convert their shares for cash upon consummation of the Merger, thereby depleting the amount of cash available to the combined company following the Merger. For the reasons stated below, Prospect's board of directors deemed this risk to be less with regard to Kennedy-Wilson than it would be for other target companies and believes that Kennedy-Wilson will still be able to implement its business plan even if the maximum number of public stockholders exercise their conversion rights and the post-Merger company receives only approximately 70% of the funds deposited in the Trust Account.

Prospect's board of directors also believes that a transaction with Kennedy-Wilson presents less risk than other investments based on the quantitative and qualitative analysis conducted by Prospect's board. The quantitative analysis focused on Kennedy-Wilson's balance sheet and past results of operations and Kennedy-Wilson's management's projections and expected growth opportunities given its market position. The qualitative analysis of the investment includes the potential value represented by Kennedy-Wilson's strong management team and industry fundamentals that support Kennedy-Wilson's ability to leverage its industry relationships to raise additional funds and identify and consummate successful, off-market real estate transactions.

Prospect's board of directors also considered the fact that certain officers and directors of Prospect may have interests in the Merger that are different from, or are in addition to, the interests of Prospect stockholders generally, including the matters described below under the section entitled "*The Merger Proposal Interests of Prospect's Directors and Officers in the Merger.*" However, this fact would exist with respect to a merger with any target company.

After deliberation, the Prospect board of directors determined that these potentially negative factors were outweighed by the potential benefits of the Merger, including the opportunity for Prospect stockholders to share in Kennedy-Wilson's future possible growth prospects. Prospect expects Kennedy-

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Wilson to benefit from strong organic growth in raising significant additional assets for investment and realizing strong investment returns through its real estate investment transactions.

Satisfaction of 80% Test

It is a requirement that any business acquired by Prospect have a fair market value equal to at least 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). Based on the financial analysis Prospect generally used to approve the transaction, including a comparison of comparable companies, the Prospect board of directors determined that this requirement was met. The board also determined that the consideration being paid in the Merger, which amount was negotiated at arms-length, was fair to and in the best interests of Prospect and its stockholders and appropriately reflected Kennedy-Wilson's value. In reaching this determination, the board concluded that it was appropriate to base such valuation on qualitative factors such as management strength and depth, competitive positioning, marketing relationships and investment skills as well as quantitative factors such as Kennedy-Wilson's potential for future growth in revenues and profits and the historical return on investment realized by its separate account investors. The Prospect board of directors believes because of the financial skills and background of several of its members, it was qualified to conclude that the acquisition of Kennedy-Wilson met this requirement. Prospect has also received an opinion from Houlihan Smith that the 80% test has been met which was based on a comparison of comparable companies, comparable transactions and a discounted cash flow analysis.

Interests of Prospect's Directors and Officers in the Merger

When you consider the recommendation of Prospect's board of directors in favor of approval of the Merger Proposal, you should keep in mind that Prospect's executive officers and members of Prospect's board have interests in the Merger that are different from, or in addition to, your interests as a stockholder or warrant holder. These interests include, among other things:

If the Merger is not consummated by November 14, 2009, Prospect will be liquidated. In such event, the 6,250,000 shares of common stock held by Prospect's founders that were acquired before the IPO for an aggregate purchase price of \$24,906 will be worthless because Prospect's directors and officers are not entitled to receive any of the liquidation proceeds with respect to such shares. Such shares had an aggregate market value of \$_____ based upon the closing price of Prospect common stock of \$_____ on AMEX on _____, 2009, the record date for the special meeting of Prospect stockholders. Immediately prior to and subject to consummation of the Merger, 2,575,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

On November 14, 2007, Prospect issued 5,250,000 Sponsors Warrants (exercisable at \$7.50 per warrant) to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, and CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), a corporation affiliated with William Landman, one of Prospect's directors for an aggregate purchase price of \$5,250,000. All of the proceeds Prospect received from these purchases were placed in the Trust Account. The Sponsors Warrants are identical to the Public Warrants underlying the units sold in Prospect's IPO except that (i) the Sponsors Warrants are non-redeemable so long as of they are held by any of the sponsors or their permitted transferees, (ii) they are non-transferable, other than to permitted transferees, until the date that is 30 days after the date on which Prospect consummates its initial business combination, (iii) for so long as the Sponsors Warrants are subject to the transfer restrictions described in clause (ii), the Sponsors Warrants are not

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exercisable, and (iv) the Sponsors Warrants are exercisable on a cashless basis at the holder's option so long as the Sponsors Warrants are held by the sponsors or their affiliates. Prospect has agreed to register the shares underlying the Sponsors Warrants at any time after Prospect has consummated its initial business combination, but the purchasers of the Sponsors Warrants have agreed that the Sponsors Warrants will not be sold or, subject to certain limited exceptions, transferred by them and they may not exercise the Sponsors Warrants until 30 days after Prospect has completed a business combination. Accordingly, the Sponsors Warrants have been placed in escrow and will not be released until 30 days after the completion of a business combination. The Sponsors Warrants are not publicly traded and as amended by the Warrant Amendment, will have an exercise price of \$12.50 per warrant. All of the Sponsors Warrants will become worthless if the Merger is not consummated by November 14, 2009 (as will the remainder of the Public Warrants).

The transactions contemplated by the Merger Agreement provide that David A. Minella, appointee of Prospect, will be a director of Prospect after the closing of the Merger. As such, in the future he will receive any cash fees, stock options or stock awards that the Prospect board of directors determines to pay to its non-executive directors.

David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, have agreed, pursuant to an agreement with Prospect and Citigroup, the representative of the underwriters in the IPO, that if Prospect liquidates prior to the consummation of a business combination, they will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect, other than with respect to amounts claimed by any third-party who executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable). Prospect cannot assure you that they would be able to satisfy those obligations. However, Prospect believes that none of Mr. Minella, LLM Structured Equity Fund L.P. and LLM Investors L.P. have any risk of being required to provide indemnification since all persons who have had contractual obligations with Prospect have waived their rights against the Trust Account, except for its independent accounting firm which will be paid in accordance with Prospect's past practices and for Kennedy-Wilson which has not agreed to waive any rights, title and claims to the Trust Account up to \$10,000,000 in case of breach by Prospect of its no-shop/non-solicit provision of the Merger Agreement.

In addition, at any time prior to the special meeting of Prospect stockholders and special meeting of Prospect warrantholders, during a period when they are not then aware of any material nonpublic information regarding Prospect or its securities, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates may purchase shares of common stock or Public Warrants from institutional and other investors, or execute agreements to purchase such shares of common stock or Public Warrants from them in the future, or they may enter into transactions with such persons and others to provide them with incentives to acquire shares of Prospect common stock or Public Warrants or vote their shares of common stock or Public Warrants in favor of the Merger Proposal and the Warrant Amendment Proposal, as applicable. The purpose of such Public Warrant purchases and other transactions would be to increase the likelihood that holders of a majority of shares underlying the warrants is present and voting at the special meeting of Prospect warrantholders. The purpose of such share purchases and other transactions would be to increase the likelihood of satisfaction of the requirements that the holders of a majority of the Public Shares present in person or by proxy and eligible to vote at the special meeting of Prospect stockholders vote in favor of, and that holders of fewer than 30% of the Public Shares vote against, the Merger Proposal and demand conversion of their Public Shares into cash where it appears that such requirements would otherwise not be met.

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While the exact nature of any incentives that would be provided by the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates has not been determined as of the date of this proxy statement/prospectus, they might include, without limitation, arrangements to protect such investors or holders against potential loss in value of their shares of common stock or Public Warrants, including the granting of put options and the transfer to such investors or holders of shares of common stock or Public Warrants owned by the Prospect founders for nominal value. Prospect will not enter into any such arrangement, either prior to or after the consummation of the Merger, and no funds in its Trust Account will be used to make such purchases or to fund other such arrangements. Entering into any such arrangements may have a depressive effect on Prospect's common stock and Public Warrants.

If such transactions are effected, the consequence could be to cause the Merger Proposal or the Warrant Amendment Proposal to be approved in circumstances where such approval could not otherwise be obtained. Purchases of shares of common stock or Public Warrants by the persons described above would allow them to exert more influence over the approval of the Merger Proposal or the Warrant Amendment Proposal and other proposals and would likely increase the chances that such proposals would be approved. Moreover, any such purchases may make it less likely that the holders of 30% or more of the Public Shares will vote against the Merger Proposal and exercise their conversion shares.

As of the date of this proxy statement/prospectus, there have been no such discussions with respect to any such transactions and no agreements to such effect have been entered into with any such investor or holder. Prospect will file a Current Report on Form 8-K to disclose any arrangements entered into or significant purchases made by any of the aforementioned persons that would affect the vote on the Merger Proposal, the Warrant Amendment Proposal, the Charter Amendment Proposal, or the conversion threshold.

Recommendation of Prospect's Board of Directors

After careful consideration of the matters described above, particularly Kennedy-Wilson's record of high return on investments, potential for growth and profitability, the experience of Kennedy-Wilson's management, its competitive positioning, its customer and employee relationships, and its significant fund raising potential, Prospect's board of directors determined unanimously that each of the Merger Proposal, the Charter Amendment Proposal, the Director Election Proposal, the Equity Participation Plan Proposal and the Stockholder Adjournment Proposal is fair to and in the best interests of Prospect and its stockholders. Prospect's board of directors has approved and declared advisable and unanimously recommends that you vote or give instructions to vote "FOR" each of these proposals.

The foregoing discussion of the information and factors considered by the Prospect board of directors is not meant to be exhaustive, but includes the material information and factors considered by the Prospect board of directors.

Kennedy-Wilson Board of Directors' Reasons for Approving the Merger

Kennedy-Wilson's board of directors believes the Merger is in the best interests of Kennedy-Wilson and its stockholders. In reaching its determination to adopt the Merger Agreement, Kennedy-Wilson's board of directors consulted with its management and its financial and legal advisors, and considered a number of factors. The following is a description of some of the material factors that Kennedy-Wilson's board believes favor the Merger:

the ability of the Merger to recapitalize and revitalize Kennedy-Wilson;

the assessment of the board of directors of Kennedy-Wilson of the financial condition of Prospect, and of the business, operations, capital level, asset quality, financial condition and earnings of the combined company on a pro forma basis. This assessment was based in part on

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presentations by Berkshire Capital Securities LLC, whom Kennedy-Wilson retained to render a fairness opinion, and Kennedy-Wilson's management and the results of the due diligence investigation of Prospect conducted by Kennedy-Wilson's management and financial and legal advisors;

the financial and growth prospects for Kennedy-Wilson and its stockholders of a business combination with Prospect as compared to continuing to operate as a stand-alone entity;

the opinion of Berkshire Capital Securities LLC that, as of the date of that opinion, the Merger consideration is fair from a financial point of view to the holders of Kennedy-Wilson stock;

the current and prospective economic and competitive environment facing the real estate industry generally, and Kennedy-Wilson in particular;

the fact that Prospect has agreed to: (i) employ certain key executives of Kennedy-Wilson with the combined company and (ii) appoint six members of the Kennedy-Wilson board of directors as directors of Prospect, which are expected to provide a degree of continuity and involvement by Kennedy-Wilson constituencies following the Merger, in furtherance of the interests of Kennedy-Wilson's stockholders, clients, partners, affiliates and employees;

current conditions in the U.S. capital markets, including the unavailability of other superior sources of capital or strategic or other merger partners to Kennedy-Wilson;

the Prospect common stock to be received in exchange for Kennedy-Wilson stock pursuant to the Merger Agreement and resulting pro forma ownership levels in relation to the historical trading prices of Kennedy-Wilson common stock, as compared to other possible scenarios; and

the current condition of Kennedy-Wilson and the future prospects of the business in light of the current economic environment.

In the course of its deliberations regarding the Merger, Kennedy-Wilson's board of directors also considered the following factors that Kennedy-Wilson's board of directors determined did not outweigh the benefits to Kennedy-Wilson and its stockholders expected to be generated by the Merger:

that directors and officers of Kennedy-Wilson have interests in the Merger in addition to their interests generally as Kennedy-Wilson stockholders, including change of control agreements for certain of its executive officers;

the risk to Kennedy-Wilson and its stockholders that the Merger is not consummated;

uncertainty about how much of Prospect's Trust Account will be available for working capital after closing; and

the adverse economic environment.

Kennedy-Wilson's board of directors did not assign any relative or specific weights to the factors considered in reaching that determination, and individual directors may have given differing weights to different factors.

Interests of Kennedy-Wilson's Directors and Executive Officers in the Merger

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You should be aware that certain members of the Kennedy-Wilson board and certain executive officers of Kennedy-Wilson have agreements or arrangements that provide them with interests in the Merger.

If the Merger is consummated, William J. McMorrow and Mary Ricks will be potentially entitled to receive certain cash bonus payments of up to \$11.7 million and \$4.0 million, respectively. The cash bonus payments will be payable as follows: (i) Mr. McMorrow and Ms. Ricks will receive "performance unit awards" under the 2009 Plan which will entitle them to receive \$4.85 million and \$2.0 million, respectively, on October 15, 2009, provided, however, that such payments will be repaid to Kennedy-

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Wilson in the event the Merger is not consummated by November 15, 2009 or the executive is not employed by Kennedy-Wilson on the effective date of the Merger (these employment requirements will not apply, however, in the case of a termination of employment due to death or disability); (ii) Mr. McMorrow and Ms. Ricks will be entitled to receive \$2.425 million and \$1.0 million, respectively, on April 1, 2010, provided that the Performance Target is met as of March 31, 2010 (in the event that the Performance Target is not met as of March 31, 2010, the bonus otherwise due April 1, 2010 shall, nevertheless, be paid on July 1, 2010, October 1, 2010, or January 1, 2011, respectively, if the Performance Target is satisfied as of the earliest of June 30, 2010, September 30, 2010, or December 31, 2010, respectively), and the executive remains employed through the date on which the Performance Target is satisfied; and (iii) Mr. McMorrow and Ms. Ricks will receive additional "performance unit awards" under the 2009 Plan which will entitle them to receive cash payments in the amounts of \$4.425 and \$1.0 million, respectively, on January 1, 2011, provided that the Performance Target is met as of December 31, 2010 and he or she, as applicable, remains employed by the post-Merger company through January 1, 2011. Notwithstanding the foregoing, in the event that the Merger is consummated and the employment of Mr. McMorrow or Ms. Ricks is terminated by the post-Merger company without cause or he or she, as applicable, resigns from his or her, as applicable, employment with the post-Merger company for good reason, the payments referred to in clauses (ii) and (iii) above will still be payable on the applicable payment dates if the Performance Target is met. The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger.

On April 10, 2006, William J. McMorrow borrowed \$3,543,127 from Kennedy-Wilson evidenced by a Promissory Note bearing simple interest at a rate of 7.5% per annum and scheduled to mature on April 9, 2011. Mr. McMorrow's employment agreement has been amended to provide that the McMorrow Note will be forgiven if the Merger is consummated.

If the Merger is consummated, certain of Kennedy-Wilson's executive officers will continue to be employed with the post-Merger company, including William J. McMorrow, Freeman A. Lyle, Barry S. Schlesinger, Mary Ricks, James A. Rosten, Robert E. Hart and Donald J. Herrema. In addition, it is proposed that six members of the board of directors of Kennedy-Wilson will be elected to serve as directors of the post-Merger company. To reward and incentivize Kennedy-Wilson's key employees and management after the Merger, up to 4,000,000 shares of Prospect common stock will be reserved for issuance under the 2009 Plan. If the Merger is consummated, certain Kennedy-Wilson officers, directors and key employees will be issued an aggregate of 3,740,000 restricted shares of Prospect common stock under the 2009 Plan upon the closing of the Merger as set forth in the table below:

Name of Group	Dollar (\$)	Number of Shares of Restricted Stock
William McMorrow, Chief Executive Officer	\$	900,000
Freeman Lyle, Chief Financial Officer	\$	50,000
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$	900,000
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$	125,000
Robert Hart, President of KW Multi-Family Management Group	\$	125,000
James Rosten, President of Kennedy-Wilson Properties	\$	125,000
All executive officers, as a group	\$	3,495,000
All directors who are not executive officers, as a group	\$	25,000
All employees, including all current officers who are not executive officers, as a group	\$	220,000

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In the event that the recipient of the restricted shares remains employed by (or continues to perform services as a director for) the post-Merger company through the relevant vesting date, $\frac{1}{5}$ of the restricted shares will vest on each of the first five anniversaries of the date of issuance, provided that the Performance Target is met as of the September 30 immediately preceding the applicable anniversary date (in the case of the installments vesting on the fourth and fifth anniversary dates, the Performance Target must be met as of the September 30 immediately preceding the third anniversary date). The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger. Notwithstanding the foregoing, in the event the employment with the post-Merger company of an employee who has been granted restricted shares is terminated without cause or if the employee resigns from his employment with the post-Merger company for good reason, the restricted shares will continue to vest on the applicable anniversary dates (subject to the satisfaction of the Performance Target), subject to certain limitations. In addition, in the event of a "Change of Control" as defined in the 2009 Plan (see *"The Equity Participation Plan Proposal - Change of Control"*), any unvested restricted shares of Prospect common stock that have not previously been forfeited will become vested, subject to certain limitations. See section *"The Equity Participation Plan Proposal - Awards to Particular Officers, Directors and Employees"* for additional information.

In connection with the Merger, Mr. McMorrow and Ms. Ricks have entered into amendments to their employment agreements which provide for, among other things, (i) the removal of certain benefits in the event of a change in control; (ii) the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties; (iii) the grant to each executive of 900,000 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above; (iv) the cash bonus payments set forth above and (v) in the case of Mr. McMorrow, the McMorrow Note forgiveness described above. Mr. Herrema has also entered into an amendment to his employment agreement which provides for the extension of his employment term from December 31, 2010 to January 31, 2014 as well as clauses (ii) - (iii) above. In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended (i) to provide for a reduction in the amount of payments or benefits payable or provided to them under their respective employment agreements or otherwise to ensure that no payment or benefit is subject to the excise tax imposed by Section 4999 of the Code (certain golden parachute payments) which reduction may, in certain circumstances, result in the repayment of certain previously paid amounts (plus earnings) to the post-Merger company, and (ii) to achieve compliance with Section 409A of the Code.

Fairness Opinion

Houlihan Smith delivered a presentation in conjunction with its written opinion to the board of directors of Prospect on September 5, 2009, which stated that, as of September 5, 2009, and based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the fairness opinion, (i) the Merger consideration to be paid by Prospect for Kennedy-Wilson in conjunction with the Merger is fair from a financial point of view to the stockholders of Prospect, and (ii) the fair market value of Kennedy-Wilson is at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). The amount of the Merger consideration was determined pursuant to negotiations between Prospect and Kennedy-Wilson and not pursuant to recommendations of Houlihan Smith. The full text of the written opinion of Houlihan Smith is attached as Annex F and is incorporated by reference into this proxy statement/prospectus. Prospect paid Houlihan Smith a non-contingent, non-refundable fee in the amount of \$85,000 for its services in rendering the fairness opinion, plus the reimbursement of reasonable out-of-pocket expenses up to \$5,000. Prospect also agreed to indemnify Houlihan Smith in the event Houlihan Smith were to incur certain losses as a

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result of its engagement by Prospect. No material relationship exists or has existed within the past between Houlihan Smith and Prospect, or Kennedy-Wilson.

You are urged to read the Houlihan Smith opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and limitations on the review undertaken by Houlihan Smith in rendering its opinion. The summary of the Houlihan Smith opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion attached as Annex F. Prospect will make available the fairness opinion for inspection and copying at its principal executive office during regular business hours to any interested security holder or an authorized representative. A copy of the fairness opinion will also be mailed to any interested security holder or authorized representative upon written request to Prospect's secretary and at the expense of the requesting security holder.

The Houlihan Smith opinion is for the use and benefit of Prospect's board of directors in connection with its consideration of the Merger and is not intended to be and does not constitute a recommendation to you as to how you should vote or proceed with respect to the Merger. Houlihan Smith was not requested to opine as to, and its opinion does not in any manner address, the relative merits of the transaction as compared to any alternative business strategy that might exist for Prospect, its underlying business decision to proceed with or effect the Merger, and other alternatives to the Merger that might exist for Prospect. Houlihan Smith does not express any opinion as to the underlying valuation or future performance of Kennedy-Wilson or the price at which Prospect's securities might trade at any time in the future.

In arriving at its opinion, Houlihan Smith took into account an assessment of general economic, market and financial conditions, as well as its experience in connection with similar transactions and securities valuations generally. In so doing, among other things, Houlihan Smith:

Reviewed the draft Merger Agreement by and among Prospect, Merger Sub and Kennedy-Wilson, dated September 2, 2009;

Reviewed and analyzed Kennedy-Wilson's audited historical financial statements for the fiscal years ended December 31, 2006 through December 31, 2008;

Reviewed and analyzed Kennedy-Wilson's unaudited interim financial statements for the period ended June 30, 2009;

Reviewed Kennedy-Wilson's historical trading prices and volume (ticker: KWIC.PK). Houlihan Smith noted that while Kennedy-Wilson's shares are publicly traded, the shares are unlisted, unregistered, thinly traded, and have a relatively wide bid-ask spread. Given this illiquidity, Houlihan Smith determined the share price is not necessarily indicative of Kennedy-Wilson's fair market value;

Reviewed and analyzed financial projections of Kennedy-Wilson prepared by Kennedy-Wilson's management for the years ending December 31, 2009 through December 31, 2014, dated August 10, 2009;

Reviewed projected net operating income for income-generating office buildings held Kennedy-Wilson's direct real estate portfolio;

Held discussions with Kennedy-Wilson's management to discuss assumptions used in the projections and Houlihan Smith's analyses;

Reviewed a summary of the capital structure of Kennedy-Wilson, assuming conversion of Kennedy-Wilson's 7% Convertible Subordinated Notes;

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Reviewed the following documents regarding the Guardian Note including:

Securities Purchase Agreement between Kennedy-Wilson and Guardian, dated October 31, 2008;

Shareholders Agreement between Kennedy-Wilson, Guardian, and the shareholders, dated November 3, 2008;

Authorization of new class of common stock between Kennedy-Wilson and Guardian, dated November 3, 2008;
and

Guardian Note payable by Kennedy-Wilson to Guardian, dated November 3, 2008;

Reviewed the Amended Certificate of Designation Preferences and Rights of Series A Preferred Stock of Kennedy-Wilson, dated June 2, 2008;

Reviewed and analyzed the following for each of its investment properties, including but not limited to:

Assignment and Assumption of Membership Interest;

Amended and Restated LLC Agreement;

Financial Performance (on a Fair Market Value Basis);

Financial statements for holding entities of individual properties;

Stacking Plan and capital expenditure; and

Operating and Property Management Agreements with Kennedy-Wilson;

Reviewed schedules of Kennedy-Wilson's real estate debt, as of May 31, 2009;

Reviewed a schedule of loan guarantees of the real estate held in Kennedy-Wilson's direct real estate portfolio;

Reviewed the Kennedy-Wilson auction pipeline report as of the second quarter in 2009;

Reviewed the following corporate documents:

Kennedy-Wilson Multi-family Overview presentation, dated July 2009;

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Kennedy-Wilson Company Overview presentations, dated July 2009 and August 2009;

Kennedy-Wilson Road Show presentation, dated August 2009;

Pro forma segment analysis, dated August 17, 2009; and

Property Management presentation, dated July 14, 2009;

Held discussions with Kennedy-Wilson's management regarding, among other items, the real estate services and fund management industries specifically, and other industries generally;

Reviewed financial and operating information with respect to certain publicly-traded companies in the real estate management and real estate services industries, which we believe to be generally comparable to the business of Kennedy-Wilson;

Reviewed Kennedy-Wilson's current organizational chart; and

Performed other financial studies, analyses and investigations, and considered such other information, as we deemed necessary or appropriate.

In arriving at its opinion, Houlihan Smith relied upon and assumed, without independent verification, the accuracy, completeness and reasonableness of the financial, legal, tax, and other

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information discussed with or reviewed by Houlihan Smith and assumed such accuracy and completeness for purposes of rendering its opinion. In addition, Houlihan Smith did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Kennedy-Wilson, nor was Houlihan Smith furnished with any such evaluation or appraisal. In addition, Houlihan Smith did not attempt to confirm whether Kennedy-Wilson had good title to its assets. Further, Houlihan Smith relied upon the assurances of both Prospect's management and Kennedy-Wilson's management that they were not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial information and projections utilized, Houlihan Smith assumed that such information has been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such information provides a reasonable basis upon which it could make an analysis and form an opinion. The projections were prepared by Kennedy-Wilson's management and are not to be interpreted as projections of future performance (or "guidance") by Prospect's management. Houlihan Smith did not receive any instructions from Prospect or Kennedy-Wilson on how to use or rely on the projections used in rendering its fairness opinion. Houlihan Smith did not evaluate the solvency or fair value of Kennedy-Wilson under any foreign, state or federal laws relating to bankruptcy, insolvency or similar matters.

Houlihan Smith assumed that the transaction will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act, the Securities Exchange Act of 1934 (the "Exchange Act") and all other applicable foreign, federal and state statutes, rules and regulations. Houlihan Smith assumed that the transaction will be consummated substantially in accordance with the terms set forth in the Merger Agreement as in effect as of the date of its opinion, without any further amendments thereto, and that any amendments, revisions or waivers thereto will not be detrimental to Prospect's stockholders.

Further, Houlihan Smith's analysis and opinion are necessarily based upon information made available to Houlihan Smith, as well as the economic, monetary, market, financial, and other conditions as they existed as of the date of its opinion. Accordingly, although subsequent developments may affect its opinion, Houlihan Smith has not assumed any obligation to update, review or reaffirm its opinion.

In connection with rendering its opinion, Houlihan Smith performed certain financial, comparative and other analyses as summarized below. Each of the analyses conducted by Houlihan Smith was carried out to provide a different perspective on the transaction, and to enhance the total mix of information available. Houlihan Smith did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to the fairness from a financial point of view, of the Merger consideration to be paid by Prospect for Kennedy-Wilson in conjunction with the Merger to Prospect's stockholders. The summary below describes the material information in Houlihan Smith's opinion, including the material analyses performed and the material factors considered by Houlihan Smith. However, the preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Houlihan Smith made qualitative judgments as to the relevance of each analysis and factors that it considered. In addition, Houlihan Smith may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should not be taken to be Houlihan Smith's view of the value of Kennedy-Wilson's assets. The estimates contained in Houlihan Smith's analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets neither purports to be appraisals nor do they necessarily reflect the prices at which businesses or assets may actually be sold. Accordingly, Houlihan Smith's analyses and estimates are inherently subject to

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substantial uncertainty. Houlihan Smith believes that its analyses must be considered as a whole and that selecting portions of its analyses or the factors it considered, without considering all analyses and factors collectively, could create an incomplete and misleading view of the process underlying the analyses performed by Houlihan Smith in connection with the preparation of its opinion. The summaries of the financial reviews and analyses include information presented in tabular format. In order to fully understand Houlihan Smith's financial reviews and analyses, the tables must be read together with the accompanying text of each summary. The tables alone do not constitute a complete description of the financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Houlihan Smith. The analyses performed were prepared solely as part of Houlihan Smith's analysis of (i) the fairness, from a financial point of view, of the Merger consideration to be paid by Prospect for Kennedy-Wilson in conjunction with the Merger to Prospect's stockholders, and (ii) the fair market value of Kennedy-Wilson as at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount), and were provided to Prospect's board of directors in connection with the delivery of Houlihan Smith's opinion. The opinion of Houlihan Smith was just one of the many factors taken into account by Prospect's board of directors in making its determination to approve the transaction, including those described elsewhere in this proxy statement/prospectus.

Houlihan Smith's opinion did not constitute a recommendation to proceed with the Merger. Houlihan Smith's opinion relates solely to the question of (i) the fairness, from a financial point of view, to Prospect's stockholders of the Merger Consideration to be paid by Prospect for Kennedy-Wilson in conjunction with the Merger, and (ii) the fair market value of Kennedy-Wilson as at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). Houlihan Smith expressed no opinion as to the income tax consequences of the acquisition to the stockholders of Prospect.

Valuation Overview

Based on a review of the historical and projected financial data and certain other qualitative data for Kennedy-Wilson, Houlihan Smith utilized the income valuation approach, applying the discounted cash flow method, and the market valuation approach, applying the guideline public company method and the comparable transactions method.

Income Approach Discounted Cash Flow Method

A discounted cash flow analysis estimates present value based upon a company's projected future free cash flow discounted at a rate reflecting risks inherent in its business and capital structure. Unlevered free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for ongoing business operations. Kennedy-Wilson's management prepared and provided Houlihan Smith with financial projections for Kennedy-Wilson through Kennedy-Wilson's 2014 fiscal year. Houlihan Smith used the projections for Kennedy-Wilson's 2009 fiscal year, adjusted for the last four months, through 2012 fiscal year in its discounted cash flow analysis. Houlihan Smith used the financial projections to determine the enterprise net cash flows of Kennedy-Wilson over the projected period.

To calculate the fair market equity value of Kennedy-Wilson applying the discounted cash flow method, Houlihan Smith determined the present value of Kennedy-Wilson's enterprise net cash flows by applying a discount rate of 13% to the enterprise net cash flows for each year in the projected period as well as to a terminal enterprise net cash flow value. Houlihan Smith used this discount rate based on the weighted average cost of capital for Kennedy-Wilson, which was determined by Houlihan Smith by taking into consideration the estimated cost of equity capital in Kennedy-Wilson on a capital-structure weighted basis, the risk-free rate of return for long-term United States Treasury securities,

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rates of return for relevant corporate debt and equity securities, and specific industry risks and company risks as they relate to Kennedy-Wilson. Houlihan Smith used a build-up method to determine the cost of equity. The 30-year U.S. Treasury Coupon Bond yield of 4.18% was added to the equity risk premium 5.25% (2009 Ibbotson Stocks, Bonds, Bills and Inflation Valuation Yearbook), the industry risk premium of 4.49% (2009 Ibbotson Stocks, Bonds, Bills and Inflation Valuation Yearbook), and a size premium of 5.81% (2009 Ibbotson Stocks, Bonds, Bills and Inflation Valuation Yearbook). These items result in a cost of equity of 19.73%. Houlihan Smith assumed a cost of debt of 9% and a tax rate of 40%, resulting in an after-tax cost of debt of 5.40%. Assuming a capital structure of 50% equity and 50% debt, Houlihan Smith determined the weighted average cost of capital was 13.0%.

Houlihan Smith subtracted Kennedy-Wilson's net interest bearing debt (excluding debt attributable to minority interest) from the present value of Kennedy-Wilson's enterprise value indicated by the discounted cash flow method to calculate the equity value of Kennedy-Wilson.

Based on such assumptions and methodology, and after performing a series of sensitivity analyses to measure the impact of changes in the underlying assumptions and discount rate, Houlihan Smith calculated an equity value range based on the discounted cash flow analysis for Kennedy-Wilson of between \$167.7 million and \$273.3 million. On September 22, 2009, Prospect held a subsequent meeting of its board of directors (the "Update Meeting") to discuss matters related to the S-4. During the Update Meeting, Houlihan presented an updated range of equity value to reflect revised information regarding depreciation and capital expenditures. The range of equity value presented after incorporating that revised information was \$206.8 million to \$323.9 million.

Market Approach

Houlihan Smith determined that Kennedy-Wilson has two main streams of revenue based on its segmented operations, including direct real estate ownership and fund management. Due to the significant size of the direct real estate segment, Houlihan Smith modeled these two segments separately and applied the guideline public company method to the fund management segment. Houlihan Smith valued the direct real estate segment by determining the properties' total asset value, which was reduced by debt and applied to Kennedy-Wilson's ownership percent to calculate the indicated equity value of the direct real estate segment. Houlihan Smith determined the equity value to be allocated to Kennedy-Wilson based on the following methodologies: divided the properties' net operating income by the appropriate overall capitalization rate (based on PricewaterhouseCoopers' Korpacz Real Estate Investor Survey for 2nd quarter 2009), appraisal values, value from units sold applied to the number of remaining units, recent purchase price, book value, or company estimates from previous sales. Based on these methodologies, Houlihan Smith arrived at a fair market value of the direct real estate segment of \$90.4 million.

Guideline Public Company Method

The guideline public company method applies the trading multiples of publicly-traded companies to the subject company to derive an indication of value. The analyst searches for guideline public companies in industries similar to the subject company with operating structures and target customers as similar to the subject company as possible.

