

Prospect Acquisition Corp
Form 424B2
October 29, 2009

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**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 warrantholders of Prospect Acquisition Corp. scheduled to be held on November 13, 2009 at 8:30 a.m., Eastern time, at 9130 Galleria Court, Suite 318, Naples, FL 34109 and the special meeting of stockholders scheduled to be held at 9 a.m., Eastern time, at 9130 Galleria Court, Suite 318, Naples, FL 34109.

Prospect stockholders will be asked to approve certain proposals in connection with the merger and the merger agreement, dated as of September 8, 2009, as amended, whereby KW Merger Sub Corp., Prospect's wholly-owned subsidiary will merge with and into and Kennedy-Wilson, Inc., with Kennedy-Wilson continuing as the surviving corporation and a direct wholly-owned subsidiary of Prospect.

Prospect warrantholders will be asked to approve an amendment to the warrant agreement that governs all the Prospect warrants.

Each of the proposals to be voted on at the special meeting of warrantholders and special meeting of stockholders are more fully described in the accompanying proxy statement/prospectus.

Prospect's units, common stock and public warrants are currently quoted on NYSE AMEX LLC 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.

This proxy statement/prospectus provides you with detailed information about the merger and other matters to be considered by the Prospect stockholders and warrantholders. 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 46.**

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 October 28, 2009, and is first being mailed to Prospect stockholders and Prospect warrantholders on or about October 30, 2009.

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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 NOVEMBER 13, 2009.**

To the Warranholders 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 time, on November 13, 2009, at 9130 Galleria Court, Suite 318, Naples, FL 34109. You are cordially invited to attend the meeting, which will be held to approve an 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, 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"), as amended, 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 referred to as the "merger."

The warrant amendment would:

allow each Prospect warrantholder to elect, for each outstanding Prospect warrant that was issued in Prospect's initial public offering, referred to as the "public warrants," either to receive upon the closing of the merger \$0.55 in cash, referred to as the "cash amount," or to continue to hold his, her or its public warrant which will be amended to provide for 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

amend 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, subject to adjustment and proration as described in this proxy statement/prospectus.

We sometimes refer to the proposal to amend the warrants as 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.

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 October 26, 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 is 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.

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

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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.

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, your broker, bank or nominee may provide you with voting instructions (including any instructions for voting by telephone or Internet). Prospect has confirmed that approximately 99% of street name holders will have access to telephone and Internet voting and that such access will continue until 11:59 p.m. Eastern time on the day before the special meeting, after which time you must contact your bank, broker or nominee to vote or change your vote. You should contact your broker, bank or nominee in advance 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

October 28, 2009

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

WE STRONGLY SUGGEST THAT YOU UTILIZE INTERNET OR TELEPHONE VOTING PROCEDURES IF THEY ARE AVAILABLE TO YOU. IF YOU CHOOSE TO RETURN YOUR PROXY CARD BY MAIL, IT IS POSSIBLE IT WILL NOT BE RECEIVED BY THE DEADLINE ON THE DAY BEFORE THE SPECIAL MEETING OF PROSPECT WARRANTHOLDERS.

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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 NOVEMBER 13, 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 at 9:00 a.m. Eastern time, on November 13, 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 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"), as amended, 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 or 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 change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc." we refer to this proposal as the "charter amendment name change proposal;"
 - (3) to consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000 we refer to this proposal as the "charter amendment share increase proposal;"
 - (4) to consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to provide for Prospect's perpetual existence we refer to this proposal as the "charter amendment existence proposal;"
 - (5) to consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly and 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 revisions proposal," which, along with, the "charter amendment name change proposal," the "charter amendment share increase proposal," and the "charter amendment existence proposal" are referred to as the "charter amendment proposals;"
 - (6) 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 2,475,000 shares of Prospect common stock for issuance under the 2009 Plan we refer to this proposal as the "equity participation plan proposal;" and
 - (7) 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,"
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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 October 26, 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" all the charter amendment proposals, but will have no effect on the merger proposal, the equity participation plan proposal, and the director election 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, your broker, bank or nominee may provide you with voting instructions (including any instructions for voting by telephone or Internet). Prospect has confirmed that approximately 99% of street name holders will have access to telephone and Internet voting and that such access will continue until 11:59 p.m. Eastern time on the day before the special meeting, after which time you must contact your bank, broker or nominee to vote or change your vote. You should contact your broker, bank or nominee in advance 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

October 28, 2009

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

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PROSPECT'S INITIAL PUBLIC OFFERING ARE HELD. IN ORDER TO PROPERLY EXERCISE YOUR CONVERSION RIGHTS, YOU MUST:

AFFIRMATIVELY VOTE AGAINST THE MERGER PROPOSAL BY PROXY OR IN PERSON AT THE SPECIAL MEETING OF PROSPECT'S STOCKHOLDERS,

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,

CONTINUE TO HOLD YOUR SHARES THROUGH THE CLOSING DATE OF THE MERGER AND

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*" ON PAGE 78 FOR MORE SPECIFIC INSTRUCTIONS.

WE STRONGLY SUGGEST THAT YOU UTILIZE TELEPHONE OR INTERNET VOTING PROCEDURES IF THEY ARE AVAILABLE TO YOU. IF YOU CHOOSE TO RETURN YOUR PROXY CARD BY MAIL, IT IS POSSIBLE IT WILL NOT BE RECEIVED BY THE DEADLINE ON THE DAY BEFORE THE SPECIAL MEETING OF PROSPECT STOCKHOLDERS.

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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.

All references in this proxy statement/prospectus 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/prospectus 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 warrant holders, as applicable, and references to "we", "us" and "our" are to Prospect.

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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" on page 46, the merger agreement, as amended, 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 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, as amended, referred to herein as 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, referred to herein as the "merger." See the section entitled "*The Merger Proposal*" on page 89 for additional information.

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), referred to herein as the "merger shares," minus any shares of Prospect common stock that would otherwise have been issuable to the Kennedy-Wilson Holders of 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 merger shares had an aggregate value of \$254.5 million. Based on the closing market price Prospect common stock of \$9.90 per share on October 26, 2009 (the record date), the merger shares had an aggregate value of \$257.4 million. 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. See the section entitled "*Summary of the Proxy Statement/Prospectus The Merger and the Merger Proposal*" on page 19 for additional information.

In connection with the merger, 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*" on page 152 for additional information.

In connection with the merger, the Prospect stockholders must approve an amendment and restatement to the amended and restated certificate of incorporation of Prospect 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,

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provide for Prospect's perpetual existence, and

delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly, and make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial.

See the sections entitled "*The Charter Amendment Name Change Proposal*" on page 171, "*The Charter Amendment Share Increase Proposal*" on page 172, "*The Charter Amendment Existence Proposal*" on page 173, and "*The Charter Amendment Revisions Proposal*" on page 174 for additional information.

In connection with the merger, the stockholders of Prospect will also vote on proposals to:

approve the Kennedy-Wilson Holdings, Inc. 2009 equity participation plan (the "2009 Plan"), and

elect seven directors to Prospect's board of directors.

See the sections entitled "*The Equity Participation Plan Proposal*" on page 176 and "*The Director Election Proposal*" on page 186 for additional information.

In connection with the merger, the Prospect warrantholders must approve an amendment to the warrant agreement, referred to as the "warrant amendment," that governs all of the warrants of Prospect, each of which is exercisable for one share of common stock of Prospect. See the section "*The Warrant Amendment Proposal*" on page 86 for additional information.

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 post-merger 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*" on page 243 for additional information.

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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*" on page 88 and "*The Merger Agreement*" on page 140. A copy of the merger agreement, as amended, which is incorporated by reference is attached to this proxy statement/prospectus as Annex A, which Prospect encourages you to read.

Prospect warrant holders 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:

allow each Prospect warrant holder to elect, for each outstanding warrant that was issued in Prospect's IPO, referred to herein as the "public warrants," either (x) to receive upon the closing of the merger \$0.55 in cash, referred to herein as the "cash amount," or (y) to continue to hold his, her or its public warrant which will be amended to provide for 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, referred to herein as the "amended public warrants;" and

amend 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, 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, referred to herein as 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, subject to adjustment and proration as described in this proxy statement/prospectus, referred to herein as the "amended 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 each of its public warrants. We refer to elections by holders of public warrants to receive the cash amount or an amended public warrant as the "warrant election." We refer to the exchange of public warrants for the cash amount as the "cash 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. You are encouraged to read the warrant amendment in its entirety. See the section entitled "*The Warrant Amendment Proposal*" on page 86 for more information.

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:

the charter amendment name change proposal to change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.," referred to herein as the "charter amendment name change proposal;"

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the charter amendment share increase proposal to increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000, referred to herein as the "charter amendment share increase proposal;"

the charter amendment existence proposal to amend and restate the amended and restated certificate of incorporation to provide for Prospect's perpetual existence, referred to herein as the "charter amendment existence proposal;" and

the charter amendment revisions proposal to delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial, referred to herein as the "charter amendment revisions proposal," together with the charter amendment name change proposal, the charter amendment share increase proposal, and the charter amendment existence proposal, the "charter amendment proposals;"

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 2,475,000 shares of Prospect common stock for issuance under the 2009 Plan, referred to herein as the "equity participation plan proposal;" and

the election of seven directors to Prospect's board of directors, referred to herein as the "director election proposal."

See the sections entitled "*The Charter Amendment Name Change Proposal*" on page 171, "*The Charter Amendment Share Increase Proposal*" on page 172, "*The Charter Amendment Existence Proposal*" on page 173, "*The Charter Amendment Revisions Proposal*" on page 174, "*The Equity Participation Plan Proposal*" on page 176, and "*The Director Election Proposal*" on page 186 for additional information.

The approval of the warrant amendment proposal by Prospect warrantholders and the approval of the merger proposal, the charter amendment share increase proposal and the charter amendment existence proposal by Prospect stockholders are conditions to the consummation of the merger. If the warrant amendment proposal is not approved, the stockholder proposals 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 share increase proposal or the charter amendment existence 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 proposals are 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 the merger proposal, the charter amendment share increase proposal or the charter amendment existence proposal are not approved. 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.

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.

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On November 20, 2007, Prospect issued and sold 25,000,000 units in its initial public offering completed on November 14, 2007, referred to herein as the "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:

Prospect deposited \$241,750,000 into the trust account it established in connection with its IPO completed on November 14, 2007, referred to herein as the "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);

the underwriters received \$7,500,000 as underwriting discount (excluding the contingent underwriting discount); and

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 (for a total of \$247,000,000).

The amount held in the trust account will not be released until the earlier of (A) the completion of the initial business combination or (B) 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.

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 significant growth potential. See the section entitled "*The Merger Proposal Prospect's Board of Directors' Reasons for the Approval of the Merger*" on page 103 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. 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. The merger is also conditioned upon approval of the merger proposal, the charter amendment share increase proposal and the charter amendment existence proposal, but not upon the approval of the charter amendment name change proposal, charter amendment revisions proposal, the equity participation plan proposal or the director election

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proposal. The equity participation plan proposal and the director election proposal will not be presented for a vote at the special meeting of Prospect stockholders unless the merger proposal, the charter amendment share increase proposal and the charter amendment existence proposal are approved.

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

A quorum of Prospect warrantholders is necessary to hold a valid meeting. A quorum will be present at the special meeting of Prospect warrantholders 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.

Abstentions will have the same effect as a vote "AGAINST" the warrant amendment proposal. A broker non-vote will have the same effect as a vote "AGAINST" the warrant amendment proposal.

What vote is required to approve the proposals presented 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 charter amendment name change proposal, charter amendment share increase proposal, charter amendment existence proposal, and charter amendment revisions 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.

Pursuant to Prospect's amended and restated certificate of incorporation, 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 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. See the section entitled "*Special Meeting of Prospect Warrantholders and Special Meeting of Prospect Stockholders Conversion Rights*" on page 78 for additional information.

The 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.

Abstentions, while considered present for purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the charter amendment name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the merger proposal and the equity participation plan 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 name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, and the charter amendment revisions

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proposal. Broker non-votes, while considered present for the purposes of establishing a quorum, will have no effect on the merger proposal, the equity participation plan proposal and the director election proposal. Please note that you cannot seek conversion of your shares unless you affirmatively vote against the merger proposal.

How will Prospect's directors and officers vote?

In connection with its IPO, Prospect and the underwriters entered into agreements with each of the Prospect founders (including its officers and directors) pursuant to which each Prospect founder agreed to:

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

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.

While the voting arrangement does not apply to any proposal other than the merger proposal, 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.

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.

Do I have conversion rights?

Pursuant to Prospect's amended and restated certificate of incorporation, if you are a holder of public shares, you have the right to affirmatively vote against the merger and the merger proposal and demand 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. 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."

How do I exercise my conversion rights?

If you are a holder of public shares, to exercise your conversion rights and receive cash for these shares, you must:

affirmatively vote against the merger proposal by proxy or in person at the special meeting of Prospect stockholders,

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,

continue to hold your shares through the closing date of the merger, and

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.

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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

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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:

initially vote for the merger proposal but then wish to vote against it and exercise your conversion rights or

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

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.

See the section entitled "*Special Meeting of Warranholders and Special Meeting of Prospect Stockholders Conversion Rights*" on page 78 for the additional 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, including any interest earned thereon, calculated as of two business days prior to the anticipated consummation of the merger. If, notwithstanding your negative vote, the merger is completed and if you have also properly exercised your conversion rights, you will be entitled to receive a pro rata portion of the trust account. As of October 9, 2009, there was approximately \$247.7 million in the trust account, or approximately \$9.91 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.**

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. 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 \$74.1 million based on a conversion price of \$9.88 per share.

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 Delaware General Corporation Law ("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. 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 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.

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 Internal Revenue Code of 1986, as amended (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 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 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 appraisal rights are contingent upon consummation of the merger.

What happens to the funds deposited in the trust account after consummation of the Merger?

As of October 9, 2009, approximately \$247.7 million was held in deposit in the trust account. 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 \$90,000, plus the reimbursement of reasonable out-of-pocket expenses not to exceed \$5,000, to Houlihan Smith & Company, Inc. ("Houlihan Smith") for the fairness opinions 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 250,000

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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.

What happens to Prospect units, common stock and public warrants after consummation of the Merger?

Prospect common stock, public warrants 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'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. 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. 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. 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 (A) 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 (B) 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.

What is the date, time and place of the special meeting of Prospect warrantholders and the special meeting of Prospect stockholders?

The special meeting of Prospect warrantholders will be held at 8:30 a.m., Eastern time, on November 13, 2009 and the special meeting of Prospect stockholders will be held at 9:00 a.m., Eastern time, on November 13, 2009, both at 9130 Galleria Court, Suite 318, Naples, FL 34109.

What is the date, time and place of the meeting of Kennedy-Wilson's stockholders?

Kennedy-Wilson's stockholders have not yet voted on the merger. As soon as practicable following the effectiveness of this proxy statement/prospectus, Kennedy-Wilson will seek to obtain the written consent of its common stockholders to approve the merger.

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 November 13, 2009, immediately following the special meeting of Prospect stockholders and the special meeting of warrantholders, both to be held on November 13, 2009 and after Kennedy-Wilson obtains the written consent of its common stockholders to approve the merger. 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*" on page 150 for additional information.

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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" on page 46 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 warrant holder 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 warrant holders.

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 warrant holders. 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. Prospect has retained Morrow & Co., LLC ("Morrow"), for an initial fee of \$12,500, plus out-of-pocket expenses, to assist in the solicitation of proxies and provide proxy solicitation services. Prospect will pay Morrow an additional fee of \$25,000 upon successful completion of the merger and a \$2,500 fee to act as inspector of the elections to be paid after the special meeting of Prospect warrant holders and special meeting of Prospect stockholders.