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Houlihan Smith found eight companies within the real estate services and real estate management industries that met the criteria for guideline public companies of Kennedy-Wilson's fund management segment. The companies that Houlihan Smith analyzed were as follows:

Company	Ticker Symbol
CB Richard Ellis Group, Inc.	NYSE:CBG
Jones Lang Lasalle, Inc.	NYSE:JLL
FirstService Corp.	TSX:FSV
Grubb & Ellis Company	NYSE:GBE
Stratus Properties, Inc.	NasdaqGS:STRS
Century21 Real Estate of Japan Ltd.	JASDAQ:8898
AEONMALL Co. Ltd.	TSE:8905
Sumitomo Real Estate Sales Co. Ltd.	TSE:8870

Houlihan Smith determined that the valuations derived from revenue and EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) multiples of the guideline public companies would provide the most meaningful indication of value of Kennedy-Wilson's fund management segment. Houlihan Smith determined the indicated equity values for each multiple to derive the minimum and maximum values for the fund management segment.

The median multiples derived from this analysis were enterprise value to revenue of 1.9 times and enterprise value to EBITDA of 10.5 times. Houlihan Smith applied these median multiples to Kennedy-Wilson's estimated 2009 revenue and EBITDA, which was discounted to the present value based on Kennedy-Wilson's weighted average cost of capital. Houlihan Smith added the fair market value of the direct real estate segment and reduced this value by net interest bearing debt to conclude a range of equity value of \$101.4 million (based on revenue multiple) to \$262.1 million (based on EBITDA multiple).

At the Update Meeting, Houlihan also presented an estimated equity value for Prospect pro forma for the Merger of \$555.1 million, excluding approximately \$182 million in net proceeds from the transaction, based on Kennedy-Wilson's estimated 2010 EBITDA.

Comparable Transactions Method

The comparable transactions method is a market approach which analyzes transactions involving companies operating in industries similar to Kennedy-Wilson's fund management segment. While it is known that no two companies are exactly alike, nor are any two transactions structured exactly the same, consideration is given to the similarity in size and profitability, as well as other operating characteristics of a company.

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Houlihan Smith found six transactions within the real estate services and real estate management industries that met the criteria of Kennedy-Wilson's fund management segment. The transactions that Houlihan Smith analyzed were as follows:

Announced/ Initial Filing Date	Target/Issuer	Total Transaction Value (\$mm)	Buyers/Investors
10/23/2008	Nihon Housing Co. Ltd.	\$ 34.1	Relo Holdings, Inc.
04/30/2008	Bank Building Corp.	\$ 38.1	Carter Bank & Trust
04/26/2008	Century Properties Fund XIV	\$ 13.0	Sutter Capital Management LLC; MacKenzie Patterson Fuller, LP
09/06/2007	Bay Equities, Inc.	\$ 8.7	Individual Investors
08/16/2007	Diamond City Co Ltd.	\$ 1,929.0	AEONMALL Co. Ltd.
04/10/2007	Realogy Corp.	\$ 9,261.9	Apollo Investment Fund VI LP; Apollo Management LP

Houlihan Smith determined that the valuations derived from revenue and EBITDA multiples of the comparable transactions would provide the most meaningful indication of value of Kennedy-Wilson's fund management segment. Houlihan Smith determined the indicated equity values for each multiple to derive the minimum and maximum values for the fund management segment.

The median multiples derived from this analysis were enterprise value to revenue of 2.9 times and enterprise value to EBITDA of 10.3 times. Houlihan Smith applied these median multiples to Kennedy-Wilson's estimated 2009 revenue and EBITDA, which was discounted to the present value based on Kennedy-Wilson's weighted average cost of capital. Houlihan Smith added the fair market value of the direct real estate segment and reduced this value by net interest bearing debt to conclude a range of equity value of \$158.1 million (based on revenue multiple) to \$256.0 million (based on EBITDA multiple).

At the Update Meeting, Houlihan also presented an estimated equity value for Prospect pro forma for the Merger of \$621.6 million, excluding approximately \$182 million in net proceeds from the transaction, based on Kennedy-Wilson's estimated 2010 EBITDA.

80% Test

Prospect's initial business combination must be with a target business whose fair market value is at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount) at the time of such acquisition. In support of its opinion that, as of the date of its opinion, the fair market value of Kennedy-Wilson is at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount), Houlihan Smith reviewed and estimated Prospect's net Trust Account based on its balance as of June 30, 2009, which was approximately \$242.5 million, 80% of which is approximately \$194.0 million. Houlihan Smith compared this threshold to Kennedy-Wilson's indicated range of fair market value from Houlihan Smith's three valuation methodologies: discounted cash flow method, guideline public company method, and comparable transactions method. Based on such analysis, Houlihan Smith concluded that the midpoint of the fair market value indicated by these methodologies (approximately \$203.1 million) exceeds 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). While Prospect's board of directors considered the opinion and analysis of Houlihan Smith in approving the Kennedy-Wilson acquisition, prior to completing the acquisition, the board of directors will make its definitive determination of whether the 80% test is satisfied as of the date of the acquisition.

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Based on the information and analyses set forth above, Houlihan Smith delivered its written opinion to Prospect's board of directors, which stated that, as of September 5, 2009, based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, (i) the Merger consideration to be paid by Prospect for Kennedy-Wilson in conjunction with the Merger is fair from a financial point of view to the stockholders of Prospect, and (ii) the fair market value of Kennedy-Wilson is at least equal to 80% of the balance in Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount).

Houlihan Smith is an investment banking firm that, as part of its investment banking business, regularly is engaged in the evaluation of businesses and their securities in connection with mergers, acquisitions, corporate restructurings, private placements, and for other purposes. Prospect's board of directors determined to use the services of Houlihan Smith because it is a recognized investment banking firm that has substantial experience in similar matters. Houlihan Smith has received a fee in connection with the preparation and issuance of its opinion and will be reimbursed for its reasonable out-of-pocket expenses, including attorneys' fees up to \$5,000. In addition, Prospect has agreed to indemnify Houlihan Smith for certain liabilities that may arise out of the rendering of its opinion. Houlihan Smith does not beneficially own any interest in Prospect or Kennedy-Wilson and has not provided any such company with any other services.

Material United States Federal Income Tax Consequences

General

The following section is a summary description of the material United States federal income tax consequences of the Merger to Prospect and to the United States Holders (as that term is defined below) of Kennedy-Wilson common stock and preferred stock (sometimes referred to as "KW Securities") and to the United States Holders of Prospect common stock, and of the Warrant Amendment to United States Holders of Public Warrants and Sponsor Warrants. This discussion addresses only those United States Holders of KW Securities and United States Holders of Prospect common stock, Public Warrants and Sponsor Warrants that hold their stock or warrants, as applicable, as capital assets within the meaning of Section 1221 of the Code, and does not address all the United States federal income tax consequences that may be relevant to Prospect or any United States Holders of KW Securities or Prospect common stock or warrants in light of their individual circumstances. This discussion also does not address the potential application of the alternative minimum tax or the United States federal income tax consequences to holders that are subject to special rules, such as:

financial institutions;

investors in pass-through entities;

persons whose functional currency is other than the U.S. dollar;

insurance companies;

tax-exempt organizations;

dealers in securities or currencies;

traders in securities that elect to use a mark to market method of accounting;

holders of stock or warrants that acquired their stock or warrants as compensation;

holders of stock rights, options or warrants, other than United States Holders of Public Warrants or Sponsor Warrants;

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persons that hold stock or warrants as part of a straddle, hedge, constructive sale or conversion transaction; and

persons who are not citizens or residents of the United States.

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This summary is based upon the Code, applicable treasury regulations thereunder, published rulings and court decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and foreign laws, or federal laws other than those pertaining to the income tax, are not addressed.

For purposes of this discussion, a United States Holder is a beneficial owner of KW Securities, Prospect common stock, Public Warrants or Sponsor Warrants that is for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation, or any entity treated as a corporation for United States federal income tax purposes, created or organized, or treated as created or organized, under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if (i) a United States court is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect to be treated as a United States person for United States federal income tax purposes.

If a partnership (or other entity classified as a partnership for United States federal income purposes) holds Prospect common stock or warrants, or KW Securities, the tax treatment of a partner generally depends upon the status of the partner and the activities of the partnership. A partner of a partnership holding such stock or warrants should consult their own tax advisor.

Neither Prospect nor Kennedy-Wilson has requested, or intends to request, any ruling from the Internal Revenue Service as to the United States federal income tax consequences described herein. The Internal Revenue Service may disagree with the discussion herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulation, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

Tax Consequences of the Merger to United States Holders of Kennedy-Wilson Stock

It is intended that the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. If the Merger is treated as such a reorganization:

no gain or loss will be recognized by United States Holders of KW Securities who receive solely shares of Prospect common stock in exchange for their KW Securities pursuant to the Merger;

the aggregate tax basis of the shares of Prospect common stock received in the Merger by a United States Holder of KW Securities generally will be equal to the aggregate tax basis of the shares of KW Securities exchanged therefor;

the holding period of the Prospect common stock received in the Merger by a United States Holder of KW Securities generally will include the holding period of the KW Securities exchanged therefor; and

any United States Holders of KW Securities who exercises its appraisal rights and who receives cash in exchange for its shares of KW Securities generally will recognize capital gain or loss measured by the difference between the amount of cash received and the tax basis of such stockholder's shares of KW Securities exchanged therefor. This gain or loss generally will be long-term capital gain or loss if the United States Holder's holding period with respect to the KW Securities surrendered is more than one year at the effective time of the Merger. There are limitations on the extent to which stockholders may deduct capital losses.

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If the Merger should fail to qualify as a reorganization within the meaning of Section 368(a) of the Code, a United States Holder of KW Securities generally will recognize a gain or loss with respect to its shares of KW Securities in an amount equal to the difference, if any, between the United States Holder's adjusted tax basis in its KW Securities and the fair market value of the Prospect common stock received in the Merger. In such an event, the United States Holder's adjusted tax basis in the Prospect common stock generally will equal the fair market value of such Prospect common stock, and the United States Holder's holding period for the Prospect common stock generally will begin on the day following the date of the Merger.

Tax Consequences of the Merger to Prospect and United States Holders of Prospect Common Stock

No gain or loss will be recognized by Prospect as a result of the Merger. No gain or loss will be recognized by the United States Holders of Prospect common stock as a result of the Merger if their conversion rights are not exercised.

A United States Holder of Prospect common stock who exercises conversion rights and effects a complete termination of such stockholder's interest in Prospect (including any actual or constructive interest in Prospect) generally will be required to recognize gain or loss upon the exchange of that stockholder's shares of common stock of Prospect for cash. Such gain or loss will be measured by the difference between the amount of cash received and the tax basis of that stockholder's shares of Prospect common stock. This gain or loss will be a capital gain or loss if such shares were held as a capital asset at the time of the exchange and will be a long-term capital gain or loss if the holding period for the shares of Prospect common stock is more than one year at such time. There are limitations on the extent to which United States Holders may deduct capital losses from ordinary income. If a United States Holder of Prospect common stock who receives cash in exchange for all of the United States Holder's shares of Prospect common stock actually or constructively owns Prospect common stock after the conversion (as the result of prior actual or constructive ownership of Prospect common stock or otherwise), all or a portion of the cash received by the United States Holders of common stock may be taxed as a dividend, and those United States Holders should consult their tax advisors to determine the amount and character of the income recognized in connection with the exercise of such holder's conversion rights.

Tax Consequences of the Warrant Amendment to United States Holders of Prospect Warrants

In the event that a United States Holder of Public Warrants elects the Cash Exchange, such holder will recognize capital gain or loss with respect to the Public Warrants equal to the difference between the amount of cash received for the Public Warrants and the holder's adjusted basis in the Public Warrants. A United States Holder of Public Warrants who elects the Warrant Exchange and a holder of Sponsor Warrants will be treated as exchanging his or her "old" warrants for "new" warrants in connection with the merger transaction. As such, a United States Holder of Public Warrants and a United States Holder of Sponsor Warrants should not recognize any gain or loss on the Warrant Exchange, and such holder's adjusted tax basis and holding period in the "new" warrants received (or deemed received) in the Warrant Exchange should be the same as such holder's adjusted tax basis and holding period in the "old" warrants exchanged or deemed exchanged in the Warrant Exchange.

Information Reporting and Backup Withholding

A United States Holder of KW Securities who exercises its appraisal rights or a United States Holder of Prospect common stock who exercises its conversion rights may be subject to information reporting. In addition, such holder may be subject to backup withholding on the proceeds from the exchange of shares for cash unless such holder is an exempt recipient (such as a corporation) or provides to the paying agent such holder's correct taxpayer identification number and certifies that such holder is exempt from or otherwise is not subject to backup withholding. Backup withholding is not an

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additional tax. The amount of any backup withholding will be refunded (or allowed as a credit against the U.S. federal income tax liability of the United States Holder) provided that the required information is furnished to the Internal Revenue Service.

Comparison of Rights of Stockholders of Prospect and Kennedy-Wilson

Prospect and Kennedy-Wilson are incorporated under the laws of the State of Delaware. Upon consummation of the Merger, Kennedy-Wilson stockholders will become stockholders of Prospect. Prospect's amended and restated certificate of incorporation that will be in effect at the closing of the Merger differs from Kennedy-Wilson's amended and restated certificate of incorporation. For a more complete description of the differences between the rights of the stockholders of Prospect and the rights of stockholders of Kennedy-Wilson, please refer to the section entitled "*Comparison of Rights of Prospect and Kennedy-Wilson Holders.*"

Rescission Rights

A Prospect securityholder at the time of the closing of the Merger that purchased Prospect units in the IPO (an IPO Purchaser), may have securities law claims against Prospect for rescission or damages on the basis, for example, that the IPO Prospectus, did not disclose that Prospect may seek to amend the terms of the Warrant Agreement and exchange a portion of its outstanding Public Warrants for cash proceeds released from the Trust Account. Rescission would give a successful IPO Purchaser claimant the right to receive the total amount paid for his or her securities pursuant to an allegedly deficient prospectus, plus interest and less any income earned on the securities, in exchange for surrender of the securities. An IPO Purchaser who has properly exercised its conversion rights or dissenters' rights will not be eligible for rescission in connection with any securities law claims it may have against Prospect in connection with Prospect units purchased in the IPO. In addition, an IPO Purchaser who purchased Prospect units in the IPO but who has separated its Prospect units into the component common stock and Public Warrants and no longer owns the common stock or Public Warrants included in such Prospect units may not be entitled to rescission in connection with any such securities law claims.

A successful IPO Purchaser claimant for damages under federal or state law could be awarded an amount to compensate for the decrease in value of his or her securities caused by the alleged violation (including, possibly, punitive damages), together with interest, while retaining such securities. Such claims may entitle IPO Purchasers asserting them to up to \$10.00 per Prospect unit, based on the initial offering price of the Prospect units sold in the IPO, or \$10.00 per share less any amount received from the sale or fair market value of the original Public Warrants purchased as part of the Prospect units, plus interest from the date of the IPO. In the case of IPO Purchasers, this amount may be more than the cash to which they are entitled upon exercise of their conversion rights or dissenters' rights or upon liquidation of Prospect.

In general, a person who contends that he or she purchased a security pursuant to a prospectus that contains a material misstatement or omission must make a claim for rescission within the applicable statute of limitations period, which, for claims made under Section 12 of the Securities Act and some state statutes, is one year from the time the claimant discovered or reasonably should have discovered the facts giving rise to the claim, but not more than three years from the occurrence of the event giving rise to the claim. Claims under the anti-fraud provisions of the federal securities laws must generally be brought within two years of discovery, but not more than five years after occurrence. Rescission and damages claims would not necessarily be finally adjudicated by the time the Merger is completed, and such claims would not be extinguished by consummation of that transaction.

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Anticipated Accounting Treatment

The acquisition will be accounted for as a "reverse merger" and recapitalization since immediately following the completion of the transaction, the stockholders of Kennedy-Wilson immediately prior to the business combination will have effective control of Prospect through its approximately 44.2% stockholder interest in the combined entity, assuming no share conversions (50.7% in the event of maximum share conversion), which includes its largest principal stockholder owning approximately 24.8% of the Kennedy-Wilson stockholder interest in the combined company. In addition, through Kennedy-Wilson's 44.2% stockholder interest, Kennedy-Wilson will maintain effective control of the combined entity through control of a substantial portion of the board of directors by maintaining six of the seven board seats for an expected term ranging from one to of three years. Additionally, all of Kennedy-Wilson's senior executive positions will continue on as management of the post-Merger company after consummation of the Merger. For accounting purposes, Kennedy-Wilson will be deemed to be the accounting acquirer in the Merger and, consequently, the Merger will be treated as a recapitalization of Kennedy-Wilson. Accordingly, Kennedy-Wilson's assets, liabilities and results of operations will become the historical financial statements of the registrant, and Prospect's assets, liabilities and results of operations will become consolidated with Kennedy-Wilson effective as of the acquisition date. No step-up in basis or intangible assets or goodwill will be recorded in this transaction. All direct costs of the Merger will be charged to operations in the period that such costs are incurred.

Regulatory Matters

Prospect and Kennedy-Wilson do not expect that the Merger will be subject to any state or federal regulatory requirements other than (i) filings under applicable securities laws and the effectiveness of the registration statement of which this proxy statement/prospectus is part, (ii) expiration or early termination of any applicable waiting periods under the HSR Act, and (iii) the filing of certain merger documents with the Secretary of State of the State of Delaware. Prospect and Kennedy-Wilson intend to comply with all such requirements.

Recommendation and Vote Required

The approval of the Merger Proposal requires the affirmative vote of a majority of the issued and outstanding Public Shares represented in person or by proxy at the special meeting of Prospect stockholders and entitled to vote thereon as of the record date. Adoption of the Merger Proposal is a condition to the consummation of the Merger and a condition to the presentation of the other stockholder proposals.

**PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S STOCKHOLDERS VOTE
"FOR" THE MERGER PROPOSAL.**

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THE MERGER AGREEMENT

For a discussion of the Merger structure and merger consideration, see the section entitled "*The Merger Proposal*" for additional information. Such discussion and the following summary of other material provisions of the Merger Agreement are qualified by reference to the complete text of the Merger Agreement which is attached as Annex A to this proxy statement/prospectus and incorporated herein by reference. All stockholders are encouraged to read the Merger Agreement in its entirety for a more complete description of the terms and conditions of the Merger.

Closing and Effective Time of the Merger

The closing of the Merger will take place as soon as practicable following the satisfaction or waiver of the last of the conditions described below under the subsection entitled "*Conditions to Closing of the Merger*." The Merger is expected to be consummated as soon as practicable after the special meeting of Prospect's stockholders and the special meeting of Prospect warrantholders described in this proxy statement/prospectus. The Merger will become effective at the time designated in the Certificate of Merger as the effective time of the Merger that the Parties have agreed upon and designated, or if no such time has been designated, the Merger will be effective on the filing of the Certificate of Merger with the Secretary of State of the State of Delaware.

Merger Consideration

Pursuant to the Merger Agreement, in the Merger, the Kennedy-Wilson Holders will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert into the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6412 shares of Prospect common stock), minus any Dissenting Shares.

If a fractional share is required to be issued to a Kennedy-Wilson Holder, Prospect will round up to the nearest whole share in lieu of issuing fractional shares.

Prospect Warrant Amendment

In addition, each outstanding Public Warrant will be exchanged, at the election of each holder of Public Warrants, for either (i) \$0.55 in cash or (ii) an Amended and Restated Public Warrant with an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013; provided that the aggregate number of Amended and Restated Public Warrants issuable upon the closing of the Merger is capped at 50% of the Public Warrants outstanding on the date of the Merger, which we refer to as the Warrant Limit. If holders of Public Warrants elect to receive in the aggregate more Amended and Restated Public Warrants than the Warrant Limit, the total Amended and Restated Public Warrants exchanged will be apportioned among the holders of Public Warrants who make a Warrant Election by multiplying the number of Amended and Restated Public Warrants evidenced by a specific Warrant Election by a fraction (x) the numerator of which is the Warrant Limit and (y) the denominator of which is the aggregate number of Amended and Restated Public Warrants evidenced by all Warrant Elections. Further, Public warrants for which holders of Public Warrants make no election will be converted into the right to receive the Cash Exchange. There is, however, no limit on the number of Public Warrants that may be exchanged for cash.

Also, each Sponsor Warrant will be amended and restated to provide for an exercise price of \$12.50, a redemption trigger price of \$19.50 and an expiration date of November 14, 2013.

Table of Contents**Forfeiture of Founder Shares**

Immediately prior to the Merger, 2,575,000 founder shares held by the founders will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the Merger, the founders will own 3,675,000 shares of Prospect common stock.

Management Incentive Shares

To reward and incentivize Kennedy-Wilson's key employees and management after the Merger, up to 4,000,000 shares of Prospect common stock will be reserved for issuance under the 2009 Plan. If the Merger is consummated, certain Kennedy-Wilson officers, directors and key employees will be issued an aggregate of 3,740,000 restricted shares of Prospect common stock under the 2009 Plan upon the closing of the Merger as set forth in the table below:

Name of Group	Dollar (\$)	Number of Shares of Restricted Stock
William McMorrow, Chief Executive Officer	\$	900,000
Freeman Lyle, Chief Financial Officer	\$	50,000
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$	900,000
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$	125,000
Robert Hart, President of KW Multi-Family Management Group	\$	125,000
James Rosten, President of Kennedy-Wilson Properties	\$	125,000
All executive officers, as a group	\$	3,495,000
All directors who are not executive officers, as a group	\$	25,000
All employees, including all current officers who are not executive officers, as a group	\$	220,000

In the event that the recipient of the restricted shares remains employed by (or continues to perform services as a director for) the post-Merger company through the relevant vesting date, $\frac{1}{5}$ of the restricted shares will vest on each of the first five anniversaries of the date of issuance, provided that the Performance Target is met as of the September 30 immediately preceding the applicable anniversary date (in the case of the installments vesting on the fourth and fifth anniversary dates, the Performance Target must be met as of the September 30 immediately preceding the third anniversary date). The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger. Notwithstanding the foregoing, in the event the employment with the post-Merger company of an employee who has been granted restricted shares is terminated without cause or if the employee resigns from his employment with the post-Merger company for good reason, the restricted shares will continue to vest on the applicable anniversary dates (subject to the satisfaction of the Performance Target), subject to certain limitations. In addition, in the event of a "Change of Control" as defined in the 2009 Plan (see "*The Equity Participation Plan Proposal Change of Control*"), any unvested restricted shares of Prospect common stock that have not previously been forfeited will become vested, subject to certain limitations. See section "*The Equity Participation Plan Proposal Awards to Particular Officers, Directors and Employees*" for additional information.

Management Bonuses

If the Merger is consummated, William J. McMorrow and Mary Ricks will be potentially entitled to receive certain cash bonus payments of up to \$11.7 million and \$4.0 million, respectively. The cash bonus payments will be payable as follows: (i) Mr. McMorrow and Ms. Ricks will be entitled to receive \$4.85 million and \$2.0 million, respectively, on October 15, 2009, provided, however, that such payments will be repaid to Kennedy-Wilson in the event the Merger is not consummated by November 15, 2009 or the executive is not employed by Kennedy-Wilson on the effective date of the

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Merger (these employment requirements will not apply, however, in the case of a termination of employment due to death or disability); (ii) Mr. McMorrow and Ms. Ricks will receive "performance unit awards" under the 2009 Plan which will entitle them to receive \$2.425 million and \$1.0 million, respectively, on April 1, 2010, provided that the Performance Target is met as of March 31, 2010 (in the event that the Performance Target is not met as of March 31, 2010, the bonus otherwise due April 1, 2010 shall, nevertheless, be paid on July 1, 2010, October 1, 2010, or January 1, 2011, respectively, if the Performance Target is satisfied as of the earliest of June 30, 2010, September 30, 2010, or December 31, 2010, respectively), and the executive remains employed through the date on which the Performance Target is satisfied; and (iii) Mr. McMorrow and Ms. Ricks will receive additional "performance unit awards" under the 2009 Plan which will entitle them to receive cash payments in the amounts of \$4.425 and \$1.0 million, respectively, on January 1, 2011, provided that the Performance Target is met as of December 31, 2010 and he or she, as applicable, remains employed by the post-Merger company through January 1, 2011. Notwithstanding the foregoing, in the event that the Merger is consummated and the employment of Mr. McMorrow or Ms. Ricks is terminated by the post-Merger company without cause or he or she, as applicable, resigns from his or her, as applicable, employment with the post-Merger company for good reason, the payments referred to in clauses (ii) and (iii) above will still be payable on the applicable payment dates if the Performance Target is met. The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger.

Note Forgiveness

On April 10, 2006, William J. McMorrow borrowed \$3,543,127 from Kennedy-Wilson evidenced by a Promissory Note bearing simple interest at a rate of 7.5% per annum and scheduled to mature on April 9, 2011. Mr. McMorrow's employment agreement has been amended to provide that the McMorrow Note will be forgiven if the Merger is consummated.

Amendments to Employment Agreements

In connection with the Merger, Mr. McMorrow and Ms. Ricks have entered into amendments to their employment agreements which provide for, among other things, (i) the removal of certain benefits in the event of a change in control; (ii) the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties; (iii) the grant to each executive of 900,000 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above; (iv) the cash bonus payments set forth above and (v) in the case of Mr. McMorrow, the McMorrow Note forgiveness described above. Mr. Herrema has also entered into an amendment to his employment agreement which provides for the extension of his employment term from December 31, 2010 to January 31, 2014 as well as clauses (ii) - (iii) above. In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended (i) to provide for a reduction in the amount of payments or benefits payable or provided to them under their respective employment agreements or otherwise to ensure that no payment or benefit is subject to the excise tax imposed by Section 4999 of the Code (certain golden parachute payments) which reduction may, in certain circumstances, result in the repayment of certain previously paid amounts (plus earnings) to the post-Merger company, and (ii) to achieve compliance with Section 409A of the Code.

Lock-Up Agreements

In connection with the Merger, William J. McMorrow, Mary Ricks, Freeman Lyle, and Donald Herrema, executive officers of Kennedy-Wilson, have entered into Lock-Up Agreements with Prospect whereby each have agreed to not offer, sell, pledge or otherwise transfer (i) any of the shares of

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Prospect common stock received as merger consideration for three months after the Merger and (ii) 90% of the shares of Prospect common stock received as merger consideration and 100% of the shares of Prospect common stock received as management incentive shares in connection with grants to executives under the 2009 Plan, in each case, for one year after the Merger. The stockholders subject to such Lock-Up Agreements may transfer their shares to any controlled affiliate, to any partner, stockholder or member of the stockholder, or for estate planning purposes only; provided in each case that any transferee agrees to be bound to the terms of the Lock-Up Agreement prior to any transfer.

Assumption of Guardian Note

In connection with the Merger, Prospect has agreed to assume the Guardian Note. The Guardian Note bears interest at a fixed rate of 7%, payable quarterly, and the outstanding principal is due on November 3, 2018. Under the terms of the Merger Agreement, Prospect will assume the Guardian Note and Guardian may convert, in whole or in part, the outstanding principal balance and accrued interest into common stock at a conversion price of \$10.52 per share any time prior to the tenth anniversary of the original issue date. At any time on or after the ninth anniversary of the original issue date of the note and prior to the due date, Prospect (as successor) may demand that Guardian convert the note in accordance with its terms.

Representations and Warranties

The Merger Agreement contains representations and warranties of each of Prospect and Merger Sub and Kennedy-Wilson relating, among other things, to:

proper organization, valid existence and good standing under the laws of its respective state of incorporation and capital structure of each company;

the authorization, execution, delivery and enforceability of the Merger Agreement;

subsidiaries;

absence of conflicts or violations under organizational documents, certain agreements and applicable laws or decrees as a result of the contemplated transaction;

consents and approvals;

financial statements and information (Kennedy-Wilson only);

internal accounting controls;

absence of certain changes;

undisclosed liabilities;

litigation;

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permits and licenses (Kennedy-Wilson only);

title to properties (Kennedy-Wilson only);

intellectual property (Kennedy-Wilson only);

tax matters;

employment and employee benefits matters (Kennedy-Wilson only);

related party transactions;

insurance (Kennedy-Wilson only);

material contracts;

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compliance with laws;

Foreign Corrupt Practices Act;

money laundering;

government inquiry (Kennedy-Wilson only);

books and records;

brokers' and finders' fees;

U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department;

environmental matters (Kennedy-Wilson only);

board approval;

information included in this proxy statement/prospectus;

the tax-free reorganization status of the Merger;

certain registration matters (Prospect only);

SEC filings (Prospect only);

the Trust Account (Prospect only);

AMEX (Prospect only); and

compliance with the Sarbanes-Oxley Act of 2002 (Prospect only).

Materiality and Material Adverse Effect

Certain of the representations and warranties are qualified by the concept of "material adverse effect." For purposes of the Merger Agreement, a "material adverse effect" as to Kennedy-Wilson means a material adverse effect to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of Kennedy-Wilson and its subsidiaries taken as a whole. A material adverse effect on Prospect means a material adverse effect to the condition (financial or otherwise), properties, assets, liabilities, business, operations or results of operations of Prospect taken as a whole.

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None of the following will constitute, either alone or in combination, or will be taken into account in determining whether there has been or would be, a material adverse effect with respect to Kennedy-Wilson or Prospect, respectively:

any facts, changes, developments, events, occurrences, actions, omissions or effects generally affecting (A) the economy, or financial or capital markets, in the United States or elsewhere in the world, to the extent that they do not disproportionately affect Kennedy-Wilson or Prospect, respectively, in relation to other companies in the industry in which such company primarily operates or (B) the industry in which Kennedy-Wilson or Prospect, respectively, operates to the extent that they do not disproportionately affect Kennedy-Wilson or Prospect in relation to other companies in the industry in which Kennedy-Wilson or Prospect, respectively, operates; or

any facts, changes, developments, events, occurrences, actions, omissions or effects arising out of, resulting from or attributable to (1) changes (after the date of the Merger Agreement) in law or in generally accepted accounting principles or in accounting standards or (2) any decline in the market price, or change in trading volume of the capital stock of Kennedy-Wilson or Prospect,

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respectively, or any failure to meet publicly announced revenue or earnings projections or internal projections; or

any facts, changes, developments, events, occurrences, actions, omissions or effects arising out of, resulting from or attributable to changes related to or arising from the execution, announcement or performance of, or compliance with the Merger Agreement, including the impact on relationships, contractual or otherwise, governmental authorities, customers, suppliers, distributors or employees.

Mutual Covenants

The parties to the Merger Agreement have agreed to various mutual covenants regarding general matters which include, but are not limited to:

supplementing or amending its respective disclosure schedules;

holding in strict confidence all documents and information concerning the other party;

cooperating in good faith to jointly prepare all press releases and public announcements;

compliance with the HSR Act;

paying all fees and expenses incurred in connection with the Merger, provided that the parties will share HSR fees equally;

acting in a manner consistent with the treatment of the Merger as a reorganization under Section 368(a) of the Code, and consistently take the position on all tax returns, before any taxing authority and in any judicial proceeding, that the Merger qualifies as a reorganization under Section 368(a) of the Code; and

each using its reasonable best efforts to cause its respective counsel to provide it with an opinion with respect to certain statements of U.S. federal income tax law as set forth in this proxy statement/prospectus under the caption "*Material United States Federal Income Tax Consequences.*"

Covenants Relating to Interim Operations

Prospect and Kennedy-Wilson have agreed to continue to operate their respective businesses in the ordinary course prior to the closing of the Merger and not to take the following actions, among others, without the prior written consent of the other party:

amend any organizational documents, except those amendments required in connection with the Merger Agreement;

make certain changes to accounting or tax practices;

declare, set aside or pay any dividends or other distribution in respect of any stock, except for the payment of quarterly dividends to Kennedy-Wilson's preferred stockholders consistent with past practices;

enter any new material contract or violate, amend, modify or waive any of the terms of any existing material contract;

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issue, deliver or sell any capital stock or securities convertible into, or subscription, right, warrant or option to acquire any such shares or convertible securities;

issue or sell any debt securities, other than in the ordinary course of business, or guarantee any debt securities and, in the case of Kennedy-Wilson, not to issue or sell any debt securities of others in excess of \$10,000,000;

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sell, lease, license or otherwise dispose of or encumber any of the properties or assets which are material, individually or in the aggregate, to its business, except in the ordinary course of business consistent with past practice;

make or change any tax election, change an annual accounting period, file an amended tax return, enter into any closing agreement, settle or compromise any proceeding with respect to a tax claim or assessment, surrender any right to claim a refund of taxes or consent to any extension or waiver of the limitation period applicable to a tax claim or assessment;

enter into any new line of business;

adopt a plan or effect any complete or partial liquidation or adopt resolutions providing for or authorizing such liquidation or adopt a plan of or effect any dissolution, merger, consolidation, restructuring, recapitalization or reorganization; and

agree to do, or take any action in furtherance of, any of the foregoing.