What is the 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 October 26, 2009, which is the record date for the special meeting of Prospect stockholders and the special meeting of Prospect warrant holders. 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, 4,750,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the merger, the founders will own 1,500,000 shares of Prospect common stock.

How do I vote?

If you are a holder of record of Prospect common stock or Prospect warrants at the close of business on October 26, 2009 (the record date), you will have one vote for each share of Prospect common stock you own and one vote for each share of common stock issuable upon exercise of your

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Prospect warrants (with respect to 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 or use the telephone or Internet procedures provided to you by your broker or bank. 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, your broker, bank or nominee may provide you with voting instructions (including any instructions for voting by telephone or Internet). Prospect has confirmed that approximately 99% of street name holders will have access to telephone and Internet voting and that such access will continue until 11:59 p.m. Eastern time on the day before the special meetings, after which time you must contact your bank, broker or nominee to vote or change your vote. You should contact your broker, bank or nominee in advance to ensure that votes related to the warrants or shares 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 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 78.

An abstention from the warrant amendment proposal, the charter amendment name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the merger proposal and the equity participation

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plan 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 and return the proxy card in the pre-addressed postage-paid envelope provided herewith or follow the voting instructions (including any telephone or Internet voting instructions) provided by your broker or bank if your shares are held in "street name," 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, attend the special meetings in person and vote or follow the voting instructions (including any telephone or Internet voting instructions) provided by your broker or bank if your shares are held in "street name," in each case in accordance with the instructions provided under the "*Special Meeting of Prospect Warrantholders and Special Meeting of Prospect Stockholders* on page 73." Street name holders with access to telephone and Internet voting may change their vote until 11:59 p.m. Eastern time on the day before the special meetings, after which time a street name holder must contact his bank, broker or nominee to change his vote. You also may revoke your proxy by sending a notice of revocation to Prospect's secretary, which must be 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 a 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 78.

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

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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 cards, 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 November 5, 2009.

You may also obtain additional information about Prospect from documents filed with the SEC by following the instructions in the section entitled "*Where You Can Find More Information*" on page 296. 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 after the special meeting of Prospect stockholders and after receiving delivery instructions from or on behalf of Prospect. If you intend to elect to continue to hold your amended warrant, you will need to deliver your warrants (either physically or electronically) to Prospect's transfer agent no later than the business day prior to the special meeting of Prospect warrantholders. If you have questions regarding the certification of your position or delivery of your stock or warrants, please contact:

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

If you have any questions about how to submit your proxy or if you need additional copies of this proxy statement/prospectus, the enclosed proxy cards or voting instructions, you should contact Morrow, Prospect's third-party proxy solicitor, which is assisting Prospect in the solicitation of proxies, at:

Morrow & Co., LLC
470 West Avenue, Stamford, Connecticut 06902
Telephone: (800) 662-5200

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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 post-merger 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 businesses 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 on page 46 and elsewhere in this proxy statement/prospectus may adversely affect Prospect and/or Kennedy-Wilson.

The inclusion of financial projections in this proxy statement/prospectus should not be regarded as an indication that Prospect's board of directors, Kennedy-Wilson's board of directors or any other recipient of the information considered, or now considers, them to be a reliable prediction of future results. The financial projections were not prepared with a view towards public disclosure or with a view to complying with the published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or with U.S. generally accepted accounting principles. Neither Prospect's independent auditors, nor any other independent accountants, have complied, examined or performed any procedures with respect to the financial projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability. Prospect is under no obligation, and expressly disclaims any intention or obligation, to update or revise the financial projections presented, whether as a result of new information, future events or otherwise, except as required by applicable law.

Although the financial projections were prepared based on assumptions and estimates that Kennedy-Wilson's management believed were reasonable at the time, Prospect provides no assurance that the assumptions made in preparing the financial projections will prove accurate or that actual results will be consistent with these financial projections. Projections of this type involve significant risks and uncertainties, should not be read as guarantees of future performance or results and will not necessarily be accurate indicators of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the financial projections, including but not limited to industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to the post-merger company's business, financial condition or results of operations, including but not limited to the factors described above.

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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," on page 46, the merger agreement, as amended, 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 organized under the laws of the State of Delaware formed on July 9, 2007 to serve as a vehicle to effect a merger, capital stock exchange, asset acquisition or other similar business combination with an operating business in the financial services industry. Other than interest income, Prospect has generated no revenue to date. Since its IPO, Prospect has been actively engaged in identifying a suitable business combination candidate.

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 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.

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) 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*" on page 211 for additional information.

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In June 2009, a joint venture of which Kennedy-Wilson's Residential Condominium Group has a 50.5% ownership interest, acquired 149 unsold units in The Mercury, a Los Angeles condominium property. As of October 16, 2009, the joint venture sold and closed escrow on 97 units generating a net gain on sale after expenses of approximately \$12 million. As of the same date, an additional 26 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.

In October 2009, Kennedy-Wilson entered into an agreement in principle with a multi-strategy private equity firm to form a joint venture with a non-binding equity commitment of up to approximately \$108 million (including up to approximately \$8.1 million from Kennedy-Wilson), to pursue acquisition and repositioning opportunities of distressed assets with a focus on residential condominium projects. The agreement in principle is non-binding and the formation of the joint venture is subject to, among other things, execution of a definitive agreement and satisfactory due diligence. Further, to date the proposed joint venture does not have any commitments. No assurance can be provided that the parties will enter into a definitive agreement to form the joint venture or, if the joint venture is formed, obtain all or any of the \$108 million commitments.

In October 2009, Kennedy-Wilson entered into an agreement in principle with Deutsche Bank Securities Inc. ("Deutsche Bank") to form a partnership with a total non-binding commitment of up to \$500 million (up to approximately \$450 million from Deutsche Bank and up to approximately \$50 million from Kennedy-Wilson), to finance and acquire distressed real estate debt and to source and finance commercial and multifamily whole loan origination opportunities on the west coast. The agreement in principle is non-binding and the formation of the partnership is subject to, among other things, execution of a definitive agreement and satisfactory due diligence. To date the proposed partnership does not have any commitments. No assurance can be provided that the parties will enter into a definitive agreement to form the partnership or, if the partnership is formed, obtain all or any of the \$500 million commitments.

Kennedy-Wilson's principal executive offices are located at 9701 Wilshire Blvd., Suite 700, Beverly Hills, CA 90212 and its telephone number is (310) 887-6400. 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 amending the warrant agreement for all of Prospect's public warrants and sponsors 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 \$ 0.55 per public warrant on October 26, 2009 (the record date), the public warrants had an aggregate value of \$13,750,000.

If the warrant amendment proposal is not approved at the special meeting of Prospect warrant holders, 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. See the section entitled "*The Warrant Amendment Proposal*" on page 86 for more information.

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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 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 merger shares had an aggregate value of \$254.5 million. Based on the closing market price of Prospect common stock of \$9.90 per share on October 26 (the record date), the merger shares had an aggregate value of \$257.4 million. 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, referred to herein as the "public shares," are converted into cash, the Kennedy-Wilson Holders will own approximately 47.2% of the shares of Prospect common stock outstanding immediately after the closing of the merger, the current Prospect stockholders will own approximately 48.1% and the other new Prospect stockholders (including recipients of awards under the 2009 Plan, defined below) will own approximately 4.7% 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 54.6%, 39.9% and 5.5%, respectively.

Prospect and Kennedy-Wilson plan to complete the merger promptly after the special meetings of Prospect stockholders and warrant holders, 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 each of the charter amendment proposals;

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*" on page 103, 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). Although the portion of Kennedy-Wilson's business relating to investments in real estate is not within the financial services industry as described in the registration statement for

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Prospect's initial public offering, on balance, Prospect's board of directors determined that pursuing a transaction with Kennedy-Wilson was consistent with the disclosure regarding Prospect's target business in the registration statement because the majority of Kennedy-Wilson's revenues are derived from services of the sort described as falling within the asset management services sector of the financial services industry. In addition, Prospect's board of directors determined that the portion of Kennedy-Wilson's business relating to investments in real estate is well-positioned to capitalize on buying opportunities presented by current economic conditions.

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 47.2% of the shares of Prospect common stock outstanding immediately after the closing of the merger, the current Prospect stockholders will own approximately 48.1% and the other new Prospect stockholders (including recipients of awards under the 2009 Plan) will own approximately 4.7% 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 54.6%, 39.9% and 5.5%, 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	47.2%	48.1%	4.7%
29.99% of Public Shares Elect Cash Conversion	54.6%	39.9%	5.5%

(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 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 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 an oral 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:

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

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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 reaffirmed these statements in a bring-down letter as of October 22, 2009.

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 opinions of Houlihan Smith, dated September 5, 2009 and October 22, 2009, are attached as Annex F and are 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. See the section entitled "*The Merger Proposal Fairness Opinion*" on page 124 for additional information.

The Charter Amendment Name Change Proposal

The amendment and restatement of Prospect's amended and restated certificate of incorporation addressed by the charter amendment name change proposal would, upon consummation of the merger, change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc." Prospect's second amended and restated certificate of incorporation, as it is proposed to be amended and restated by each of the charter amendment proposals, 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 Name Change Proposal*" on page 171 for additional information.

The Charter Amendment Share Increase Proposal

If the charter amendment-share increase 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 share increase proposal would, upon consummation of the merger, increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000. Prospect's second amended and restated certificate of incorporation, as it is proposed to be amended and restated by each of the charter amendment proposals, 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 Share Increase Proposal*" on page 172 for additional information.

The Charter Amendment Existence Proposal

If the charter amendment existence 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 existence proposal would, upon consummation of the merger, provide for Prospect's perpetual existence. Prospect's second amended and restated certificate of incorporation, as it is proposed to be amended and restated by each of the charter amendment proposals, 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 Existence Proposal*" on page 173 for additional information.

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The Charter Amendment Revisions Proposal

The amendment and restatement of Prospect's amended and restated certificate of incorporation addressed by the charter amendment revisions proposal would, upon consummation of the merger, delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly and make certain other changes in tense and numbers that Prospect's board of directors believes are immaterial.

With respect to the charter amendment revisions 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 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 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 Revisions Proposal*" on page 174 for additional information.

Prospect's second amended and restated certificate of incorporation, as it is proposed to be amended and restated by each of the charter amendment proposals, 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 Revisions Proposal*" on page 174 for additional information.

The Equity Participation Plan Proposal

If the equity participation plan proposal is approved, up to 2,475,000 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 in Prospect. The 2009 Plan is attached as Annex E to this proxy statement/prospectus. Prospect

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encourages you to read the 2009 Plan in its entirety. See the section entitled "*The Equity Participation Plan Proposal*" on page 176 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.

If the merger proposal, the charter amendment share increase proposal or the charter amendment existence proposal are not approved by Prospect's stockholders at the special meeting of Prospect stockholders, the director election proposal and the equity participation plan proposal 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.

Vote of Prospect's Founders

The founders shares will be voted in accordance with the majority of the votes cast by Prospect stockholders with respect to the merger proposal and in favor of all other proposals and for the election of directors of Prospect's nominees. 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.

As of October 26, 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. 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:

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

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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 warrantholders. 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:

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

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, 4,750,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the merger, the founders will own 1,500,000 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.

Conversion Rights

See the section entitled "*Special Meeting of Prospect Warrantholders and Special Meeting of Prospect Stockholders Conversion Rights*" on page 78 for the procedures to be followed if you wish to convert your shares into cash.

Appraisal Rights

See the section entitled "*Appraisal Rights*" on page 288 for the procedures to be followed to perfect your appraisal right and for additional information.

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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 appraisal 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, 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 appraisal 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. See the section entitled "*The Merger Proposal Rescission Rights*" on page 138 for additional information about rescission rights.

Proxies

Proxies may be solicited by mail, telephone or in person. Prospect's proxy solicitor is Morrow & Co., LLC who can be reached at 470 West Avenue, Stamford, Connecticut. Its telephone number is (800) 662-5200.

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 warrantholders. You may also change your vote by submitting a later-dated proxy as described in the section entitled "*Special Meeting of Prospect Warrantholders and Special Meeting of Prospect Stockholders Revoking Your Proxy*" on page 78.

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.

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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*" on page 255.

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:

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);

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

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 the second and third bullets 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.

The compensation committee of Kennedy-Wilson's board of directors made the determination to pay cash bonuses to only Mr. McMorrow and Ms. Ricks upon consummation of the merger after taking into account several factors, including the primary roles Mr. McMorrow and Ms. Ricks played in negotiating the terms of the merger and the merger agreement and the amendments to Mr. McMorrow's and Ms. Ricks' employment agreements eliminating their rights to receive cash lump sum payments otherwise due upon a change in control.

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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. The determination of Kennedy-Wilson's compensation committee to forgive the note upon the consummation of the merger stemmed from its consideration of Mr. McMorrow's contributions to Kennedy-Wilson, Mr. McMorrow's primary role in negotiating the terms of the merger and the merger agreement, and the terms of the note which provides for its forgiveness in the event of certain changes in control.

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 2,475,000 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 2,376,000 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	\$ 5,513,062.50	556,875
Freeman Lyle, Chief Financial Officer	\$ 765,705.60	77,344
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$ 5,513,062.50	556,875
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$ 765,705.60	77,344
Robert Hart, President of KW Multi-Family Management Group	\$ 765,705.60	77,344
James Rosten, President of Kennedy-Wilson Properties	\$ 765,705.60	77,344
All executive officers, as a group	\$22,021,619.40	2,224,406
All directors who are not executive officers, as a group	\$ 153,143.10	15,469
All employees, including all current officers who are not executive officers, as a group	\$ 1,347,637.50	136,125

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, $\frac{1}{5}$ s 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"* on page 180), 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"* on page 184 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;

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the removal of certain benefits in the event of a change in control;

the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties;

the grant to each executive of 556,875 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above;

the cash bonus payments set forth above; and

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 the second and third bullets above.

In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended:

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

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 in the event of a liquidation. Such shares had an aggregate market value of \$61.9 million based upon the closing price of Prospect common stock of \$9.90 on AMEX on October 26, 2009, the record date for the special meeting of Prospect stockholders. Immediately prior to and subject to consummation of the merger, 4,750,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the merger, the founders will own 1,500,000 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. These sponsor warrants and the 200,000 public warrants held by a founder will become worthless if the merger is not consummated by November 13, 2009. 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:

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the sponsors warrants are non-redeemable so long as of they are held by any of the sponsors or their permitted transferees,

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,

for so long as the sponsors warrants are subject to the transfer restrictions described in the second bullet above, the sponsors warrants are not exercisable, and

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, subject to adjustment and proration as described in the section "*The Warrant Amendment Proposal*" on page 86. 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 and Kennedy-Wilson with respect to certain provisions in the merger agreement. Further, under 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, except to the extent there are 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.

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See the section entitled, "*The Merger Proposal Interests of Prospect's Directors and Officers in the Merger*" on page 110 and the section entitled "*Information Related to Prospect Liquidation If No Business Combination*" on page 196 for additional information.

Actions That May Be Taken to Secure Approval of Prospect's Stockholders and Warrantholders

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 and pursuant to agreements in a form that would not violate insider trading rules, Prospect, 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 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 warrant holders and that holders of a majority of shares underlying the Prospect warrants vote in favor of the warrant amendment proposal. 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.