In addition, Prospect will not fail to timely file or furnish with the SEC all reports, schedules, forms, statements and other documents required to be filed or furnished that would have a material adverse effect on Prospect or its ability to consummate the Merger without the prior written consent of Kennedy-Wilson.

In addition, Kennedy-Wilson will not take any of the following actions without the prior written consent of Prospect:

subject to certain limited exceptions, increase the compensation or other benefits of any of its officers or employees or enter into, amend or terminate any employment or benefits arrangement with any officer, director or employee other than as required by applicable law or pursuant to the terms of agreements in effect on the date of the Merger Agreement or in the ordinary course of business with employees;

hire any employees except in the ordinary course of business;

fail to make contributions to any employee benefit plan in accordance with the terms thereof or with past practice; and

take or omit to take any action, the taking or omission of which could reasonably be expected to have a material adverse effect on Kennedy-Wilson.

Additional Kennedy-Wilson Covenants

The additional covenants that Kennedy-Wilson has made in the Merger Agreement include, but are not limited to the following:

permit Prospect to access all of the books and records of Kennedy-Wilson and its subsidiaries which Prospect determines is necessary for the preparation and amendment of the proxy statement/prospectus and such other filings or submissions in accordance with SEC rules and regulations as are necessary to consummate the transaction;

maintain insurance policies providing insurance coverage for Kennedy-Wilson's and its subsidiaries' business and assets in the amounts and against the risks that are commercially reasonable for such business, the risks covered and for the appropriate geographic areas;

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use commercially reasonable efforts, and cause its subsidiaries to use commercially reasonable efforts, to fulfill the closing conditions set forth below;

provide Prospect prompt written notice of any event or development that occurs that either individually or in the aggregate would have or reasonably be expected to have a material adverse

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effect on Kennedy-Wilson or would require any amendment or supplement to the proxy statement/prospectus;

use commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of government authorities and or material consents, including the Kennedy-Wilson stockholder approvals, and provide notice to third parties under any material contract;

cooperate with respect to certain tax-related matters;

provide Prospect promptly information concerning its business affairs and consolidated financial statements and any required financial statements that may reasonably be required for inclusion in the proxy statement/prospectus;

enter into amendments to employment agreements with each of William McMorrow, Mary Ricks and Donald Herrema;

cause each of William J. McMorrow, Mary Ricks, Freeman Lyle, and Donald Herrema to enter into lock-up agreements; and

waive all rights, title and claims to the Trust Account, except for \$10,000,000 in case of breach by Prospect of its no-shop/non-solicit provision.

Additional Prospect Covenants

The additional covenants that Prospect has made in the Merger Agreement include, but are not limited to the following:

cause to be held a meeting of its stockholders and warrant holders as soon as a reasonably practicable so that they may vote on the adoption of the respective proposals described herein;

use commercially reasonable efforts to file with the SEC as promptly as practicable the proxy statement/prospectus and upon receipt of approval from the SEC mail the proxy statement/prospectus to its stockholders;

provide Kennedy-Wilson with all correspondence received from and sent to the SEC and not file any amendments to the proxy statement/prospectus with the SEC without providing Kennedy-Wilson with an opportunity to review, comment and consent;

use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable to consummate and make effective as promptly as practicable, the Merger;

give prompt notice of any event or development that would or could cause a material adverse effect on Prospect or require an update to this proxy statement/prospectus;

use commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of government authorities and or material consents and provide notice to third parties under any material contract;

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cooperate with respect to certain tax-related matters and timely file all tax documents;

ensure that its authorized share capital is sufficient to enable Prospect to issue the Prospect common stock in the Merger;

refrain from purchasing any of its securities other than as contemplated by the transaction documents or with Kennedy-Wilson's consent;

adopt an equity incentive plan for issuance of up to 4,000,000 shares of Prospect common stock and grant awards to key employees of Kennedy-Wilson; and

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cause the surviving corporation to obtain director and officer liability insurance for acts and omissions occurring before the Merger.

Prospect No Shop/Non-Solicit Provision

The Merger Agreement provides that from September 8, 2009 until the earlier of the (x) termination of the Merger Agreement in accordance with its terms or (y) the effective time of the Merger, Prospect:

will not, and will cause its stockholders, employees, affiliates, and advisors not to enter into any written agreement with any other person or entity regarding a Prospect third-party acquisition (as defined below) other than the transactions contemplated by the Merger Agreement;

will not and will cause its stockholders, employees, affiliates, and advisors not to solicit, offer, initiate, knowingly encourage, conduct or seek to engage in any discussions, investigations or negotiations or enter into any agreement with any other person or entity regarding a Prospect third-party acquisition; and

agrees that it shall promptly, after obtaining knowledge thereof, advise Kennedy-Wilson of any inquiry or proposal regarding a Prospect third-party acquisition that is received by it, including the terms of the proposal and the identity of the inquirer or offeror.

For purposes of the Merger Agreement, a Prospect third-party acquisition means:

any purchase of 15% or more of the consolidated assets of a third-party and its subsidiaries, or 15% or more of the equity or voting securities of a third-party or a material subsidiary thereof;

any tender offer or exchange offer that, if consummated, would result in Prospect beneficially owning 15% or more of a third-party's equity or voting securities or any material subsidiary thereof; or

a merger, consolidation, business combination, share exchange, purchase of substantially all the assets, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Prospect and any third-party, in each such case that would result in Prospect beneficially owning 15% or more of any class of equity or voting securities of such third-party or any material subsidiary thereof, or 15% or more of the consolidated assets of such third-party.

Kennedy-Wilson No Shop/Non-Solicit Provision

The Merger Agreement provides that from September 8, 2009 until the earlier of the (x) termination of the Merger Agreement in accordance with its terms or (y) the effective time of the Merger, Kennedy-Wilson:

will not, and will cause its stockholders, employees, affiliates, and advisors not to enter into any written agreement with any other person or entity regarding a Kennedy-Wilson third-party acquisition (as defined below) other than the transactions contemplated by the Merger Agreement;

will not and will cause its stockholders, employees, affiliates, and advisors not to solicit, offer, initiate, knowingly encourage, conduct or seek to engage in any discussions, investigations or negotiations or enter into any agreement or understanding with any other person or entity regarding a Kennedy-Wilson third-party acquisition, other than the transactions contemplated in the Merger Agreement; and

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after obtaining knowledge thereof, advise Prospect of any inquiry or proposal regarding a Kennedy-Wilson third-party acquisition that is received by it, including the terms of the proposal and the identity of the inquirer or offeror.

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For purposes of the Merger Agreement, a Kennedy-Wilson third-party acquisition means:

any sale of 15% or more of the consolidated assets of Kennedy-Wilson and its subsidiaries, or 15% or more of the equity or voting securities of Kennedy-Wilson or any subsidiary whose assets, individually or in the aggregate, constitute 15% or more of the consolidated assets of Kennedy-Wilson (each referred to as a material subsidiary);

any tender offer or exchange offer that, if consummated, would result in a third-party beneficially owning 15% or more of the equity or voting securities of Kennedy-Wilson or of any material subsidiary; and

a merger, consolidation, business combination, share exchange, sale of substantially all the assets, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Kennedy-Wilson or any material subsidiary, in each such case that would result in either (x) a third-party beneficially owning 15% or more of any class of equity or voting securities of Kennedy-Wilson or any material subsidiary, or 15% or more of the consolidated assets of Kennedy-Wilson or (y) the stockholders of Kennedy-Wilson receiving securities traded in the U.S. on any nationally-recognized exchange or over-the-counter market.

Conditions to Closing of the Merger

General Conditions

Consummation of the Merger by Prospect and Kennedy-Wilson is conditioned upon, among other things:

Prospect having filed and the SEC having declared this proxy statement/prospectus effective and no stop order suspending the effectiveness of this proxy statement/prospectus having been issued by the SEC and no proceeding for that purpose having been initiated or, to the knowledge of Prospect or Kennedy-Wilson, threatened by the SEC;

Prospect receiving the approval of the Merger by its stockholders in accordance with its amended and restated certificate of incorporation and less than 30% of the Public Shares having exercised their conversion rights;

Kennedy-Wilson receiving the approval of the Merger by its stockholders in accordance with the DGCL;

both parties having executed and delivered each of the transaction documents;

legal opinions received by both parties from the counsel representing the other party;

certificates of good standing received by both parties;

the certificate of Merger being filed with and accepted by the Secretary of State of the State of Delaware and the Merger being effective under the DGCL; and

all applicable waiting periods (and any extension thereof) under the HSR Act having expired or otherwise been terminated and all notices, reports, registrations and other filings with, and all consents, approvals and authorizations with governmental authorities having been made or obtained, as the case may be.

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Either party may waive one or more conditions to the consummation of the Merger. However, to the extent a material condition is waived by one of the parties, which waiver would render any prior disclosure materially misleading, Prospect intends to resolicit the approval of its stockholders of the Merger.

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Kennedy-Wilson's Conditions to Closing

The obligations of Kennedy-Wilson to consummate the transactions contemplated by the Merger Agreement also are conditioned upon the following, among other things:

Prospect's representations and warranties set forth in Merger Agreement being true in all material respects as of the closing (except where the failure of such representations or warranties to be so true and correct, individually or in the aggregate, has not had or would not reasonably be expected to have a material adverse effect on Prospect) and Prospect having performed and complied in all material respects with all covenants and agreements required by the Merger Agreement prior to the closing of the Merger;

since the date of the Merger Agreement there having been no occurrence, event, change, effect or development that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on Prospect;

no action, suit or proceeding having been instituted by any court or governmental or regulatory body to (i) restrain, modify or prevent the Merger Agreement, or seek damages or a discovery order in connection with the Merger Agreement or (ii) which has a material adverse effect on Prospect;

Prospect's warrant holders having approved the Warrant Amendment;

Prospect's directors and officers, who are not continuing as directors or officers of Prospect after the Merger, having resigned and provided copies of the resignation letters to Prospect, stating that they have no claim for employment compensation from Prospect;

Prospect delivering an officer's certificate certifying that the authorizing documents are true, complete and correct and remain in full force and effect;

Prospect delivering a compliance certificate certifying that the conditions to the Merger have been fulfilled;

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or legal or regulatory restraint provision limiting Prospect's conduct or operation of the business after the closing of the Merger;

Prospect and Merger Sub having filed all reports required under the U.S. federal securities laws as of the effective time of the Merger;

no formal or informal SEC investigation or proceeding having been initiated by the SEC against Prospect or any of its officers or directors;

Prospect having maintained its status as a company whose common stock and warrants are listed on AMEX and no reason existing as to why such status shall not continue immediately following the effective time of the Merger;

Prospect founders having delivered certificates representing 2.575 million shares of Prospect common stock duly endorsed in blank with executed blank stock powers pursuant to the terms of the forfeiture agreement; and

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Prospect having available a minimum of \$75,000,000, after taking into account all expenses and liabilities of Prospect and Kennedy-Wilson, except amounts to be paid to officers in connection with the Merger and any debt accelerated for failure of Kennedy-Wilson to obtain a consent, plus an amount equal to the number of shares of Prospect common stock which would be issuable pursuant to Dissenting Shares if such shares had not exercised dissenters' rights multiplied by \$37.00, up to a maximum of \$11,370,026, for use by the post-Merger company after the closing.

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Prospect's Conditions to Closing

The obligations of Prospect to consummate the transactions contemplated by the Merger Agreement also are conditioned upon the following, among other things:

Kennedy-Wilson's representations and warranties set forth in Merger Agreement being true in all material respects as of the closing (except where the failure of such representations or warranties to be so true and correct, individually or in the aggregate, has not had or would not reasonably be expected to have a material adverse effect on Kennedy-Wilson) and Kennedy-Wilson having performed and complied in all material respects with all covenants and agreements required by the Merger Agreement prior to the closing of the Merger;

no action, suit or proceeding having been instituted by any court or governmental or regulatory body to (i) restrain, modify or prevent the Merger Agreement, or seek damages or a discovery order in connection with the Merger Agreement or (ii) which has a material adverse effect on Kennedy-Wilson;

since the date of the Merger Agreement there not having been any occurrence, event, change, effect or development that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on Kennedy-Wilson;

Prospect's warrant holders having approved the Warrant Amendment;

Kennedy-Wilson having entered into amended employment agreements with each of William McMorrow, Mary Ricks and Donald Herrema;

the holders of Kennedy-Wilson options granted under its 1992 Plan having exercised such options for Kennedy-Wilson common stock and the holders of other options and equity compensation having agreed to cancel such rights and Kennedy-Wilson having terminated its 1992 and 2009 plans;

Kennedy-Wilson delivering an officer's certificate certifying that the authorizing documents are true, complete and correct and remain in full force and effect;

Kennedy-Wilson delivering a compliance certificate certifying that the conditions to the Merger have been fulfilled;

no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or legal or regulatory restraint provision limiting Prospect's conduct or operation of the business after the closing of the Merger;

holders of no more than 10% of the issued and outstanding Kennedy-Wilson common stock, and holders of no more than 10% of the issued and outstanding Kennedy-Wilson preferred stock, have validly exercised their appraisal rights; provided that Prospect shall not waive this condition if the number of outstanding shares of Kennedy-Wilson common stock or preferred stock for which holders exercise appraisal rights is such that, pursuant to the transactions contemplated by the Merger Agreement, Prospect will not be acquiring "control" of Kennedy-Wilson as defined in Section 368(c) of the Code, solely in exchange for Prospect common stock;

Kennedy-Wilson having delivered to Prospect evidence that all required consents have been obtained;

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no formal or informal SEC investigation or proceeding having been initiated by the SEC against Kennedy-Wilson or any of its officers or directors; and

Kennedy-Wilson having filed an amendment to its Certificate of Designation, Preferences and Rights of its preferred stock.

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Termination

The Merger Agreement may be terminated prior to closing:

by mutual written consent of Prospect and Kennedy-Wilson;

by Prospect if Kennedy-Wilson notifies Prospect that it will be unable to obtain one or more required consents by October 15, 2009; or

by either Prospect or Kennedy-Wilson if:

- (i) the Merger is not consummated on or before November 13, 2009;
- (ii) a governmental authority shall enter an order which prohibits the Merger;
- (iii) it is not in material breach of the Merger Agreement and the other party is in breach of the Merger Agreement in a manner which prevents satisfaction of the closing conditions in the Merger Agreement, which breach is not cured with 10 business days' notice;
- (iv) if the board of directors of the other party fails to recommend, or withdraws or modifies its recommendation of the Merger Agreement;
- (v) if the Prospect common stockholders fail to approve the Merger, or if 30% or more of the Prospect common stockholders exercise their conversion rights; or
- (vi) if the Kennedy-Wilson common stockholders do not approve the Merger on or prior to November 13, 2009.

Effect of Termination

Except as otherwise provided in the Merger Agreement, in the event of proper termination of the Merger Agreement by either Prospect or Kennedy-Wilson, the Merger Agreement will have no further force and effect, without any liability or obligation on the part of Prospect or Kennedy-Wilson and each party will destroy all documents, work papers and materials of the other party relating to the transactions contemplated; provided, however, that those provisions which survive the termination of the Merger Agreement, including that Kennedy-Wilson will not seek recourse against the Trust Account except for a claim for damages if Prospect breaches its no shop/non-solicit provision, shall not be void and that such termination will not terminate the rights or remedies of any party against another party that has violated or breached the Merger Agreement prior to such termination.

If the Merger Agreement is terminated by either party should Kennedy-Wilson fail to receive its common stockholder approval, Kennedy-Wilson shall be obligated to pay Prospect \$10,000,000. If such amount is not paid within 30 days after termination of the Merger Agreement, interest will begin to accrue on this amount.

Indemnification of Directors and Officers

Prospect has agreed that the post-Merger company will, for six years from the date of closing the Merger, maintain in effect the provisions in its amended and restated certificate of incorporation and amended and restated bylaws providing for indemnification of its current and former directors and officers with respect to the facts and circumstances occurring at or prior to the Merger to the fullest extent permitted by the DGCL.

Prospect has agreed that the post-Merger company will, for six years from the date of the closing of the Merger, provide each current and former director or officer of Prospect with insurance for acts or omissions occurring prior to the Merger covering each such person on terms not

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materially less favorable than those currently covered by Prospect's officers' and directors' liability insurance policy; provided that the premium for such coverage shall not exceed \$200,000.

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Indemnification

Prospect will indemnify, defend and hold harmless Kennedy-Wilson, including Kennedy-Wilson's successors and permitted assigns, and Kennedy-Wilson will indemnify, defend and hold harmless Prospect, including Prospect's successors and permitted assigns, from and against all liabilities, loss, claims, damages, fines, penalties, expenses, including the costs of investigation and defense and reasonable attorneys' fees and court costs, arising from (i) any breach of any representation or warranty made by Prospect or Kennedy-Wilson in the Merger Agreement or in any certificate delivered by Prospect or Kennedy-Wilson pursuant to the Merger Agreement or (ii) any breach by Prospect or Kennedy-Wilson of its covenants or obligations in the Merger Agreement to be performed or complied with by Prospect or Kennedy-Wilson at or prior to Closing. Neither party is entitled to indemnification as so described unless the aggregate amount of damages exceeds \$1,000,000. The aggregate amount of damages for which either party may be liable shall not exceed \$10,000,000 and in any event, the practical benefits of this indemnification are limited since Kennedy-Wilson will be a direct, wholly-owned subsidiary of Prospect.

Fees and Expenses

All fees and expenses incurred in connection with the Merger Agreement and the transactions contemplated thereby will be paid by the party incurring such expenses, except that the parties will each pay one-half of fees related to filings under the HSR Act.

Confidentiality; Access to Information

Prospect and Kennedy-Wilson will afford to the other party and its financial advisors, accountants, counsel and other representatives prior to the completion of the Merger reasonable access during normal business hours, upon reasonable notice, to all of their respective properties, books, records and personnel to obtain all information concerning the business, including the status of properties, results of operations and personnel, as each party may reasonably request. Prospect and Kennedy-Wilson will maintain in strict confidence any non-public information received from the other party, and use such non-public information only for purposes of consummating the transactions contemplated by the Merger Agreement.

Amendments

The Merger Agreement may be amended by the parties at any time in writing signed by each of the parties.

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SELECTED HISTORICAL FINANCIAL INFORMATION

The following financial information is being provided to assist you in your analysis of the financial aspects of the Merger. The information is only a summary and should be read in conjunction with each company's audited historical consolidated financial statements and related notes contained elsewhere herein. The historical results included below and elsewhere in this proxy statement/prospectus are not indicative of the future performance of Kennedy-Wilson or Prospect.

Kennedy-Wilson Selected Financial Data

The following table sets forth selected historical financial data of Kennedy-Wilson. The information presented below was derived from Kennedy-Wilson's unaudited financial statements for the six months ended June 30, 2009 and 2008 and Kennedy-Wilson's audited financial statements for each of the years ended December 31, 2008, 2007, 2006, 2005 and 2004. This information is only a summary. You should read this information together with Kennedy-Wilson's historical financial statements and accompanying notes contained elsewhere in this proxy statement/prospectus.

	Six Months Ended June 30,		Year Ended December 31,				
	2009 (Unaudited)	2008	2008	2007	2006	2005	2004
Revenue:							
Management and leasing fees	\$ 9,266,000	\$ 8,346,000	\$ 19,051,000	\$ 20,142,000	\$ 16,578,000	\$ 15,217,000	\$ 18,077,000
Commissions	2,462,000	7,082,000	10,201,000	13,153,000	9,920,000	8,190,000	8,407,000
Sale of real estate	6,272,000					18,346,000	12,055,000
Interest and other	1,482,000	1,587,000	3,535,000	963,000	646,000	1,057,000	3,497,000
Total revenue	19,482,000	17,015,000	32,787,000	34,258,000	27,144,000	42,810,000	42,036,000
Operating expense:							
Compensation and related expenses	9,997,000	9,667,000	21,292,000	34,151,000	24,892,000	32,035,000	20,079,000
Cost of real estate sold	5,752,000					14,410,000	10,408,000
General and administrative	3,696,000	4,238,000	8,901,000	8,490,000	9,026,000	9,341,000	10,812,000
Other operating expense	1,157,000	818,000	2,378,000	539,000	688,000	1,570,000	2,193,000
Total operating expense	20,602,000	14,723,000	32,571,000	43,180,000	34,606,000	57,356,000	43,492,000
Equity in joint venture income	(461,000)	1,533,000	10,097,000	27,433,000	14,689,000	35,855,000	11,520,000
Total operating income	(1,581,000)	3,825,000	10,313,000	18,511,000	7,227,000	21,309,000	10,064,000
Non-operating income (expense)	(3,169,000)	(3,591,000)	(9,646,000)	(9,474,000)	(686,000)	(10,319,000)	(5,703,000)
Income from continuing operations	(4,750,000)	234,000	667,000	9,037,000	6,541,000	10,990,000	4,361,000
Income from discontinued operations, net of tax				2,797,000			(246,000)
Net income	(4,750,000)	234,000	667,000	11,834,000	6,541,000	10,990,000	4,115,000
Net income attributable to the noncontrolling interest	267,000	(50,000)	(54,000)	(2,441,000)	(586,000)		
Preferred stock dividends	(1,964,000)	(394,000)	(2,264,000)				
	\$ (6,447,000)	\$ (210,000)	\$ (1,651,000)	\$ 9,393,000	\$ 5,955,000	\$ 10,990,000	\$ 4,115,000

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**Net (loss) income
attributable to
Kennedy-Wilson, Inc.
common shareholders**

Other Financial Data:

Net cash provided by (used
in):

Operating activities	\$ (3,009,000)	\$ (13,021,000)	\$ (14,669,000)	\$ (14,809,000)	\$ (7,026,000)	\$ (13,422,000)	\$ (2,328,000)
Investing activities	(38,491,000)	(74,999,000)	(96,373,000)	5,839,000	(3,614,000)	47,255,000	45,269,000
Financing activities	31,875,000	77,295,000	112,625,000	17,886,000	6,548,000	(24,985,000)	(38,658,000)

	As of June 30,		As of December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Unaudited)						

Balance sheet data:

Cash and cash equivalents	\$ 16,206,000	\$ 13,523,000	\$ 25,831,000	\$ 24,248,000	\$ 15,332,000	\$ 19,424,000	\$ 10,576,000
Investments in real estate and joint ventures	222,459,000	160,671,000	190,915,000	80,026,000	57,744,000	36,847,000	43,923,000
Total assets	283,416,000	214,959,000	255,883,000	145,814,000	107,746,000	93,461,000	99,831,000
Debt	146,399,000	94,940,000	131,423,000	65,084,000	40,517,000	33,746,000	49,519,000
Total equity	103,966,000	106,265,000	105,802,000	57,076,000	49,603,000	42,120,000	38,559,000

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Table of Contents**Prospect Selected Financial Data**

The following table sets forth selected historical financial data of Prospect. The information presented below was derived from Prospect's audited financial statements for the years ended and as of December 31, 2008 and 2007 and from its unaudited financial statements for the six months ended June 30, 2009 and 2008. This information is only a summary. You should read this information together with Prospect's historical financial statements and accompanying notes contained elsewhere in this proxy statement/prospectus.

	June 30, 2009 (Unaudited)	December 31, 2008	December 31, 2007
<i>Selected Balance Sheet Data:</i>			
Cash	\$ 9,425	\$ 28,678	\$ 58,075
Investments held in Trust Account	248,535,987	248,924,201	247,340,887
Total assets	249,116,069	249,449,560	248,161,221
Total liabilities	10,177,138	10,253,245	10,476,121
Common stock, subject to possible conversion	74,099,990	74,099,990	74,099,990
Total stockholders' equity	\$ 164,838,941	\$ 165,096,325	\$ 163,585,110

	For the six months ended June 30, 2009	For the six months ended June 30, 2008	For the period from July 9, 2007 (date of inception) through June 30, 2009	For the year ended December 31, 2008	For the period from July 9, 2007 (date of inception) through December 31, 2007
<i>Statement of Operations Data:</i>					
Net interest income	\$ 41,150	\$ 2,528,586	\$ 4,930,379	\$ 3,808,688	\$ 1,080,541
Operating expenses	449,707	383,135	1,202,213	679,661	72,845
State capital based tax provision		184,156	816,301	740,724	75,577
Federal income tax (benefit) provision	(151,173)	693,110	1,042,836	877,088	316,921
Net (loss) income	(257,384)	1,268,185	1,869,029	1,511,215	615,198
Net (loss) income per common share	\$ (0.01)	\$ 0.04	\$ 0.07	\$ 0.05	\$ 0.05

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information has been prepared assuming that the acquisition of Kennedy-Wilson by Prospect had occurred (i) at the beginning of the period for the pro forma statements of operations for the year ended December 31, 2008 and for the six months ended June 30, 2009, and (ii) at June 30, 2009 for the pro forma balance sheet.

Pursuant to Prospect's amended and restated certificate of incorporation, Prospect will not proceed with a transaction if public stockholders owning 30% or more of the Public Shares vote against the transaction and exercise their conversion rights. Accordingly, Prospect may effect a transaction if stockholders owning up to one share less than 30% of the Public Shares exercise their conversion rights. If this occurred, Prospect would be required to convert for cash up to one share less than 30% of the 25,000,000 shares of common stock included in the units sold in the IPO, or 7,499,999 shares of common stock.

Furthermore, as a condition of the proposed transaction, each of the 25,000,000 Public Warrants will either be redeemed for a cash payment of \$0.55 per warrant at closing, or each holder of Public Warrants must agree to exchange its Public Warrants for Amended and Restated Public Warrants, with each such Amended and Restated Public Warrant entitling the holder thereof to purchase one share of common stock at an exercise price of \$12.50 per share, with a redemption price of \$19.50 per share, and an expiration date of November 14, 2013. No more than 50% of the outstanding Public Warrants may be exchanged for Amended and Restated Public Warrants. Accordingly, Prospect will be required to redeem a minimum of 12,500,000 Public Warrants and a maximum of 25,000,000 Public Warrants for an aggregate cash payment at closing ranging from \$6,875,000 to \$13,750,000, respectively.

Accordingly, the unaudited pro forma condensed consolidated financial information presents two possible scenarios for the approval of the Merger by the stockholders of Prospect, as follows:

Assuming No Stock Conversion and Minimum Warrant Repurchase: This presentation assumes that no holders of Public Shares exercise their conversion rights and that 12,500,000 Public Warrants are repurchased for cash; and

Assuming Maximum Stock Conversion and Maximum Warrant Repurchase: This presentation assumes that holders of 7,499,999 Public Shares (29.99%) exercise their conversion rights and that 25,000,000 Public Warrants are repurchased for cash.

The unaudited pro forma condensed consolidated financial information is provided for illustrative purposes only. The historical financial information in the unaudited pro forma condensed consolidated balance sheet has been adjusted to give effect to pro forma events that are directly attributable to the Merger and are factually supportable. The historical financial information in the unaudited pro forma condensed consolidated statements of operations has been adjusted to give effect to pro forma events that are directly attributable to the Merger, are factually supportable, and are expected to have a continuing impact on the consolidated results.

You should not rely on the unaudited pro forma condensed consolidated balance sheet as being indicative of the historical financial position that would have been achieved had the Merger been consummated as of June 30, 2009, or the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2008 or for the six months ended June 30, 2009, as being indicative of the historical financial results of operations that would have been achieved had the Merger been consummated at the beginning of each of such periods. Actual results could differ from the pro forma information presented herein. See the section entitled "*Risk Factors Risks Related to the Merger.*"

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The following information is being provided to aid in the analysis of the financial aspects of the Merger. The historical financial information of Prospect was derived from the audited financial statements of Prospect for the year ended December 31, 2008 and the unaudited financial statements of Prospect for the six months ended June 30, 2009 included elsewhere in this proxy statement/prospectus. The historical financial information of Kennedy-Wilson was derived from the audited financial statements of Kennedy-Wilson for the year ended December 31, 2008 and the unaudited consolidated financial statements of Kennedy-Wilson for the six months ended June 30, 2009 included elsewhere in this proxy statement/prospectus. This information should be read together with Prospect's and Kennedy-Wilson's audited and unaudited financial statements and related notes, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for Prospect and Kennedy-Wilson, and other financial information included elsewhere in this proxy statement/prospectus.

The Merger will be accounted for as a reverse recapitalization since, immediately following completion of the Merger, the stockholders of Kennedy-Wilson immediately prior to the consummation of the Merger will have effective control of Prospect through: (1) their stockholder interest comprising the largest single control block of shares in the combined entity, (2) a majority of the members of the board of directors of the combined company being comprised of current Kennedy-Wilson directors (initially, six directors of Kennedy-Wilson and one director of Prospect), and (3) all of the senior executive officers of the combined company being comprised of current Kennedy-Wilson executive officers. For accounting purposes, Kennedy-Wilson will be deemed to be the accounting acquirer in the Merger and, consequently, the Merger will be treated as a recapitalization of Kennedy-Wilson, i.e., a capital transaction involving the issuance of stock by Prospect for the stock of Kennedy-Wilson. Accordingly, the assets, liabilities and results of operations of Kennedy-Wilson will become the historical financial statements of Prospect at the closing of the Merger, and Prospect's assets (primarily cash and cash equivalents), liabilities and results of operations will be consolidated with Kennedy-Wilson beginning on the acquisition date. No step-up in basis or intangible assets or goodwill will be recorded in the Merger. All direct costs of the Merger will be charged to operations in the period that such costs are incurred.

The unaudited pro forma condensed consolidated financial information does not include the impact from the expected pay-down of \$22,000,000 of Kennedy-Wilson's outstanding debt at the closing of the Merger, nor any adjustments for incremental general and administrative costs which are anticipated to be incurred by Kennedy-Wilson as a fully reporting public company.

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The following tables set forth certain of the pro forma financial information about the post-Merger company after giving effect to the Merger.

KENNEDY-WILSON HOLDINGS, INC.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
June 30, 2009
(In thousands of U.S. Dollars, except per share amounts)

	Prospect Acquisition Corp.	Kennedy-Wilson, Inc.	Pro Forma Adjustments		Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase See Notes)	Pro Forma Adjustments for Conversion of 7,499,999 Shares of Common Stock and Maximum Repurchase of Warrants		Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase See Notes)
			Debit	Credit		Debit	Credit	
Assets								
Cash and cash equivalents	\$ 9	\$ 16,206	248,539(1)	6,000(13)	\$ 239,541		74,176(10)	\$ 158,490
			54(15)	11,095(4)			6,875(12)	
				6,875(12)				
				1,297(18)				
Investments held in Trust Account	248,536			248,536(1)				
Accrued interest income on Trust Account	3			3(1)				
Accounts receivable		2,886			2,886			2,886
Accounts receivable from related parties		4,813		661(14)	4,152			4,152
Notes receivable		541			541			541
Notes receivable from related parties		6,118		3,455(14)	2,663			2,663
Investments in real estate available for sale		34,260			34,260			34,260
Investments in real estate, net		40,618			40,618			40,618
Investments in joint ventures		147,581			147,581			147,581
Other assets, net	252	6,428			6,680			6,680
Deferred income tax asset	316		4,437(20)		4,753			4,753
Goodwill		23,965			23,965			23,965
Total assets	\$ 249,116	\$ 283,416			\$ 507,640			\$ 426,589
Liabilities and equity								
Accounts payable	\$ 101	\$ 441			\$ 542			\$ 542
Accrued expenses and other liabilities		8,399			8,399			8,399
Accrued salaries and benefits		1,097			1,097			1,097
Accrued officers compensation				6,850(16)	6,850			6,850
Deferred and accrued income taxes		9,114			9,114			9,114
Deferred interest income	76		76(3)					
Deferred underwriting commission	10,000		6,000(13)					
			4,000(2)					
Notes payable		14,000			14,000			14,000
Borrowings under lines of credit		26,000			26,000			26,000
Mortgage loans payable on real estate held for sale		26,115			26,115			26,115
Mortgage loans payable		26,956			26,956			26,956
Convertible subordinated debt		27,328			27,328			27,328
Junior subordinated debentures		40,000			40,000			40,000
Total liabilities	10,177	179,450			186,401			186,401

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Common stock subject to possible conversion	74,100		74,100(3)				
Equity							
Preferred stock		1	1(5)				
Common stock	3	54	(9)	2(19)	6	1(10)	5
			54(19)	(7)			
			(18)	(15)			
				1(5)			
				(8)			
Additional paid-in capital	162,967	58,903		74,100(3)	296,519	74,099(10)	215,469
			8,063(11)	1,036(17)		76(10)	
			6,875(12)	52(19)		6,875(12)	
			(7)	3,716(8)			
				54(15)			
			1,297(18)	7,927(6)			
				4,000(2)			
				(5)			
				(9)			
Retained earnings	1,869	39,020	6,292(4)	76(3)	18,726		18,726
			1,036(17)	8,063(11)			
			4,803(4)	4,437(20)			
			4,116(14)				
			6,850(16)				
			7,927(6)				
			3,716(8)				
Accumulated other comprehensive income		119			119		119
Total stockholders' equity	164,839	98,097			315,370		234,319
Noncontrolling interests		5,869			5,869		5,869
Total equity	164,839	103,966			321,239		240,188
Total liabilities and equity	\$ 249,116	\$ 283,416			\$ 507,640		\$ 426,589

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Pro Forma Adjustments (in thousands of U.S. Dollars, except for share and per share data):

- (1) To liquidate investments held in trust.
- (2) To record the reduction in the amount of deferred underwriters' compensation charged to capital at time of IPO but contingently payable until the consummation of a transaction from \$10,000 to \$6,000 pursuant to the terms of the transaction.
- (3) To account for common stock subject to possible conversion and related deferred interest income on the assumption that all stockholders approve of the proposed transaction.
- (4) To record the payment of estimated cash transaction costs for the preparation and negotiation of the agreement related to the transaction based upon engagement letters, actual invoices and/or currently updated fee estimates as follows:

	Prospect	Kennedy-Wilson
Merger and acquisition fee	\$ 3,030	\$
Advisor fees	1,505	3,025
Fairness opinion	90	500
Legal fees	1,250	575
Accounting fees	175	415
Hart-Scott-Rodino antitrust filings	62	63
Printing costs	125	125
Travel and other	55	100
Total estimated direct cash transaction costs	\$ 6,292	\$ 4,803

Total estimated costs do not include contingent underwriters fees that are payable upon consummation of a transaction as these costs were incurred in connection with Prospect's IPO and have already been provided for on Prospect's books. Total estimated costs also do not include the fair value of 375,000 shares of Prospect common shares issued to DeGuardiola which have been recorded separately.