In making any such purchase, Prospect, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates would approach a limited number of large stockholders of Prospect that have indicated an intention to vote against the merger proposal (which information Prospect would provide to its affiliates, Kennedy-Wilson, and the affiliates of Kennedy-Wilson), and engage in direct negotiations for the purchase of such stockholders' positions. Such stockholders could include those who have already voted via proxy and who have made their conversion demands. All stockholders approached in this manner would be institutional or sophisticated investors. Arrangements of such nature would only be entered into and effected in accordance with applicable law, including securities laws.

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. Any incentives provided to a stockholder would be privately negotiated with each stockholder who wishes to enter into such transactions. As these arrangements will be made with stockholders who would otherwise have voted against the transaction, such incentives would benefit stockholders who have voted in favor of the transaction knowing that these arrangements are possible, and/or who wish to remain long-term stockholders of the post-merger company and who would like the transaction to be consummated, because these arrangements increase the likelihood that the transaction will indeed be consummated. Accordingly, Prospect believes that these arrangements are in the interest of all stockholders because there is an opportunity for all stockholders to get the choice that they prefer. Stockholders who wish to sell their shares and receive cash may have an opportunity to do so, and those who support and vote in favor of the transaction and who wish to remain stockholders of the post-merger company have an

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increased chance of doing so. The amount and nature of any such incentives would be determined based on the willingness of those parties to incur the time and legal expense necessary to effect such an arrangement and would be the result of an arms-length negotiation between the respective parties. Certain holders of Prospect common stock may not be offered any such incentives because, based on information publicly provided by other special purchase acquisition companies entering into similar arrangements, Prospect believes that such stockholders are not interested in entering into an arrangement contingent upon consummation of the transaction and/or in expending the time or cost that may be associated with entering into such arrangements. In addition, there are certain other stockholders who have expressed to Prospect a desire to continue to hold their shares in Prospect and to be long-term investors in the post-merger company and accordingly are not interested in entering into these types of arrangements.

The purchase price for any shares purchased pursuant to these arrangements is likely to be negotiated based on the per share value held in Prospect's trust account, rather than the prevailing market price. The purchase price paid in these arrangements will not exceed a premium of up to \$0.04 per share over the per share value held in Prospect's trust account. The maximum amount that Prospect will expend for these types of arrangements is \$100,200,000 from the proceeds in the trust account to purchase up to no more than 40% of the Prospect outstanding shares. Accordingly, Prospect's net assets at book value per common share would be reduced by the net effect of such share purchases on a weighted-average basis. For example, assuming that no holders of Prospect common stock exercise their conversion rights and assuming that the minimum of 12,500,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$0.92 per share. Likewise, assuming that holders of 29.99% of Prospect common stock exercise their conversion rights and assuming that the maximum of 25,000,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$1.34 per share. Entering into any such arrangements may have a depressive effect on Prospect's stock and public warrants.

Definitive arrangements have not yet been determined but may include agreements between Prospect, the Prospect founders and their respective affiliates on the one hand and the holders of common stock or public warrants on the other hand pursuant to which Prospect would agree to purchase common stock or public warrants from such holders in connection with the closing of the merger for the price specified in the arrangements. Under the terms of such an agreement, the holder would appoint an officer of Prospect as his proxy with respect to the merger proposal or warrant amendment proposal, as applicable, and all other proposals in this proxy statement/prospectus. If, for some reason, the merger is not closed despite such agreements, the sellers would be entitled to participate in liquidation distributions from Prospect's trust account with respect to such shares.

In addition, if holders refuse to enter into arrangements with Prospect to sell their common stock, Prospect may determine to engage a third party "aggregator" to buy shares prior to the meeting from such holders that have already indicated an intention to convert their shares and/or vote against the merger proposal. In such a case, the aggregator would purchase the shares from the original holder and then subsequently sell such shares to Prospect in connection with the closing of the merger.

The purchase price for shares purchased pursuant to arrangements with aggregators is often at the market price, though it is possible that a purchase price might exceed the market price by up to \$0.04 per share. Prospect would, in addition to paying the purchase price of such shares to this aggregator, pay it a fee. Such fee will be a maximum of 1% of the aggregator's total purchase price for such shares. Any arrangement entered into with a third party aggregator would require it to immediately notify Prospect of any such purchases so that Prospect may within one business day and, in any event, prior to the special meetings of stockholders and warrant holders file a Current Report on

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Form 8-K describing such purchase, including the price of such purchase and the fact that such shares will be voted in favor of the merger proposal.

Although Prospect does not have a definitive plan to engage the services of such an aggregator, if one is needed, the parties believe it will be in the best interests of stockholders that are voting in favor of the merger proposal since the retention of the aggregator can help ensure that the merger will be completed and the additional fee payable to the aggregator is not expected to be significant.

As is discussed above, Prospect believes that these arrangements are in the best interest of all stockholders because there is an opportunity for all stockholders to get the choice that they prefer. Stockholders who wish to sell their shares quickly for cash may have an opportunity to do so, and those who support and vote in favor of the transaction and who wish to remain stockholders of the post-merger company have an increased chance of doing so. All shares purchased pursuant to such arrangements would remain outstanding until the closing of the merger and would be voted in favor of the merger proposal.

Purchases pursuant to arrangements described above would be paid for with funds in Prospect's trust account and would diminish the funds available to the post-merger company for working capital by up to \$100,200,000. In all events there will be sufficient funds available to Prospect from the trust account to pay the holders of all shares of common stock that are properly converted.

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 a result of the purchases that may be effected through the arrangements described herein, the working capital of the post-merger company will be reduced by as much as \$100,200,000. Accordingly, Prospect's net assets at book value per common share would be reduced by the net effect of such share purchases on a weighted-average basis. For example, assuming that no holders of Prospect common stock exercise their conversion rights and assuming that a minimum of 12,500,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$0.92 per share. Likewise, assuming that holders of 29.99% of Prospect common stock exercise their conversion rights and assuming that a maximum of 25,000,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$1.34 per share. In addition, it is likely that the number of beneficial holders of Prospect's securities also will be reduced from what it would have been absent these arrangements. This may inhibit Prospect's ability to list its common stock on AMEX or any other national securities exchange due to their minimum beneficial holder requirements.

As of the date of this proxy statement/prospectus, there have been no such discussions with respect to any transaction between Prospect, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates and holders of common stock or public warrants and no agreements to such effect have been entered into with any such investor or holder. Prospect will within one business day and, in any event, prior to the special meetings of stockholders and warrant holders file a Current Report on Form 8-K to disclose any arrangements entered into with stockholders, warrant holders or aggregators, 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 share increase proposal, or the charter amendment existence proposal. In addition, Prospect will promptly post on its website any such significant purchases made until immediately prior

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to the special meetings of stockholders and warrant holders. If members of Prospect's board of directors or officers make purchases pursuant to such arrangements, they will be required to report these purchases on beneficial ownership reports filed with the SEC within two business days of such transactions. Since Prospect's corporate existence will terminate on November 14, 2009 if the merger is not consummated, Prospect cannot provide stockholders who have voted for the merger with additional time beyond the meeting date to reconsider their vote. **Accordingly, stockholders and warrant holders should assume that Prospect may expend the maximum amount of \$100,200,000 for these types of arrangements. In addition, when access to voting ceases at 11:59 p.m. Eastern time on the day before the special meetings, stockholders and warrant holders may not know the final amount expended by Prospect, or the final number of shares or warrants purchased.**

Stockholders who wish to reconsider their vote up to and including the meeting date should follow the procedures set forth in *Questions and Answers for Prospect Stockholders and Warrant holders About the Proposals May I change my vote after I have mailed my signed proxy card?* on page 13.

Risk Factors

There are a number of risks related to Kennedy-Wilson's business and operations following the merger.

Kennedy-Wilson's business is dependent upon general economic conditions and the real estate industry, particularly in California, which have experienced significant declines. A continued downturn in the economy and the real estate industry is likely to materially and adversely affect Kennedy-Wilson's revenues due to a number of factors including declining rents, decrease in property management fees and brokerage commissions, lower sale prices for properties owned by Kennedy-Wilson independently or through joint ventures and lesser availability of loans with favorable terms.

The real estate investment and services industry in which Kennedy-Wilson operates presents numerous significant risks, including risks related to suffering losses on property acquisitions and dispositions, renovating development projects, volatility of operating results, the high level of competition, maintaining client relationships in connection with real estate services and potential liability resulting from breaches of contractual obligations or violations of various laws and regulations.

In order to execute its planned investment strategy, in the next 12 to 18 months, Kennedy-Wilson will require between approximately \$650 million and \$1.3 billion in third-party equity and between approximately \$1.3 billion and \$2.6 billion of third party debt. Kennedy-Wilson may not be able to obtain the additional capital required to execute its investment strategy on favorable terms or at all.

Kennedy-Wilson faces a number of additional risks associated with its operations in Japan, including risks related to exchange rate fluctuations, managing operations internationally, foreign laws and regulations and potentially adverse tax consequences.

Kennedy-Wilson makes and acquires debt as part of its business strategy. Kennedy-Wilson may face losses on its debt investments due to payment default and failure to collect on collateral, particularly due to the fact that Kennedy-Wilson's interests in such debt are often times subordinate to senior lenders.

Kennedy-Wilson makes a number of its investments through joint ventures with unaffiliated third parties, who may become financially unstable or take actions contrary to the best interests of Kennedy-Wilson. As a result, the success of Kennedy-Wilson's joint ventures, to some degree, is outside of its control.

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Kennedy-Wilson is highly dependent upon certain key personnel, who have vast experience and relationships in the real estate industry. A loss of one or more key employees could have a material adverse impact on Kennedy-Wilson's operations.

In connection with its real estate investments, Kennedy-Wilson has incurred significant amounts of debt and guaranteed a number of loans. These debt and guarantee obligations could impair Kennedy-Wilson's cash flows and may require significant future payments. In addition, lenders impose significant operating covenants as a condition to entering into loans, which could materially restrict Kennedy-Wilson's business.

There are a number of risks related to the merger and the related transactions.

For instance, under the merger agreement, neither Prospect nor its stockholders have protection of any practical indemnification, escrow or price adjustment in the event that any of the representations and warranties made by Kennedy-Wilson prove incorrect. Further, Kennedy-Wilson did not waive its rights against the assets in the trust account in the event of a breach by Prospect of certain no-shop/non-solicit provisions in the merger agreement. Further, the receipt of Prospect common stock by Kennedy-Wilson stockholders may be taxable if the merger does not qualify as a tax-free reorganization. Under the merger agreement, Prospect may also waive one or more conditions to the closing of the merger without resoliciting stockholder or warrant holder approval.

If the merger is not consummated because holders of 30% of public shares vote against the merger or because 30% of the public shares exercise their conversion rights, among other reasons, Prospect will be forced to liquidate and stockholders may receive less than \$9.88 per share and all warrants will expire and become worthless. Further, Prospect's holders of public shares may be forced to wait to receive the liquidation distributions until Prospect has commenced the liquidation process. In the event of a liquidation, third parties may bring claims against the trust account, which could reduce the amount in the trust account. Additionally, Prospect stockholders may be liable for claims by third parties to the extent of distributions received by Prospect's stockholders. Further, time and resources spent by Prospect in pursuit of the merger will have been wasted and Prospect will not have time to locate and acquire another business if the merger is not consummated. The financial statements included in this proxy statement/prospectus do not take into the account the consequences of Prospect's failure to consummate the merger by November 14, 2009.

If the merger is consummated, working capital of the post-merger company may be reduced by the number of holders who exercised their conversion rights and by amounts expended by Prospect in furtherance of consummation of the merger, including with respect to actions Prospect may take to secure approval of the merger by Prospect's stockholders and warrant holders. Prospect securityholders who purchased units in the IPO also may have rescission rights and related claims. This may adversely affect the post-merger company. Additionally, both Prospect and Kennedy-Wilson expect to incur significant costs associated with the merger, which will reduce amounts available for other corporate purposes. A large number of warrant holders could opt for the cash exchange, resulting in less working capital as well. Finally, Kennedy-Wilson has not recently operated as a "reporting company" and fulfilling these obligations will be expensive and time consuming.

Because of Prospect's directors, officers and affiliates ownership stake in Prospect's stock and warrants and the risk of Prospect's liquidation, such interests may have influenced their decision to approve the merger. These individuals also hold a substantial interest in Prospect and may be able to influence certain actions requiring stockholder or warrant holder action. Additionally, certain founders are liable to ensure that the proceeds of the trust account are not reduced by vendor claims in the event the merger is not consummated, which may have influenced their

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decision to approve the merger. The post-merger company's directors and officers and affiliates also will be significant stockholders and will have influence over the outcome of matters submitted to stockholders for approval.

As a result of the merger, the ownership interest of Prospect's current stockholders may be reduced. Prospect's warrants may be exercised, which would further dilute Prospect stockholders. Post-merger, the Guardian Note (defined herein) could be converted and additional equity securities issued, which would further reduce the interest of Prospect stockholders. Additionally, AMEX may delist Prospect's securities on its exchange, limiting holders ability to trade securities. In event that Prospect's due diligence investigation of Kennedy-Wilson was inadequate, than Prospect stockholders following the merger could lose some or all of their investment.

If the merger's benefits do not meet expectations, the market price of the post-merger company's common stock may decline. Also, the price of the post-merger's company common stock may be volatile due to a number of other factors, including changes in real estate prices and market conditions in the industry. Activities taken by existing Prospect securityholders to increase the likelihood of approving the merger also could have a depressive effect on the value of Prospect common stock and if Prospect's founders or its sponsors exercise their registration rights, it may have an adverse effect on the market price of common stock.

In evaluating the merger proposal, the charter amendment name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the equity participation plan proposal, and the director election proposal, stockholders should carefully read this proxy statement/prospectus and especially consider the factors discussed above and as more fully described in the section entitled "*Risk Factors*" on page 46.

In evaluating the warrant amendment proposal, warrant holders should carefully read this proxy statement/prospectus and especially consider the factors discussed above and as more fully described in the section entitled "*Risk Factors*" on page 46.

Recommendations to Prospect Warrantholders

Prospect's board of directors believes that the warrant amendment proposal to be presented at the special meeting of Prospect warrant holders is fair to and in the best interest of Prospect's warrant holders and unanimously recommends that its warrant holders vote "FOR" this proposal.

Recommendation to Prospect Stockholders

Prospect's board of directors believes that each of the merger proposal, the charter amendment name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the equity participation plan proposal and the director election 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.

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

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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;

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;

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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;

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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 4.75 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 and other payments required to be made by Prospect or Kennedy-Wilson at or immediately after closing, 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;

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;

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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

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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

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

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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. Prospect is not obligated to pay any fees (other than expenses incurred) should the merger agreement be terminated or the merger not consummated.

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 and printing costs.

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*" on page 135) 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 to continue to hold the public warrants, as amended, 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 public warrants nor a United States Holder of sponsor warrants should recognize any gain or loss in connection with the warrant amendment.

Furthermore, in the opinion of Loeb & Loeb LLP (which has been filed as Exhibit 8.2 to the Registration Statement of which this proxy statement/prospectus forms a part), the merger will qualify as a reorganization within the meaning of Section 368(a) of Code and therefore 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

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common stock or preferred stock transferred. Such opinion, however, is not binding on the Internal Revenue Service or the courts and is subject to certain assumptions, limitations and qualifications as set forth therein.

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*" on page 135 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 47.2% stockholder interest in the post-merger company, assuming no share conversions (54.6% in the event of maximum share conversion), which includes its largest principal stockholder owning approximately 26.1% of the Kennedy-Wilson stockholder interest in the post-merger company. In addition, through Kennedy-Wilson's 47.2% stockholder interest, Kennedy-Wilson will maintain effective control of the post-merger company 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 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.