- (5) To record the conversion of 53,000 shares of Kennedy-Wilson preferred stock into 5,598,982 shares of Prospect common stock.
- (6) To record the fair value of the conversion premium to the preferred stockholders of Kennedy-Wilson to be accounted for as a preferred stock dividend as follows:

	Deal Modified Terms	Original Terms	Difference
Number of preferred shares outstanding	53,000	53,000	
Liquidation value per share	\$ 1,000	\$ 1,000	
Total liquidation value	\$ 53,000	\$ 53,000	
Kennedy-Wilson conversion price per share	\$ 36	\$ 42	
Kennedy-Wilson conversion shares	1,472,222	1,261,905	210,317
Ratio of Kennedy-Wilson to Prospect common shares			3.803082
Prospect conversion shares			799,855
Market price of Prospect common shares			\$ 9.91
Fair value of conversion premium			\$ 7,927

- (7)

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To record the issuance of 3,740,000 restricted shares of Prospect common stock to the senior management of Kennedy-Wilson at par value. The fair value of the shares issued is to be charged to operations over the related vesting period of five years. An additional 260,000 shares have been reserved for future issuance.

- (8) To record the issuance of 375,000 shares of Prospect common stock to De Guardiola as an additional transaction cost.
- (9) To record the surrender and cancellation of 2,575,000 shares of common stock held by Prospect's founders.
- (10) To record conversion and cancellation of 7,499,999 Prospect Public Shares, at the June 30, 2009 conversion value of \$9.88 per share, plus a portion of the interest earned on the funds held in the Trust Account that are attributed to the shares converted, in the amount of \$76. The number of shares assumed converted, 7,499,999, is based on one share less than 30% of the Public Shares outstanding prior to the transaction and represents the maximum number of Public Shares that may be converted without precluding the consummation of a transaction.
- (11) To eliminate historical retained earnings of Prospect, the accounting acquiree, as adjusted.
- (12) To record the repurchase of Public Warrants pursuant to the terms of the transaction.

	With Minimum Warrant Repurchase	With Maximum Warrant Repurchase	Increase
Number of Public Warrants repurchased	12,500,000	25,000,000	
Price per Public Warrant	\$ 0.55	\$ 0.55	
Total amount	\$ 6,875	\$ 13,750	\$ 6,875

- (13) To record payment of reduced deferred underwriters' compensation charged to capital at time of IPO but contingently payable until the consummation of a transaction.
- (14) To record forgiveness of the McMorrow Note receivable, including accrued interest receivable of \$661, pursuant to the Merger.

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- (15) To record the exercise of options to acquire 14,050 shares of Kennedy-Wilson common stock prior to the closing of the transaction as follows:

No. of Options	Exercise Price Per Share	Proceeds
13,500	\$ 3.813	\$ 51
540	\$ 5.450	3
14,040		\$ 54

- (16) To accrue William McMorrow and Mary Ricks performance bonuses.
- (17) To record expense resulting from the acceleration of vesting relating to restricted stock previously issued to Kennedy-Wilson's Chairman.
- (18) To record the repurchase of 37,699 shares of Kennedy-Wilson common stock occurring after June 30, 2009 and before closing.
- (19) To record the exchange of 5,364,338 shares of Kennedy-Wilson common shares for 20,401,018 shares of Prospect common stock.
- (20) To record the income tax benefit of pro forma adjustments at Prospect's combined Federal and states statutory income tax rates as follows:

	Pro Forma Adjustment No.	With Minimum Warrant Repurchase
Pro forma adjustments:		
McMorrow Note forgiveness	(14)	\$ 4,116
McMorrow and Ricks 2009 performance bonuses	(16)	6,850
Accelerated vesting of previously issued restricted stock	(17)	1,036
Total income tax deductible pro forma adjustments		\$ 12,002
Income tax benefit of pro forma adjustments:		
Federal tax at 34% statutory rate, net of state taxes		\$ 3,897
State tax at 4.5% statutory rate		540
Combined income tax benefit		\$ 4,437

Pro Forma Notes (in thousands of U.S. Dollars, except for share and per share data):

- (A) Pursuant to Prospect's amended and restated certificate of incorporation, Prospect will not proceed with a transaction if public stockholders owning 30% or more of the Public Shares vote against the transaction and exercise their conversion rights. Accordingly, Prospect may effect a transaction if holders of Public Shares owning up to one share less than 30% of the aggregate number of Public Shares exercise their conversion rights. If this occurred, Prospect would be required to convert for cash up to one share less than 30% of the 25,000,000 shares of Prospect common stock included in the units sold in the IPO, or 7,499,999 shares of Prospect common stock.
- (B) As a condition of the Merger, each of the 25,000,000 Public Warrants will either be redeemed for a cash payment of \$0.55 per Public Warrant at closing, or each holder of Public Warrants must agree to exchange its Public Warrants for Amended and Restated Public Warrants, with each such Amended and Restated Public Warrant entitling the holder thereof to purchase one share of Prospect common stock at an exercise price of \$12.50 per share (increased from \$7.50 per share), with a redemption trigger price of \$19.50 per share (increased from \$14.50 per share), and an expiration date of November 14, 2013 (extended from November 14, 2012). No more than 50% of the outstanding Public Warrants may be exchanged for Amended and Restated Public Warrants. Accordingly, Prospect will be required to redeem a minimum of 12,500,000 Public Warrants and a maximum of 25,000,000 Public Warrants for an aggregate cash payment at closing ranging from \$6,875,000 to \$13,750,000, respectively.
- (C)

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To ensure that the proposed transaction is approved by holders of more than 70% of the Public Shares Prospect, Kennedy-Wilson, and their respective affiliates may enter into arrangements to provide for the purchase of the Public Shares from holders thereof who indicate their intention to vote against the Merger Proposal and seek conversion or otherwise wish to sell their Public Shares or other arrangements that would induce holders of Public Shares not to vote against the proposed Merger. Due to the uncertainty associated with these potential transactions, the pro forma financial statements do not give effect to such matters.

(D)

Pro forma entries are recorded to the extent they are a direct result of the transaction and are factually supportable.

(E) The current market price of Prospect common stock utilized in above calculations was as follows
as of September 18, 2009:

\$9.91

(F)

The unaudited pro forma condensed consolidated balance sheet does not include any adjustment for the expected paydown of \$22,000 in notes payable and line of credit.

KENNEDY-WILSON HOLDINGS, INC.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Six Months Ended June 30, 2009
(In thousands of U.S. Dollars, except per share amounts)

	Prospect Acquisition Corp.	Kennedy-Wilson, Inc.	Pro Forma Adjustments		Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase See Notes)	Pro Forma Adjustments for Conversion of 7,499,999 Shares of Common Stock and Maximum Repurchase of Warrants		Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase See Notes)
			Debit	Credit		Debit	Credit	
Revenue								
Property management and leasing fees	\$	\$ 6,552			\$ 6,552			\$ 6,552
Property management and leasing fees related party		2,714			2,714			2,714
Commissions		2,204			2,204			2,204
Commissions related party		258			258			258
Rental income		1,274			1,274			1,274
Sales of real estate		6,272			6,272			6,272
Interest and other income	50	208	\$ 50(1)		78			78
			\$ 130(3)					
Deferred interest income	(9)			9(1)				
Total revenue	41	19,482			19,352			19,352
Operating expenses								
Commissions and marketing expenses		1,430			1,430			1,430
Rental operating expense		739			739			739
Cost of real estate sold		5,752			5,752			5,752
Compensation and related expenses		9,997	3,198(4)	507(5)	12,688			12,688
General and administrative	450	2,266		450(1)	2,266			2,266
Depreciation and amortization		418			418			418
Total operating expenses	450	20,602			23,293			23,293
Equity in joint venture loss		461			(461)			461
Operating loss	(409)	(1,581)			(4,402)			(4,402)
Non-operating expense								
Interest expense		(5,061)			(5,061)			(5,061)
Other than temporary impairment on available for-sale security		(323)			(323)			(323)
Loss before income tax benefit	(409)	(6,965)			(9,786)			(9,786)
Income tax benefit	151	2,215	151(1)	1,043(6)	3,258			3,258
Net loss	(258)	(4,750)			(6,528)			(6,528)
Net loss attributable to the noncontrolling interest		267			267			267
Net loss attributable to common stockholders	(258)	(4,483)			(6,261)			(6,261)
Less preferred stock dividend		(1,964)		1,964(2)				

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Net loss available to common stockholders	\$	(258)	\$	(6,447)	\$	(6,261)	\$	(6,261)
Net loss per common share								
Basic	\$	(0.01)	\$	(1.24)	\$	(0.11)	\$	(0.13)
Diluted	\$	(0.01)	\$	(1.24)	\$	(0.11)	\$	(0.13)
Weighted average number of common shares outstanding (Note E)								
Basic		31,250,000		5,195,273		55,424,000		47,924,001
Diluted		31,250,000		5,195,273		55,424,000		47,924,001

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Pro Forma Adjustments (In thousands of U.S. Dollars, except for share and per share data):

- (1) To eliminate historical operations of the accounting acquiree (a non-operating public shell) as the Merger is being accounted for as a reverse recapitalization.
- (2) To remove dividends relating to preferred stock converted pursuant to the terms of the Merger.
- (3) To eliminate interest income credited to operations relating to the McMorrow Note receivable forgiven in connection with the Merger.
- (4) To record the incremental expense of 3,740,000 restricted common shares issued to senior management of Kennedy-Wilson as replacement for the terminated 2009 Equity Participation Plan. The restricted common shares are to vest equally over a five year period. The incremental expense for the period presented is calculated as follows:

Number of restricted common shares issued	3,740,000
Value per share at closing	\$ 9.91
Total value of restricted common shares issued	\$ 37,063
Value of restricted shares vested in period presented	\$ 3,706
Less expense of 2009 Equity Participation Plan charged to operations during the period presented	(508)
Incremental expense for the period presented	\$ 3,198

- (5) To eliminate amortization of equity compensation charged to operations relating to restricted stock previously issued to Kennedy-Wilson's Chairman, the vesting of which was accelerated at closing.
- (6) To record the income tax benefit of pro forma adjustments at Prospect's combined Federal and states statutory income tax rates as follows:

	Pro Forma Adjustment	
	No.	Amount
Pro forma adjustments:		
Vesting of newly issued restricted stock	(4)	\$ 3,198
Interest relating to the McMorrow note forgiven at closing	(3)	130
Amortization of equity compensation accelerated at closing	(5)	(507)
Total income tax deductible pro forma adjustments, net		\$ 2,821
Income tax benefit of pro forma adjustments:		
Federal tax at 34% statutory rate, net of state taxes		\$ 916
State tax at 4.5% statutory rate		127
Combined income tax benefit		\$ 1,043

Pro Forma Notes (In thousands of U.S. Dollars, except for share and per share data):

- (A) Pursuant to Prospect's amended and restated certificate of incorporation, Prospect will not proceed with a transaction if public stockholders owning 30% or more of the Public Shares vote against the transaction and exercise their conversion rights. Accordingly, Prospect may effect a transaction if holders of Public Shares owning up to one share less than 30% of the aggregate number of Public Shares exercise their conversion rights. If this occurred, Prospect would be required to convert for cash up to one share less than 30% of the 25,000,000 shares of Prospect common stock included in the units sold in the IPO, or 7,499,999 shares of Prospect common stock.
- (B) As a condition of the Merger, each of the 25,000,000 Public Warrants will either be redeemed for a cash payment of \$0.55 per Public Warrant at closing, or each holder of Public Warrants must agree to exchange its Public Warrants for Amended and Restated Public Warrants, with each such Amended and Restated Public Warrant entitling the holder thereof to purchase one share of Prospect common stock at an exercise price of \$12.50 per

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share (increased from \$7.50 per share), with a redemption trigger price of \$19.50 per share (increased from \$14.50 per share), and an expiration date of November 14, 2013 (extended from November 14, 2012). No more than 50% of the outstanding Public Warrants may be exchanged for Amended and Restated Public Warrants. Accordingly, Prospect will be required to redeem a minimum of 12,500,000 Public Warrants and a maximum of 25,000,000 Public Warrants for an aggregate cash payment at closing ranging from \$6,875,000 to \$13,750,000, respectively. As the fair value of the Amended and Restated Warrants was determined to be less than the value of the old warrants, no accounting entry is required with respect to the Warrant Exchange.

(C)

To ensure that the proposed transaction is approved by holders of more than 70% of the Public Shares, Prospect, Kennedy-Wilson, and their respective affiliates may enter into arrangements to provide for the purchase of the Public Shares from holders thereof who indicate their intention to vote against the Merger Proposal and seek conversion or otherwise wish to sell their Public Shares or other arrangements that would induce holders of Public Shares not to vote against the proposed Merger. Due to the uncertainty associated with these potential transactions, the pro forma financial statements do not give effect to such matters.

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(D) Pro forma entries are recorded to the extent they are a direct result of the Merger, are factually supportable and are expected to have continuing future impact.

(E) As the Merger is being reflected as if it had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares outstanding as a result of the Merger have been outstanding for the entire period presented. If the maximum number of shares are converted, this calculation is retroactively adjusted to eliminate such shares for the entire period. Shares surrendered and cancelled have been excluded from the calculation of pro forma earnings per share for the entire period. To the extent that restricted shares are accounted for as a period charge to operations, such shares have also been treated as outstanding for basic and diluted earnings per share calculations. For purposes of determining potentially dilutive securities, the most recent trading price for Prospect's common stock of \$9.91 on September 18, 2009 was utilized. Basic and diluted weighted average number of common shares outstanding is calculated as follows:

	Pro Forma Balance Sheet Adjustment No.	Shares with No Stock Conversion and Minimum Warrant Repurchase	Shares with Maximum Stock Conversion and Maximum Warrant Repurchase
Actual number of common shares outstanding		31,250,000	31,250,000
Pro forma shares:			
Shares issued to Kennedy-Wilson preferred stockholders	(5)	5,598,982	5,598,982
Shares issued to Kennedy-Wilson common stockholders	(19)	20,401,018	20,401,018
Shares issued to Kennedy-Wilson senior management	(7)	3,740,000	3,740,000
Shares surrendered and cancelled by Prospect founders	(6)	(2,575,000)	(2,575,000)
Shares issued to DeGuardiola	(8)	375,000	375,000
Shares converted by public stockholders	(10)		(7,499,999)
Pro forma weighted average number of common shares issued		58,790,000	51,290,001
Non-vested shares issued to senior management	(7)	(3,366,000)	(3,366,000)
Pro forma weighted average number of common shares outstanding basic		55,424,000	47,924,001

Potentially dilutive securities

Potentially dilutive securities consist of (i) outstanding warrants, relating to Prospect's initial public offering and private placement, to acquire an aggregate of 17,750,000 shares of common stock, with a minimum warrant repurchase, and 5,250,000 shares of common stock with a maximum warrant repurchase, (ii) debt convertible into 3,042,480 common shares, and (iii) 3,366,000 non-vested shares issued to senior management. All such potentially dilutive securities are anti-dilutive for the period presented and as such there are no dilutive common stock equivalents for the period presented. The total number of potentially dilutive securities is 24,158,480 with a minimum warrant repurchase, and 11,658,480 with a maximum warrant repurchase.

Number of potentially dilutive securities

Pro forma weighted average number of common shares outstanding diluted	55,424,000	47,924,001
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(F) The current market price of Prospect common stock utilized in above calculations was as follows as of September 18, 2009:

	\$	9.91
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- (G) The unaudited pro forma condensed consolidated statement of operations does not include any adjustments for incremental general and administrative costs which are anticipated to be incurred by Kennedy-Wilson Holdings, Inc. as a fully reporting public company.
- (H) The unaudited pro forma condensed consolidated statement of operations does not include any adjustments for the effect of an expected paydown of \$22,000 in notes payable and line of credit.

KENNEDY-WILSON HOLDINGS, INC.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
Year Ended December 31, 2008
(In thousands of U.S. Dollars, except per share amounts)

	Prospect Acquisition Corp.	Kennedy-Wilson, Inc.	Pro Forma Adjustments		Pro Forma Consolidated Companies (with No Stock Conversion and Minimum Warrant Repurchase See Notes)	Pro Forma Adjustments for Conversion of 7,499,999 Shares of Common Stock and Maximum Repurchase of Warrants		Pro Forma Consolidated Companies (with Maximum Stock Conversion and Maximum Warrant Repurchase See Notes)
			Debit	Credit		Debit	Credit	
Revenue								
Property management and leasing fees	\$	\$ 10,671			\$ 10,671			\$ 10,671
Property management and leasing fees related party		8,380			8,380			8,380
Commissions		5,906			5,906			5,906
Commissions related party		4,295			4,295			4,295
Rental income		2,409			2,409			2,409
Interest and other income	3,876	1,126	\$ 3,876(1)		867			867
			\$ 259(3)					
Deferred interest income	(67)			\$ 67(1)				
Total revenue	3,809	32,787			32,528			32,528
Operating expenses								
Commissions and marketing expenses		2,827			2,827			2,827
Rental operating expense		1,458			1,458			1,458
Compensation and related expenses		21,292	7,413(4)	1,015(5)	27,690			27,690
General and administrative	1,421	6,074		1,421(1)	6,074			6,074
Depreciation and amortization		920			920			920
Total operating expenses	1,421	32,571			38,969			38,969
Equity in joint venture income		10,097			10,097			10,097
Operating income	2,388	10,313			3,656			3,656
Non-operating expense								
Interest expense		(8,596)			(8,596)			(8,596)
Other than temporary impairment on available-for-sale security		(445)			(445)			(445)
Income (loss) before provision for income tax	2,388	1,272			(5,385)			(5,385)
Income tax benefit (expense)	(877)	(605)		877(1)	1,856			1,856
				2,461(6)				
Net income (loss)	1,511	667			(3,529)			(3,529)
Net income attributable to the noncontrolling interest		(54)			(54)			(54)
Net income (loss) attributable to common stockholders	1,511	613			(3,583)			(3,583)
Less preferred stock dividend		(2,264)		2,264(2)				

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Net income (loss) available to common stockholders	\$	1,511	\$	(1,651)	\$	(3,583)	\$	(3,583)
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Net income (loss) per common share

Basic	\$	0.05	\$	(0.32)	\$	(0.06)	\$	(0.07)
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Diluted	\$	0.05	\$	(0.32)	\$	(0.06)	\$	(0.07)
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Weighted average number of common shares outstanding (Note E)

Basic	31,250,000	5,119,684	55,798,000	48,298,001
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Diluted	31,250,000	5,119,684	55,798,000	48,298,001
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Pro Forma Adjustments (In thousands of U.S. Dollars, except for share and per share data):

- (1) To eliminate historical operations of the accounting acquiree (a non-operating public shell) as the Merger is being accounted for as a reverse recapitalization.
- (2) To remove dividends relating to preferred stock converted pursuant to the terms of the Merger.
- (3) To eliminate interest income credited to operations relating to the McMorrow Note receivable forgiven in connection with the Merger.
- (4) To record the incremental expense of 3,740,000 restricted common shares issued to senior management of Kennedy-Wilson as replacement for the terminated 2009 Equity Participation Plan. The restricted common shares are to vest equally over a five year period. The incremental expense for the period presented is calculated as follows:

Number of restricted common shares issued	3,740,000
Value per share at closing	\$ 9.91
Total value of restricted common shares issued	\$ 37,063
Value of restricted shares vested in period presented	\$ 7,413
Less expense of 2009 Equity Participation Plan charged to operations during the period presented	
Incremental expense	\$ 7,413

- (5) To eliminate amortization of equity compensation charged to operations relating to restricted stock previously issued to Kennedy-Wilson's Chairman, the vesting of which was accelerated at closing.
- (6) To record the income tax benefit of pro forma adjustments at the Prospect's combined Federal and states statutory income tax rates as follows:

	Pro Forma Adjustment	
	No.	Amount
Pro forma adjustments:		
Vesting of newly issued restricted stock	(4)	\$ 7,413
Interest relating to the McMorrow note forgiven at closing	(3)	259
Amortization of equity compensation accelerated at closing	(5)	(1,015)
Total income tax deductible pro forma adjustments, net		\$ 6,657
Income tax benefit of pro forma adjustments:		
Federal tax at 34% statutory rate, net of state taxes		\$ 2,162
State tax at 4.5% statutory rate		300
Combined income tax benefit		\$ 2,461

Pro Forma Notes (In thousands of U.S. Dollars, except for share and per share data):

- (A) Pursuant to Prospect's amended and restated certificate of incorporation, Prospect will not proceed with a transaction if public stockholders owning 30% or more of the Public Shares vote against the transaction and exercise their conversion rights. Accordingly, Prospect may effect a transaction if holders of Public Shares owning up to one share less than 30% of the aggregate number of Public Shares exercise their conversion rights. If this occurred, Prospect would be required to convert for cash up to one share less than 30% of the 25,000,000 shares of Prospect common stock included in the units sold in the IPO, or 7,499,999 shares of Prospect common stock.
- (B) As a condition of the Merger, each of the 25,000,000 Public Warrants will either be redeemed for a cash payment of \$0.55 per Public Warrant at closing, or each holder of Public Warrants must agree to exchange its Public Warrants for Amended and Restated Public Warrants, with each such Amended and Restated Public Warrant entitling the holder thereof to purchase one share of Prospect common stock at an exercise price of \$12.50 per

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share (increased from \$7.50 per share), with a redemption trigger price of \$19.50 per share (increased from \$14.50 per share), and an expiration date of November 14, 2013 (extended from November 14, 2012). No more than 50% of the outstanding Public Warrants may be exchanged for Amended and Restated Public Warrants. Accordingly, Prospect will be required to redeem a minimum of 12,500,000 Public Warrants and a maximum of 25,000,000 Public Warrants for an aggregate cash payment at closing ranging from \$6,875,000 to \$13,750,000, respectively. As the fair value of the Amended and Restated Warrants was determined to be less than the value of the old warrants, no accounting entry is required with respect to the Warrant Exchange.

- (C) To ensure that the proposed transaction is approved by holders of more than 70% of the Public Shares, Prospect, Kennedy-Wilson, and their respective affiliates may enter into arrangements to provide for the purchase of the Public Shares from holders thereof who indicate their intention to vote against the Merger Proposal and seek conversion or otherwise wish to sell their Public Shares or other arrangements that would induce holders of Public Shares not to vote against the proposed Merger. Due to the uncertainty associated with these potential transactions, the pro forma financial statements do not give effect to such matters.
- (D) Pro forma entries are recorded to the extent they are a direct result of the transaction, are factually supportable and are expected to have continuing future impact.
- (E) As the Merger is being reflected as if it had occurred at the beginning of the period presented, the calculation of weighted average shares outstanding for basic and diluted earnings per share assumes that the shares outstanding as a result of the Merger have been outstanding for the entire period presented. If the maximum number of shares are converted, this calculation is retroactively adjusted to eliminate such

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shares for the entire period. Shares surrendered and cancelled have been excluded from the calculation of pro forma earnings per share for the entire period. To the extent that restricted shares are accounted for as a period charge to operations, such shares have also been treated as outstanding for basic and diluted earnings per share calculations. For purposes of determining potentially dilutive securities, the most recent trading price for Prospect's common stock of \$9.91 on September 18, 2009 was utilized. Basic and diluted weighted average number of common shares outstanding is calculated as follows:

	Pro Forma Balance Sheet Adjustment No.	Shares with No Stock Conversion and Minimum Warrant Repurchase	Shares with Maximum Stock Conversion and Maximum Warrant Repurchase
Actual number of common shares outstanding		31,250,000	31,250,000
Pro forma shares:			
Shares issued to Kennedy-Wilson preferred stockholders	(5)	5,598,982	5,598,982
Shares issued to Kennedy-Wilson common stockholders	(19)	20,401,018	20,401,018
Shares issued to Kennedy-Wilson senior management	(7)	3,740,000	3,740,000
Shares surrendered and cancelled by Prospect founders	(6)	(2,575,000)	(2,575,000)
Shares issued to DeGuardiola	(8)	375,000	375,000
Shares converted by public stockholders	(10)		(7,499,999)
Pro forma weighted average number of common shares issued		58,790,000	51,290,001
Non-vested shares issued to senior management	(7)	(2,992,000)	(2,992,000)
Pro forma weighted average number of common shares outstanding basic		55,798,000	48,298,001

Potentially dilutive securities

Potentially dilutive securities consist of (i) outstanding warrants, relating to Prospect's initial public offering and private placement, to acquire an aggregate of 17,750,000 shares of common stock, with a minimum warrant repurchase, and 5,250,000 shares of common stock with a maximum warrant repurchase, (ii) debt convertible into 3,042,480 common shares, and (iii) 2,992,000 non-vested shares issued to senior management. All such potentially dilutive securities are anti-dilutive for the period presented and as such there are no dilutive common stock equivalents for the period presented. The total number of potentially dilutive securities is 23,784,480 with a minimum warrant repurchase, and 11,284,480 with a maximum warrant repurchase.

Number of potentially dilutive securities

Pro forma weighted average number of common shares outstanding diluted	55,798,000	48,298,001
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(F) The current market prices of Prospect common stock utilized in above calculations was as follows as of September 18, 2009:

\$ 9.91

(G)

The unaudited pro forma condensed consolidated statement of operations does not include any adjustments for incremental general and administrative costs which are anticipated to be incurred by Kennedy-Wilson Holdings, Inc. as a fully reporting public company.

(H)

The unaudited pro forma condensed consolidated statement of operations does not include any adjustments for the effect of an expected payoff of \$22,000 in notes payable and line of credit.

PRO FORMA SENSITIVITY ANALYSIS

KENNEDY-WILSON HOLDINGS, INC.
(In thousands of U.S Dollars)

The following table sets forth certain pro forma financial information assuming consummation of the Merger, as of June 30, 2009, at levels of no common stock conversion and 12,500,000 Public Warrant repurchase (the minimum warrant repurchase per the transaction agreement), 10% common stock conversion and 16,666,667 Public Warrant repurchase, 20% common stock conversion and 20,833,334 Public Warrant repurchase, and at a common stock conversion level of one share less than 30% conversion (the maximum conversion amount under which the Merger can be completed) and 25,000,000 Public Warrant repurchase (the maximum warrant repurchase per the Merger Agreement). Common stock subject to possible conversion has been fully accounted for in this analysis.

This unaudited pro forma sensitivity analysis should be read in conjunction with the unaudited pro forma condensed consolidated balance sheet located elsewhere in this proxy statement/prospectus.

	Pro Forma Consolidated Companies (with No Stock Conversion and 12,500,000 Warrant Repurchase)	Pro Forma Consolidated Companies (with 10% Stock Conversion and 16,666,667 Warrant Repurchase)	Pro Forma Consolidated Companies (with 20% Stock Conversion and 20,833,334 Warrant Repurchase)	Pro Forma Consolidated Companies (with Maximum Stock Conversion and 25,000,000 Warrant Repurchase)
Number of shares converted		2,500,000	5,000,000	7,499,999
Number of Public Warrants repurchased	12,500,000	16,666,667	20,833,334	25,000,000
Assets				
Cash and cash equivalents	\$ 239,541	\$ 212,524	\$ 185,507	\$ 158,490
Other assets	268,099	268,099	268,099	268,099
Total assets	507,640	480,623	453,606	426,589
Liabilities and equity				
Total liabilities	186,401	186,401	186,401	186,401
Total equity	321,239	294,222	267,205	240,188
Total liabilities and equity	\$ 507,640	\$ 480,623	\$ 453,606	\$ 426,589

Pursuant to Prospect's amended and restated certificate of incorporation, Prospect will not proceed with a transaction if public stockholders owning 30% or more of the Public Shares vote against the transaction and exercise their conversion rights. Accordingly, Prospect may effect a transaction if holders of Public Shares owning up to one share less than 30% of the aggregate number of Public Shares exercise their conversion rights. If this occurred, Prospect would be required to convert for cash up to one share less than 30% of the 25,000,000 shares of Prospect common stock included in the units sold in the IPO, or 7,499,999 shares of Prospect common stock.

As a condition of the Merger, each of the 25,000,000 Public Warrants will either be redeemed for a cash payment of \$0.55 per warrant at closing, or each holder of Public Warrants must agree to exchange its Public Warrants for Amended and Restated Public Warrants, with each such Amended and Restated Public Warrant entitling the holder thereof to purchase one share of Prospect common stock at an exercise price of \$12.50 per share (increased from \$7.50 per share), with a redemption trigger price of \$19.50 per share (increased from \$14.50 per share), and an expiration date of November 14, 2013 (extended from November 14, 2012). No more than 50% of the outstanding Public Warrants may be exchanged for Amended and Restated Public Warrants. Accordingly, Prospect will be required to redeem a minimum of 12,500,000 Public Warrants and a maximum of 25,000,000 Public Warrants for an aggregate cash payment at closing ranging from \$6,875,000 to \$13,750,000, respectively. As the fair value of the new warrants was determined to be less than the value of the old warrants, no accounting entry is required with respect to the warrant exchange.

CAPITALIZATION

KENNEDY-WILSON HOLDINGS, INC.
Capitalization Table
(In thousands of U.S Dollars)

The following table sets forth the capitalization as of June 30, 2009 as described below:

of Kennedy-Wilson on an actual basis,

of Kennedy-Wilson and Prospect on an as adjusted basis, giving effect to the following:

the proposed transaction between Kennedy-Wilson and Prospect;

the conversion of Kennedy-Wilson preferred stock; and

the repurchase of 12,500,000 Public Warrants (the minimum number of warrants to be repurchased).

of Kennedy-Wilson and Prospect on an as further adjusted basis, giving effect to the following:

the proposed transaction between Kennedy-Wilson and Prospect;

the conversion of 7,499,999 Prospect common shares subject to possible conversion;

the conversion of Kennedy-Wilson preferred stock; and

the repurchase of 25,000,000 Public Warrants (the maximum number of warrants to be repurchased).

You should read this capitalization table together with the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", the financial statements and related notes, and the unaudited pro forma condensed consolidated financial statements and related notes, all appearing elsewhere in this proxy statement/prospectus.

	As of June 30, 2009		
	(in thousands)		
	Actual	As Adjusted	As Further Adjusted
Debt:			
Notes payable	\$ 14,000	\$ 14,000	\$ 14,000
Borrowings under lines of credit	26,000	26,000	26,000
Mortgage loans payable on real estate held for sale	26,115	26,115	26,115
Mortgage loans payable	26,956	26,956	26,956
Convertible subordinated debt	27,328	27,328	27,328
Junior subordinated debentures	40,000	40,000	40,000
Total debt	160,399	160,399	160,399
Equity:			

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Preferred stock	1		
Common stock	54	6	5
Additional paid-in capital	58,903	296,519	215,469
Retained earnings	39,020	18,726	18,726
Accumulated other comprehensive income	119	119	119
Total stockholders' equity	98,097	315,370	234,319
Noncontrolling interests	5,869	5,869	5,869
Total equity	103,966	321,239	240,188
Total capitalization	\$264,365	\$481,638	\$400,587

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THE CHARTER AMENDMENT PROPOSAL

The Charter Amendment Proposal, if approved, will provide for the amendment of Prospect's present amended and restated certificate of incorporation to:

- (i) change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.";
- (ii) increase the number of authorized shares of its common stock from 72,000,000 shares to 80,000,000 (and the total number of shares of authorized capital stock from 73,000,000 shares to 81,000,000);
- (iii) change the period of its corporate existence to perpetual;
- (iv) delete the present Article Sixth and its preamble, as such provisions will no longer be applicable to Prospect after the Merger, and replace it with a new Article Sixth; and
- (v) make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial.

The increase in the number of authorized shares of Prospect capital stock, the name change, the provision for Prospect's perpetual existence, and the deletion of Article Sixth of Prospect's current amended and restated certificate of incorporation are being undertaken as a result of and in conjunction with the Merger. Accordingly, the proposal to approve the amended and restated certificate of incorporation is conditioned upon and subject to the approval of the Merger Proposal.

In the judgment of Prospect's board of directors, the Charter Amendment Proposal is desirable for the following reasons:

The change of Prospect's corporate name is desirable to reflect the Merger with Kennedy-Wilson. The Kennedy-Wilson name has been used for over 30 years in connection with its provision of real estate management services.

The number of authorized shares should be increased because, as a result of the issuance of shares in the Merger and the adoption of the 2009 Plan as described in the Equity Participation Plan Proposal, Prospect requires additional shares of common stock to be reserved under its amended and restated certificate of incorporation in order to effect the Merger and execute on the business plan of the post-Merger company.

The present amended and restated certificate of incorporation provides that Prospect's corporate existence will terminate on November 14, 2009. In order to continue in existence after the consummation of the Merger and subsequent to such date, this provision must be amended. Perpetual existence is the usual period of existence for corporations and Prospect's board of directors believes it is the most appropriate period for Prospect as the surviving company in the Merger.

Article Sixth and its preamble relate to the operation of Prospect as a blank check company prior to the consummation of a business combination and will not be applicable after the consummation of the Merger. Clause A of Article Sixth requires that the business combination be submitted to Prospect's stockholders for approval under the DGCL and approved by the vote of a majority of the Public Shares present at the special meeting of Prospect stockholders in person or by proxy and eligible to vote thereon, provided that the business combination shall not be consummated if the holders of 30% or more of the Public Shares exercise their conversion rights. Clause B of Article Sixth provides that the proceeds of Prospect's IPO and the sale of the Sponsors Warrants are to be deposited in the Trust Account. Clause C of Article Sixth specifies the procedures for exercising conversion rights. Clause D of Article Sixth provides that Prospect shall take action to liquidate if it does not consummate an initial business combination prior to the "Termination Date" (November 14, 2009). Clause E of Article Sixth provides that holders of

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Public Shares are entitled to receive distributions from the Trust Account only if a business combination is not consummated by the Termination Date or by demanding conversion in accordance with Clause C. Clause F of Article Sixth provides that Prospect must consummate a "Business Combination," as defined in the preamble of Article Sixth, before Prospect can consummate any other type of business combination. Clause G of Article Sixth provides that Prospect shall not, and no employee of Prospect shall, disburse any funds from the Trust Account other than set forth in such clause. Clause H of Article Sixth provides the procedure by which Prospect's Audit Committee must approve all payments to Prospect's initial stockholders, sponsors, officers, directors and their or Prospect's affiliates. Clause I of Article Sixth provides the procedure by which the Audit Committee is required to review and monitor compliance with the requirements of the agreements entered into by Prospect in connection with its IPO. Clause J of Article Sixth prohibits Prospect's board of directors from issuing any securities (other than those issued in the IPO) that would participate in the proceeds of the Trust Account or vote as a class with the common stock on a business combination prior to the consummation of the initial business combination. Clause K of Article Sixth permits Prospect to have a classified board of directors prior to the initial business combination (which provision will continue to be in effect but shall be re-numbered). Accordingly, Article Sixth and its preamble will serve no further purpose and will be replaced with a new Article Sixth.

A copy of Prospect's amended and restated certificate of incorporation, as it will be in effect assuming approval of the Charter Amendment Proposal and the filing of the second amended and restated certificate of incorporation in the office of the Secretary of State of the State of Delaware, is attached to this proxy statement/prospectus as Annex D.

Recommendation and Required Vote

Pursuant to the Merger Agreement, approval of the Charter Amendment Proposal is a condition to the consummation of the Merger. If the Merger Proposal is not approved, the Charter Amendment Proposal will not be presented at the special meeting of Prospect stockholders. If the Charter Amendment Proposal is not approved, the Merger will not be consummated even if the Merger Proposal is approved and the holders of fewer than 30% of the Public Shares vote against the Merger Proposal and properly demand that their Public Shares be converted into cash. See the section entitled "*Merger Proposal Interests of Prospect's Directors and Officers in the Merger*" for additional information.

The approval of the Charter Amendment Proposal requires the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock entitled to vote thereon as of the record date.

PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE CHARTER AMENDMENT PROPOSAL.

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THE EQUITY PARTICIPATION PLAN PROPOSAL

Prospect is requesting that the stockholders vote in favor of approving the 2009 Plan, which was adopted by the board on September 5, 2009. The principal features of the 2009 Plan are summarized below, but the summary is qualified in its entirety by reference to the text of the 2009 Plan, which is attached hereto as Annex E. Prospect encourages you to read the 2009 Plan carefully.

Purpose

The purpose of the 2009 Plan is to retain and reward employees (including officers), nonemployee consultants and nonemployee directors of Prospect and its affiliates and to provide them with additional incentives to promote the success of Prospect's business through the grants of awards of or pertaining to shares of Prospect's common stock.

Administration of the 2009 Plan

The 2009 Plan will be administered by the compensation committee of the board of directors which will be formed upon consummation of the Merger. Each of the compensation committee members must be (i) an "outside director" within the meaning of Section 162(m) of the Code, (ii) a "non-employee director" within the meaning of Rule 16b-3 of the Exchange Act, and (iii) "independent" for purposes of any applicable listing requirements.

Subject to the provisions of the 2009 Plan, the compensation committee has sole authority to make all determinations under the 2009 Plan. The compensation committee also has such additional powers as are delegated to it under the 2009 Plan. Absent specific rules to the contrary, action by the compensation committee requires the consent of a majority of the members of the compensation committee.

Securities Subject to the 2009 Plan

Pursuant to the 2009 Plan, the maximum aggregate number of shares of common stock that may be issued is 4,000,000 shares. The maximum number of shares of common stock subject to option awards and stock appreciation rights ("SARs") granted to any one employee during any calendar year under the 2009 Plan is 2,000,000 shares. The limitation set forth in the preceding sentence shall be applied in a manner which shall permit compensation generated in connection with the exercise of options or SARs to constitute "performance-based" compensation for purposes of Section 162(m) of the Code, including, but not limited to, counting against such maximum number of shares, to the extent required under Section 162(m) of the Code, any shares subject to options or SARs that are canceled or repriced.

In the event that changes are made to Prospect's outstanding common stock by reason of an extraordinary cash dividend, reorganization, merger, consolidation, combination, split-up, spin-off or exchange occurring after the date of grant, any outstanding awards and any award agreements evidencing such awards will be adjusted by the board of directors in its discretion in such manner as the board of directors deems equitable or appropriate taking into consideration the accounting and tax consequences as to the number and price or other consideration subject to such awards. In addition, in the event of certain adjustments to Prospect's common stock, the aggregate number of shares available under the 2009 Plan and Section 162(m) deduction limits will be appropriately adjusted by the board of directors.

Subject to certain conditions, for purposes of the 2009 Plan, the fair market value of a share of common stock as of any given date will be (i) if the common stock is listed on any U.S. national securities exchange, the closing sales price of the common stock for such date (or, in the event that the common stock is not traded on such date, on the immediately preceding trading date) on the principal

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U.S. national securities exchange on which the shares are listed and traded on such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the shares are not listed on any U.S. national securities exchange but are quoted in an inter-dealer quotation system on a last sale basis, the final ask price of the shares reported on the inter-dealer quotation system for such date, or, if there is no such sale on such date, then on the last preceding date on which a sale was reported; or (iii) if the shares are neither listed on a U.S. national securities exchange nor quoted on an inter-dealer quotation system on a last sale basis, the amount determined by the compensation committee to be the fair market value of the shares as determined by the compensation committee in its sole discretion. If the common stock is not quoted or listed as set forth above, fair market value shall be determined by the compensation committee in good faith by any fair and reasonable means and consistent with applicable law.

Eligibility

Prospect's and its affiliates' employees (including officers), nonemployee consultants and nonemployee directors are eligible to receive awards under the 2009 Plan. Approximately 300 employees and non-employee consultants and 5 non-employee directors are eligible to receive awards under the 2009 Plan. Subject to the provisions of the 2009 Plan, the compensation committee determines which employee, consultant or director will be granted awards. No employee, director or consultant is entitled to participate in the 2009 Plan as a matter of right, nor does any such participation constitute assurance of continued employment or board service. Only those employees, directors and consultants who are selected to receive grants by the compensation committee may participate in the 2009 Plan.

Awards Under the 2009 Plan

The 2009 Plan provides that the compensation committee may grant or issue stock options, restricted stock awards, unrestricted stock awards, restricted stock units, performance unit awards, performance share awards, distribution equivalent rights, stock appreciation rights, or any combination thereof.

Non-Qualified Stock Options. Non-qualified stock options ("NQSOs") provide for the right to purchase shares of Prospect common stock at a price determined by the compensation committee which may not be less than fair market value on the date of grant, subject to certain adjustments, and usually will become exercisable (in the discretion of the compensation committee) in one or more installments after the grant date, subject to the completion of the applicable vesting period. NQSOs may be granted for any term specified by the compensation committee, but may not exceed ten years.

Incentive Stock Options. Incentive stock options ("ISOs") are designed to comply with the provisions of Section 422 of the Code, and will be subject to certain restrictions contained in the Code. Among such restrictions, ISOs must have an exercise price not less than the fair market value of a share of Prospect common stock on the date of grant, may only be granted to employees, and must not be exercisable after a period of ten years measured from the date of grant. ISOs, however, may be subsequently modified to disqualify them from treatment as ISOs. The total fair market value of shares (determined as of the respective date or dates of grant) for which one or more options granted to any employee by Prospect (including all options granted under the 2009 Plan and all other option plans of any parent corporation or subsidiary corporation) that may for the first time become exercisable as ISOs during any one calendar year shall not exceed the sum of \$100,000. To the extent this limit is exceeded, the options granted will be NQSOs. In the case of an ISO granted to an individual who owns (or is deemed to own) more than 10% of the total combined voting power of Prospect (a "10% Owner"), the 2009 Plan provides that the exercise price must be at least 110% of the fair market value of a share of Prospect common stock subject to the ISO and the ISO must not be exercisable after a period of five years measured from the date of grant.

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Restricted and Unrestricted Stock. Restricted stock may be issued at such price, if any, and may be made subject to such restrictions (including time vesting or satisfaction of performance milestones), as may be determined by the compensation committee. Restricted stock, typically, is subject to forfeiture if certain conditions or restrictions are not met. In general, restricted stock may not be sold, or otherwise hypothecated or transferred, until the vesting restrictions applicable to such shares are removed or expire. Recipients of restricted stock, unlike recipients of options, generally will have voting rights and will receive dividends prior to the time when the restrictions lapse if the applicable award agreement so provides. The compensation committee is also permitted to award or sell shares of unrestricted stock which are not subject to restrictions under the 2009 Plan.

Restricted Stock Unit Awards. The holder of a restricted stock unit will be entitled to receive payment in cash or shares of Prospect common stock, based upon the number of restricted stock units awarded to the holder, if the holder satisfies individual service-based vesting requirements. The payment will be made no later than the fifteenth day of the third calendar month following the end of the calendar year in which the restricted stock unit first becomes vested. The payment will be subject to a "substantial risk of forfeiture" under Section 409A of the Code. At the time of the award, the compensation committee may, in its sole discretion, prescribe additional terms and conditions or restrictions relating to the restricted stock units, including rules pertaining to the effect of termination of employment, director status or consultant status prior to expiration of the applicable vesting period. The terms and conditions of the award agreements need not be identical.

Performance Unit Awards. Performance unit awards entitle the holder to a cash payment upon the satisfaction of predetermined goals and objectives relating to the performance of the holder, Prospect and/or its affiliates that is based upon the dollar value assigned to such unit under the award agreement. The performance unit award agreement may provide that, depending on the degree of performance achieved, different amounts of performance units, or no performance units, may be awarded.

Performance Share Awards. Performance share awards entitle the holder to receive shares of Prospect common stock upon the satisfaction of certain performance goals and objectives determined by the compensation committee. At the time of such award, the compensation committee may prescribe additional terms and conditions or restrictions relating to the awards, including, but not limited to, rules pertaining to the effect of termination of the holder's employment, director status or consultant status prior to the expiration of the applicable period. The holder of a performance share award will have no rights as a stockholder of Prospect until such time, if any, as the holder actually receives shares pursuant to the award.

Distribution Equivalent Rights. Distribution equivalent rights entitle a holder to receive bookkeeping credits, cash payments and/or common stock distributions equal in amount to the distributions that would have been made to the holder if such holder held a specified number of shares of Prospect common stock during the period the holder held the right.

Stock Appreciation Rights. SARs provide for the payment of an amount to the holder based upon increases in the price of Prospect's common stock over a set base price. The base price of any SAR granted under the 2009 Plan must be at least 100% of the fair market value of a share of common stock on the date of grant. Under the 2009 Plan, SARs will be settled in cash or shares of common stock, or a combination of both.

Termination of Employment, Director Status or Consultant Status

Termination of Employment or Director Status. The following terms will apply with respect to the termination of a holder's employment with, or status as a director of, Prospect or its affiliates for any reason, except to the extent such terms are inconsistent with the terms of the applicable award

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agreement (in which case the terms of the applicable award agreement will control) or the terms of the holder's employment agreement (in which case the terms of the applicable employment agreement will control). A holder's rights to exercise NQSOs and SARs will terminate:

- (1) Ninety days after the date of termination of employment or after the date of termination as a director, if such termination is for a reason other than the holder's total and permanent disability or death;
- (2) One year after the date of termination of employment or director status, if such termination is on account of the holder's total and permanent disability; or
- (3) One year after the date of the holder's death, if such termination is on account of the holder's death.

A holder's rights to exercise ISOs will terminate:

- (1) Three months after the date of termination of employment, if such termination is for a reason other than the holder's total and permanent disability or death;
- (2) One year after the date of termination of employment, if such termination is on account of the holder's total and permanent disability; or
- (3) One year after the date of the holder's death, if termination is on account of the holder's death.

Subject to the discretion of the compensation committee, if a holder's employment with, or status as a director of, Prospect or its affiliates terminates for any reason prior to the satisfaction or lapse of the restrictions, vesting requirements, or terms and conditions applicable to an award of restricted stock or restricted stock unit, the restricted stock or restricted stock unit, as the case may be, will immediately be canceled, and the holder will forfeit any rights or interests in and with respect to any such restricted stock or restricted stock unit.

Termination of Consultant Status. The following terms will apply with respect to the termination of a holder's status as a consultant, except to the extent such terms are inconsistent with the terms of the applicable award agreement (in which case the terms of the applicable award agreement will control). A holder's rights to exercise NQSOs or SARs will terminate:

- (1) Ninety (90) days after the date of termination, if such termination is for a reason other than the holder's death; or
- (2) One year after the date of the holder's death, if such termination is on account of the holder's death.

Subject to the discretion of the compensation committee, if the status of a holder as a consultant terminates for any reason prior to the satisfaction or lapse of the restrictions, vesting requirements, or terms and conditions applicable to an award of restricted stock, or restricted stock unit, as the case may be, the restricted stock or restricted stock unit will immediately be canceled, and the holder will forfeit any rights or interests in and with respect to any such restricted stock or restricted stock unit.

Special Termination Rule. If a holder's employment with, or status as a director of, Prospect or its affiliates is terminated, and if, within ninety days of such termination, such holder becomes a consultant to Prospect or any of its affiliates, the holder's rights with respect to any award granted prior to the date of termination may be preserved. Similarly, if a holder's status as a consultant is terminated, and if, within ninety (90) days of such termination, the holder becomes an employee or a director of Prospect or any of its affiliates, such holder's rights with respect to any award granted prior to the date of termination may be preserved.

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Termination for "Cause." If a holder's employment, director status or engagement as a consultant with Prospect is terminated by Prospect for "Cause" (as defined in the 2009 Plan), all of the holder's then outstanding awards will expire immediately and be forfeited in their entirety upon termination.

"Change of Control"

Only if so provided in the applicable award agreements, options granted under the 2009 Plan may automatically become fully vested and exercisable and shares of restricted stock granted under the 2009 Plan may automatically become fully vested and no longer subject to restrictions in the event of a "Change of Control" of Prospect.

For a holder who is a party to an employment or consulting agreement with Prospect or an affiliate that defines "Change of Control," "Change of Control" will have the same meaning as provided for in the agreement. For a holder who is not a party to such an agreement, "Change of Control" will mean the satisfaction of any one or more of the following conditions:

- (1) Any person, other than Prospect or an affiliate or an employee benefit plan of Prospect or an affiliate, becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities of Prospect representing more than 50% of the combined voting power of Prospect's then outstanding securities;
- (2) The closing of a merger, consolidation or other business combination (a "Business Combination") other than (I) the Business Combination between Kennedy-Wilson and Prospect or (II) any Business Combination in which holders of the common stock immediately prior to the Business Combination (A) own more than fifty percent (50%) of the total voting power of the corporation resulting from such Business Combination (or the direct or indirect parent corporation of such surviving corporation), and (B) have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the Business Combination as immediately before;
- (3) The closing of an agreement for the sale or disposition of all or substantially all of Prospect's assets to any entity that is not an affiliate;
- (4) The approval by the holders of shares of common stock of a plan of complete liquidation of Prospect other than a liquidation of Prospect into any subsidiary or a liquidation a result of which persons who were stockholders of Prospect immediately prior to such liquidation have substantially the same proportionate ownership of shares of common stock of the surviving corporation immediately after such liquidation as immediately before; or
- (5) Within any twenty-four month period, Prospect's incumbent directors cease to constitute at least a majority of the board of directors.

A "Change of Control" will not occur if Prospect files for bankruptcy, liquidation or reorganization under the United States Bankruptcy Code.

Prohibition Against Repricing

The compensation committee is not permitted to reduce the exercise price of any outstanding option or SAR, or grant any new award or make any payment of cash in substitution for or upon the cancellation of options or SARs previously granted, unless such action is approved by the holders of a majority of the shares of Prospect common stock or results from a "Change of Control" or adjustment as provided in the 2009 Plan.

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Transferability of Awards

Awards generally may not be assigned, transferred, sold, exchanged, encumbered, pledged or otherwise hypothecated or disposed of in any manner except (i) by will or by the laws of descent and distribution or (ii) except for an ISO, by gift to certain family members of the holder. Awards may be exercised, during the lifetime of the holder, only by the holder or by the holder's guardian or legal representative unless it has been transferred by gift to a permitted family member of the holder, in which case it may only be exercised by such transferee. Except for awards which are ISOs, awards may be transferred pursuant to the terms of any valid separation agreement or divorce decree.

Amendment and Termination of the 2009 Plan

The 2009 Plan will continue in effect until the tenth anniversary of the date on which it is adopted by the board of directors. The board of directors in its discretion may terminate the 2009 Plan at any time with respect to any shares for which awards have not been granted; provided, however, that the 2009 Plan's termination must not materially and adversely impair the rights of a holder with respect to any outstanding award without the consent of the holder. The board of directors has the right to alter or amend the 2009 Plan from time to time; provided, however, that without stockholder approval, no amendment or modification of the 2009 Plan may (i) materially increase the benefits accruing to holders, (ii) except as otherwise expressly provided in the 2009 Plan, materially increase the number of shares of common stock subject to the 2009 Plan or certain individual award agreements, (iii) materially modify the requirements for participation in the 2009 Plan, or (iv) amend, modify or suspend the provisions of the 2009 Plan relating to repricing prohibitions or amendment and termination of the 2009 Plan. In addition, no change in any outstanding award may be made which would materially and adversely impair the rights of a holder with respect to such award without the consent of the holder (unless such change is required in order to cause the benefits under the 2009 Plan to qualify as "performance-based" compensation within the meaning of Section 162(m) of the Code or to exempt the 2009 Plan or any award from Section 409A of the Code).

Section 162(m) of the Code

It is intended that the 2009 Plan shall comply fully with and meet all the requirements of Section 162(m) of the Code so that awards under the 2009 Plan which are made to holders who are "covered employees" (as defined in Section 162(m) of the Code) shall constitute "performance-based" compensation within the meaning of Section 162(m) of the Code. Any performance goal(s) applicable to qualified performance-based awards shall be objective, shall be established not later than ninety (90) days after the beginning of any applicable performance period (or at such other date as may be required or permitted for "performance-based" compensation under Section 162(m) of the Code) and shall otherwise meet the requirements of Section 162(m) of the Code, including the requirement that the outcome of the performance goal or goals be substantially uncertain (as defined in the regulations under Section 162(m) of the Code) at the time established. The performance goals to be utilized under the 2009 Plan to establish performance goals shall consist of objective tests based on one or more of the following: net sales; revenue; revenue growth or product revenue growth; operating income (before or after taxes); pre- or after-tax income (before or after allocation of corporate overhead and bonus); earnings per share; net income (before or after taxes); return on equity; total stockholder return; return on assets or net assets; appreciation in and/or maintenance of the price of the shares or any other publicly-traded securities of Prospect; market share; gross profits; earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization); economic value-added models or equivalent metrics; comparisons with various stock market indices; reductions in costs; cash flow or cash flow per share (before or after dividends); return on capital (including return on total capital or return on invested capital); cash flow return on investment; expense levels; working capital levels, including cash, inventory and accounts receivable;

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operating margins, gross margins or cash margin; year-end cash; debt reduction; stockholder equity; operating efficiencies; strategic partnerships or transactions; co-development, co-marketing, profit sharing, joint venture or other similar arrangements); financial ratios, including those measuring liquidity, activity, profitability or leverage; cost of capital; assets under management; financing and other capital raising transactions (including sales of Prospect's equity or debt securities; sales or licenses of the Prospect's assets, including its intellectual property, whether in a particular jurisdiction or territory or globally; or through partnering transactions). Performance goals may be established on a company-wide basis or with respect to one or more company business units, divisions, subsidiaries or individuals; and measured either quarterly, annually or over a period of years, in absolute terms, relative to a pre-established target, to the performance of one or more similarly situated companies, or to the performance of an index covering a peer group of companies, in each case as specified by the compensation committee. When establishing performance goals for the applicable performance period, the compensation committee may exclude any or all "extraordinary items" as determined under U.S. generally accepted accounting principles including, without limitation, the charges or costs associated with restructurings of Prospect, discontinued operations, other unusual or non-recurring items, and the cumulative effects of accounting changes, and as identified in Prospect's financial statements, notes to Prospect's financial statements or management's discussion and analysis of financial condition and results of operations contained in Prospect's most recent annual report filed with the U.S. Securities and Exchange Commission pursuant to the Exchange Act. Holders who are "covered employees" (as defined in Section 162(m) of the Code) shall be eligible to receive payment under a qualified performance-based award which is subject to achievement of a performance goal or goals only if the applicable performance goal or goals are achieved within the applicable performance period, as determined by the compensation committee. If any provision of the 2009 Plan would disqualify the 2009 Plan or would not otherwise permit the 2009 Plan to comply with Section 162(m) of the Code as so intended, such provision shall be construed or deemed amended to conform to the requirements or provisions of Section 162(m) of the Code. The compensation committee may postpone the exercising of awards, the issuance or delivery of Prospect common stock under any award or any action permitted under the 2009 Plan to prevent Prospect or any subsidiary from being denied a federal income tax deduction with respect to any award other than an ISO, provided that such deferral satisfies the requirements of Section 409A of the Code. For purposes of the requirements of Treasury Regulation Section 1.162-27(e)(4)(i), the maximum amount of compensation that may be paid to any employee under the 2009 Plan for a calendar year shall be \$10,000,000.

Section 409A of the Code

The compensation committee has no authority to issue an award under the 2009 Plan with terms and conditions which would cause such award to constitute non-qualified "deferred compensation" under Section 409A of the Code. By way of example, no option shall be granted under the 2009 Plan with a per share option exercise price which is less than the fair market value of a share of common stock on the date of grant of the option. No award agreement shall provide for any deferral feature with respect to an award which constitutes a deferral of compensation under Section 409A of the Code. The 2009 Plan and all award agreements are intended to be exempt from the requirements of Section 409A of the Code. In the event that the board of directors determines that awards should in the future be subject to deferral, it shall have the authority to make appropriate amendments to the 2009 Plan to authorize deferrals of compensation under Section 409A of the Code.

Federal Income Tax Consequences Associated with the 2009 Plan

The following is a brief and general discussion under current law of the federal income tax consequences to recipients of awards granted under the 2009 Plan. This summary is not comprehensive and is provided only for general information. Tax laws are complex and subject to change and may vary depending on individual circumstances and from locality to locality. The summary does not discuss all

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aspects of income taxation that may be relevant in light of a holder's personal circumstances. This summary is intended for the information of stockholders considering how to vote and is not tax advice. Participants in the 2009 Plan should consult their own tax advisors as to the tax consequences of participation.

NQSOs. Generally, there are no federal income tax consequences to the optionee upon grant of a NQSO. Upon the exercise of a NQSO, the optionee will recognize ordinary income in an amount equal to the amount by which the fair market value of a share of common stock acquired upon the exercise of such NQSO exceeds the exercise price, if any, and will have a tax basis in the common stock equal to its fair market value. A sale of common stock so acquired will give rise to a capital gain or loss equal to the difference between the fair market value of the common stock on the date of sale and such stock's adjusted tax basis.

ISOs. Except as noted at the end of this paragraph, there are no federal income tax consequences to the participant upon grant or exercise of an ISO. If the participant holds shares of common stock purchased pursuant to the exercise of an ISO for at least two years after the date the ISO was granted and at least one year after the exercise of the ISO, the subsequent sale of common stock will give rise to a long term capital gain or loss to the participant and no deduction will be available to Prospect. If the participant sells the shares of common stock within two years after the date an ISO is granted or within one year after exercise, the participant will recognize ordinary income in an amount equal to the difference between the fair market value at the exercise date and the ISO exercise price, and any additional gain or loss will be a capital gain or loss. Some participants may have to pay alternative minimum tax in connection with exercise of an ISO, however.

Restricted Stock. In general, a participant will recognize ordinary income on receipt of an award of restricted stock when his or her rights in that award become substantially vested, in an amount equal to the amount by which the then fair market value of the common stock acquired exceeds the price the participant paid, if any, for such restricted stock. Recipients of restricted stock may, however, within 30 days of receiving an award of restricted stock, choose to have any applicable risk of forfeiture disregarded for tax purposes by making an election under Section 83(b) of the Code (an "83(b) election"). If the participant makes an 83(b) election, he or she will have to report compensation income equal to the difference, if any, between the fair market value of the shares and the price paid for the shares, if any, at the time of the transfer of the restricted stock. If the Section 83(b) election is made, the participant will not recognize any additional income as and when the restrictions applicable to the restricted stock lapse.

Restricted Stock Units. A participant generally will not have ordinary income upon grant of restricted stock units. When cash or shares of common stock are delivered under the terms of the award, the participant will recognize ordinary income equal to the cash payment or the fair market value of the shares delivered, as the case may be, less any amount paid by the participant for such shares.

Performance Unit Awards. A participant generally will not recognize taxable income upon grant of the award. A participant will generally recognize ordinary income on receipt of the cash payment in satisfaction of the award under the 2009 Plan.

Performance Share Awards. A participant generally will not recognize ordinary income upon grant of performance share awards. A participant will generally recognize ordinary income equal to the fair market value of the shares delivered, less any amount paid by the participant for such shares, at the time of receipt of the shares.

Distribution Equivalent Rights. A recipient of a distribution equivalent right generally will not recognize taxable income at the time of grant, and Prospect will not be entitled to a deduction at that

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time. At the time a distribution equivalent is paid, however, the participant will generally recognize ordinary income and Prospect will be entitled to a deduction.

SARs. A participant will generally recognize ordinary income upon the receipt of cash or other property pursuant to the exercise of an award of SARs.

Stock Payments. A participant who receives a stock payment in lieu of a cash payment will generally recognize ordinary income in the same amount as if he or she received a cash payment in satisfaction of the award.

Tax Deductions and Section 162(m) of the Code. In general, whenever a recipient is required to recognize ordinary income in connection with an award, Prospect will be entitled to a corresponding tax deduction. However, Prospect will not be entitled to a deduction in connection with awards under the 2009 Plan to certain senior executive officers to the extent that the amount of deductible income in a year to any such officer, together with his or her other compensation from Prospect exceeds the \$1,000,000 limitation of Section 162(m) of the Code. Compensation which qualifies as "performance-based" is not subject to this limitation, however.

Potential Deferred Compensation. For purposes of the foregoing summary of federal income tax consequences, we assumed that no award under the 2009 Plan will be considered "deferred compensation" as that term is defined for purposes of Section 409A of the Code, which governs the taxation of nonqualified deferred compensation arrangements, as the 2009 Plan does not permit the issuance of awards which would provide for deferred compensation subject to Section 409A. For example, the award of an option with an exercise price of less than 100% of the fair market value of the common stock would constitute deferred compensation. If an award were to include deferred compensation, and its terms did not comply with the requirements of Section 409A of the Code, then such award would be taxable when it was earned and vested (even if not then payable) and the recipient would be subject to a 20% additional tax.

Awards to Particular Officers, Directors and Employees

Pursuant to the Merger Agreement, Prospect has agreed to issue an aggregate of 3,740,000 shares of restricted stock (an additional 260,000 shares are unallocated) under the 2009 Plan to certain officers, directors and employees of Kennedy-Wilson, effective upon consummation of the Merger and stockholder approval of the 2009 Plan. These grants are reflected in the following table:

Name of Group	Dollar (\$)	Number of Shares of Restricted Stock
William McMorrow, Chief Executive Officer	\$	900,000
Freeman Lyle, Chief Financial Officer	\$	50,000
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$	900,000
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$	125,000
Robert Hart, President of KW Multi-Family Management Group	\$	125,000
James Rosten, President of Kennedy-Wilson Properties	\$	125,000
All executive officers, as a group	\$	3,495,000
All directors who are not executive officers, as a group	\$	25,000
All employees, including all current officers who are not executive officers, as a group	\$	220,000

In the event that the recipient of the restricted shares remains employed by (or continues to perform services as a director for) the post-Merger company through the relevant vesting date, $\frac{1}{5}$ of the restricted shares will vest on each of the first five anniversaries of the date of issuance, provided that the Performance Target is met as of the September 30 immediately preceding the applicable

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anniversary date (in the case of the installments vesting on the fourth and fifth anniversary dates, the Performance Target must be met as of the September 30 immediately preceding the third anniversary date). The Performance Target was established by an independent committee of Prospect and is subject to the approval of the compensation committee of the post-Merger company following the consummation of the Merger. Notwithstanding the foregoing, in the event the employment with the post-Merger company of an employee who has been granted restricted shares is terminated without cause or if the employee resigns from his employment with the post-Merger company for good reason, the restricted shares will continue to vest on the applicable anniversary dates (subject to the satisfaction of the Performance Target), subject to certain limitations. In addition, in the event of a "Change of Control" as defined in the 2009 Plan (see *"The Equity Participation Plan Proposal - Change of Control"*), any unvested restricted shares of Prospect common stock that have not previously been forfeited will become vested, subject to certain limitations. See section *"The Equity Participation Plan Proposal - Awards to Particular Officers, Directors and Employees"* for additional information.

Recommendation and Vote Required

If either the Merger Proposal or the Charter Amendment Proposal is not approved, or holders of 30% or more of the Public Shares elect to convert their Public Shares into cash, the Equity Participation Plan Proposal will not be submitted to the stockholders for a vote.

Approval of the 2009 Plan requires the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock represented in person or by proxy at the special meeting of Prospect stockholders and entitled to vote thereon as of the record date. Adoption of the Equity Participation Plan Proposal is not a condition to the adoption of any of the other proposals.

**PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S STOCKHOLDERS VOTE
"FOR" THE APPROVAL OF THE EQUITY PARTICIPATION PLAN PROPOSAL.**

Table of Contents**THE DIRECTOR ELECTION PROPOSAL****Election of Directors**

At the special meeting of Prospect stockholders, Prospect stockholders will be asked to elect seven directors to Prospect's board of directors, effective immediately following and contingent upon closing of the Merger, of whom two will serve until the annual meeting of Prospect stockholders to be held in 2010, two will serve until the annual meeting of Prospect stockholders to be held in 2011 and three will serve until the annual meeting of Prospect stockholders to be held in 2012, and, in each case, until their successors are elected and qualified.