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 155.

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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 47.2% stockholder interest in the post-merger company, assuming no share conversions (54.6% in the event of maximum share conversion), which includes its largest principal stockholder owning approximately 26.1% of the Kennedy-Wilson stockholder interest in the post-merger company. In addition, through Kennedy-Wilson's 47.2% stockholder interest, Kennedy-Wilson will maintain effective control of the post-merger company 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:

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

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 merger, each holder of the 25,000,000 public warrants will elect either to receive upon the closing of the merger a cash payment of \$0.55 per public warrant or to continue to hold their public warrants as amended public warrants, with each such amended 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 of \$19.50 per share (increased from \$14.50 per share), and an expiration date of November 14, 2013 (extended from November 14, 2012). The sponsors' warrants are being amended similarly. No more than 50% of the outstanding public warrants may be exchanged for amended 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

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warrants for an aggregate cash payment at closing ranging from \$6,875,000 to \$13,750,000. As the fair value of the amended public warrants was determined to be less than the value of the old warrants, no accounting entry is required with respect to the amendment of the public warrants. To the extent that 50% of the public warrant holders do not elect to receive a cash payment for their public warrants, sponsors' warrants will be included in the warrant holder group receiving cash at closing (with a cut-back applied proportionately to the group comprised of those who elect amended warrant terms and all of the sponsors' warrants) in order to meet the 50% cash-out minimum. However, under no circumstances will sponsors be permitted to elect to receive cash for their warrants.

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 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 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*" on page 1. 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*" on page 157.

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

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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.

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	\$ 33,393	\$ 33,393	\$ 32,225	\$ 32,225	\$ 19,300	\$ 19,300
Net income (loss)	\$ 7,444	\$ 7,444	\$ (1,797)	\$ (1,797)	\$ (5,663)	\$ (5,663)
Net income (loss) attributable to common stockholders	\$ 6,687	\$ 6,687	\$ (1,851)	\$ (1,851)	\$ (5,396)	\$ (5,396)
Net income (loss) available to common stockholders	\$ 6,687	\$ 6,687	\$ (1,851)	\$ (1,851)	\$ (5,396)	\$ (5,396)
Net income per common share						
Basic	\$ 0.14	\$ 0.16	\$ (0.03)	\$ (0.04)	\$ (0.10)	\$ (0.12)
Diluted	\$ 0.14	\$ 0.16	\$ (0.03)	\$ (0.04)	\$ (0.10)	\$ (0.12)
Cash dividends per common share	\$	\$	\$	\$	\$	\$
Total assets	\$ 370,809	\$ 289,834	\$ 481,953	\$ 400,586	\$ 507,315	\$ 426,264
Total liabilities	\$ 96,064	\$ 96,064	\$ 157,117	\$ 157,117	\$ 186,401	\$ 186,401
Total equity	\$ 274,745	\$ 193,770	\$ 324,511	\$ 243,469	\$ 320,914	\$ 239,863

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:

that no holders of public shares exercise their conversion rights and that 12,500,000 public warrants are repurchased for cash; and

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 on page 155 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)	\$ 1.85		
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)	\$ 1.67		
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)	\$ 19.36		
June 30, 2009	\$ 7.65(2)	\$ 19.30		
Pro Forma Information				
Number of common shares issued and outstanding at closing				
Under no conversion assumption	26,750,000	26,000,000	52,750,000	
<i>(% of total)</i>	50.71%	49.29%	100.00%	
Under maximum conversion assumption	19,250,001	26,000,000		45,250,001
<i>(% of total)</i>	42.54%	57.46%		100.00%
Basic net income (loss) per common share from continuing operations				
Year ended December 31, 2007			\$ 0.14	\$ 0.16
Year ended December 31, 2008			\$ (0.03)	\$ (0.04)
Six months ended June 30, 2009			\$ (0.10)	\$ (0.12)
Diluted net income (loss) per common share from continuing operations				
Year ended December 31, 2007			\$ 0.14	\$ 0.16
Year ended December 31, 2008			\$ (0.03)	\$ (0.04)
Six months ended June 30, 2009			\$ (0.10)	\$ (0.12)
Net assets at book value per common share				
December 31, 2008			\$ 6.15	\$ 5.38
June 30, 2009			\$ 6.08(3)	\$ 5.30(3)

(1) 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.

(3)

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As a result of purchases that may be effected through arrangements described in the section entitled "*Summary of the Proxy Statement/Prospectus Actions That May be Taken to Secure Approval of Prospect's Stockholders and Warranholders*" on page 30, the working capital of the post-merger company would be reduced by as much as \$100,200,000. Accordingly, Prospect's net assets at book value per common share would be reduced by the net effect of any such share purchases on a weighted-average basis. If Prospect spends the maximum amount of \$100,200,000, (i) assuming that no holders of Prospect common stock exercise their conversion rights and that the minimum of 12,500,000 warrants elect the cash amount, Prospect's net assets at book value per common share would be reduced by \$0.92 per share, from \$6.08 per share to \$5.16 per share, a decrease of 15.1%; and (ii) assuming that holders of 29.99% of Prospect common stock exercise their conversion rights and that the maximum of 25,000,000 warrants elect the cash amount, Prospect's net assets at book value per common share would be reduced by \$1.34 per share, from \$5.30 per share to \$3.96 per share, a decrease of 25.3%.

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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 could lose part or all of its investment in the real estate properties it has interests in, which could have a material adverse effect on its 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

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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.

Kennedy-Wilson may be unsuccessful in renovating the development properties it acquires resulting in investment losses.

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 may not recover part or any of its investment in the mezzanine loans it makes or acquires due to a number of factors including the fact that such loans are subordinate to the interests of senior lenders.

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.

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

Kennedy-Wilson depends upon third-party equity and debt financings to acquire properties through its investment business, which is a key driver of future growth. Kennedy-Wilson estimates that in the next 12 to 18 months its acquisition plan will require between approximately \$650 million and \$1.3 billion in third-party equity and between approximately \$1.3 billion and \$2.6 billion in third-party debt. Kennedy-Wilson expects to obtain debt financing from seller financing, the assumption of existing loans, government agencies and financial institutions. Kennedy-Wilson expects to obtain equity financing from separate account investors and fund investors, which include pension funds, family offices, financial institutions, endowments and money managers. 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's operations in Japan subject it to additional social, political and economic risks associated with conducting business in foreign countries, which may materially adversely effect Kennedy-Wilson's business and results of operations.

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:

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.

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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.

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Kennedy-Wilson's revenues and earnings may be materially and adversely affected by fluctuations in foreign currency exchange rates due to its international operations.

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 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 subject it to unique third-party risks, including risks that other participants may become bankrupt or take action contrary to the best interests of Kennedy-Wilson.

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, or 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 purchases distressed notes that have a higher risk of default and delinquencies than newly originated loans and as a result, Kennedy-Wilson may lose part or all of its investment in such notes.

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.

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Kennedy-Wilson's operating results are subject to significant volatility from quarter to quarter as a result of the varied timing and magnitude of its strategic acquisitions and dispositions.

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.

Kennedy-Wilson may not be successful in competing with companies in the real estate services and investment industry, some of which may have substantially greater resources than Kennedy-Wilson.

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.

If Kennedy-Wilson is unable to maintain or develop new client relationships, its property management business and financial condition could be substantially impaired.

Kennedy-Wilson is highly dependent on long-term client relationships and on revenues received for services under various property management 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. If 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.

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Decreases in the performance of the properties managed by Kennedy-Wilson are likely to result in a decline in the amount of property management fees and leasing commissions Kennedy-Wilson generates.

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, among other things, Kennedy-Wilson's 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. If the performance or rental values of the properties Kennedy-Wilson manages decline, the management fees and leasing commissions Kennedy-Wilson derives from such properties could be materially adversely affected.

Kennedy-Wilson's leasing activities are contingent upon various factors including tenant occupancy and rental rates, which if adversely affected, could cause Kennedy-Wilson's operating results to suffer.

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 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.

If Kennedy-Wilson is unable to identify, acquire and integrate suitable acquisition targets, its future growth will be impeded.

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

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substantial demands on its managerial, administrative, operational and financial resources. 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.

The loss of one or more key personnel of Kennedy-Wilson could have a material adverse effect on its operations.

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.

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 which has recently experienced a significant downturn and is vulnerable to future decline.

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 has in the past and may continue in the future to incur significant amounts of debt to finance acquisitions, which could negatively affect Kennedy-Wilson's cash flows and subject its properties or other assets to the risk of foreclosure.

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

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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 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 owns real estate properties located in Hawaii, which subjects it to unique risks relating to, among other things, the current recession in Hawaii, Hawaii's economic dependence on fluctuating tourism, the isolated location of Hawaii and the potential for natural disasters.

Kennedy-Wilson conducts operations and owns properties in Hawaii. Consequently, its business, results of operations and financial condition are dependent upon and affected by general trends in the Hawaiian economy and real estate market. The Hawaiian economy has experienced a significant downturn in the current recession and a sustained decline in the value of Hawaiian real estate. Real estate market declines may negatively affect Kennedy-Wilson's ability to sell property at a profit. In addition, Hawaii's economy is largely dependent upon tourism, which is subject to fluctuation and has recently experienced a significant drop. Hawaii historically has also been vulnerable to certain natural disaster risks, such as tsunamis, hurricanes and earthquakes, which could cause damage to properties owned by Kennedy-Wilson or property values to decline in general. Hawaii's remote and isolated

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location also may create additional operational costs and expenses, which could have a material adverse impact on Kennedy-Wilson's financial results.

Kennedy-Wilson has certain obligations in connection with its real estate brokerage services, which could subject it to liability in the event litigation is initiated against Kennedy-Wilson for an alleged breach of any such obligation.

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.

Kennedy-Wilson may become subject to claims for construction defects or other similar actions in connection with the performance its property management services.

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, 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.

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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 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, or 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. 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.

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Kennedy-Wilson's property insurance coverages are limited and any uninsured losses could cause Kennedy-Wilson to lose part or all of its investment in its insured properties.

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 October 9, 2009, there was approximately \$9.91 per public 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.

Holders of public warrants that elect to continue to hold amended public warrants may be cashed out on a pro rata basis with holders of the sponsor warrants and holders of public warrants that vote against the warrant amendment proposal or that make no election will receive the cash amount.

Upon consummation of the merger, if holders of more than fifty percent of the public warrants outstanding immediately prior to the consummation of the merger elect to receive amended public warrants, the number of amended public warrants received by the holder will be reduced proportionately with holders of the sponsor warrants. Accordingly, even if you elect to receive amended public warrants, you may receive the cash amount in respect of a portion of your public warrants. In addition, holders of public warrants that vote against the warrant amendment proposal, or that make no election, will receive the cash amount if the warrant amendment proposal is approved. Please see the section entitled "*The Warrant Amendment Proposal Purpose of the Warrant Amendment*" on page 86 for further information.

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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 \$247 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 less than the 30% of the public shares, the maximum potential conversion cost would be approximately \$74.1 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, 4,750,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the merger, the founders will own 1,500,000 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, the charter amendment share increase proposal and the charter amendment existence 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. 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.

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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.

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:

to exercise its warrants and pay the exercise price therefor at a time when it may be disadvantageous for it to do so,

to sell its warrants at the then-current market price when it might otherwise wish to hold such warrants, or

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 1,500,000 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

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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:

affirmatively vote against the merger proposal by proxy or in person at the special meeting of Prospect stockholders,

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,

continue to hold your shares through the closing date of the merger, and

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. **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.

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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 36.9% 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 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 October 26, 2009 (the record date), Prospect's directors, executive officers and their affiliates held \$61.9 million in common stock (based on a market price of \$9.90) 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

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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. 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 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.

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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:

all existing claims,

all pending claims, and

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 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.

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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 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.

Directors of the post-merger company may have interests that align with those of former stockholders of Kennedy-Wilson rather than with stockholders of Prospect prior to the merger.

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.

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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, 250,000 shares to be issued to DGA, and 2,376,000 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 4.75 million shares by the Prospect founders), will dilute Prospect's existing stockholders' voting interest from 100% to approximately 48.1% of the post-merger company's voting interests (assuming none of Prospect's stockholders exercise their conversion rights), and approximately 39.9% of the post-merger company's voting interests (assuming 29.99% of Prospect's stockholders exercise their conversion rights).

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 if the Guardian Note is converted following the merger.

In connection with the merger, the Guardian Note which bears interest at a fixed rate of 7% payable quarterly, the outstanding balance of which is due on November 3, 2018 will be convertible into shares of Prospect common stock. Under the terms of the Guardian Note and a letter agreement entered into between Kennedy-Wilson and Guardian on October 8, 2009, following the consummation of the merger, Guardian will have the option to convert, in whole or in part, the outstanding principal balance and accrued interest into common stock at a conversion price of \$9.86 per share any time prior to May 3, 2017. As of October 22, 2009, the outstanding principal balance and accrued interest of the Guardian Note were \$30 million and \$466,666, respectively. Upon consummation of the merger, the estimated number of shares of common stock into which the Guardian Note will be convertible is 3,042,466. To the extent the Guardian Note is converted, additional shares of the post-merger company's common stock will be 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

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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 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.

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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

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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.

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.

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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.

Actions taken by Prospect and others 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 and special meeting of Prospect warrant holders, during a period when they are not then aware of any material non-public information regarding Prospect or its securities, and pursuant to agreements in a form that would not violate insider trading rules, Prospect, 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 or vote their shares or public warrants in favor of the merger proposal or the warrant amendment proposal, as

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applicable. The purposes of such common stock or 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,

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,

to increase the likelihood that the holders of a majority of shares underlying the Prospect warrants vote in favor of the warrant amendment proposal, or

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.

Entering into any such arrangements may have a depressive effect on the value of Prospect common stock or public warrants.

Prospect may disclose its entry into arrangements with stockholders, warrantholders or aggregators or significant purchases made by aggregators, the Prospect founders, Kennedy-Wilson, Kennedy-Wilson Holders and/or their respective affiliates shortly before the special meeting of Prospect stockholders, and its stockholders may not have enough time prior to the special meeting of stockholders to reconsider their vote in light of these disclosures.

Prospect will within one business day and, in any event, prior to the special meeting of stockholders and warrantholders file a Current Report on Form 8-K to disclose any arrangements entered into with stockholders, warrantholders or aggregators 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-share increase proposal, the charter amendment-existence proposal, or the conversion threshold. In addition, Prospect will promptly post on its website any such significant purchases made until immediately prior to the special meetings of stockholders and warrantholders. However, since Prospect's corporate existence will terminate on November 14, 2009 if the merger is not consummated, Prospect cannot provide stockholders who have voted for the merger with additional time beyond the meeting date to reconsider their vote. **Accordingly, stockholders and warrantholders should assume that Prospect may expend the maximum amount of \$100,200,000 for these types of arrangements. In addition, when access to voting ceases at 11:59 p.m. Eastern time on the day before the special meetings, stockholders and warrantholders may not know the final amount expended by Prospect, or the final number of shares or warrants purchased.**

Stockholders who wish to reconsider their vote up to and including the meeting date should follow the procedures set forth in *Questions and Answers for Prospect Stockholders and Warrantholders About the Proposals May I change my vote after I have mailed my signed proxy card?* on page 13.

If Prospect enters into purchase agreements with holders of its common stock or warrants using funds from Prospect's trust account, it will diminish the funds available to the post-merger company for working capital.