Following consummation of the Merger, if the nominees are elected, the directors of Prospect will be classified as follows:

Cathy Hendrickson and Thomas Sorell in the class to stand for reelection in 2010;

Jerry Solomon and David A. Minella in the class to stand for reelection in 2011; and

William J. McMorrow, Kent Mouton and Norman Creighton in the class to stand for reelection in 2012.

The election of directors requires the vote of a plurality of the shares of common stock present in person or represented by proxy and entitled to vote at the special meeting of Prospect stockholders. "Plurality" means that the individuals who receive the largest number of votes cast "FOR" are elected as directors. Consequently, any shares not voted "FOR" a particular nominee (whether as a result of abstentions or broker non-votes or a direction to withhold authority) will not be counted in the nominee's favor.

In case any of the nominees becomes unavailable for election to the board of directors, an event that is not anticipated, the persons named as proxies, or their substitutes, will have full discretion and authority to vote or refrain from voting for any other candidate in accordance with their judgment.

If either the Merger Proposal or the Charter Amendment Proposal is not approved, or holders of 30% or more of the Public Shares elect to convert their Public Shares into cash, the Director Election Proposal will not be submitted to the stockholders for a vote and Prospect's current directors will continue in office until Prospect is liquidated.

Following the effective time of the Merger and assuming the election of the individuals set forth above, the board of directors and executive officers of Prospect will be as follows:

Name	Age	Position
William J. McMorrow	62	Chairman and Chief Executive Officer
Mary Ricks	45	Co-CEO of KW Commercial Investment Group
Freeman A. Lyle	54	Executive Vice President and Chief Financial Officer
Barry S. Schlesinger	68	Co-CEO of KW Commercial Investment Group
James A. Rosten	51	President of Kennedy-Wilson Properties
Robert E. Hart	51	President of KW Multi-Family Management Group
Donald J. Herrema	57	Executive Vice Chairman and CEO of KW Capital Markets
Kent Mouton	55	Director
Jerry R. Solomon	58	Director
Norm Creighton	74	Director
Thomas Sorell	54	Director
David A. Minella	57	Director
Cathy Hendrickson	62	Director

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Information About the Nominees and Executive Officers

William J. McMorrow Chairman and Chief Executive Officer. Mr. McMorrow joined Kennedy-Wilson in 1988 and has been Chairman and Chief Executive Officer since 1998. Mr. McMorrow is the architect of Kennedy-Wilson's expansion into real estate brokerage, property management and investment services. In addition to his real estate experience, Mr. McMorrow has more than 17 years of banking experience. Prior to joining Kennedy-Wilson, he was the Executive Vice President and Chairman of the Credit Policy Committee at Imperial Bancorp and also has held senior positions with a variety of financial services companies, including eight years as a Senior Vice President of Fidelity Bank. He received a B.S. in Business and an M.B.A from the University of Southern California. Mr. McMorrow is on the Executive Board of the USC Lusk Center for Real Estate and is involved in numerous charities in Southern California, including Chrysalis, the Rape Treatment Center, the Village School and Loyola High School.

Mary Ricks Co-CEO of KW Commercial Investment Group. Ms. Ricks joined Kennedy-Wilson in 1990 and has been has been Co-Chief Executive Officer of KW Commercial Investment Group since 2008. Ms. Ricks is responsible for Kennedy-Wilson's acquisitions and dispositions of commercial assets as well as oversight of Kennedy-Wilson's activities in Japan. Prior to joining Kennedy-Wilson, Ms. Ricks was a commercial broker at Hanes Company. She has been named by the L.A. Business Journal as one of the top women in commercial real estate and was featured on the covers of Forum Magazine and Real Estate California recognizing women at the top of the field. She received a B.A. in Sociology from the University of California, Los Angeles, where she was an All-American athlete. Ms. Ricks is a founding board member of the Richard S. Ziman Center for Real Estate at UCLA.

Freeman A. Lyle Executive Vice President and Chief Financial Officer. Mr. Lyle joined Kennedy-Wilson in 1996 and has been Executive Vice President and Chief Financial Officer since 1996. Mr. Lyle is responsible for all aspects of finance and administration for Kennedy-Wilson, including strategic planning, capital formation, financial reporting, risk management, investor relations and information technology. Prior to joining Kennedy-Wilson, he was Vice President and Controller for R&B Realty Group. Prior to R&B Realty, Mr. Lyle was with Ernst & Young LLP. He received a B.S. in Business from the California State University at Northridge and an M.B.A. from the University of Southern California. He is a Certified Public Accountant.

Barry S. Schlesinger Co-CEO of KW Commercial Investment Group. Mr. Schlesinger joined Kennedy-Wilson in 1998 and has been Co-Chief Executive Officer of KW Commercial Investment Group since 2008. Mr. Schlesinger is primarily responsible for the portfolio management activities of the Commercial Investment Group. Mr. Schlesinger has held several other senior management positions during his tenure at Kennedy-Wilson. Prior to joining Kennedy-Wilson, he served as a Director of Heitman Financial Ltd. and was Chairman and CEO of Heitman Properties Ltd. Prior to joining Heitman in 1971, Mr. Schlesinger worked for Tishman Realty and Construction Company and the U.S. Army Corps of Engineers. He also served as a Captain in the U.S. Army commanding a combat engineering company. Mr. Schlesinger received a B.S. in Civil Engineering from New York University College of Engineering and the U S. Army Engineering School (Civil and Nuclear).

James A. Rosten President of Kennedy-Wilson Properties. Mr. Rosten joined Kennedy-Wilson in 2000 and has been President of Kennedy-Wilson Properties since 2000. Mr. Rosten is responsible for several of KW Services' business lines including: Property Management, Facilities Management, Construction Management, Development, Leasing and Asset Management for KWP. Prior to joining Kennedy-Wilson, he was President of Grubb and Ellis Management Services for the Western U.S. Prior to Grubb and Ellis, Mr. Rosten was the Executive Vice President for CB Richard Ellis' Western Region. He received a B.B.A. in Finance from Central Michigan University and an M.B.A. from the University of Redlands. He is a Certified Property Manager and a Certified Commercial Investment member. Mr. Rosten is a Director of US Bank and serves as a member of the L.A. Advisory Board.

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Robert E. Hart President of KW Multi-Family Management Group. Mr. Hart has been President of KW Multi-Family Management Group since 2006. He joined Kennedy-Wilson in 2000. Mr. Hart is responsible for the oversight of acquisitions, asset management and dispositions of multifamily assets in the U.S. and Japan. Prior to joining Kennedy-Wilson, Mr. Hart served as a Senior Vice President of Portfolio Management for Heitman Capital Management as well as Director of Real Estate Marketing for Executive Life Insurance Company Enhancement Trusts. He received a B.S. in Civil Engineering from Worcester Polytechnic Institute and an M.B.A from UCLA's Anderson School of Management. Mr. Hart is Chair of the Board of Directors of Chrysalis and an Associate of the Richard S. Ziman Center for Real Estate at UCLA. He is a member of the Real Estate Investment Advisory Council, the Urban Land Institute and the California Lexington Group. He is a former President of the UCLA Anderson School of Management Alumni Association and a former member of both the Board of the UCLA Alumni Association and the Anderson School Board of Visitors.

Donald J. Herrema Executive Vice Chairman and CEO of KW Capital Markets. Mr. Herrema is Executive Vice Chairman and CEO of KW Capital Markets. He joined Kennedy-Wilson in 2009. Mr. Herrema is responsible for Kennedy-Wilson's capital markets and fundraising activities. Prior to joining Kennedy-Wilson, he founded BlackSterling Partners, LLC, served as CEO of Bessemer Trust, Loring Ward, Atlantic Trust (subsidiary of Invesco), and was Head of Private Wealth Management at Morgan Stanley. He began his career at Wells Fargo Bank, where he ultimately served as both President of Wells Fargo Securities and Head of the Mutual Funds Division. Mr. Herrema received a B.A. from Whittier College and an M.A. in Economics from the University of Southern California. Mr. Herrema is a Director of TD Bank Asset Management USA Funds and Lepercq, de Neuflyze and Co and also serves as a Senior Advisor to Stone Point Capital.

Kent Mouton Director. Mr. Mouton has been a director of Kennedy-Wilson since 1995. Mr. Mouton is a partner with the law firm Kulik, Gottesman, Mouton & Siegel LLP, where he specializes in real estate law, primarily in the areas of real estate lending and finance, joint ventures, land use, acquisitions and dispositions, leasing, development and construction, common interest subdivisions (condominiums and planned unit developments) and real estate brokerage. He has been an Adjunct Professor of real estate law at the UCLA Extension since 1979, and teaches various real estate related UCLA Extension courses. Mr. Mouton has been honored by his peers by being designated a Southern California Real Estate "Super Lawyer" in 2005, 2006, 2007 and 2008. Mr. Mouton is a former member of the Board of Governors of the Century City Bar Association and formerly was a Co-Chairperson of the Century City Bar Association Real Estate Law Section. He also serves on the Los Angeles County Bar Real Property Section Real Estate Finance, Land Use Planning and Commercial Development Steering Committees. Mr. Mouton graduated from the University of California at Los Angeles in 1975 with a Bachelor of Arts degree in Economics (Dean's List, *Summa Cum Laude, Phi Beta Kappa*) and received his law degree in 1978 from the University of California at Los Angeles.

Jerry R. Solomon Director. Mr. Solomon has been a director of Kennedy-Wilson since 2001. Mr. Solomon received both his BS Degree in accounting (1973) and an MBA (1974) from UC Berkeley. Throughout college and following graduation, he worked in the tax department of JK Lasser & Company that later became Touche Ross & Company. After leaving JK Lasser, Mr. Solomon joined a large local CPA firm where he became the partner in charge of the comprehensive business services department as well as the administrative partner in charge of 7 partners and 80 staff. In 1988 he formed Solomon & Company CPA's Inc. that later merged with Harold G. Winnett and the firm was renamed Solomon, Winnett & Rosenfield Certified Public Accountants, Inc. Mr. Solomon's practice areas of expertise include both real estate industry and service industries. He consults frequently with high net worth individuals and families in tax and transactional planning. Mr. Solomon currently sits on several board of directors and on the boards of several philanthropic organizations.

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Norm Creighton Director. Mr. Creighton has been a director of Kennedy-Wilson since 2004. From 1975 to 2001, Mr. Creighton was employed with Imperial Bank, serving as President and Chief Executive Officer from 1983 to 2001. During Mr. Creighton's tenure with Imperial Bank, its assets increased from approximately 200 million in 1975 to approximately 7 billion in 2001. Prior to Imperial Bank, Mr. Creighton served as Regional Vice President for Southern Arizona of Great Western Bank from 1971-1974. From 1958 to 1971, Mr. Creighton was employed with Arizona Bank, including as Manager of the Tuscon Headquarters. Mr. Creighton holds a B.S. in banking and finance from the University of Montana.

Thomas Sorell Director. Mr. Sorell has been a director of Kennedy-Wilson since 2008. Mr. Sorell is Executive Vice President and Chief Investment Officer of Guardian, Guardian Investor Services LLC and other Guardian subsidiaries. Mr. Sorell has over 30 years of financial experience. He is responsible for Guardian's investment policy and strategies for over \$30 billion in assets. This includes investments in both public and private equity, fixed income, and commercial real estate. Mr. Sorell recently served as President of The Park Avenue Portfolio® Family of Mutual Funds and is a Director of RS Investment Co. Mr. Sorell joined Guardian in 1994 from White River Corporation, where he served as Director of Fixed Income. Prior to that, he held investment management positions at Fund American Enterprises, Inc. and AIG Investment Advisors as well as institutional fixed income sales and research positions at Drexel Burnham Lambert & Co., and Kidder, Peabody & Co. Mr. Sorell holds a B.A. from Colgate University and an M.B.A. from New York University. He has a Chartered Financial Analyst (CFA) designation, and is a member of the ACLI-CIO Board of Advisors, CFA Institute and the New York Society of Security Analysts.

David A. Minella Director. Mr. Minella has been Prospect's Chairman and Chief Executive Officer since its inception in July 2007. Mr. Minella has been the managing member of Minella Capital Management LLC, a financial services advisory firm, since December 2006 and the managing member of Flat Ridge Investments LLC, a private investment vehicle, since July 2007. Between 1997 and March 2007, Mr. Minella served as the Chief Executive Officer and a director of Value Asset Management LLC, or VAM, a strategic investment management holding company. At VAM, Mr. Minella was responsible for its overall business strategy, acquisitions and financial results. Under Mr. Minella's leadership, VAM acquired a controlling interest in five separate investment management firms: Dalton Hartman Greiner and Maher, New York, NY; Harris Bretall Sullivan and Smith, San Francisco, CA; Hillview Capital Advisors, LLC, New York, NY; Grosvenor Capital Management LP, Chicago, IL; and MDT Advisers LLC, Cambridge, MA. All of the original acquisitions have been sold. From 1995 to 1997, Mr. Minella was the President and Chief Executive Officer of the asset management division of Liechtenstein Global Trust, or LGT, a wealth and asset management firm, where he was responsible for the overall business strategy and financial results. During Mr. Minella's tenure as LGT's Chief Executive Officer, he also led LGT's acquisition of Chancellor Capital Management, a large United States equity investment firm. Mr. Minella originally joined the LGT group in 1987 as the head of its United States subsidiaries, GT Capital Management and GT Global. Mr. Minella established its United States mutual fund business through the broker-dealer community, reestablished LGT's institutional separate account capabilities, and developed the firm's global equity sector expertise. Currently, Mr. Minella serves as a director of Lindsell Train Japan Fund and Lindsell Train Global Media Fund, both offshore hedge funds managed out of London, UK. In addition, Mr. Minella is a member of the Executive Council at Bunker Hill Capital Management, a private equity firm in Boston, Massachusetts, the former Chairman of the board of directors of MDT Advisers LLC and a former board member of the Investment Company Institute. Mr. Minella holds a B.S. in accounting from Bentley College.

Cathy Hendrickson Director. Ms. Hendrickson has been a director of Kennedy-Wilson since 2004. Ms. Hendrickson has forty one years experience in banking which includes eight years with Union Bank in Los Angeles in Economic Research/Corporate Planning, Leveraged Leasing, Credit, and the

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National Division; three years at Philadelphia based Fidelity Bank's Los Angeles Loan Production Office; one year in Crocker Bank's Southern California Corporate Banking Division; two years as Manager of Imperial Bank's Headquarters Office located at the Los Angeles International Airport; ten years as Regional Vice President of Metrobank's South Bay Headquarters Office in Torrance; and two years as President of Palos Verdes National Bank. Since May, 1993, Ms. Hendrickson served as President and Chief Executive Officer of Bay Cities National Bank (formerly Peninsula National Bank). Ms. Hendrickson also serves as President and Chief Executive Officer of Peninsula Banking Group, Inc. and on the boards of Bay Cities National Bank, Peninsula Banking Group, Inc. and Community First Financial Group, Inc. (Indiana).

Independence of Directors

AMEX requires that a majority of a listed company's board of directors be composed of "independent directors," defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director. The post-Merger company will adhere to the AMEX Company Guide in determining whether a director is independent post-Merger.

Audit Committee

Upon consummation of the Merger, the audit committee will consist of Norman Creighton, as chairman, and Cathy Hendrickson and David A. Minella. The post-Merger company will ensure that each member of the audit committee is independent as defined in the AMEX Company Guide and as defined in Rule 10A-3 of the Exchange Act. The post-Merger company also will comply with requirements that its audit committee have at least one audit committee financial expert within the meaning of Item 407(d)(5)(ii) of Regulation S-K of the Exchange Act.

The post-Merger company's audit committee will be responsible for providing independent, objective oversight with respect to the post-Merger company's accounting and financial reporting functions, internal and external audit functions, and systems of internal controls over financial reporting and legal, ethical, and regulatory compliance duties. The audit committee's duties, which are specified in Prospect's current audit committee charter, will include, but are not limited to:

reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in the Form 10-K;

discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of financial statements;

discussing with management major risk assessment and risk management policies;

monitoring the independence of the independent auditor;

verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

reviewing and approving all related-party transactions;

inquiring and discussing with management, compliance with applicable laws and regulations;

pre-approving all audit services and permitted non-audit services to be performed by the independent auditor, including the fees and terms of the services to be performed;

appointing or replacing the independent auditor;

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determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work; and

establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or reports which raise material issues regarding financial statements or accounting policies.

The post-Merger company's audit committee will operate under Prospect's current written charter, a copy of which is available on Prospect's website at <http://www.prospectac.com>, under the caption "Investor Relations/Corporate Governance."

Financial Experts on Audit Committee

The post-Merger company's audit committee will at all times be composed exclusively of "independent directors" who, as required by the AMEX Company Guide, are able to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement.

In addition, the post-Merger company will be required to certify to AMEX that the audit committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual's financial sophistication.

Nominating Committee

Upon consummation of the Merger, the nominating committee will consist of Ms. Hendrickson, as chairman, and Messrs. Creighton and Minella. The post-Merger company's board of directors will ensure that each such person is an independent director as defined in the AMEX Company Guide. The post-Merger company's nominating committee will be responsible for overseeing the selection of persons to be nominated to serve on the board of directors. The post-Merger company's nominating committee will consider persons identified by its members, management, stockholders, investment bankers and others.

The committee's responsibilities will include:

identifying individuals qualified to become members of the board;

recommending to the board director nominees to be presented at the annual meeting of stockholders and to fill vacancies on the board;

developing appropriate criteria for identifying properly qualified director candidates;

reviewing and recommending to the board annually members of each standing committee of the board;

preparing an annual evaluation of the committee's performance and reporting regularly to the board concerning actions and recommendations of the committee;

establishing procedures to assist the board in developing and evaluating potential candidates for executive positions, including the chief executive officer;

reviewing and evaluating related party transactions; and

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developing and recommending to the board corporate governance guidelines for Prospect.

The post-Merger company's nominating committee will operate under Prospect's current written charter, a copy of which is attached as Exhibit 99.2 to Prospect's Annual Report on Form 10-K filed

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with the SEC on March 31, 2008. A copy of the charter is not currently available to stockholders on Prospect's website.

Guidelines for Selecting Director Nominees

The guidelines for selecting nominees, which are specified in the nominating committee charter, generally provide that persons to be nominated:

should have demonstrated notable or significant achievements in business, education or public service;

should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and

should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the stockholders.

The post-Merger company's nominating committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person's candidacy for membership on the board of directors. The post-Merger company's nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time. The post-Merger company's nominating committee will not distinguish among nominees recommended by stockholders and other persons.

Compensation Committee

Upon consummation of the Merger, the post-Merger company will establish a compensation committee, which will consist of Mr. Creighton, as chairman, and Ms. Hendrickson and Mr. Minella, and the post-Merger company will ensure that each such person is an independent director as defined in the AMEX Company Guide. The purpose of the compensation committee will be to discharge the board's responsibilities in respect of compensation of the post-Merger company's executive officers, including approving individual executive officer compensation, oversight of the post-Merger company's overall compensation and benefit philosophies, production of an annual report on executive compensation for inclusion in the post-Merger company's proxy statement and administration of the post-Merger company's incentive compensation plans, including authority to make and modify awards under such plans.

The compensation committee's duties, which will be specified in the post-Merger company's compensation committee charter, will include, but will not be limited to:

reviewing, from time to time, the post-Merger company's philosophy regarding executive compensation;

recommending to the board of directors for approval annual performance criteria, including long-term and short-term goals for the chief executive officer and reviewing the chief executive officer's performance against such established criteria;

determining and approving all compensation arrangements of the executive officers of the post-Merger company (other than the chief executive officer);

reviewing and recommending to the board of directors for approval all compensation arrangements of the chief executive officer;

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determining which employees are "executive officers" whose compensation is subject to the review and approval of the committee and reviewing, in its discretion, the compensation of employees who are not executive officers;

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making recommendations to the board of directors concerning adopting and amending incentive compensation plans applicable to executive officers generally and equity compensation plans, benefit plans and retirement plans for all employees;

fixing and determining awards to officers and employees of stock, stock options, stock appreciation rights and other equity interests pursuant to any equity compensation plans from time to time in effect and exercising such other power and authority as may be permitted or required under such plans;

reviewing, at least annually, the competitiveness of the post-Merger company's executive compensation programs, including a review of the compensation practices in the markets where the post-Merger company competes for executive talent, to ensure (i) the attraction and retention of corporate officers, (ii) the motivation of corporate officers to achieve the post-Merger company's business objectives and (iii) the alignment of the interests of key leadership with the long-term interests of the post-Merger company's stockholders;

establishing and periodically reviewing policies concerning perquisites and other benefits;

managing and reviewing executive officer and director indemnification and insurance matters; and

reviewing and discussing with the post-Merger company's chief executive officer and chief financial officer the Compensation Discussion and Analysis required to be included in the post-Merger company's annual report or proxy statement filed with the SEC and recommending to the board of directors that the Compensation Discussion and Analysis be included in the annual report or proxy statement.

The compensation committee will operate under a written charter, which is expected to be adopted shortly following the Merger.

Compensation Committee Interlocks and Insider Participation

Because none of Prospect's officers or directors presently receive compensation from it, it does not presently have a compensation committee.

No members of Prospect's board of directors has a relationship that would constitute an interlocking relationship with executive officers or directors of Prospect or another entity.

Code of Ethics

The Prospect board of directors adopted a code of ethics that applies to Prospect's directors, officers and employees as well as those of its subsidiaries. A copy of the code of ethics was filed with Prospect's Registration Statement on Form S-1 (Reg. No. 33-145110) and is available on Prospect's website at <http://www.prospectac.com>, under the caption "Investor Relations/Corporate Governance." You are also able to review Prospect's code of ethics, as well as its committee charters, by accessing its public filings at the SEC's web site at <http://www.sec.gov>. In addition, a copy of the code of ethics will be provided without charge upon request to Prospect's secretary.

Arrangements and Understandings

In November 2008, Kennedy-Wilson issued a convertible subordinated note with a principal amount of \$30 million to Guardian. In connection with the issuance, Guardian entered into a shareholders agreement with Kennedy-Wilson, William McMorrow, Mary Ricks and Lyle Freeman pursuant to which the parties agreed to appoint one person designated by Guardian as a member of the board of directors of Kennedy-Wilson. Thomas Sorell currently serves as the director designee of Guardian.

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Recommendation and Vote Required

The election of directors requires a plurality of all votes cast in person or by proxy at the special meeting of Prospect stockholders and entitled to vote thereon as of the record date. The election of directors is not a condition to the adoption of any of the other proposals.

Each nominee has consented to being named in this proxy statement/prospectus as a nominee and has agreed to serve as a director if elected. If for any reason any nominee shall not be a candidate for election as a director at the special meeting of Prospect stockholders (an event that is not now anticipated), the enclosed proxy will be voted for such substitute, if any, as shall be designated by the board of directors.

**PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S STOCKHOLDERS VOTE
"FOR" THE NOMINEES.**

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THE STOCKHOLDER ADJOURNMENT PROPOSAL

The adjournment proposal allows Prospect's board of directors to submit a proposal to adjourn the special meeting of Prospect stockholders to a later date or dates, if necessary, to permit further solicitation of proxies in the event that, based on the tabulated votes, there are not sufficient votes at the time of the special meeting of Prospect stockholders to approve the consummation of the Merger. In no event will Prospect solicit proxies to adjourn the special meeting of Prospect stockholders or consummate the Merger beyond the date by which it may properly do so under its amended and restated certificate of incorporation and the DGCL. The purpose of the Stockholder Adjournment Proposal is to provide more time for Prospect, the Prospect founders, Kennedy-Wilson and the Kennedy-Wilson Holders to make purchases of Public Shares or other arrangements that would increase the likelihood of obtaining a favorable vote on the Merger Proposal and the Charter Amendment Proposal and to meet the requirement that the holders of fewer than 30% of the Public Shares vote against the Merger Proposal and demand that their Public Shares be converted into cash. See the section entitled "*Merger Proposal Interests of Prospect's Directors and Officers in the Merger*" for additional information.

In addition to an adjournment of the special meeting of Prospect stockholders upon approval of the Stockholder Adjournment Proposal, the board of directors of Prospect is empowered under the DGCL to postpone the special meeting of Prospect stockholders at any time prior to the meeting being called to order. In such event, Prospect will issue a press release and take such other steps as it believes are necessary and practical in the circumstances to inform its stockholders of the postponement.

Consequences if the Stockholder Adjournment Proposal is not Approved

If a Stockholder Adjournment Proposal is presented at the special meeting of Prospect stockholders and is not approved by the stockholders, Prospect's board of directors may not be able to adjourn the special meeting of Prospect stockholders to a later date in the event that, based on the tabulated votes, there are not sufficient votes at the time of the special meeting of Prospect stockholders to approve the consummation of the Merger (because either the Merger Proposal or the Charter Amendment Proposal is not approved or because the holders of 30% or more of the Public Shares vote against the Merger Proposal and demand conversion of their Public Shares into cash). In such event, the Merger would not be completed and Prospect will be required to liquidate.

Recommendation and Required Vote

Adoption of the Stockholder Adjournment Proposal requires the affirmative vote of a majority of the issued and outstanding shares of Prospect common stock represented in person or by proxy at the special meeting of Prospect stockholders and entitled to vote thereon as of the record date. Adoption of the Stockholder Adjournment Proposal is not a condition to the adoption of any of the other proposals.

PROSPECT'S BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT PROSPECT'S STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE STOCKHOLDER ADJOURNMENT PROPOSAL.

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INFORMATION RELATED TO PROSPECT

Business of Prospect

Prospect is a blank check development stage company organized under the laws of the State of Delaware on July 9, 2007. Prospect was formed to acquire control of, through a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination, one or more businesses or assets in the financial services industry. Other than interest income, Prospect has generated no revenue to date. Since its IPO in November 2007, Prospect has been actively engaged in identifying a suitable business combination candidate. Prior to executing the Merger Agreement, Prospect's efforts were limited to meeting with potential target companies, service professionals and other intermediaries to discuss their companies, the background of their management and their combination preferences to evaluate possible business combinations.

Offering Proceeds Held in Trust

On November 20, 2007, Prospect completed its IPO of 25,000,000 units. Each unit consists of one share of its common stock, \$0.0001 par value per share, and one warrant. Each warrant sold in the IPO entitles the holder to purchase from Prospect one share of common stock at an exercise price of \$7.50. Prospect's units began publicly trading on November 15, 2007. Prospect's Public Warrants and common stock have traded separately since December 3, 2007. The public offering price of each unit was \$10.00, and the IPO raised gross proceeds of \$250,000,000 in its IPO. Of the gross proceeds: (i) Prospect deposited \$241,750,000 into a Trust Account at JP Morgan Chase Bank, NA, maintained by Continental Stock Transfer & Trust Company, as trustee, which included \$10,000,000 of contingent underwriting discount (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO); (ii) the underwriters received \$7,500,000 as underwriting discount (excluding the deferred underwriting fees); and (iii) Prospect retained \$700,000 for offering expenses, plus \$50,000 for working capital. In addition, Prospect deposited into the Trust Account \$5,250,000 that it received from the private placement of 5,250,000 Sponsors Warrants to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated with Patrick J. Landers, Prospect's President and a director, and CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), a corporation affiliated with William Landman, one of Prospect's directors.

The Trust Account will not be released until the earlier of the consummation of a business combination or the liquidation of Prospect. The Trust Account contained approximately \$_____ as of _____, 2009 (the record date). If the Merger with Kennedy-Wilson is consummated, the Trust Account will be released to Prospect, less the amounts paid to holders of Public Shares who vote against the Merger and elect to convert their shares of common stock into their pro-rata share of the Trust Account.

The holders of Public Shares will be entitled to receive funds from the Trust Account only in the event of Prospect's liquidation or if such stockholders seek to convert their respective shares into cash and the Merger is completed. In no other circumstances will a stockholder have any right or interest of any kind to or in the Trust Account.

Fair Market Value of Target Business

Under Prospect's amended and restated certificate of incorporation and the underwriting agreement for Prospect's IPO, the initial target business that Prospect acquires must have a fair market value equal to at least 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount). Prospect's board of directors has determined that this test was met in connection with its acquisition of Kennedy-Wilson. Further,

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Prospect has received an opinion from Houlihan Smith that, as of the date of such opinion, this test has been met.

Stockholder and Warrantholder Approvals

Prospect will proceed with the Merger only if the holders of a majority of the Public Shares voting on the Merger Proposal at the special meeting of Prospect stockholders vote in favor of the Merger Proposal. The Prospect founders have agreed to vote their common stock issued prior to the IPO on the Merger Proposal in accordance with the vote of holders of a majority of the Public Shares present in person or represented by proxy and entitled to vote at the special meeting of Prospect stockholders. If the holders of 30% or more of the Public Shares vote against the Merger Proposal and properly demand that Prospect convert their Public Shares into their pro rata share of the Trust Account, then Prospect will not consummate the Merger. In this case, Prospect will be forced to liquidate.

In addition, Prospect will only proceed with the Merger if the Charter Amendment Proposal is approved by the affirmative vote of a majority of the outstanding shares of Prospect common stock as of the record date and the Warrant Amendment Proposal is approved by the affirmative vote of the majority of the outstanding shares of Prospect common stock issuable upon exercise of the Public Warrants as of the record date.

Liquidation If No Business Combination

Prospect's amended and restated certificate of incorporation provides for the termination of Prospect's corporate existence and mandatory liquidation if Prospect does not consummate a business combination by November 14, 2009. If Prospect has not completed a business combination by such date, its corporate existence will cease except for the purposes of winding up its affairs and liquidating, pursuant to Section 278 of the DGCL. This has the same effect as if Prospect's board of directors and stockholders had formally voted to approve its dissolution pursuant to Section 275 of the DGCL. Accordingly, limiting Prospect's corporate existence to a specified date as permitted by Section 102(b)(5) of the DGCL removes the necessity to comply with the formal procedures set forth in Section 275 (which would have required Prospect's board of directors and stockholders to formally vote to approve its dissolution and liquidation and to have filed a certificate of dissolution with the Delaware Secretary of State). Instead, Prospect will notify the Delaware Secretary of State in writing on the termination date that its corporate existence is ceasing, and include with such notice payment of any franchise taxes then due to or assessable by the state.

If it fails to complete a business combination by November 14, 2009, Prospect anticipates notifying the trustee of the Trust Account to begin liquidating such assets promptly after November 14, 2009 and anticipates that it will take no more than ten business days to effectuate such distribution. Prospect's founders have waived their rights to participate in any liquidation distribution with respect to their founders shares. There will be no distribution from the Trust Account with respect to Prospect's warrants, which will expire and become worthless. Also, as there may be no funds available to pay the costs associated with the implementation and completion of the liquidation and distribution, David A. Minella, LLM Structured Equity Fund L.P. and LLM Investors L.P. have agreed to advance Prospect the funds necessary to complete such liquidation (currently anticipated to be no more than \$15,000) and have agreed not to seek repayment for such expenses.

In connection with the liquidation, Prospect will distribute to the holders of Public Shares, in proportion to their respective amounts of Public Shares, an aggregate sum equal to the amount in the Trust Account, inclusive of any interest thereon, plus remaining net assets (subject to its obligations under the DGCL to provide for claims of credits as described below). Prospect's founders have waived their rights to participate in any liquidation distribution with respect to the founders shares. As a consequence of the provisions of Prospect's amended and restated certificate of incorporation and such

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waivers, a liquidating distribution will be made only with respect to the Public Shares and no liquidating distribution will be made with respect to any other shares of Prospect capital stock. There will be no distribution from the Trust Account with respect to the Prospect warrants, which will expire and become worthless.

The per-share liquidation price for the Public Shares as of _____, 2009, the record date for the special meeting of Prospect stockholders, is approximately \$ _____. The proceeds deposited in the Trust Account could, however, become subject to the claims of Prospect's creditors (which could be prior to the claims of the holders of Public Shares and could include vendors and service providers that Prospect has engaged to assist it in connection with its search for a target business and that are owed money by it, as well as target businesses themselves and there is no assurance that the actual per-share liquidation price will not be less than \$ _____, due to those claims. David A. Minella and each of LLM Structured Equity Fund L.P. and LLM Investors L.P. have agreed that if Prospect liquidates prior to the consummation of a business combination, they will be jointly liable to ensure that the proceeds in the Trust Account are not reduced by the claims of target businesses or vendors or other entities that are owed money by Prospect for services rendered or contracted for or products sold to Prospect, other than with respect to amounts claimed by any third-party who has not executed a waiver (even if such waiver is subsequently found to be invalid and unenforceable). Prospect cannot assure you that they would be able to satisfy those obligations. Pursuant to the underwriting agreement between Prospect and Citigroup, Prospect agreed not to commence its due diligence investigation of any operating business which it sought to acquire or obtain the services of any vendor without using its best efforts to obtain an agreement pursuant to which such party would waive any claims against the Trust Account. As of the date of the proxy statement/prospectus, Prospect has received waiver agreements from each of its vendors other than its independent registered accounting firm and Kennedy-Wilson with respect to certain provisions of the Merger Agreement. There is currently an outstanding balance to Prospect's independent registered accounting firm of approximately \$112,000 and Prospect intends to pay such fees in full in accordance with its past practices. Further, under the Merger Agreement, Kennedy-Wilson agreed to waive all rights, title and claims to the Trust Account, except for \$10,000,000, in case of breach by Prospect of its no-shop/non-solicit provision. Accordingly, Prospect cannot assure you that the per-share distribution from the Trust Account, if it liquidates, will not be less than \$9.88, plus interest, due to claims of creditors.

Prospect's holders of Public Shares will be entitled to receive funds from the Trust Account only in the event of the expiration of its corporate existence and its liquidation or if they seek to convert their respective shares into cash upon the initial business combination that the stockholder voted against and that is completed by Prospect. In no other circumstances will a stockholder have any right or interest of any kind to or in the Trust Account.

Under Sections 280 through 282 of the DGCL, stockholders may be liable for claims by third parties against a corporation to the extent of distributions received by them. Pursuant to Section 280, if the corporation complies with certain procedures intended to ensure that it makes reasonable provisions for all claims against it, including a 60 day notice period during which any third-party claims can be brought against the corporation, a 90 day period during which the corporation may reject any claim brought and an additional 150 day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution is limited to the lesser of such stockholder's pro rata share of the claim or amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the liquidation. Prospect will seek to conclude the process as soon as possible and as a result does not intend to comply with those procedures.

Because Prospect will not be complying with those procedures, Prospect is required, pursuant to Section 281 of the DGCL, to adopt a plan that will provide for Prospect's payment, based on facts known to Prospect at such time, of (i) all existing claims, (ii) all pending claims and (iii) all claims that

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may be potentially brought against Prospect within the subsequent 10 years. Accordingly, Prospect would be required to provide for any creditors known to Prospect at that time or those that Prospect believes could be potentially brought against Prospect within the subsequent 10 years prior to distributing the funds held in the Trust Account to Prospect's stockholders. All claims that may be potentially brought against Prospect may not be properly assessed. As such, Prospect's stockholders could potentially be liable for any claims to the extent of distributions received by them in a liquidation and any liability of Prospect's stockholders may extend well beyond the third anniversary of such liquidation. Accordingly, third parties may seek to recover from Prospect's stockholders amounts owed to them by Prospect.

Additionally, if Prospect is forced to file a bankruptcy case or an involuntary bankruptcy case is filed against Prospect that is not dismissed, any distributions received by Prospect's stockholders in Prospect's liquidation might be viewed under applicable debtor/creditor and/or bankruptcy laws as either a "preferential transfer" or a "fraudulent conveyance." As a result, a bankruptcy court could seek to recover all amounts received by Prospect's stockholders in Prospect's liquidation. Furthermore, because Prospect intends to distribute the proceeds held in the Trust Account to Prospect's stockholders as soon as possible after Prospect's liquidation, this may be viewed or interpreted as giving preference to Prospect's stockholders over any potential creditors with respect to access to or distributions from Prospect's assets. Furthermore, Prospect's board of directors may be viewed as having breached their fiduciary duties to Prospect's creditors and/or may have acted in bad faith, thereby exposing Prospect's board of directors and Prospect to claims of punitive damages by paying Prospect's stockholders from the Trust Account prior to addressing the claims of creditors and/or complying with certain provisions of the DGCL with respect to Prospect's liquidation. Claims may be brought against Prospect for these reasons.

Competition

In identifying, evaluating and selecting a target business for a business combination, Prospect has encountered and may continue to encounter intense competition from other entities having a business objective similar to Prospect's, including other blank check companies, private equity groups and leveraged buyout funds, and operating businesses seeking strategic acquisitions. Many of these entities are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Moreover, many of these competitors possess greater financial, technical, human and other resources than Prospect. Prospect's ability to acquire larger target businesses is limited by its available financial resources. This inherent limitation gives others an advantage in pursuing the acquisition of a target business. Furthermore:

Prospect's obligation to seek stockholder approval of a business combination or obtain necessary financial information may delay the completion of a transaction, including the Merger;

Prospect will not consummate a business combination if holders of more than 30% (minus one share) of outstanding shares of Prospect common stock sold in the IPO exercise their conversion rights;

outstanding Prospect warrants, and the future dilution they potentially represent, may not be viewed favorably by certain target businesses; and

the requirement to acquire one or more businesses or assets that have a fair market value equal to at least 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount) could require Prospect to acquire the assets of several businesses at the same time, all of which sales would be contingent on the closings of the other sales, which could make it more difficult to consummate the initial business combination.

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Due to any of these factors, Prospect has faced competitive disadvantage in negotiating and consummating a business combination.

Properties

Prospect maintains its principal executive offices at 9130 Galleria Court, Suite 318, Naples, Florida. Teleos Management, L.L.C., a company that is affiliated with Daniel Gressel, one of Prospect's directors, and LLM Capital Partners LLC, an entity affiliated with Patrick J. Landers, Prospect's President and a director, are providing general and administrative services, including office space, utilities and administrative support, pursuant to a letter agreement between them and Prospect. Prospect agreed to pay Teleos Management, L.L.C., \$4,500 per month and LLM Capital Partners LLC, \$3,000 per month for these services (amended December 31, 2008 to \$4,083.15 and \$2,722.10, respectively). Prospect considers its current office space, combined with the other office space otherwise available to its executive officers, adequate for its current operations.

Employees

As of August 31, 2009, Prospect had three executive officers. These individuals are not obligated to devote any specific number of hours to Prospect's matters and have and intend to continue to devote only as much time as they deem necessary to its affairs and receive no salary or similar compensation. Prospect does not believe the value of these services to be significant to its operating results. Prospect does not intend to add any additional full time employees prior to the consummation of a business combination. None of Prospect's employees is covered by a collective bargaining agreement.

Periodic Reporting and Audited Financial Statements

Prospect has registered its units, common stock and Public Warrants under the Exchange Act and has reporting obligations, including the requirement that it file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. Prospect will provide, at no additional charge, copies of these reports, proxy and information statements and other information upon request to its address at 9130 Galleria Court, Suite 318, Naples, Florida 34109, or by telephone at (239) 254-4481. These reports, proxy statements and other information, and related exhibits and schedules may also be inspected and copied at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site that contains reports, proxy and information statements and other information filed electronically by Prospect with the SEC, which are available at <http://www.sec.gov>.

In accordance with the requirements of the Exchange Act, Prospect's filings will contain financial statements audited and reported on by its independent registered public accountants. In addition, Prospect is providing its stockholders with audited financial statements of Kennedy-Wilson as part of this proxy statement/prospectus to assist them in assessing Kennedy-Wilson. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

Prospect is required to have its internal control procedures audited, as required by the Sarbanes-Oxley Act, however, Kennedy-Wilson may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of its internal controls. The development of the internal controls of the post-Merger entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete the Merger.

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There is no material litigation currently pending against Prospect or any members of its management team in their capacity as such.

Current Directors and Executive Officers of Prospect

Name	Age	Position
David A. Minella	57	Chairman of the Board and Chief Executive Officer
Patrick J. Landers	53	Director and President
James J. Cahill	46	Chief Financial Officer and Secretary
Michael P. Castine	54	Director
William Cvengros	60	Director
Michael Downey	65	Director
Daniel Gressel	55	Director
William Landman	56	Director
John Merchant	60	Director

David A. Minella *Chairman of the Board and Chief Executive Officer.* Mr. Minella has been Prospect's Chairman and Chief Executive Officer since its inception in July 2007. Mr. Minella has been the managing member of Minella Capital Management LLC, a financial services advisory firm, since December 2006 and the managing member of Flat Ridge Investments LLC, a private investment vehicle, since July 2007. Between 1997 and March 2007, Mr. Minella served as the Chief Executive Officer and a director of Value Asset Management LLC, or VAM, a strategic investment management holding company. At VAM, Mr. Minella was responsible for its overall business strategy, acquisitions and financial results. Under Mr. Minella's leadership, VAM acquired a controlling interest in five separate investment management firms: Dalton Hartman Greiner and Maher, New York, NY; Harris Bretall Sullivan and Smith, San Francisco, CA; Hillview Capital Advisors, LLC, New York, NY; Grosvenor Capital Management LP, Chicago, IL; and MDT Advisers LLC, Cambridge, MA. All of the original acquisitions have been sold. From 1995 to 1997, Mr. Minella was the President and Chief Executive Officer of the asset management division of Liechtenstein Global Trust, or LGT, a wealth and asset management firm, where he was responsible for the overall business strategy and financial results. During Mr. Minella's tenure as LGT's Chief Executive Officer, he also led LGT's acquisition of Chancellor Capital Management, a large United States equity investment firm. Mr. Minella originally joined the LGT group in 1987 as the head of its United States subsidiaries, GT Capital Management and GT Global. Mr. Minella established its United States mutual fund business through the broker-dealer community, reestablished LGT's institutional separate account capabilities, and developed the firm's global equity sector expertise. Currently, Mr. Minella serves as a director of Lindsell Train Japan Fund and Lindsell Train Global Media Fund, both offshore hedge funds managed out of London, UK. In addition, Mr. Minella is a member of the Executive Council at Bunker Hill Capital Management, a private equity firm in Boston, Massachusetts, the former Chairman of the board of directors of MDT Advisers LLC and a former board member of the Investment Company Institute. Mr. Minella holds a B.S. in accounting from Bentley College.

Patrick J. Landers *Director and President.* Mr. Landers has been a director and Prospect's President since August 2007. Mr. Landers currently serves as the President and Chief Executive Officer of Annascul Advisors LLC, a FINRA member firm, and a managing director of LLM Capital Partners LLC, a private equity firm based in Boston. Mr. Landers has served in these capacities since 2003 and 2004, respectively. From 2001 to 2003, Mr. Landers was President of Landers Partners LLC, a financial advisory firm that he founded. From 1981 until 2001, Mr. Landers was an investment banker at Dillon, Read & Co. Inc., an investment banking firm, and subsequently at UBS AG, an investment banking firm, after UBS AG's acquisition of Dillon, Read & Co. Inc. Mr. Landers has served as a

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director of The Endurance International Group, Inc., a web hosting company. Mr. Landers has also served as a director of Connell Limited Partnership, an industrial conglomerate, Haas Publishing Company, a publishing company, and Student/Sponsor Partners, a New York educational foundation established to help disadvantaged youth attain a quality high school education. Mr. Landers is a graduate of Williams College and received his M.P.P.M. from Yale University.

James J. Cahill Chief Financial Officer and Secretary. Mr. Cahill has been Prospect's chief financial officer and secretary since September 2007. Mr. Cahill has served as the Chief Financial Officer of Minella Capital Management LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, since October 2007. From 2004 to August 2007, Mr. Cahill was the managing member of Milestone Business Developments LLC, a financial advisory firm that he co-founded. In 1995, Mr. Cahill joined Value Asset Management LLC, or VAM, a strategic investment management holding company, as a Vice President. From January 2001 to 2004, Mr. Cahill served as an Executive Vice President and the Chief Financial Officer of VAM and from December 2001 to 2004, Mr. Cahill served as a director. At VAM, Mr. Cahill was responsible for acquisitions and financial administration. From August 2002 to June 2004, Mr. Cahill was the Chief Financial Officer of MDT Advisers LLC, a subsidiary of VAM, and is a former director of that firm. Mr. Cahill received an M.B.A. from the University of Pennsylvania's Wharton School of Business in 1991 and a B.S. in mechanical engineering from Boston University in 1985.

Michael P. Castine Director. Mr. Castine has been a director since August 2007. Mr. Castine has served as Chairman, Investment Management of Korn/Ferry International since August 2008. Since November 2007, Mr. Castine has been the Chief Executive Officer of Sugar Hill Investments, LLC, or Sugar Hill, a private investment office and consulting firm which he founded. Previously Mr. Castine served as the President of Dover Management LLC, an investment advisory firm, from 2003 to 2007, and a member of Dover Corporate Responsibility Management LLC, a mutual fund investment firm, from 2005 to 2007. From 1999 to 2003, Mr. Castine served as a partner and global sector head in the executive search division of TMP Worldwide. Prior to 1999, Mr. Castine was a partner of the Highland Group, an executive recruiting firm, which he and his partners sold to TMP Worldwide in 1999. Previously, from 1987 to 1997, Mr. Castine was employed by Spencer Stuart, an executive recruiting firm, where he built the investment management practice and co-headed the financial services practice including investment management, investment banking, insurance, real estate, private banking and private equity on a global platform. Mr. Castine also served as the Director of International Communication and Information for the National Security Council from 1986 to 1987 and as the Deputy Director of the Office of Private Sector Initiatives in the White House under President Ronald Reagan from 1981 to 1984. In addition, from 1979 to 1981, he worked for the United States House of Representatives as an aid to Congressman Jack Kemp. Mr. Castine currently serves on the board of several nonprofit organizations including Brunswick School, the Communities in Schools Leadership Council, Connecticut Chapter of the Knights of Malta, and the Ronald Reagan Presidential Library Foundation. Mr. Castine has a masters degree in public administration from Harvard University and a B.A. in political science from Fredonia College.

William Cvengros Director. Mr. Cvengros has been a director since August 2007. Mr. Cvengros is the managing member and Chief Executive Officer of SJC Capital LLC, his personal consulting and investment business, which was formed in 2002. Mr. Cvengros joined National Retirement Partners, Inc., a retirement plan advisory services firm, in an advisory capacity in March 2005, and has served as Chairman of the board of directors since December 2005. From 2002 to 2004, Mr. Cvengros was a venture partner and advisory board member of the Edgewater Funds, a private equity firm. From its inception in 1998 until its sale in 2005, Mr. Cvengros was Chairman of the board of directors of PacketVideo Corporation, a privately-held company providing wireless multi-media software and services for mobile applications. From 1994 to 2000, Mr. Cvengros served as the Chief Executive Officer, President and a director of PIMCO Advisors Holdings L.P., a publicly traded investment

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management firm. From 1986 to 1994, he served as Chairman of the board of directors of Pacific Investment Management Company, an investment management firm, and from 1990 to 1994, he served as Vice Chairman of the board of directors and chief investment officer of Pacific Life Insurance Company, an insurance company. Mr. Cvengros previously served as a director of HK Enterprise Group, a producer of gourmet foods, and ACG Corporation, an aviation equipment trust sponsored by Pacific Life. Mr. Cvengros received an M.B.A. from Northwestern University's Kellogg Graduate School of Management in 1972 and a B.A. in economics from the University of Notre Dame in 1970. Mr. Cvengros is also a Chartered Financial Analyst.

Michael Downey Director. Mr. Downey has been a director since September 2007. Since 2003, Mr. Downey has been a private investor. In May 2003, Mr. Downey was appointed as an independent consultant to Bear Stearns, Inc., an investment banking and securities brokerage firm, and since that time he has been responsible for the procurement of independent research according to a 2003 settlement agreement between the SEC, NASD (now the FINRA), New York Stock Exchange, and ten of the largest United States investment firms to address issues of conflicts of interest within their businesses. From 1997 to December 2003, Mr. Downey was the managing partner of Lexington Capital, L.L.C., a private investment advisory firm. From 1993 to 1996, Mr. Downey was a private investor. From 1968 to 1993, Mr. Downey was employed at Prudential Securities, Inc., an investment firm, in various roles, most recently as Chairman and Chief Executive Officer of Prudential Mutual Fund Management. Mr. Downey currently serves as Chairman of the board of directors of Asia Pacific Fund, Inc., a closed-end fund, and a director of The Merger Fund, an open-end mutual fund, and Alliance Bernstein Mutual Funds. Formerly, Mr. Downey served as a director of Value Asset Management LLC. Mr. Downey received an M.B.A. from Syracuse University and a B.A. in economics from Le Moyne College.

Daniel Gressel Director. Mr. Gressel has been a director since August 2007. Mr. Gressel formed Teleos Management, L.L.C., a hedge fund management firm, in 1991 and since such time has served as its President, managing member and portfolio manager. Prior to forming Teleos Management, L.L.C., Mr. Gressel was a portfolio manager at G.T. Capital Management, an investment management firm, from 1988 to 1991. From 1986 to 1988, he worked as an economist for G.T. Management (Asia) in Hong Kong and, from 1984 to 1986, he traded futures and options for his own account on the Comex and New York Futures Exchange. Mr. Gressel currently serves as a director of Teleos Asset Management, LLC and the Yankee Institute, a public policy think tank. Mr. Gressel received a B.S. in business administration from Ohio State University, and an M.A. and Ph.D. in economics from the University of Chicago.

William Landman Director. Mr. Landman has been a director since September 2007. Mr. Landman has been a Vice President and director of CMS Fund Advisors, Inc., an investment advisory firm, since its inception in 2002. Mr. Landman joined CMS Investment Resources, Inc., a broker-dealer firm, and CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), an insurance and investment firm, as a principal in 1987. Mr. Landman has served as a Vice President of CMS Investment Resources, Inc. since 1987, and has served as a director of that firm since May 2003. Mr. Landman has served as a Vice President and a director of CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.) since May 2003. Mr. Landman received a J.D. from the University of Pittsburgh Law School and a B.A. from the University of Pittsburgh. Mr. Landman is admitted to the Florida and Pennsylvania Bars.

John Merchant, C.P.A. Director. Mr. Merchant has been a director since October 2007. Mr. Merchant is the owner and a director of Cullen, Murphy & Co., P.C., a public accounting firm located in Massachusetts, and has served as its President since 1996. Mr. Merchant has been employed by the firm since 1981 and, prior to becoming President, held various positions including staff accountant, manager, and Vice President. Mr. Merchant is a certified public accountant and received a

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B.A. degree in accounting, an M.S. degree in finance, and an M.S. degree in taxation from Bentley College.

Meetings and Committees of the Board of Directors of Prospect

Prospect is managed under the direction of its board of directors. Its board of directors is divided into three classes of directors and each class serves a three year term. The Prospect board of directors presently has an audit committee, nominating committee and acquisition committee. During the fiscal year ended December 31, 2008, Prospect's board of directors held four meetings, the audit committee held five meetings and the acquisition committee met once. The nominating committee did not meet in 2008. In 2009, Prospect's board of directors held four meetings, the audit committee held four meetings and the acquisition committee met twice. Prospect expects its directors to attend all board and any committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Each of Prospect's current directors attended at least 75% of the aggregate number of meetings of the board and its committees for which they were members in 2008, with the exception of William Landman who attended 50% of such meetings and Daniel Gressel who attended 71% of the meetings. Prospect does not have a policy regarding director attendance at annual meetings, but encourages the directors to attend if possible.

Independence of Directors

AMEX requires that a majority of Prospect's board of directors must be composed of "independent directors," which is defined generally as a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship, which, in the opinion of the company's board of directors would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director.

Prospect's board of directors has determined that each of Michael P. Castine, William Cvengros, Michael Downey, Daniel Gressel and John Merchant is an independent director as such term is defined under the rules of AMEX and Rule 10A-3 of the Exchange Act.

Audit Committee

Prospect's board of directors has established a standing audit committee, which consists of Michael P. Castine, William Cvengros, Daniel Gressel and John Merchant as the chairman, each of whom has been determined to be "independent" as defined in Rule 10A-3 of the Exchange Act and the rules of the AMEX.

The audit committee's duties, which are specified in our audit committee charter, include, but are not limited to:

reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board of directors whether the audited financial statements should be included in our annual report;

discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;

discussing with management major risk assessment and risk management policies;

monitoring the independence of the independent auditor;

verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

inquiring and discussing with management our compliance with applicable laws and regulations;

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pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;

appointing or replacing the independent auditor;

determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;

establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports that raise material issues regarding our financial statements or accounting policies;

monitoring compliance on a quarterly basis with the terms of our initial public offering and, if any noncompliance is identified, immediately taking all action necessary to rectify such noncompliance or otherwise causing compliance with the terms of our initial public offering; and

reviewing and approving all payments made to our initial stockholders, sponsors, officers or directors and their respective affiliates, other than a payment of an aggregate of \$7,500 per month to Teleos Management, L.L.C., an entity affiliated with Daniel Gressel, one of our directors, and LLM Capital Partners LLC, an entity affiliated with Patrick J. Landers, Prospect's President and a director, LLM Structured Equity Fund L.P. and LLM Investors L.P., for office space, secretarial and administrative services (amended December 31, 2008 to \$6,805.25 per month). Any payments made to members of our audit committee will be reviewed and approved by our board of directors, with the interested director or directors abstaining from such review and approval.

For more information about the audit committee's duties, please see the audit committee charter, which is available on Prospect's website at <http://www.prospectac.com> under the caption "Investor Relations Governance" and which is attached as Exhibit 99.1 to Prospect's Annual Report on Form 10-K filed with the SEC on March 31, 2008.

Nominating Committee

Prospect's board of directors has established a standing nominating committee, which consists of Michael P. Castine, William Cvengros, Daniel Gressel and Michael Downey, each of whom is an independent director under the AMEX Company Guide. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on Prospect's board of directors. The nominating committee considers persons identified by its members, management, stockholders, investment bankers and others.

For more information about the nominating committee's duties, please see the nominating committee charter, which is attached as Exhibit 99.2 to Prospect's Annual Report on Form 10-K filed with the SEC on March 31, 2008.

Acquisition Committee

Prospect's board of directors has established a standing acquisition committee, which consists of David A. Minella, Patrick J. Landers and Michael Downey. The acquisition committee is responsible for considering potential target businesses for Prospect's initial business combination. Pursuant to Prospect's amended and restated by-laws, Prospect's board of directors did not have authority to consider this Merger until the acquisition committee first unanimously recommended such Merger to Prospect's board of directors.

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**PROSPECT'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Overview

Prospect was formed on July 9, 2007 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more operating business in the financial services industry. Prospect's initial business combination must be with a business or businesses whose collective fair market value is in excess of 80% of the balance of Prospect's Trust Account (excluding the amount held in the Trust Account representing a portion of the underwriters' discount).

On November 20, 2007, Prospect issued and sold 25,000,000 units in its IPO. Each of Prospect's units consist of one share of Prospect's common stock, \$0.0001 par value per share, and one warrant. Each warrant sold in the IPO entitles the holder to purchase one share of common stock at an exercise price of \$7.50. Prospect's units began publicly trading on November 15, 2007. Prospect's Public Warrants and common stock have traded separately since December 3, 2007. The public offering price of each unit was \$10.00, and the IPO raised gross proceeds of \$250,000,000. Of the gross proceeds: (i) Prospect deposited \$241,750,000 into a Trust Account at JP Morgan Chase Bank, NA, maintained by Continental Stock Transfer & Trust Company, as trustee, which included \$10,000,000 of contingent underwriting discount (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO); (ii) the underwriters received \$7,500,000 as underwriting discount (excluding the contingent underwriting discount); and (iii) Prospect retained \$700,000 for offering expenses, plus \$50,000 for working capital. In addition, Prospect deposited into the Trust Account \$5,250,000 that it received from the private placement of 5,250,000 Sponsors Warrants to Flat Ridge Investments LLC, an entity affiliated with David A. Minella, Prospect's Chairman and Chief Executive Officer, LLM Structured Equity Fund L.P. and LLM Investors L.P., entities affiliated, with Patrick J. Landers, Prospect's President and a director, and CMS Platinum Fund, L.P. (formerly Capital Management Systems, Inc.), a corporation affiliated with William Landman, one of Prospect's directors. The \$247,000,000 held in the Trust Account will not be released until the earlier of (i) the completion of the initial business combination or (ii) Prospect's liquidation. Therefore, unless and until an initial business combination is consummated, the proceeds held in the Trust Account will not be available to Prospect, other than amounts required to pay taxes on any interest income earned on the Trust Account balance and up to \$2,750,000 of interest income earned on the Trust Account balance, net of income taxes payable on such amount, which can be released to Prospect to fund working capital requirements. As of _____, 2009, (the record date) approximately \$_____ was held in deposit in the Trust Account, including \$10,000,000 of deferred underwriting compensation (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO, Prospect intends to use the funds released from the Trust Account (i) to pay Prospect stockholders who exercise conversion rights, (ii) to pay Prospect holders of Public Warrants in connection with the Cash Exchange, (iii) to pay expenses related to the Merger, (iv) to pay the deferred underwriting compensation, and (v) to pay investment banker's and advisor's fees and to use the remaining funds released from the Trust Account for working capital and general corporate purposes.

To fund pre-offering expenses associated with its IPO, Flat Ridge Investments LLC, LLM Structured Equity Fund L.P. and LLM Investors L.P. advanced an aggregate of \$200,000 to Prospect in exchange for a promissory note, without interest, which was repaid from the proceeds of its IPO.

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Recent Events

On September 8, 2009, Prospect signed the Merger Agreement pursuant to which it will acquire Kennedy-Wilson. If the Merger is completed, Kennedy-Wilson Holders, will receive an aggregate of 26 million shares of Prospect common stock (each share of Kennedy-Wilson common stock shall automatically convert into the right to receive 3.8031 shares of Prospect common stock and each share of Kennedy-Wilson preferred stock shall automatically convert into the right to receive 105.6130 shares of Prospect common stock), minus any shares of Prospect common stock that would otherwise have been issuable to Kennedy-Wilson Holders of Dissenting Shares, plus shares issued in lieu of fractional shares. Based on the closing market price of \$9.79 per share on September 8, 2009, the last trading day of Prospect common stock prior to the announcement of the Merger Agreement, the Initial Shares had an aggregate value of \$254.5 million. Based on the closing market price of Prospect common stock of \$_____ per share on _____, 2009 (the record date), the Initial Shares had an aggregate value of \$_____. Prospect anticipates using approximately \$12.3 million of the net proceeds in its Trust Account to consummate the Merger, including transaction expenses, but not including payments with respect to the conversion of Public Shares. Merger expenses will include professional fees for legal and accounting services, deferred underwriting compensation of \$6,000,000 (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of the underwriting agreement, for the IPO), plus \$3,000,000 in cash and the reimbursement or reasonable out-of-pocket expenses not to exceed \$30,000, to Citigroup for acting as Prospect's financial advisor in connection with the Merger, a financial advisory fee of \$1,500,000, plus the reimbursement of reasonable out-of-pocket expenses, as well as 375,000 shares of Prospect common stock to De Guardiola (to be held by its parent company, De Guardiola Holdings, Inc.) for acting as Prospect's financial advisor in connection with the Merger, and \$85,000, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$5,000 that will be paid to Houlihan Smith for the fairness opinion it issued in connection with the Merger. The balance of the proceeds held in the Trust Account, which Prospect anticipates will be approximately \$_____, will be used to fund conversions into cash of its Public Shares, to pay Prospect warrant holders in connection with the Cash Exchange, and to finance the operations of Kennedy-Wilson's business.

Results of Operations, Financial Condition and Liquidity and Capital Resources

Through July 13, 2009, Prospect's efforts have been limited to organizational activities, activities relating to its IPO, activities relating to identifying and evaluating prospective acquisition candidates, and activities relating to general corporate matters. Prospect has neither engaged in any operations nor generated any revenues, other than interest income earned on the proceeds of its private placement and IPO.

For the year ended December 31, 2008, Prospect had a net income of \$1,511,215, consisting of net interest income of \$3,808,688 less costs attributable to organization, formation and general and administrative expenses of \$679,661, state taxes of \$740,724 and a net provision for federal income taxes of \$877,088. For the period from July 9, 2007 (date of inception) through December 31, 2007, Prospect had net income of \$615,198, consisting of interest income of \$1,080,541 less costs attributable to organization, formation and general and administrative expenses of \$72,845, state taxes of \$75,577 and a net provision for federal income taxes of \$316,921.

For the six months ended June 30, 2009, Prospect had a net loss of \$257,384 as compared to net income of \$1,268,185 for the six months ended June 30, 2008. The decrease in net income was primarily due to the decrease in interest rates, resulting in a decrease in net interest income of \$2,487,436, combined with an increase in professional fees of \$81,370, partially offset by a decrease in formation, operating, rent and office expenses of \$14,879 and a decrease in state and federal taxes of \$1,028,358.

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For the period from July 9, 2007 (date of inception) through June 30, 2009, Prospect had a net income of \$1,869,029, consisting of net interest income of \$4,930,379 less costs attributable to organization, formation and general and administrative expenses of \$1,202,213, state taxes of \$816,301 and a net provision for federal income taxes of \$1,042,836.

Through June 30, 2009 Prospect did not engage in any significant operations. Prospect's activities from inception through December 31, 2008 were to prepare for its IPO and begin the identification of a suitable business combination candidate.

Prospect consummated its IPO of 25,000,000 units on November 20, 2007. Gross proceeds raised from its IPO were \$250,000,000. Prospect paid a total of \$7,500,000 in underwriting discounts and commissions and \$705,004 for other costs and expenses related to the offering. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds including \$5,250,000 from the sale of the Sponsors Warrants from the offering were \$247,044,996, and an amount of \$247,000,000, including \$10,000,000 of deferred underwriting commissions (the underwriters have agreed to forgo \$4,000,000 of deferred underwriting compensation otherwise payable to them in connection with, and in accordance with the terms of, the underwriting agreement for the IPO), was deposited into a Trust Account at JP Morgan Chase Bank, NA, maintained by Continental Stock Transfer & Trust Company, as trustee. Since it is anticipated that Prospect's capital stock will be the sole consideration in the Merger, the proceeds held in the Trust Account as well as any other net proceeds not expended will be used to finance the operations of Kennedy-Wilson. Prospect believes it will have sufficient available funds outside of the Trust Account to operate through November 14, 2009, assuming that the business combination is not consummated during that time.

The following table reconciles the amount of net proceeds from its IPO and private placement to the amount held in the Trust Account at June 30, 2009:

Amounts placed in Trust Account	\$ 247,000,000
Interest income received	5,003,944
Amounts withdrawn for payment of federal & state taxes	(2,387,057)
Amounts withdrawn for working capital	(1,080,900)
Total held in Trust Account	\$ 248,535,987

Prospect believes that the funds available to it outside of the Trust Account of \$50,000 and up to \$2,750,000 of the interest earned on the Trust Account will be sufficient to allow it to operate through at least November 14, 2009, assuming that an initial business combination is not consummated. As of June 30, 2009, Prospect anticipated that it would incur expenses through November 14, 2009 for the following purposes:

due diligence and investigation of prospective target businesses;

legal and accounting fees relating to Prospect's SEC reporting obligations and general corporate matters;

structuring and negotiating a business combination; and

other miscellaneous expenses.

As indicated in Prospect's condensed financial statements included elsewhere in this proxy statement/prospectus, at June 30, 2009, Prospect had cash held out of trust of approximately \$9,425 and approximately \$100,957 in accounts payable and accrued expenses. Prospect expects to incur significant costs pursuing the Merger. There is no assurance that Prospect will be able to consummate the Merger by November 14, 2009. If the Merger is not consummated by November 14, 2009, Prospect will be required to dissolve and liquidate. Prospect's financial statements do not include any adjustments that may result from the outcome of this uncertainty.

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Contractual Obligations

On September 4, 2009, Prospect signed an engagement letter with De Guardiola engaging it to act as Prospect's non-exclusive financial advisor in respect of the Merger. De Guardiola will receive a fee of \$1,500,000 as well as 375,000 shares of Prospect common stock (to be held by its parent company, De Guardiola Holdings, Inc.), plus reimbursement for reasonable out-of-pocket expenses. On August 20, 2009, Prospect signed an engagement letter with Houlihan Smith to provide certain opinions in respect of the Merger. The fee for providing the opinion is \$85,000 and will be paid prior to closing the Merger, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$5,000. The fee to Houlihan Smith was fully paid on September 18, 2009. On August 5, 2009, Prospect also signed an engagement letter with Citigroup as its financial advisor in connection with the Merger. Citigroup will receive a cash fee of \$3,000,000 to be paid upon the consummation of the Merger, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$30,000. The underwriters of Prospect's IPO have agreed to reduce their deferred commission payable upon the consummation of the Merger from \$10,000,000 to \$6,000,000.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with general accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods reported. Actual results could materially differ from those estimates. Prospect has determined that it currently is not subject to any critical accounting policies.

New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS 157, fair value measurements are disclosed by level within that hierarchy. In February 2008, the FASB issued FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which permits a one-year deferral for the implementation of SFAS 157 with regard to non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. Prospect adopted SFAS 157 for the fiscal year beginning January 1, 2008, except for the non-financial assets and non-financial liabilities for which delayed application is permitted until Prospect's fiscal year beginning January 1, 2009. The adoption of the remaining provisions of SFAS 157 is not expected to have a material impact on Prospect's financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB No. 115* ("SFAS 159"). SFAS 159 allows a company to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 and will be applied prospectively. The adoption of SFAS 159 did not have a significant impact on Prospect's financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141R") which establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any

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non-controlling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R will have an impact to Prospect for any acquisitions consummated on or after January 1, 2009.