To increase the likelihood that the proposals set forth in this proxy statement/prospectus will be approved by its stockholders and warrantholders 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, Prospect may enter into arrangements to purchase shares or public warrants from institutional and other investors. Prospect would pay the purchase price for such shares or public warrants using funds in Prospect's trust account upon the closing of the merger. As a result of the purchases that may be effected through these arrangements, the working capital of the post-merger company may be reduced

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by as much as \$100,200,000, and Prospect's total equity may be reduced by the amount of funds so expended. Accordingly, Prospect's net assets at book value per common share would be reduced by the net effect of such share purchases on a weighted-average basis. For example, assuming that no holders of Prospect common stock exercise their conversion rights and assuming that the minimum of 12,500,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$0.92 per share. Likewise, assuming that holders of 29.99% of Prospect common stock exercise their conversion rights and assuming that the maximum of 25,000,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$1.34 per share.

If Prospect engages a third-party aggregator in lieu of or in addition to entering into direct purchase arrangements with stockholders or warrant holders, it will expend funds in connection with these arrangements, but it will not directly control the activities of the aggregator.

Prospect may engage a third-party aggregator to buy shares and subsequently sell such shares to Prospect in connection with the closing of the merger. Under terms of this arrangement, the aggregator will be responsible for identifying and negotiating with potential sellers, and Prospect will not control the process. In addition, although Prospect will ensure that any agreement with an aggregator will restrict the aggregator from offering sellers a purchase price in excess of \$0.04 per share over the per share value held in Prospect's trust account, Prospect cannot dictate the terms of the purchases or the sellers of the shares. However, the maximum amount that Prospect will expend for arrangements with aggregators, together with any direct purchase agreements Prospect may enter into with its stockholders or warrant holders, is \$100,200,000.

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.

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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 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.

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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.

In the opinion of Loeb & Loeb LLP (which has been filed as Exhibit 8.2 to the Registration Statement of which this proxy statement/prospectus forms a part), the merger will qualify as a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code and therefore no gain or loss will be recognized by United States Holders (as such term is defined in "*The Merger Proposal Material United States Federal Income Tax Consequences General*" on page 135) 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. Such opinion, however, is not binding on the Internal Revenue Service or the courts and is subject to certain assumptions, limitations and qualifications as set forth therein. 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*" on page 136 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

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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 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.

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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 November 13, 2009 and at any adjournment or postponement thereof. This proxy statement/prospectus is first being furnished to Prospect warrantholders and stockholders on or about November 10, 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 November 13, 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 at 9:00 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.

Kennedy-Wilson's stockholders have not yet voted on the merger. As soon as practicable following the effectiveness of this proxy statement/prospectus, Kennedy-Wilson will seek to obtain the written consent of its common stockholders to approve the merger.

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 each Prospect warrantholder to elect, for each public warrant, either to receive upon the closing of the merger \$0.55 in cash or to continue to hold his, her or its public warrant which will be amended to provide for 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

amend 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, subject to adjustment and proration as described in this proxy statement/prospectus.

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.

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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 change Prospect's corporate name to "Kennedy-Wilson Holdings, Inc.;"

consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to increase the number of authorized shares of Prospect capital stock from 73,000,000 to 81,000,000;

consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to provide for Prospect's perpetual existence;

consider and vote upon a proposal to amend and restate Prospect's amended and restated certificate of incorporation to delete and replace Article Sixth of Prospect's current amended and restated certificate of incorporation and renumber accordingly and 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; and

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.

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 the warrant amendment 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.

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 name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the equity participation plan proposal and the director election 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 name change proposal, "FOR" the charter amendment share increase proposal, "FOR" the charter amendment existence proposal, "FOR" the charter amendment revisions proposal, "FOR" the equity participation plan proposal and "FOR" the director election proposal.

Record Date; Who is Entitled to Vote

Prospect has fixed the close of business on October 26, 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 October 26, 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

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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 October 26, 2009, there were 31,250,000 shares of Prospect common stock outstanding and entitled 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 warrantholders 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 the outstanding shares of common stock underlying the warrants entitled to vote constitutes a quorum at the special meeting of Prospect warrantholders. 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 warrantholders at the special meeting of Prospect warrantholders, 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 warrantholders, 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 Warrantholders and Special Meeting of Prospect Stockholders Conversion Rights*" on page 78 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 name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal and the equity participation plan proposal. 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 name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, and the charter

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amendment revisions 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. 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.

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.

Each of the:

charter amendment name change proposal,

charter amendment share increase proposal,

charter amendment existence proposal, and

charter amendment revisions 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" each of the charter amendment proposals.

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 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" this proposal.

Vote of Prospect's Warranholders 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.

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.

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There are three 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. 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 name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the equity participation plan proposal and the persons nominated by Prospect's management for election as directors. 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.

You Can Instruct Your Nominee How to Vote if Your Shares or Warrants. If your Prospect common stock or public warrants are not held in your own name but rather by your broker, bank or another nominee, we refer to your shares or warrants as being held in "street name." If your shares or warrants are held in street name you must instruct your nominee how to vote your shares. Your nominee may send to you a separate voting instruction form asking you for your voting instructions. If you do not receive a request for voting instructions well in advance of the special meetings, we recommend that you directly contact your nominee to determine how to cause your shares and warrants to be voted as you wish. Your nominee may permit you to instruct the voting of your shares and warrants electronically using the telephone or Internet. Prospect has confirmed that approximately 99% of the street name holders will have access to telephone and Internet voting and that such access will continue until 11:59 P.M. Eastern time on the day before the special meetings, after which time a street name holder must contact his bank, broker or nominee to vote or change his vote.

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:

AFFIRMATIVELY VOTE AGAINST THE MERGER PROPOSAL BY PROXY OR IN PERSON AT THE SPECIAL MEETING OF PROSPECT STOCKHOLDERS,

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,

CONTINUE TO HOLD YOUR SHARES THROUGH THE CLOSING DATE OF THE MERGER AND

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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*" ON PAGE 78 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.

If you hold your shares or warrants in "street name" and have instructed your bank, broker or other nominee to vote your shares or warrants for you, you must follow instructions you receive from your bank, broker or other nominee in order to change or revoke your vote. Street name holders with access to telephone and Internet voting may change their vote until 11:59 P.M. Eastern time on the day before the special meetings, after which time a street name holder must contact his bank, broker or nominee to change his vote.

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 or call Morrow & Co., LLC at (800) 662-5200.

No Additional Matters May Be Presented at the Special Meetings

The special meeting of Prospect warrant holders has been called only to consider the approval of the warrant amendment proposal. The special meeting of Prospect stockholders has been called only to consider the merger proposal, the charter amendment name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the equity participation plan proposal and the director election proposal. 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

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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:

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),

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,

continue to hold your shares through the closing date of the merger, and

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:

initially vote for the merger proposal but then wish to vote against it and exercise your conversion rights or

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

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.

Prospect strongly suggests that you utilize internet or telephone voting procedures if they are available to you. If you choose to return your proxy card by mail, it is possible it will not be received by the deadline on the day before 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

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date of the consummation of the merger. As of October 9, 2009, there was approximately \$247.7 million in the trust account, or approximately \$9.91 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.

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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*" on page 288 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 the vote is taken by Kennedy-Wilson stockholders on the merger agreement, be entitled to seek

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appraisal of the fair value of their shares as determined by the proper California superior court. These appraisal rights are contingent upon consummation of the merger.

See the section entitled "*Appraisal Rights*" on page 288 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. Any solicitation made and information provided in such a solicitation will be consistent with the written proxy statement and proxy card. Morrow & Co., LLC, a proxy solicitation firm that Prospect has engaged to assist it in soliciting proxies, will be paid an initial fee of \$12,500, plus out-of-pocket expenses for its efforts. Prospect will pay Morrow an additional fee of \$25,000 upon successful completion of the merger and a \$2,500 fee to act as inspector of the elections to be paid after the Special Meeting of Prospect Warrantheolders and Special Meeting of Prospect Stockholders.

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 October 26, 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:

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

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:

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

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

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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, 4,750,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the merger, the founders will own 1,500,000 shares of Prospect common stock.

Actions That May Be Taken to Secure Approval of Prospect's Stockholders and Warrantholders

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 and pursuant to agreements in a form that would not violate insider trading rules, Prospect, 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 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 warrant holders and that holders of a majority of shares underlying the Prospect warrants vote in favor of the warrant amendment proposal. 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.

In making any such purchase, Prospect, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their respective affiliates would approach a limited number of large stockholders of Prospect that have indicated an intention to vote against the merger proposal (which information Prospect would provide to its affiliates, Kennedy-Wilson, and the affiliates of Kennedy-Wilson), and engage in direct negotiations for the purchase of such stockholders' positions. Such stockholders could include those who have already voted via proxy and who have made their conversion demands. All stockholders approached in this manner would be institutional or sophisticated investors. Arrangements of such nature would only be entered into and effected in accordance with applicable law, including securities laws.

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. Any incentives provided to a stockholder would be privately negotiated with each stockholder who wishes to enter into such transactions. As these arrangements will be made with stockholders who would otherwise have voted against the transaction, such incentives would benefit stockholders who have voted in favor of the transaction knowing that these arrangements are possible, and/or who wish to remain long-term stockholders of the post-merger company and who would like the transaction to be consummated, because these arrangements increase the likelihood that the transaction will indeed be consummated. Accordingly, Prospect believes that these arrangements are in the interest of all stockholders because there is an opportunity for all stockholders to get the choice that they prefer. Stockholders who wish to sell their shares and receive cash may have an opportunity to do so, and those who support and vote in

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favor of the transaction and who wish to remain stockholders of the post-merger company have an increased chance of doing so. The amount and nature of any such incentives would be determined based on the willingness of those parties to incur the time and legal expense necessary to effect such an arrangement and would be the result of an arms-length negotiation between the respective parties. Certain holders of Prospect common stock may not be offered any such incentives because, based on information publicly provided by other special purchase acquisition companies entering into similar arrangements, Prospect believes that such stockholders are not interested in entering into an arrangement contingent upon consummation of the transaction and/or in expending the time or cost that may be associated with entering into such arrangements. In addition, there are certain other stockholders who have expressed to Prospect a desire to continue to hold their shares in Prospect and to be long-term investors in the post-merger company and accordingly are not interested in entering into these types of arrangements.

The purchase price for any shares purchased pursuant to these arrangements is likely to be negotiated based on the per share value held in Prospect's trust account, rather than the prevailing market price. The purchase price paid in these arrangements will not exceed a premium of up to \$0.04 per share over the per share value held in Prospect's trust account. The maximum amount that Prospect will expend for these types of arrangements is \$100,200,000 from the proceeds in the trust account to purchase up to no more than 40% of the Prospect outstanding shares. Accordingly, Prospect's net assets at book value per common share would be reduced by the net effect of such share purchases on a weighted-average basis. Entering into any such arrangements may have a depressive effect on Prospect's common stock. For example, assuming that no holders of Prospect common stock exercise their conversion rights and assuming that the minimum of 12,500,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$0.92 per share. Likewise, assuming that holders of 29.99% of Prospect common stock exercise their conversion rights and assuming that the maximum of 25,000,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$1.34 per share.

Definitive arrangements have not yet been determined but may include agreements between Prospect, the Prospect founders and their respective affiliates on the one hand and the holders of common stock or public warrants on the other hand pursuant to which Prospect would agree to purchase common stock or public warrants from such holders in connection with the closing of the merger for the price specified in the arrangements. Under the terms of such an agreement, the holder would appoint an officer of Prospect as his proxy with respect to the merger proposal or warrant amendment proposal, as applicable, and all other proposals in this proxy statement/prospectus. If, for some reason, the merger is not closed despite such agreements, the sellers would be entitled to participate in liquidation distributions from Prospect's trust account with respect to such shares.

In addition, if holders refuse to enter into arrangements with Prospect to sell their common stock, Prospect may determine to engage a third party "aggregator" to buy shares prior to the meeting from such holders that have already indicated an intention to convert their shares and/or vote against the merger proposal. In such a case, the aggregator would purchase the shares from the original holder and then subsequently sell such shares to Prospect in connection with the closing of the merger. The purchase price for shares purchased pursuant to arrangements with aggregators is often at the market price, though it is possible that a purchase price might exceed the market price by up to \$0.04 per share. Prospect would, in addition to paying the purchase price of such shares to this aggregator, pay it a fee. Such fee is expected to be a maximum of 1% of the aggregator's total purchase price for such shares. Any arrangement entered into with a third party aggregator would require it to immediately notify Prospect of any such purchases so that Prospect may within one business day and, in any event, prior to the special meetings of stockholders and warrant holders file a Current Report on Form 8-K.

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describing such purchase, including the price of such purchase and the fact that such shares will be voted in favor of the merger proposal.

Although Prospect does not have a definitive plan to engage the services of such an aggregator, if one is needed, the parties believe it will be in the best interests of stockholders that are voting in favor of the merger proposal since the retention of the aggregator can help ensure that the merger will be completed and the additional fee payable to the aggregator is not expected to be significant. As is discussed above, Prospect believes that these arrangements are in the best interest of all stockholders because there is an opportunity for all stockholders to get the choice that they prefer. Stockholders who wish to sell their shares quickly for cash may have an opportunity to do so, and those who support and vote in favor of the transaction and who wish to remain stockholders of the post-merger company have an increased chance of doing so. All shares purchased pursuant to such arrangements would remain outstanding until the closing of the merger and would be voted in favor of the merger proposal.

Purchases pursuant to arrangements described above would be paid for with funds in Prospect's trust account and would diminish the funds available to the post-merger company for working capital by up to \$100,200,000. In all events there will be sufficient funds available to Prospect from the trust account to pay the holders of all shares of common stock that are properly converted.

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 a result of the purchases that may be effected through the arrangements described herein, the working capital of the post-merger company will be reduced by as much as \$100,200,000. Accordingly, Prospect's net assets at book value per common share therefore would be reduced by the net effect of such share purchases on a weighted-average basis. For example, assuming that no holders of Prospect common stock exercise their conversion rights and assuming that the minimum of 12,500,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$0.92 per share. Likewise, assuming that holders of 29.99% of Prospect common stock exercise their conversion rights and assuming that the maximum of 25,000,000 warrants elect the cash amount, if Prospect spends the maximum amount of \$100,200,000 on these types of arrangements, Prospect's net assets at book value per common share would be reduced by \$1.34 per share. In addition, it is likely that the number of beneficial holders of Prospect's securities also will be reduced from what it would have been absent these arrangements. This may inhibit Prospect's ability to list its common stock on AMEX or any other national securities exchange due to their minimum beneficial holder requirements.

As of the date of this proxy statement/prospectus, there have been no such discussions with respect to any transaction between Prospect, the Prospect founders, Kennedy-Wilson and Kennedy-Wilson Holders and/or their affiliates and holders of common stock or public warrants and no agreements to such effect have been entered into with any such investor or holder. Prospect will within one business day and, in any event, prior to the special meetings of stockholders and warrant holders file a Current Report on Form 8-K to disclose any arrangements entered into with stockholders, warrant holders or aggregators 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 share increase proposal, the charter amendment existence proposal, or the conversion threshold. In addition, Prospect will promptly post on its website any such significant purchases made until immediately prior to the special meetings of stockholders and warrant holders. If members of Prospect's board of directors

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or officers make purchases pursuant to such arrangements, they will be required to report these purchases on beneficial ownership reports filed with the SEC within two business days of such transactions. Since Prospect's corporate existence will terminate on November 14, 2009 if the merger is not consummated, Prospect cannot provide stockholders who have voted for the merger with additional time beyond the meeting date to reconsider their vote. **Accordingly, stockholders and warrant holders should assume that Prospect may expend the maximum amount of \$100,200,000 for these types of arrangements. In addition, when access to voting ceases at 11:59 p.m. Eastern time on the day before the special meetings, stockholders and warrant holders may not know the final amount expended by Prospect, or the final number of shares or warrants purchased.** Stockholders who wish to reconsider vote up to and including the meeting date should follow the procedures set forth in *Questions and Answers for Prospect Stockholders and Warrant Holders About the Proposals May I change my vote after I have mailed my signed proxy card?* on page 13.

Outstanding Public Warrants

The closing price as reported by AMEX of Prospect public warrants on October 26, 2009 (the record date for the special meeting of Prospect warrant holders) was \$0.55. 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 \$0.55 per public warrant on October 26, 2009 (the record date), the public warrants had an aggregate value of \$13,750,000.

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*" on page 86. Additionally, if you elect to continue to hold your public warrants, because the CUSIP for the public warrants is changing, you must deliver your public warrants for exchange in accordance with the procedures outlined in the section entitled "*The Warrant Amendment Proposal Warrant Election/Exchange Procedures*" on page 88.

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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, allow:

each Prospect warrant holder to elect for each public warrant held by such holder, either (x) to receive upon the closing of the merger the cash amount of \$0.55, or (y) to continue to hold his, her or its public warrant which will be amended to provide for 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

provide that the terms of the sponsors warrants be amended to provide for 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.

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 to retain their public warrants, as amended, as the "warrant election." We further refer to the exchange of public warrants for the cash amount as the "cash exchange."

Up to fifty percent (or 12,500,000) of the public warrants outstanding immediately prior to the consummation of the merger which we refer to as the "Warrant Limit," may remain outstanding, as amended, after consummation of the merger. If Prospect warrant holders elect to receive in the aggregate more amended public warrants than the Warrant Limit, the public warrant holders and the holders of sponsor warrants will receive the cash election for a portion of their warrants. The numbers of additional warrants to be exchanged for the cash amount will be apportioned pro rata among the Prospect warrant holders who make a warrant election and the holders of sponsor warrants, by multiplying the number of amended public warrants evidenced by a specific warrant election or the number of sponsor warrants, as applicable, by a fraction (x) the numerator of which is the number by which the warrants elected to be exchanged for amended public warrants exceeds the Warrant Limit and (y) the denominator of which is the sum of the aggregate number of amended public warrants evidenced by all warrant elections plus the number of sponsor warrants. 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 public warrants will be substantially similar to the terms of the public warrants, except that the amended 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 sponsors warrants will be substantially similar to the terms of the sponsors warrants, except that the amended sponsors warrants:

will have an exercise price of \$12.50;

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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.

Pursuant to Section 18 of the warrant agreement, Prospect and its warrant agent 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 public warrant upon consummation of the merger.

Prospect believes the cash exchange and the amendment of its warrants 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 October 26, 2009 (the record date) was \$0.55. 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 to continue to hold their public warrants, as amended, 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 amendment 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*" on page 137 for additional information.

Certain Effects of the Cash Exchange

A minimum of \$6,875,000 will be required to purchase public warrants (and sponsor warrants, as applicable) 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.

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Warrant Election/Exchange Procedures

Continental Stock Transfer & Trust Company has been appointed by Prospect to receive elections by holders of public warrants to receive either the cash amount or the amended public warrants, and to act as exchange agent with respect to the merger. If a holder of public warrants wishes to make an election to continue to hold an amended public warrant, such holder must mark the appropriate space on the warrant proxy card and provide physical or electronic delivery of such holder's certificates or warrants, as appropriate, as described below, prior to or at the special meeting of warrant holders. In order to validly make an election, a holder of Prospect units must first separate its Prospect units into the component common stock and warrants in order to validly tender its public warrants to the exchange agent. If the merger is consummated, a holder of public warrants who does not make a proper election to continue to hold an amended public warrant, will receive the cash amount for each of its public warrants.

Any public warrant holder may change such holder's election if the exchange agent receives:

prior to the special meeting of Prospect warrant holders written notice of such change accompanied by a new properly completed proxy card; or

at the special meeting of Prospect warrant holders a new, properly completed proxy card.

Prospect will have the right in its sole discretion to permit changes in elections after the election date.

In connection with the above procedures, prior to the special meeting of Prospect warrant holders, each holder of public warrants must instruct its broker to deliver its public warrants to the exchange agent electronically using the Depository Trust Company's ATOP (Automated Tender Offer Program) System. Once a holder electronically delivers its public warrants to the exchange agent, it may not transfer its public warrants until the merger is completed, unless the holder properly revokes its election.

Holders of physical certificates representing public warrants should deliver those certificates 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

The cash amount is substantially less than the market price of the shares of Prospect common stock issuable upon exercise of the public warrants. See the section entitled "*Price Range of Securities and Dividends*" on page 285 herein for information on the historical market prices for Prospect public warrants and Prospect common stock on AMEX.

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 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, as amended. A copy of the merger agreement, as amended, 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

Each outstanding holder of public warrants will elect either:

to receive upon the closing of the merger \$0.55 in cash; or

to continue to hold his, her or its public warrant which will be amended to provide for a new 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 public warrants that will remain outstanding following 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 public warrants than the Warrant Limit, the public warrant holders and the holders of sponsor warrants will receive the cash election for a portion of their warrants. The numbers of additional warrants to be exchanged for the cash amount will be apportioned pro rata among the holders of public warrants who make a warrant election and the holders of sponsor warrants, by multiplying the number of amended public warrants evidenced by a specific warrant election or the number of sponsor warrants, as applicable, by a fraction (x) the numerator of which is the number by which the warrants elected to be exchanged for amended public warrants exceed the Warrant Limit and (y) the denominator of which is the sum of the aggregate number of amended public warrants evidenced by all warrant elections plus the number of sponsor warrants. 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.

Under the same warrant amendment, each sponsor warrant terms will be amended to provide for 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 above.

Table of Contents**Forfeiture of Founder Shares**

Immediately prior to the merger, 4,750,000 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 1,500,000 shares of Prospect common stock.

Management Incentive Shares

To reward and incentivize Kennedy-Wilson's key employees and management after the merger, up to 2,475,000 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 2,376,000 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	\$ 5,513,062.50	556,875
Freeman Lyle, Chief Financial Officer	\$ 765,705.60	77,344
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$ 5,513,062.50	556,875
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$ 765,705.60	77,344
Robert Hart, President of KW Multi-Family Management Group	\$ 765,705.60	77,344
James Rosten, President of Kennedy-Wilson Properties	\$ 765,705.60	77,344
All executive officers, as a group	\$22,021,619.40	2,224,406
All directors who are not executive officers, as a group	\$ 153,143.10	15,469
All employees, including all current officers who are not executive officers, as a group	\$ 1,347,637.50	136,125

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"* on page 180), 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"* on page 184 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:

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

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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);

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

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 the second and third bullets 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.

The compensation committee of Kennedy-Wilson's board of directors made the determination to pay cash bonuses to only Mr. McMorrow and Ms. Ricks upon consummation of the merger after taking into account several factors, including the primary roles Mr. McMorrow and Ms. Ricks played in negotiating the terms of the merger and the merger agreement and the amendments to Mr. McMorrow's and Ms. Ricks' employment agreements eliminating their rights to receive cash lump sum payments otherwise due upon a change in control.

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. The determination of Kennedy-Wilson's compensation committee to forgive the note upon the consummation of the merger stemmed from its consideration of the terms of the note itself, which provides for its forgiveness in the event of certain changes in control, Mr. McMorrow's contributions to Kennedy-Wilson and his primary role in negotiating the terms of the merger and the merger agreement.

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:

the removal of certain benefits in the event of a change in control;

the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties;

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the grant to each executive of 556,875 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above;

the cash bonus payments set forth above; and

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 the second and third bullets above.

In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended:

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

to achieve compliance with Section 409A of the Code.

The Guardian Note

In connection with the merger, a convertible subordinated note with a principal amount of \$30 million that was issued by Kennedy-Wilson to Guardian Life Insurance Company of America ("Guardian") in November 2008 (the "Guardian Note") will become convertible into shares of Prospect common stock pursuant to the terms of 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 and a letter agreement entered into between Kennedy-Wilson and Guardian on October 8, 2009, following the consummation of the merger, Guardian will have an option to convert, in whole or in part, the outstanding principal balance and accrued interest into common stock at a conversion price of \$9.86 per share any time prior to May 3, 2017. 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. As of October 22, 2009, the outstanding principal balance and accrued interest of the Guardian Note were \$30 million and \$466,666, respectively. Upon consummation of the merger, the estimated number of shares of common stock into which the Guardian Note will be convertible is 3,042,466.

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

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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:

holders of more than 10% of the outstanding shares of Kennedy-Wilson common stock or

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 appraisal rights are contingent upon consummation of the merger.

See the section entitled "*Appraisal Rights*" on page 288 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, claims, damages, fines, penalties and expenses, including the costs of investigation and defense and reasonable attorneys' fees and court costs, arising from:

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

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

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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 90212, which are Kennedy-Wilson's corporate headquarters; 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:

any of the shares of Prospect common stock received as merger consideration for three months after the merger and

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 was \$10.00, and the IPO raised gross proceeds of \$250,000,000. Of the gross proceeds:

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);

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the underwriters received \$7,500,000 as underwriting discount (excluding the contingent underwriting discount); and

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

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:

companies looking for capital or investment alternatives;

lenders or equity investors which had portfolio companies for which they had a desire to engage in a sale or fundraising process; or

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. The terms of Prospect's non-disclosure agreements with each of these targets prevent Prospect from disclosing their names in this proxy statement/prospectus.

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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
1. Asset Management	December 2007 - March 2008	Executed letter of intent; could not agree on valuation
2. Asset Management	January 2008 - March 2008	Executed letter of intent; did not win auction process
3. Asset Management	February 2008 - April 2008	Executed letter of intent; seller decided not to sell
4. Mortgage processing	June 2008 - September 2008	Executed letter of intent; could not agree on valuation
5. Specialty finance	November 2008 - March 2009	Seller decided to pursue alternative transaction
6. Investment company	April 2009 - June 2009	Executed letter of intent; could not agree on valuation
7. Mortgage processing	April 2009 - June 2009	Executed letter of intent; insufficient audited financials of seller
8. Mortgage insurance	July 2009 - August 2009	Executed letter of intent; did not win auction process

Additional details of the Prospect's negotiations with each of the target businesses listed in the preceding table are as follows:

Target #1 Prospect was introduced to this target by Citigroup. This target was an asset management company based in Europe which was focused on managing structured products and wanted to raise additional capital to be utilized as the equity tranche of future investment vehicles. Prospect management had numerous telephonic meetings and also went to Europe to meet in person with one of the owners, a private equity firm, which was spearheading the transaction process for the target. Confidential information was exchanged, preliminary due diligence had been conducted and the parties were negotiating a term sheet. Given the then tenuous state of the structured products marketplace, the valuation Prospect was willing to place on the business was not deemed acceptable by the owners of the business, which resulted in discussions terminating.

Target #2 Prospect was introduced to this target, an asset management firm based in the United States, by the investment banking group at Goldman Sachs, Inc., which was running an auction process on behalf of the owners. Prospect conducted preliminary due diligence, met with the company management team and owners at its offices, and submitted a non-binding letter of intent. Prospect was informed that the company elected to proceed with another entity which intended to provide more cash consideration at closing, which resulted in discussions terminating.

Target #3 Prospect was introduced to this target by Gordon Financial Advisors. The target was a U.S. based credit focused investment management firm, and was interested in exploring a potential transaction as part of its effort to initiate a number of strategic initiatives. Prospect met with management on several occasions at the target's offices, conducted business due diligence and was in final negotiations regarding a non-binding letter of intent to enter into a transaction.

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The principals of the business ultimately concluded that their preference was not to undertake the transition to being a public company at that time, which resulted in discussions terminating.

Target #4 Prospect was introduced to this target by Citigroup, which was representing the target. This company was a U.S. based mortgage processing company which had an outside owner who wanted to pursue liquidity alternatives. Prospect engaged Merrill Lynch to work on its behalf, and conducted extensive due diligence, leading to the execution of a non-binding letter of intent. Prospect and the target proceeded to negotiate potential terms of a transaction, but could not come to final agreement on valuation.

Target #5 Prospect was introduced to this target by Rodman & Renshaw, which was representing the target in an effort to raise capital to expand the current investment business. The target was a specialty finance lending firm based in the U.S., and Prospect management conducted extensive business due diligence on the company. Prospect management met with the management owners of the business on several occasions at their headquarters, and were proceeding toward submitting a non-binding letter of intent. The target decided to proceed with another potential acquirer.

Target #6 Prospect was introduced to this target through LLM Capital Partners LLC, an entity affiliated with Patrick J. Landers, Prospect's President, who had been in contact with Watch Hill Advisor, the financial advisor that the target had retained to assist with capital raising. The target was a U.S. based business development company focused primarily in the lending sector, and was interested in expanding its capital base to grow its assets under management. Prospect management had several meetings with the target's management, conducted business due diligence and was negotiating the terms of a potential transaction based on a non-binding letter of intent that it had submitted. The parties could not agree on a transaction structure and valuation, which resulted in discussions terminating.

Target #7 Prospect was introduced to the target by De Guardiola. The target was a U.S. based mortgage processing company, and was looking to expand its equity base to take advantage of acquisition and other growth initiatives. Prospect had extensive telephonic and in person meetings with the target's management and its owner, and proceeded to execute a mutually agreeable letter of intent. Prospect conducted business and legal due diligence, and the parties began preparing definitive documentation regarding the transaction. The target had made several acquisitions of entities that did not have current audited financial statements, and the target and Prospect determined that financial statements for those entities would have been required to be included in a registration statement relating to the proposed transaction. The time that would have been necessary for those audited statements to be produced would not have fallen within the time frame Prospect required to complete its business combination, so the parties terminated their discussions.

Target #8 Prospect was introduced to this target through LLM Capital Partners LLC, an entity affiliated with Patrick J. Landers, Prospect's President, who introduced Prospect to another private equity investor who was interested in partnering with Prospect to submit a bid. This target was a U.S. based mortgage insurer that was being sold through an auction process led by Winchester Capital. Prospect, in conjunction with the private equity investor, conducted business due diligence, including discussions with management, and executed a non-binding letter of intent. The target elected not to proceed with the proposal that Prospect and the private equity investor submitted.

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.

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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 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

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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.

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 5, 2009, Prospect engaged Citigroup as its financial advisor to benefit from its knowledge and expertise in the real estate investment banking sector. In that role, Citigroup assisted in due diligence of the operations, past performance, financial statements and valuation analysis of 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.

On August 10, 2009, Prospect engaged De Guardiola as its financial advisor to assist Prospect with the transaction structure and negotiations. De Guardiola was in a unique position to advise Prospect in its transaction negotiations due to its past transaction experience with Kennedy-Wilson.

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

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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 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

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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 written opinion 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, 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, 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.

In October 2009, Kennedy-Wilson and Prospect revisited the business terms of the transaction and negotiated revised terms. On October 21, 2009, Kennedy-Wilson and Prospect agreed to a new business proposal. The proposal contemplated an allocation of 2,475,000 shares under the 2009 Plan for management incentive grants, the issuance of 250,000 shares to De Guardiola as partial payment for its advisory fee and the forfeiture of 4,750,000 shares by Prospect's founders.