In December 2007, the FASB released SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* ("SFAS 160"), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent and for the deconsolidation of a subsidiary. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interest of the parent and the interests of the non-controlling owners. SFAS 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008. SFAS 160 may have a material impact to Prospect with respect to any acquisitions consummated on or after January 1, 2009.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying financial statements.

Going Concern and Management's Plan and Intentions

Prospect's funds may not be sufficient to maintain Prospect until a business combination is consummated. In addition, there can be no assurance that Prospect will consummate a business combination prior to November 14, 2009. Pursuant to Prospect's amended and restated certificate of incorporation, if Prospect is unable to consummate a timely business combination, it would have to liquidate and return the funds held in the Trust Account to holders of Public Shares as previously described. These factors raise substantial doubt about Prospect's ability to continue as a going concern.

Off-Balance Sheet Arrangements

Other than contractual obligations incurred in the normal course of business, Prospect does not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets or any obligations arising out of a material variable interest in unconsolidated entity.

Quantitative and Qualitative Disclosures About Market Risk

Market risk is the sensitivity of income to changes in interest rates, foreign exchanges, commodity prices, equity prices, and other market-driven rates or prices. To date, Prospect's efforts have been limited to organizational activities, activities relating to its IPO and the identification of a target business. Prospect has neither engaged in any operations nor generated any revenues. As the proceeds from its IPO held in the Trust Account have been invested in short term investments, Prospect's only market risk exposure relates to fluctuations in interest.

Prospect has not engaged in any hedging activities since its inception on July 9, 2007. Prospect does not expect to engage in any hedging activities with respect to the market risk to which it is exposed.

Disclosure Controls and Procedures

Prospect maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in Prospect's periodic reports filed with the SEC pursuant to the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and related forms, and that such information is accumulated and communicated to Prospect's management on a timely basis to allow decisions regarding required disclosure.

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Management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined under Rules 13a-15(e) and 15(d)-15(e) of the Exchange Act) as of June 30, 2009. Based upon that evaluation, management has concluded that its disclosure controls and procedures were effective as of the end of the period covered by this proxy statement/prospectus.

Changes in Internal Control Over Financial Reporting

During the most recently completed fiscal quarter, there was no change in its internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, Prospect's internal control over financial reporting.

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BUSINESS OF KENNEDY-WILSON

Company Overview

Founded in 1977, Kennedy-Wilson is a diversified, international real estate company that provides investment and real estate services. Kennedy-Wilson has grown from an auction business in one office into a vertically-integrated operating company with over 300 professionals in 21 offices throughout the U.S. and Japan. Kennedy-Wilson is an industry leader, currently owning real estate (through its closed-end funds and joint ventures) representing \$2.9 billion in aggregate value and managing over 40 million square feet of residential, multifamily and commercial real estate, including 10,000 apartment units, throughout the U.S. and Japan. Kennedy-Wilson's operations are defined by two core business units: KW Investments and KW Services.

KW Investments

Kennedy-Wilson formalized its investing activities in 1999 by creating an investment arm, KW Investments. Through this investment arm, Kennedy-Wilson co-invests through separate accounts and closed-end funds in the acquisition of properties including office, multi-family, retail, hotels, residential condominiums and land for development. Kennedy-Wilson aims to create value with its hands-on approach and seeks to harvest value through an exit strategy which is established at the time of acquisition. KW Investments consists of more than 20 investment professionals whose time is dedicated to sourcing, analyzing, executing and managing fund and joint venture investments. In June 2009, Kennedy-Wilson formed KW Capital Markets with the primary function of raising private and institutional capital, assisting with investor relations, and managing other strategic initiatives.

Kennedy-Wilson is a strategic investor and a manager of portfolio investments both in wholly-owned projects and in partnership with institutional investors in the U.S. and Japan. Since 1999, Kennedy-Wilson has invested over \$2.0 billion of equity across office, multifamily, retail, hotels, and residential properties, representing more than \$5.8 billion in aggregate value through its joint ventures and closed-end funds.

Kennedy-Wilson has historically raised equity for its investments in three ways: through its joint-ventures, closed-end funds and on its own behalf.

Kennedy-Wilson's co-investment in joint ventures has typically been between 5% and 10% of the total equity investment. Joint venture and fund investments include the following real estate types:

- (i) U.S. Office Since 1999, Kennedy-Wilson has invested approximately \$550 million of equity in the acquisition of 33 office properties in the U.S., totaling more than 6.6 million square feet and representing approximately \$1.4 billion in aggregate value.
- (ii) U.S. Multifamily Since 1999, Kennedy-Wilson has invested approximately \$536 million of equity in the acquisition of 56 multifamily properties in the U.S., totaling approximately 14,600 units and 11.8 million square feet and representing more than \$1.9 billion aggregate value.
- (iii) Japan Kennedy-Wilson investment professionals have been active in Japan for over a decade and Kennedy-Wilson currently has a strong team of origination, finance and asset management professionals on the ground. Kennedy-Wilson's Japanese activities started in 1995 where it invested approximately \$590 million of equity, representing nearly \$1.2 billion in aggregate value, through a former wholly-owned subsidiary that was taken public in February 2002 and has been listed on the Tokyo Stock Exchange since 2003. Kennedy-Wilson and its management team owned a majority position in such subsidiary through September 2002 and were the largest stockholders through May 2003. That company, now

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the publicly-traded Kenedix, is no longer owned by or affiliated with Kennedy-Wilson. Kennedy-Wilson sold all of its interest in Kenedix at a substantial gain.

In 2005, Kennedy-Wilson re-entered the Japanese market when it formed KW Investment Co., Ltd. to acquire multifamily properties in several key markets in Japan with Wachovia Development Corporation as its partner. Since 2005, KW Investment Co. has invested more than \$200 million of equity in the acquisition of 2,410 multifamily units, totaling approximately one million square feet and representing an aggregate value of approximately \$545 million. Including its prior investment experience through what is now Kenedix, Kennedy-Wilson has invested a total of approximately \$1.7 billion in the acquisition of 81 investments, primarily in multifamily and office properties.

(iv)

U.S. Other Real Estate Since 1999, Kennedy-Wilson has invested approximately \$225 million of equity representing more than \$790 million in aggregate value in the acquisition of retail, industrial, residential and other real estate-related investments in the U.S.

In addition to its joint ventures, Kennedy-Wilson manages several closed-end funds. Below are the descriptions of Kennedy-Wilson's closed-end funds, including traditional and Double Bottom Line funds:

(i)

KWI Property Fund I, L.P. closed with \$62.5 million of capital commitments in August 2000. This fund has reached the end of its investment period and is now focused on harvesting the value created from the successful execution of each investment's business plan.

(ii)

KWI Property Fund II, L.P. closed with \$106 million of capital commitments in October 2005. This fund is currently fully invested and is now focused on harvesting the value created from the successful execution of each investment's business plan.

Kennedy-Wilson manages two Double Bottom-Line funds that seek to provide market rate returns for investors and positive social, economic and environmental benefits to the communities in which they invest. The Double Bottom-Line Funds are typically geographically focused on a specific target market.

(iv)

Bay Area Smart Growth Fund II is a \$125 million fund focused on a nine county region in the San Francisco bay area.

(v)

Northwest Louisiana Community Development Fund I is a \$40 million fund focused on a ten parish region surrounding the Shreveport/Bossier region of northwest Louisiana.

KW Services

Through its services group, KW Services, Kennedy-Wilson offers a comprehensive line of real estate services for the full life-cycle of real estate ownership and investment. KW Services provides property management, auction marketing, brokerage, construction and trust management services to financial institutions, other institutional clients and individual investors. Through its extensive network of property managers and brokers, KW Services provides access to real-time market knowledge and trends, along with proprietary deal flow to KW Investments.

Property & Asset Management Kennedy-Wilson currently manages 40 million square feet of office, industrial, and retail properties for over 50 institutional clients and individual investors both in the U.S. and Japan.

Auction Services Since inception in 1977, Kennedy-Wilson has sold more than \$5.0 billion of third-party real estate through the auction process. Kennedy-Wilson is considered one of the leaders in auction marketing, having sold various property types on a global basis. The Auction

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Services group conducts live and online auctions and executes accelerated marketing programs for all types of residential and commercial real estate.

Commercial Brokerage The Commercial Brokerage group is comprised of "Investment Sales" and "Leasing" groups. The Investment Sales group specializes in innovative marketing programs tailored to client objectives for all types of real estate and various financial instruments collateralized by real estate. Its real estate professionals in the U.S. and Japan have extensive expertise in marketing, property and loan valuation, asset management, equity and debt sourcing, joint venture formation and financing and real estate acquisition advisory services. The Leasing group is a leader in both landlord and tenant representation. The group provides clients with a full complement of brokerage services for office, industrial, land, multifamily, retail and capital markets disciplines.

Construction Management The Construction Management group provides construction and project management services to institutional, corporate and individual clients in all areas of commercial and residential real estate. This group provides a full array of services including site and feasibility analysis, land planning and project design, selection of consultants, financing, bidding and construction administration.

Trust Management The Trust Management group provides asset and property management services to some of the largest global banks and trust companies holding investment real estate in the U.S., as trustees on behalf of private and institutional fiduciary accounts.

Kennedy-Wilson Strengths

Kennedy-Wilson believes it has a unique platform from which to execute its investment and services strategy. Kennedy-Wilson believes that its platform provides significant competitive advantages over other real estate buyers operating stand-alone or investment-focused firms and may allow Kennedy-Wilson to generate superior risk-adjusted returns. Kennedy-Wilson's investment strategy focuses on investments that offer significant appreciation potential through intensive property management, leasing, repositioning, redevelopment and the opportunistic use of capital.

Kennedy-Wilson competitive advantages include:

Transaction Experience Kennedy-Wilson has completed in excess of \$5.8 billion of acquisitions (based on aggregate value) over the past decade through June 2009. Kennedy-Wilson's Executive Committee has more than 125 years of combined real estate experience and has been working and investing together on average for over a decade. Members of the Executive Committee have collectively acquired, developed and managed in excess of \$15 billion of real estate investments in the U.S. and Japan through various economic cycles at Kennedy-Wilson and throughout prior careers.

Extensive Relationship and Sourcing Network Kennedy-Wilson leverages its services business in order to source off-market deals. In addition, the Executive Committee and the Kennedy-Wilson acquisition team have transacted business in nearly every major metropolitan market on the west coast of the U.S., as well as in Japan. Their local presence and reputation in these markets has enabled them to cultivate key relationships with major holders of property inventory, in particular financial institutions, throughout the real estate community.

Structuring Expertise and Speed of Execution Prior acquisitions completed by Kennedy-Wilson have taken a variety of forms including direct property investments, joint ventures, exchanges involving stock or operating partnership units, participating loans and investments in performing and non-performing mortgages with the objective of long-term ownership. Kennedy-Wilson believes it has developed a reputation of being able to quickly execute, as well as originate and creatively structure acquisitions, dispositions and financing transactions.

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Vertically-Integrated Platform for Operational Enhancement Kennedy-Wilson is comprised of over 300 professionals in both KW Investments and KW Services, with 21 regional offices throughout the U.S. and Japan. This diversified business model is aimed at ensuring success through real estate cycles. Kennedy-Wilson has a hands-on approach to real estate investing and possesses the local expertise in property management, leasing, construction management, development and investment sales, which Kennedy-Wilson believes enables it to invest successfully in its selected submarkets.

Risk Protection and Investment Discipline Kennedy-Wilson underwrites its investments based upon a thorough examination of property economics and a critical understanding of market dynamics and risk management strategies. Kennedy-Wilson conducts an in-depth sensitivity analysis on each of its acquisitions. This analysis applies various economic scenarios that include changes to rental rates, absorption periods, operating expenses, interest rates, exit values and holding periods. Kennedy-Wilson uses this analysis to develop its disciplined acquisition strategies.

Strategy and Target Markets

Kennedy-Wilson's investment style and philosophy have been consistent to its approach over the past decade and seeks to drive the ongoing strategy for future investments. The three core fundamentals include:

Significant proprietary deal flow from an established network of industry relationships;

Focus on a systematic research process with a disciplined approach to investing; and

Superior in-house operating execution.

Kennedy-Wilson continues to focus primarily on equity real estate investments, utilizing leverage where determined appropriate. In addition, Kennedy-Wilson also acquires real estate-related financings, such as a first trust deeds. Specifically, the investment strategy of Kennedy-Wilson focuses on the following situations:

Financially distressed/ownership situations;

Under-managed or under-leased assets; and

Repositioning opportunities.

Kennedy-Wilson intends to pursue acquisition opportunities for its current investment platforms as follows:

Commercial Platform Take advantage of office, industrial and retail debt maturities;

Funds Value add / opportunistic strategy; dedicated capital for a variety of deal types;

Condo Platform Distressed condo deals; reposition and exit;

Residential Platform Combination of current return from multi-family projects and capital return from condo projects; and

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First Trust Deed Platform Fills void in lending market; provides 10% + unlevered current yield and potential to own real estate at very attractive basis in event of foreclosure.

Kennedy-Wilson's initial target submarkets, which include Southern California, the San Francisco Bay area, the Puget Sound area (Greater Seattle), Hawaii and the Greater Tokyo area, share certain similar characteristics that Kennedy-Wilson believes can create investment opportunities. Among these commonalities are dense populations, high barriers to entry, scarcity of land and supply constraints.

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KW Services plays a critical role in supporting Kennedy-Wilson's investment strategy and various platforms. KW Services intends to continue to facilitate the gathering of local market intelligence and market data for evaluating and valuing investments, generate proprietary transaction flow and create value once an investment is made through efficient implementation of asset management or repositioning strategies.

Industry and Market Overview

United States

Kennedy-Wilson believes that the acquisition outlook for 2010 and beyond is one of opportunity. Since capitalization rates have begun to rise and based on Kennedy-Wilson's market analysis, well-capitalized investors will potentially be able to purchase properties at significant discounts to historical cost that may provide significant cash-on-cash returns. The recent credit crunch in the financial markets has dried up liquidity. As a result, many financial institutions have been forced to mark-to-market or sell both their performing and non-performing assets in order to firm up their balance sheets. Kennedy-Wilson believes that U.S. financial institutions and public traded companies, such as Real Estate Investment Trusts ("REITs"), will continue to be forced sellers of their real estate hard assets and loans for the next several quarters.

Due to the current disarray in the financial markets, many U.S. real estate markets are experiencing a downturn in occupancy and property values. Unlike the last cycle, this downturn has been driven by the lack of liquidity and the tightening of the credit markets rather than by an oversupply of new product. Kennedy-Wilson believes that underlying real estate fundamentals have remained solid, particularly in major metropolitan and downtown areas where supply constraints exist, and companies continue to consolidate in proximity to their corporate headquarters. Also, downward pricing pressures exist that create potential buying opportunities. Kennedy-Wilson will seek to exploit the opportunities caused by the current economic downturn and closed capital markets by identifying the cities and submarkets that have the most predictable, near-term positive indicators.

Kennedy-Wilson believes the recent economic, capital and credit markets events will create tremendous buying opportunities as properties may be purchased at significant discounts to historical cost. Many asset dispositions will result from: (i) forced liquidation through bankruptcy proceedings; (ii) companies reducing real estate portfolios to raise cash to shore up their balance sheets; and (iii) highly leveraged property owners who will have loans come due between 2009 and 2011 and will be unable to refinance.

As sellers are under greater pressure to move assets off of their balance sheets, Kennedy-Wilson's strong sourcing relationships will position Kennedy-Wilson as the buyer of choice to acquire properties at steep discounts. Sellers will look to firms that they have relationships with and can execute quickly and discreetly. Kennedy-Wilson has long-standing relationships with healthy regional and international lenders who have expressed an ability and willingness to offer financing for investments.

Although interest rates remain low, the lack of available debt has constrained highly-leveraged buyers. Kennedy-Wilson believes that the timing of the real estate market cycle combined with Kennedy-Wilson's deep market relationships, systematic research process and cross-platform synergies will be crucial to its potential success.

Japan

Kennedy-Wilson predicts that Japan, while still subject to the same market forces affecting economies across the globe, will likely experience a downturn that is shorter than that in other industrialized economies as the Japanese banking system remains strong relative to its peers. Kennedy-Wilson believes that the country's economy is in a better position to weather current economic conditions relative to the economies of certain other countries because over the past decade Japanese

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households generally have saved money, and companies have steeply reduced their debt as a proportion of GDP. In the current credit environment, as in the U.S., highly-leveraged investors in Japan have been forced to reduce their debt resulting in a rise in capitalization rates.

Japan's current demographic trends include an influx of migration to major cities creating strong demand for housing. Kennedy-Wilson's research shows that real estate fundamentals have remained strong in Greater Tokyo's residential market, and, in particular, in Tokyo's three major wards: Minato-ku, Shibuy-ku, and Setagaya-ku. With diminishing supply of new inventory due to stricter building regulations imposed in 2007, rents for quality assets are expected to remain strong while vacancy rates remains stable. Kennedy-Wilson expects that properties in the Greater Tokyo area that are newer and of higher quality will remain target assets for acquisition by many institutional investors.

Competition

Kennedy-Wilson competes with a range of both local and national real estate firms, individual investors and corporations. Because of Kennedy-Wilson's unique combination of businesses, it competes with brokerage and property management companies as well as companies that invest in real estate and distressed notes. The brokerage and property management businesses are both highly fragmented and competitive. Kennedy-Wilson competes with real estate brokerage companies on the basis of its relationship with property owners, quality of service, and commissions charged. Kennedy-Wilson competes with property management and leasing firms also on the basis of its relationship with clients, the range and quality of services provided, and fees and commissions charged. Kennedy-Wilson's investment operations compete to varying degrees with real estate investment partnerships and other investment companies. Kennedy-Wilson competes with these other investors on the basis of its relationship with the sellers and the amounts that it pays for the investments acquired.

Kennedy-Wilson differentiates itself from other firms in the industry with its full service, investment oriented structure. Whereas most other firms use an investment platform to obtain additional service business revenue, Kennedy-Wilson uses its service platform to enhance the investment process and ensure the alignment of interest with its investors.

Since each market and opportunity is unique, different competitors surface in each transaction. Due to its proprietary sourcing capabilities, Kennedy-Wilson often acquires properties in off-market transactions where it faces limited competition. In more widely marketed transactions, Kennedy-Wilson's significant on-the-ground operations provide insight into market conditions and trends that it believes allows for informed acquisition strategies.

In contrast to Kennedy-Wilson's vertically-integrated platform and deep market knowledge, many large institutional players act as "asset allocators" and rely on firms similar to Kennedy-Wilson and the third-party brokerage community to source their deals. These competitors tend to focus on large, widely-marketed "Class A" properties that do not require significant on-the-ground expertise, hands-on redevelopment or local market knowledge.

Kennedy-Wilson also competes for investment opportunities with regional investors and developers who understand the local markets but lack the equity to close deals with their own capital.

Due to its reputation for certainty of close, capital availability and discretion in publicizing deals, Kennedy-Wilson is often able to acquire properties even when it is not the highest bidder. Kennedy-Wilson's relationship-driven approach, reputation for certainty of close, local market knowledge and on-the-ground experience strongly position Kennedy-Wilson when compared to its competition.

Kennedy-Wilson's Markets

Kennedy-Wilson believes that real estate is a local business. With this in mind, Kennedy-Wilson intends to continue to focus on the markets that it knows well through both its investment experience

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and service businesses. Kennedy-Wilson intends to continue to target markets that it has been successful in historically due to its in-depth knowledge and relationships.

Kennedy-Wilson's focused research process begins with a macro analysis (economic growth, overall market cycles, property specific cycles, availability and pricing, ranking/evaluation) and ends with a micro analysis (submarket/neighborhood analysis, site analysis, due diligence and risk/return analysis). Kennedy-Wilson will often leverage KW Services to access real-time market knowledge and trends to determine its investment analysis and strategy process and choices of markets/submarkets. This rigorous process continues to be a key driver of Kennedy-Wilson's investment decisions.

The choice of markets and submarkets for its investment strategy will be based on a research-driven process that involves five stages of extensive analysis.

Stage 1: Growth Composite of Employment/Population/Income Compared to Nation. Each city is analyzed using a composite index of growth that weighs the last six years of growth history with the next five years of forecasted employment, population and income trends as compared to the overall nation. The risk of the growth forecast and the stability of the economic base and political climate are also considered at this stage.

Stage 2: Evaluation of a City's Overall Market Cycle Position by Property Type. In the second stage, macro market cycle analysis is conducted by property type. Certain statistical adjustments are then applied to the geographical submarkets within each city to determine if a city, and property type is operating above or below "equilibrium," and if market upside potential exists within each city and property type.

Stage 3: Product Specific Cycle Analysis in Each City. This stage requires extensive market research and interviews with local experts at the submarket level. In this stage, each product type is evaluated with respect to its upside potential. Three types of cycles and upside potential are measured at this stage: (i) occupancy cycle upside, (ii) rent rate cycle upside, and (iii) property value upside. A key part of this analysis is to determine what discounts from replacement cost and current cash-on-cash returns can be achieved relative to the upside potential for each property type. Kennedy-Wilson seeks to buy well-located properties at prices substantially below replacement cost.

Stage 4: Evaluation of Product Availability and Pricing. The focus in this stage is to determine the total product inventory of each targeted property class in the specified market, evaluate recent transactions in the market and submarkets and project the amount of new product that will likely become available for purchase in the future. Based on recent transactions, market studies and interviews with local market experts in each city (brokers, appraisers and market researchers), the expected economics of properties purchased in the future are estimated, including estimates of capitalization rates, rents, occupancy levels and sales prices relative to replacement cost.

Stage 5: Ranking/Evaluation Relative to Kennedy-Wilson's Investment Strategy. In the final stage of the evaluation process, the overall desirability of each city for investment is evaluated within the context of the Kennedy-Wilson's investment strategy. The market niches that offer the most upside are identified, and a strategy is developed to capitalize on those niches. During this step, investment allocations are suggested for each city, including the amount of capital to be invested in each city and product type over a defined investment time horizon.

In parallel with its thorough examination of market dynamics, Kennedy-Wilson conducts an in-depth risk management analysis on each of its acquisitions. This analysis applies various economic conditions and scenario forecasts that include changes to rental rates, operating expenses, interest rates, exit values and holding periods. Kennedy-Wilson uses this analysis to develop its disciplined pricing strategies.

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This market analysis will help to determine the acquisition strategies for a variety of markets and submarkets that have the highest probability for near-term value appreciation and to develop operating and exit strategies that enhance returns and limit risk exposure.

Kennedy-Wilson Clients and Customers

Kennedy-Wilson has long and extensive relationships with a broad range of prominent institutions with which it has invested through joint venture and fund arrangements and for which it has provided services. These institutions include sovereign funds, financial institutions, insurance companies, pension funds, endowments, money managers and family offices.

Employees

As of August 3, 2009, Kennedy-Wilson had approximately 300 employees. Kennedy-Wilson considers its relationship with its employees to be good and has not experienced any interruptions of its operations as a result of labor disagreements.

Properties

Kennedy-Wilson's corporate headquarters is located in Beverly Hills, California. Kennedy-Wilson also has 20 other offices in 10 different states and one office in Japan. The Beverly Hills office operates as the main investment and asset management center for Kennedy-Wilson in the United States, while the Japan office is the main investment and asset management center for the Japanese operations. The remaining office locations primarily operate as property management satellites. In general, Kennedy-Wilson leases all of its offices. In addition, Kennedy-Wilson has on-site property management offices located within properties that it manages. The most significant terms of the leasing arrangements for Kennedy-Wilson's offices are the length of the lease and the rent. Kennedy-Wilson's leases have terms varying in duration. The rent payable under Kennedy-Wilson's office leases varies significantly from location to location as a result of differences in prevailing commercial real estate rates in different geographic locations. Kennedy-Wilson's management believes that except as provided below, no single office lease is material to its business, results of operations or financial condition. In addition, Kennedy-Wilson's management believes there is adequate alternative office space available at acceptable rental rates to meet Kennedy-Wilson's needs, although adverse movements in rental rates in some markets may negatively affect its profits in those markets when it enters into new leases.

The following table sets forth certain information regarding Kennedy-Wilson's corporate headquarters and regional office located in Austin, Texas.

Location	Use	Approximate Square Footage	Lease Expiration
Beverly Hills, CA	Corporate Headquarters	16,000	12/31/2016
Austin, TX	Regional Office; Disaster Recovery Office	6,864	3/31/2012

Legal Proceedings

Kennedy-Wilson may be involved in various legal proceedings arising in the ordinary course of business, none of which is material to its business. From time to time, Kennedy-Wilson's real estate management division is named in "slip and fall" type litigation relating to buildings it manages. Kennedy-Wilson's standard management agreement contains an indemnity provision whereby the building owner indemnifies and agrees to defend its real estate management division against such claims. In such cases, Kennedy-Wilson is defended by the building owner's liability insurer.

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Management

The current directors and executive officers of Kennedy-Wilson are as follows:

Name	Age	Position
William J. McMorrow	62	Chairman and Chief Executive Officer
Mary Ricks	45	Co-CEO of KW Commercial Investment Group
Freeman A. Lyle	54	Executive Vice President and Chief Financial Officer
Barry S. Schlesinger	68	Co-CEO of KW Commercial Investment Group
James A. Rosten	51	President of Kennedy-Wilson Properties
Robert E. Hart	51	President of KW Multi-Family Management Group
Donald J. Herrema	57	Executive Vice Chairman and CEO of KW Capital Markets
Kent Mouton	55	Director
Jerry R. Solomon	58	Director
Norm Creighton	74	Director
Thomas Sorell	54	Director
Jeff Hudson*	57	Director
Cathy Hendrickson	62	Director

*

Jeff Hudson will resign upon consummation of the Merger. It is proposed that David A. Minella will be elected to fill the vacancy caused by Mr. Hudson's resignation.

See the section entitled "*The Director Election Proposal Information About the Nominees and Executive Officers*" for a brief description of the business experience of each Kennedy-Wilson executive officer and director that is expected to be appointed or elected as an executive officer or director of the combined company.

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**KENNEDY-WILSON'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the financial statements and related notes and the other financial information appearing elsewhere in this proxy statement/prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See the section entitled "Forward-Looking Statements" for more information. Actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed in "Risk Factors" and elsewhere in this proxy statement/prospectus.

In the interest of providing a more complete presentation of Kennedy-Wilson's financial performance since its inception in 1977, this discussion and analysis includes comparisons of: Kennedy-Wilson's consolidated financial results for the six months ended June 30, 2009 as well as Kennedy-Wilson's results for the period from 2006 through 2008.

Overview

Founded in 1977, Kennedy-Wilson is a diversified, international real estate company that provides investment and real estate services. Kennedy-Wilson has grown from an auction business in one office into a vertically-integrated operating company with over 300 professionals in 21 offices throughout the U.S. and Japan. Kennedy-Wilson is an industry leader, currently owning real estate (through its closed-end funds and joint ventures) representing \$2.9 billion in aggregate value and managing over 40 million square feet of residential, multifamily and commercial real estate, including 10,000 apartment units, throughout the U.S. and Japan. Kennedy-Wilson's operations are defined by two core business units: KW Investments and KW Services.

Acquisitions, Dispositions, and Financings

Acquisitions

During the six months ended June 30, 2009, Kennedy-Wilson completed the following acquisition transactions:

In June 2009, Kennedy-Wilson acquired 149 condominiums for \$33.5 million in a renovated condominium tower in Los Angeles, California.

In May 2009, Kennedy-Wilson purchased 38 acres of land in Shreveport, Louisiana for \$2.25 million. This property will be part of a 50 acre mixed use, multi-purpose development project.

Dispositions

During the six months ended June 30, 2009, Kennedy-Wilson completed the following disposition transactions:

In May 2009, Kennedy-Wilson sold a multifamily property in Napa, California to KW Property Fund III for a contract price of \$6.8 million. The property was originally owned in a joint venture partnership between Kennedy-Wilson and Hanover Financial. In December 2008, Kennedy-Wilson acquired Hanover's interest in the property.

In March 2009, Kennedy-Wilson sold 136 vacant, finished lots in Lancaster, California for \$6.3 million to KW Property Fund III. The lots are planned for single family detached homes.

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Financings

During 2008, Kennedy-Wilson issued 53,000 shares of Series A Preferred Stock. The holders of the Series A Preferred Stock are entitled to receive dividends quarterly at a per annum rate equal to 7% of the liquidation value of \$1,000 per share. The Series A Preferred Stock is senior to all other existing classes and series of shares of stock of Kennedy-Wilson upon dissolution, liquidation, or winding up, to the extent of the aggregate liquidation value and all accrued but unpaid dividends. The Series A Preferred Stock must be converted into shares of Kennedy-Wilson's common stock at any time on or prior to the third annual anniversary, May 2011 through September 2011, of the latest date of the original issuance of any Series A Preferred Stock at a conversion price of \$42 per share of common stock. The proceeds from the issuance of the Series A Preferred Stock were \$52,354,000, net of expenses related to the offering totaling \$646,000.

Kennedy-Wilson has entered into a loan agreement with US Bank and East-West Bank that provides Kennedy-Wilson with an unsecured revolving credit facility for use in acquisitions and for working capital purposes in the amount of \$30 million. The loan bears interest at a range of rates from prime to prime plus 0.50%, or, at the borrower's option, LIBOR plus 2.50% to LIBOR plus 3.00%. During the six months ended June 30, 2009, the average outstanding borrowings under the line of credit were \$20,903,000 with the high and low outstanding balances being \$26 million and \$12 million, respectively. The borrowings under this loan had interest rates ranging from 3.31% to 3.75% and 3.75% to 5.50% at June 30, 2009, and December 31, 2008, respectively. The principal amount outstanding under this loan was \$26,000,000 at June 30, 2009 and \$13,500,000 at December 31, 2008. The loan matures in June 2011.

In November 2008, Kennedy-Wilson issued a convertible subordinated note with a principal amount of \$30 million to Guardian. The note bears interest at a fixed rate of 7%. Interest is payable quarterly with the outstanding principal due in November 2018. The holder of the note may convert the note, in whole or in part, into common stock of Kennedy-Wilson at a conversion price of \$40 per share of common stock at any time prior to the tenth anniversary of the original issue date of the note. At any time on or after the ninth anniversary of the original issue date of the note and prior to the due date, Kennedy-Wilson may demand that the holder of the note convert the note in accordance with the terms of the note.

In 2007, Kennedy-Wilson issued junior subordinated debentures with an aggregate principal amount of \$40 million. The debentures were issued to a trust established by Kennedy-Wilson, which contemporaneously issued \$40 million of trust preferred securities to Merrill Lynch International. The interest rate on the debentures is fixed for the first ten years at 9.06%, and variable thereafter at LIBOR plus 3.70%. Interest is payable quarterly with the principal due in 2037.

Critical Accounting Policies

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

Revenue Recognition Management and leases fees and commissions revenues are accounted for in accordance with the provisions of SEC Staff Accounting Bulletin 104. Management fees for property

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and asset management are recognized over time as earned based upon the terms of the management agreement.

Leasing fees that are payable upon tenant occupancy, payment of rent or other events beyond Kennedy-Wilson's control are recognized upon the occurrence of such events. In the case of real estate sales commissions, this generally occurs when escrow closes. In accordance with EITF 99-19, Reporting Revenue Gross as a Principal versus Net as an Agent, Kennedy-Wilson records commission revenues and expenses on a gross basis. Of the criteria listed in the EITF, Kennedy-Wilson is the primary obligor in the transaction, does not have inventory risk, performs all, or part, of the service, has credit risk, and has wide latitude in establishing the price of services rendered and discretion in selection of agents and determination of service specifications.

Sales of real estate are recognized at the close of escrow when title to the real property passes to the buyer. Kennedy-Wilson follows the requirements for profit recognition as set forth by Statement of Financial Accounting Standards No. 66, Accounting for Sales of Real Estate.

In accordance with SEC Staff Accounting Bulletin No. 51 ("SAB 51"), Kennedy-Wilson records gains as a result of equity transactions by its subsidiaries in the consolidated statements of operations.

Investments in Joint Ventures Kennedy-Wilson has a number of joint venture interests, generally ranging from 5% to 50%, that were formed to acquire, manage, develop and/or sell real estate. Investments in joint ventures which Kennedy-Wilson does not control are accounted for under the equity method of accounting as Kennedy-Wilson can exercise significant influence, but does not have the ability to control the joint venture. An investment in joint ventures is recorded at its initial investment plus or minus Kennedy-Wilson's share