On October 22, 2009, Prospect convened a telephonic meeting of its board of directors to discuss the new business terms and the amendment to the merger agreement and related agreements. After discussions, the board of directors approved the amendment to the merger agreement and related

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agreements 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. On October 22, 2009, Houlihan issued a bring-down letter stating that Houlihan reaffirmed, as of the date of the letter, all statements made in its fairness opinion letter to Prospect dated as of September 5, 2009. The bring-down letter is included as part of Annex F which is attached to this proxy statement/prospectus.

On October 22, 2009, Kennedy-Wilson convened a telephonic meeting of its board of directors to discuss the new business terms and the amendment to the merger agreement and related agreements. After a discussion, the board of directors approved the amendment to the merger agreement and other related agreements substantially in the forms presented to the board of directors and authorized and empowered certain Kennedy-Wilson officers to execute and deliver such agreements on behalf of Kennedy-Wilson.

Prospect and Kennedy-Wilson finalized and executed the amendment to the merger agreement and related agreements on October 22, 2009.

On October 23, 2009, Prospect and Kennedy-Wilson revisited the business terms of the warrant amendment. Prospect and Kennedy-Wilson agreed that, to the extent certain holders of public warrants who elected to receive an amended public warrant were required pursuant to the terms of the amendment to receive instead the cash amount on a pro rata basis with respect to a portion of their warrants, the sponsors' warrants would be included in the pro rata calculation and the sponsors also would receive the cash amount with respect to a portion of their sponsor warrants.

On October 26, 2009 Prospect convened a telephonic meeting of its board of directors to discuss the proposed new terms to the warrant amendment, which would also require an amendment to the merger agreement. After discussions, the Prospect board of directors approved the amendment to the merger agreement and the revisions to the form of warrant amendment and authorized and empowered certain Prospect officers to execute and deliver such agreements on behalf of Prospect.

Also on October 26, 2009, Kennedy-Wilson convened a telephonic meeting of its board of directors to discuss the proposed new terms to the warrant amendment. After discussion, the Kennedy-Wilson board of directors approved the amendment to the merger agreement and authorized and empowered certain Kennedy-Wilson officers to execute and deliver the amendment to the merger agreement on behalf of Kennedy-Wilson.

Prospect and Kennedy-Wilson finalized and executed the amendment to the merger agreement on October 26, 2009.

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

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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. Prospect's board of directors was not aware of any companies containing an identical breadth of platform and mix of services as Kennedy-Wilson that would make them directly comparable, but it did believe there were several companies that were comparable to certain aspects of Kennedy-Wilson and would therefore be helpful in valuing those aspects. The board of directors considered real estate services companies and alternative asset management companies with similar fund structures to Kennedy-Wilson, which were viewed as likely to have similar revenue stream characteristics and risks. A list of these comparable companies is included below under the heading "*The Merger Proposal Comparable Company and Comparable Transaction Valuation Metrics*" on page 106. Prospect's board of directors determined that Jones Lang LaSalle Incorporated and CB Richard Ellis Group, Inc. were the most appropriate comparable real estate services companies and that The Blackstone Group, Inc. was the most appropriate comparable alternative asset management company. The board of directors was aware of several other companies that had relevant business model components, but it did not believe they were suitable comparables. The board of directors considered Grubb & Ellis Company but did not include it in its analysis because Grubb & Ellis Company's financial distress due to high financial leverage resulted in non-comparable valuation metrics. The board of directors considered, but ultimately did not include, Och-Ziff, Inc., GLG Partners, Inc. and Fortress Investment Group because each of these companies primarily follows a hedge fund model as opposed to the private equity model followed by Kennedy-Wilson. The hedge fund model is fundamentally more risky than Kennedy-Wilson's model because hedge funds focus on trading and near-term profits and are more performance fee oriented.

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*" on page 124.

The board of directors noted that the companies that Houlihan Smith used for comparative purposes were different than what the board of directors had determined were the most relevant for this purpose. The board of directors determined that domestic companies that were focused on (A) real estate services and (B) alternative asset management services, utilizing a private equity model, were the most appropriate for comparative purposes. Houlihan Smith, in its independent judgment, determined that a broader group of companies that were active in the real estate segment would be most appropriate for their analysis associated with rendering a fairness opinion to the board of directors.

The board of directors also noted that the Houlihan Smith valuation methodologies resulted in a range of values for each method. The board of directors noted that the low end of the value range in both the Guideline Public Company Method and Comparable Transactions Method were derived from the revenue multiple approach as opposed to EBITDA multiple approach. Prospect's board of directors, based on conversations with its financial advisors, determined that while a revenue-based valuation metric is a valid valuation method, in the context of a publicly traded market valuation the EBITDA and earnings multiple approach will be more relevant measures. Earnings and EBITDA multiples were preferred to revenue multiples because these multiples account for differing cost structures across comparable companies that result in differing profit margins to various stakeholders. Further, Prospect's financial advisors advised the board of directors that the public markets investor

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community is more focused on earnings and EBITDA multiples than revenue multiples. The board of directors also considered that the valuation methods used by Houlihan Smith were derived using 2009 data, and therefore did not reflect the full value of the Kennedy-Wilson platform, since they did not incorporate the profitability impact that additional fund and separate account investment proceeds could have on Kennedy-Wilson.

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. The board of directors considered the following material factors:

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

Kennedy-Wilson's growth potential;

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

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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;

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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.

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.

In considering an appropriate valuation for Kennedy-Wilson and in determining whether this transaction is in the best interest of Prospect's stockholders, Prospect's board of directors considered the growth and future value potential of the Kennedy-Wilson business platform. Specifically, the board of directors determined that the 26 million shares of Prospect common stock being paid as consideration to the Kennedy-Wilson Holders was appropriate given the profitability impact that additional fund and separate account investment proceeds could have on Kennedy-Wilson. The board of directors considered the profitability that the combined firms would be able to achieve and the share price potential that might result from the successful execution of the Kennedy-Wilson business plan, and determined that that potential outweighed the alternative of not consummating the transaction.

The board of directors did not specifically consider the impact of costs associated with incentives and non-cash arrangements that might be considered by Prospect to influence stockholder votes and guide the outcome of approval. However, although Prospect's founder and/or their affiliates do not have a definitive plan to enter into arrangements to purchase shares, the parties believe it will be in the best interests of stockholders that are voting in favor of the merger since such purchases can help ensure that the merger will be completed and the additional fee payable to such selling stockholders is not expected to be significant.

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 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.: Alternative asset manager, including management of corporate private equity funds and real estate funds

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Jones Lang LaSalle Incorporated: Real estate services and investment management provider

CB Richard Ellis Group, Inc.: Real estate services and investment management provider

The board of directors utilized the valuation metrics from the companies named above to value the services and asset management components of Kennedy-Wilson's business. The metrics were determined by looking at the forward earnings and EBITDA estimates as presented by Factset for those companies, and dividing that into the equity market capitalization (price/share × shares outstanding) and enterprise value (equity market capitalization, plus debt, less cash from the most recently filed balance sheet), respectively, for each. The services multiple estimate range derived from Jones Lang LaSalle and CB Richard Ellis was used to value the non-investment aspects of the business and the asset management estimate derived from The Blackstone Group provided a guideline for the asset management segment.

The forward earnings multiples for The Blackstone Group L.P., Jones Lang LaSalle Incorporated and CB Richard Ellis Group, Inc. were 16.1x, 19.1x and 21.5x, respectively. The forward EBITDA multiples for Jones Lang LaSalle Incorporated and CB Richard Ellis Group, Inc. were 8.8x and 11.3x, respectively, and the forward EBITDA multiple for The Blackstone Group L.P. was not available. While the investment community generally prefers the earnings and EBITDA multiple approaches for valuing these companies, given the lack of a forward EBITDA estimate for The Blackstone Group L.P., the board of directors determined that the forward earnings multiple was the most important valuation metric. Management applied a 30-40% discount to the average forward earnings multiple of these comparable companies to value the non-investment aspects and asset management segment of Kennedy-Wilson to reflect the greater risk of Kennedy-Wilson's earnings due to smaller company size, less diversified platform and significant near-term projected earnings growth.

Valuation Approach

The board valued the equity of Kennedy-Wilson by a sum of the parts methodology. The parts of the valuation were: continuing earnings of the non-investment aspects and asset management segment, promoted interest earnings, and the value of real estate investments. The value of Kennedy-Wilson's share of real estate investments was taken as its cost basis, so the projections prepared by Kennedy-Wilson management were adjusted to remove the property level revenues and expenses. The Prospect board of directors noted that Houlihan Smith did not adjust the projections for these items as they deemed them relevant for its analysis using the Income Approach. While the Prospect board noted that Houlihan Smith relied upon the 2009 forecast for its analysis, the Prospect board believed that 2010 better reflected the full impact of Kennedy-Wilson's near-term growth initiatives. For example, Kennedy-Wilson has ramped up its marketing activities to raise third party capital for future acquisitions during 2009, the results of which weren't expected to be fully reflected until 2010. The resulting projections used by the Prospect board in valuing the business (excluding real estate) were as follows:

(\$ in thousands)	Pro Forma 2010 Non-Invest/Asset Mgmt.	Pro Forma 2010 Promoted Interest
Gross Fees	\$ 102,000	\$ 14,000
Expenses	(43,900)	
EBITDA	58,100	14,000
Interest, net	(6,700)	
Pre-tax Income	51,400	14,000
Net Income	\$ 30,800	\$ 8,400

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The 2010 earnings multiples for The Blackstone Group L.P., Jones Lang LaSalle Incorporated and CB Richard Ellis Group, Inc. were 16.1x, 19.1x and 21.5x, respectively. The 2010 EBITDA multiples for Jones Lang LaSalle Incorporated and CB Richard Ellis Group, Inc. were 8.8x and 11.3x, respectively, and the 2010 EBITDA multiples for The Blackstone Group L.p. were not available. Since 2010 EBITDA multiples were not available for all of the comparable companies, the board focused on the 2010 earnings valuation metric. The board applied a 30-40% discount to the average 2010 earnings multiple of these comparable companies to value the continuing earnings of the non-investment aspects and asset management segment of Kennedy-Wilson to reflect the greater risk of Kennedy-Wilson's earnings due to smaller company size and less diversified platform. The resulting 2010 earnings multiple used to value the non-investment aspects and asset management segment of Kennedy-Wilson was 12.0x. The 2010 continuing earnings of the non-investment aspects and asset management segment was estimated to be \$30.8 million based on Kennedy-Wilson management's projections and was valued based on a 12.0x 2010 earnings multiple for a valuation of \$370 million. 2010 promoted interest earnings was estimated to be \$8.4 million based on Kennedy-Wilson management's projections and was valued based on a 4.0x 2010 earnings multiple for a valuation of \$34 million. The existing real estate investments were valued at cost basis of \$173 million. A discount of 30-40% was then applied to the estimated total Kennedy-Wilson equity value of \$577 million to reflect the risks associated with significant near-term forecast earnings growth and the risk of existing real estate investments. This resulted in a valuation range of \$346 million to \$404 million, which the board concluded satisfied the 80% test and was fair, given that it was in excess of the merger consideration of \$257 million (26 million shares × \$9.88 per share).

The Kennedy-Wilson 2010 projections provided to the board of directors were not dependent on the infusion of capital from this particular transaction. The board of directors concluded that the valuation of Kennedy-Wilson would not be materially different if a source of corporate capital other than the proceeds of this transaction were secured by Kennedy-Wilson because the vast majority of Kennedy-Wilson's investment capital is raised from third parties. The capital that will be raised in the transaction with Prospect will be used primarily as co-investment capital, representing 5-10% of the total capital to be invested by Kennedy-Wilson, and that capital could be derived from a number of sources. The board concluded that the execution by Kennedy-Wilson of its business plan, and the resulting growth in revenues and creation of equity value, would be expected to result regardless of the source of corporate co-investment capital. Accordingly, the valuation range of \$346 million to \$404 million excludes the value of the capital raised in the transaction with Prospect, which would be an additional asset of the post-merger company. Consistent with this determination, the board of directors concluded that a reduction in the amount available in the trust account due to holders of public shares exercising conversion rights or Prospect purchasing its public shares or warrants would not impact the value of Kennedy-Wilson. Although the portion of the post-merger company that would be owned by Prospect public shareholders and founders would be smaller, the value of the Kennedy-Wilson business being acquired would be the same.

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.

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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 post-merger 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 all of Prospect's officers and directors 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*" on page 110. 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-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), which was estimated at \$242.5 million, equal to Prospect's June 30, 2009 cash balance of \$248.5 million less the amended underwriters' discount of \$6.0 million. Based on a comparison of comparable companies, an evaluation of the value of Kennedy-Wilson's real estate investments and estimated earnings potential derived from asset management fees, property management fees and acquisition fees resulting from the deployment of capital from third party fund and separate account investors resulting from Kennedy-Wilson's existing marketing efforts, as well as the revenues expected from Kennedy-Wilson's auction business, the Prospect board of directors determined that the fair market value of Kennedy-Wilson was at least equal to \$242.5 million which is different from the value determined by Houlihan Smith and that therefore this requirement was met. The current amount in the trust account is less than the June 30, 2009 amount of \$248.5 million because Prospect, as provided pursuant to the terms of its IPO, has used interest income on the trust proceeds to pay certain expenses. Since the current amount in the trust account is less than the amount in the account on June 30, 2009, the board of director's prior conclusion regarding the 80% test is still valid. In addition, because the value of the Kennedy-Wilson business was determined by the board of directors without including the value of the capital from the transaction, the board of director's determination that the fair market value of Kennedy-Wilson meets the 80% test will not be impacted if the trust account funds are used to pay cash to stockholders exercising conversion rights to purchase public shares or warrants. The board of directors intends to re-evaluate the satisfaction of the 80% test immediately prior to the closing of the transaction. The board also determined that the

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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 \$61.9 million based upon the closing price of Prospect common stock of \$9.90 on AMEX on October 26, 2009, the record date for the special meeting of Prospect stockholders. Immediately prior to and subject to consummation of the merger, 4,750,000 founder shares will be cancelled and forfeited. As a result of this forfeiture, at the consummation of the merger, the founders will own 1,500,000 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:

the sponsors warrants are non-redeemable so long as they are held by any of the sponsors or their permitted transferees,

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,

for so long as the sponsors warrants are subject to the transfer restrictions described in the second bullet above, the sponsors warrants are not exercisable, and

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

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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.

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

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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 share increase proposal or the charter amendment existence proposal.

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 name change proposal, the charter amendment share increase proposal, the charter amendment existence proposal, the charter amendment revisions proposal, the director election proposal and the equity participation plan 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 post-merger company on a pro forma basis. This assessment was based in part on the fairness opinion provided by Berkshire Capital Securities LLC, 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;

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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 employ certain key executives of Kennedy-Wilson with the post-merger company and appoint six members of the Kennedy-Wilson board of directors as directors of Prospect, who 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.

Berkshire Capital Fairness Opinion

Berkshire Capital Securities LLC ("Berkshire Capital"), delivered a written opinion to the board of directors of Kennedy-Wilson on September 4, 2009, which stated that, as of September 3, 2009, and based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the fairness opinion, the merger consideration to be received in the merger by the non-management stockholders of Kennedy-Wilson is fair to such stockholders of Kennedy-Wilson from a financial point of view. The amount of the merger

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consideration was determined pursuant to negotiations between Kennedy-Wilson and Prospect. The full text of the written opinion of Berkshire Capital is attached as Annex I to this proxy statement/prospectus. Kennedy-Wilson's board of directors determined to use the services of Berkshire Capital because it is a recognized investment banking firm that has substantial experience in similar matters. Kennedy-Wilson paid Berkshire Capital a non-contingent, non-refundable fee in the amount of \$250,000 for its services in rendering the fairness

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opinion, plus the reimbursement of reasonable out-of-pocket expenses. In addition, Berkshire Capital has acted as financial advisor to Kennedy-Wilson in conjunction with the merger, has received fees for such services and will receive a fee upon the completion of the merger. Kennedy-Wilson agreed to indemnify Berkshire Capital against any and all losses, claims, damages and liabilities, joint or several, to which any indemnified party may become subject under any applicable federal or state law or otherwise, related to or arising out of any business combination or the performance by Berkshire Capital of services, unless any loss, claim, damage or liability is found in a final judgment by a court of competent jurisdiction to have resulted from Berkshire Capital's willful misconduct or gross negligence.

You are urged to read the Berkshire Capital opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and limitations on the review undertaken by Berkshire Capital in rendering its opinion. Kennedy-Wilson 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 Kennedy-Wilson's secretary and at the expense of the requesting security holder.

The Berkshire Capital opinion is for the use and benefit of the board of directors of Kennedy-Wilson and is rendered to the board of directors of Kennedy-Wilson in connection with its consideration of the merger. The Berkshire Capital opinion does not address the merits of the underlying decision by Kennedy-Wilson to engage in the merger or the relative merits of the merger as compared to other business strategies that might be available to Kennedy-Wilson. In that regard, Berkshire Capital was not authorized to, and did not, solicit third party indications of interest in acquiring all or a part of Kennedy-Wilson or engaging in a business combination or any other strategic transaction with Kennedy-Wilson. Berkshire Capital does not express any opinion or recommendation as to how the shareholders of Kennedy-Wilson should vote at any stockholders' meeting to be held in connection with the merger. Furthermore, Berkshire Capital does not express any opinion as to the price at which Prospect's securities or the Kennedy-Wilson's securities will trade at any future time.

In arriving at its opinion, Berkshire Capital, among other things:

- (i) reviewed a draft merger agreement, dated September 2, 2009;
- (ii) reviewed Kennedy-Wilson's Annual Report for the years ended December 31, 2006, 2007 and 2008, and certain unaudited interim financial statements and other financial information prepared by the management of Kennedy-Wilson with respect to the six months ended June 30, 2009;
- (iii) reviewed Prospect's Annual Report on Form 10-K for the year ended December 31, 2008, Prospect's Quarterly Report on Form 10-Q for the period ended June 30, 2009, Prospect's Form S-1/A dated October 17, 2007 and other publicly available financial and operating information;
- (iv) met with certain members of Kennedy-Wilson's management to discuss the past and current business operations of Kennedy-Wilson, the historical financial condition and operations and future prospects of Kennedy-Wilson, and the effects of the merger on the financial condition and future operations and prospects of Kennedy-Wilson;
- (v) reviewed certain pro forma financial effects of the merger;
- (vi) reviewed certain historical and forward-looking business, financial and other information relating to Kennedy-Wilson provided to or discussed with us by the management of Kennedy-Wilson;

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- (vii) reviewed certain financial and stock market data and other information for Kennedy-Wilson and Prospect and compared that data and information with corresponding data and information for companies with publicly traded securities that we deemed relevant; and
- (viii) considered such information, financial studies, analyses and investigations and financial, economic and market criteria that we deemed, in our sole judgment, to be necessary, appropriate or relevant to render the opinion set forth herein.

In conducting its review and arriving at its opinion, with the consent of Kennedy-Wilson, Berkshire Capital did not assume any responsibility for independent verification of any of the foregoing information. Berkshire Capital, with the consent of Kennedy-Wilson, assumed and relied upon the accuracy and completeness, in all material respects, of the information described in the preceding paragraph, and relied upon the assurances of the members of management of Kennedy-Wilson that they are unaware of any facts that would make the information or projections provided to Berkshire Capital incomplete or misleading. Berkshire Capital was not requested to make, and did not make, an independent evaluation or appraisal of any assets or liabilities (contingent or otherwise) of Kennedy- Wilson or any of its affiliates, nor was Berkshire Capital furnished with any such evaluation or appraisal. Further, Berkshire Capital assumed, with the consent of Kennedy-Wilson, that all of the information prepared by the management of Kennedy-Wilson provided to Berkshire for purposes of rendering the fairness opinion, including the projections for Kennedy-Wilson, was prepared in good faith and on a basis reflecting the best currently available estimates and judgments of the management of Kennedy-Wilson as to the future financial performance of Kennedy-Wilson, and the assumptions underlying such projections were viewed by Kennedy-Wilson's management as being reasonable at the time made.

Berkshire Capital did not undertake any independent legal analysis of the merger, any related transactions, the merger agreement or any legal or regulatory proceedings pending or threatened related to Kennedy-Wilson. Berkshire Capital was not requested to, and did not, express any opinion as to the after-tax consequences of the merger to the stockholders of Kennedy-Wilson.

The Berkshire Capital opinion is necessarily based on economic, monetary and market conditions existing on September 3, 2009. Berkshire Capital also assumed that the executed merger agreement will conform in all material respects to the draft merger agreement, and that the merger will be consummated on the terms described in the draft merger agreement dated September 2, 2009 without any waiver of any material terms or conditions by the stockholders of Kennedy-Wilson.

In connection with rendering its opinion, Berkshire Capital performed certain financial, comparative and other analyses as summarized below. Each of the analyses conducted by Berkshire Capital was carried out to provide a different perspective on the transaction, and to enhance the total mix of information available. Berkshire Capital 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 received by the non-management stockholders of Kennedy-Wilson in conjunction with the merger to such stockholders of Kennedy-Wilson. The summary below describes the material information in Berkshire Capital's opinion, including the material analyses performed and the material factors considered by Berkshire Capital. 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, Berkshire Capital made qualitative judgments as to the relevance of each analysis and factors that it considered. In addition, Berkshire Capital 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 Berkshire Capital's

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view of the value of Kennedy-Wilson's assets. The estimates contained in Berkshire Capital'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, Berkshire Capital's analyses and estimates are inherently subject to substantial uncertainty. Berkshire Capital 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 Berkshire Capital 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 Berkshire Capital'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 Berkshire Capital. The analyses performed were prepared solely as part of Berkshire Capital's analysis of the fairness, from a financial point of view, to the non-management stockholders of Kennedy-Wilson of the merger consideration to be received in the merger by such stockholders of Kennedy-Wilson, and were provided to Kennedy-Wilson's board of directors in connection with the delivery of Berkshire Capital's opinion. The opinion of Berkshire Capital was just one of the many factors taken into account by Kennedy-Wilson's board of directors in making its determination to approve the transaction, including those described elsewhere in this proxy statement/prospectus.

Berkshire Capital's opinion did not constitute a recommendation to proceed with the merger. Berkshire Capital's opinion relates solely to the question of the fairness, from a financial point of view, to the non-management stockholders Kennedy-Wilson of the merger consideration to be received in the merger by such stockholders of Kennedy-Wilson.

Net Asset Value Analysis

Berkshire Capital computed the net asset value per common share of Kennedy-Wilson on a basic and fully diluted basis using the book value of assets and liabilities as of June 30, 2009, or Methodology A, and the estimated market value of balance sheet assets as of June 30, 2009, or Methodology B, the latter of which was provided by Kennedy-Wilson's management. Berkshire Capital made certain pro-forma adjustments (as summarized below) to the resulting net asset value from Methodology A and Methodology B to determine the post-transaction net asset value for each respective Methodology. Berkshire Capital repeated this exercise assuming five different Prospect common shareholder approval scenarios. Specifically, four of these scenarios were evaluated assuming 100%, 90%, 80% and 70% of the shareholders of Prospect common stock (sold in the Prospect Public Offering) approve of the merger, and an additional scenario was evaluated assuming Kennedy-Wilson receives the minimum transaction proceeds of \$75 million. The number of shares outstanding was adjusted to reflect the business combination on both a basic and fully diluted basis (as summarized below) for appropriate comparison in each of the five scenarios.

Pro-Forma Adjustments

Berkshire Capital made the following adjustments to determine the post-transaction net asset value:

1. Added expected transaction proceeds as provided by Kennedy-Wilson's management for the 80% Prospect common shareholder approval scenario. Berkshire Capital computed the

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expected transaction proceeds for the remaining four scenarios assuming the estimated transaction expenses of approximately \$7.232 million remain constant; and

2.

Subtracted proceeds of approximately \$8.319 million used to repurchase 15.125 million outstanding warrants at \$0.55 per warrant for each scenario.

Berkshire Capital made the following adjustment to determine the post-transaction number of shares outstanding on a fully diluted basis:

1.

Assumed the remaining 15.125 million warrants outstanding are exercised when the common stock is trading at \$19.50 per share and the proceeds from the warrants exercised at \$12.50 per warrant are used to repurchase shares of common stock in the open market at \$19.50 per share.

Methodology A

For Methodology A, the ranges of the change in net asset value per share from pre-transaction to post-transaction derived from the scenario analysis were +\$3.21 to +\$11.11 per share on a basic shares outstanding basis and -\$0.50 to +\$5.31 per share on a fully diluted shares outstanding basis.

Methodology B

For Methodology B, the ranges of the change in net asset value per share from pre-transaction to post-transaction derived from the scenario analysis were +\$4.24 to +\$12.38 per share on a basic shares outstanding basis and +\$0.01 to +\$6.00 per share on a fully diluted shares outstanding basis.

Market Approach

The market valuation approach involves capitalizing earnings, revenues, cash flows or other measures at multiples drawn from current market valuations of publicly traded companies. Berkshire Capital utilized the market valuation approach and derived indicated values from current market multiples for guideline publicly traded investment management firms.

Berkshire Capital selected sixteen publicly traded companies within the investment management industry. Selection criteria included investment management firms based in the United States with market values greater than \$100 million as of July 31, 2009. To qualify as an investment manager, the company's core business must be investment advisory. Berkshire Capital refrained from utilizing publicly traded real estate property managers due to distorted and widely dispersed valuation multiples resulting from recent market dislocation and the lack of analyst coverage and/or earnings estimates. Berkshire Capital determined that the selected guideline investment management firms generally provide a more meaningful representation of market expectations regarding the investment

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management industry on a forward looking basis. The companies that Berkshire Capital selected were as follows:

Company Name	Date of IPO	Ticker Symbol
BlackRock, Inc.	09-30-99	NYSE: BLK
Franklin Resources, Inc.	07-01-71	NYSE: BEN
T. Rowe Price Group, Inc.	04-02-86	NASDAQ: TROW
Invesco Ltd.	08-25-95	NYSE: IVZ
Legg Mason, Inc.	07-01-83	NYSE: LM
Eaton Vance Corp.	01-07-86	NYSE: EV
Affiliated Managers Group, Inc.	11-20-97	NYSE: AMG
Federated Investors, Inc.	05-13-98	NYSE: FII
Waddell & Reed Financial, Inc.	03-04-98	NYSE: WDR
Janus Capital Group Inc.	06-26-00	NYSE: JNS
Calamos Asset Management, Inc.	10-27-04	NASDAQ: CLMS
GAMCO Investors, Inc.	02-10-99	NYSE: GBL
Cohen & Steers, Inc.	08-12-04	NYSE CNS
Pzena Investment Management, Inc.	10-24-07	NYSE PZN
Westwood Holdings Group, Inc.	06-13-02	NYSE: WHG
Diamond Hill Investment Group	01-31-95	NYSE: DHIL

Berkshire Capital determined that the valuations derived from projected 2010 fiscal year 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.

To calculate the estimated 2010 EBITDA multiples, Berkshire Capital computed the price to estimated 2010 fiscal year earnings per share, or EPS, multiples as of July 31, 2009 for each company (2010 fiscal year EPS based on estimates from Thomson First Call). Berkshire Capital applied the median last twelve months effective tax rate of 37.5% to the estimated 2010 fiscal year EPS multiples and computed the estimated 2010 fiscal year pre-tax income. Berkshire Capital added back interest, depreciation and amortization expenses for the last twelve months to the estimated 2010 fiscal year pre-tax income to obtain the 2010 fiscal year EBITDA estimate. Berkshire Capital divided the enterprise value as of July 31, 2009 of each company by their respective estimated 2010 fiscal year

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EBITDA and obtained valuation multiples that ranged from 7.5 to 20.5 times, with a median enterprise value to EBITDA of 12.0 times, shown in the table below:

Ticker Symbol	Company Name	Enterprise Value / EBITDA 2010 Estimate
NYSE: BLK	BlackRock, Inc.	12.67x
NYSE: BEN	Franklin Resources, Inc.	13.19x
NASDAQ: TROW	T. Rowe Price Group, Inc.	8.68x
NYSE: IVZ	Invesco Ltd.	11.48x
NYSE: LM	Legg Mason, Inc.	13.64x
NYSE: EV	Eaton Vance Corp.	13.05x
NYSE: AMG	Affiliated Managers Group, Inc.	9.10x
NYSE: FII	Federated Investors, Inc.	7.48x
NYSE: WDR	Waddell & Reed Financial, Inc.	11.03x
NYSE: JNS	Janus Capital Group Inc.	11.98x
NASDAQ: CLMS	Calamos Asset Management, Inc.	NM
NYSE: GBL	GAMCO Investors, Inc.	20.54x
NYSE CNS	Cohen & Steers, Inc.	20.08x
NYSE PZN	Pzena Investment Management, Inc.	11.53x
NYSE: WHG	Westwood Holdings Group, Inc.	20.40x
NYSE: DHIL	Diamond Hill Investment Group	10.93x
Median		11.98x
25th Percentile		10.98x
10th Percentile		8.85x

Berkshire Capital applied the resulting median, twenty-fifth percentile and tenth percentile enterprise value to estimated 2010 fiscal year EBITDA of 12.0, 11.0 and 8.8 times, respectively, to Kennedy-Wilson's projected EBITDA for fiscal year ended December 31, 2010 to derive post-transaction indicated enterprise value. Berkshire Capital subtracted Kennedy-Wilson's long-term debt, which includes notes payable, mortgage loans payable, convertible subordinated debt, trust preferred securities and minority interest as of June 30, 2009, from each of the three enterprise values indicated by the guideline company multiples to calculate the equity value of Kennedy-Wilson.

Berkshire Capital applied a small-firm discount of 24.3% to each of the three resulting equity values to obtain an adjusted equity value of Kennedy-Wilson. A discount for small size is an adjustment to the valuations indicated by guideline publicly traded company valuation multiples in order to account for the difference between the size of the subject company and the guideline publicly traded companies, as measured by market capitalization. Berkshire Capital estimated the appropriate small-firm discount to be applied to the public market multiples by calculating the percentage difference between the discounted cash flow, or DCF, valuation calculated at the subject firm cost of equity capital and the DCF calculated at the median guideline public company cost of equity capital. See the "*Income Approach*" section below for details regarding the DCF methodology.

Based on such assumptions and methodology, Berkshire Capital calculated the resulting median, twenty-fifth percentile and tenth percentile indicated values per Kennedy-Wilson share of \$60.24, \$54.61 and \$42.52, respectively, on a basic shares outstanding basis. The resulting median, twenty-fifth percentile and tenth percentile indicated values per Kennedy-Wilson share were \$56.79, \$52.54 and \$43.47, respectively, on a fully diluted basis.

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Income Approach

The income valuation approach involves discounting projected cash flows and terminal value at an appropriate discount rate or capitalizing earnings at an appropriate capitalization rate. Berkshire Capital utilized the income valuation approach and derived indicated values from a DCF analysis.

Kennedy-Wilson's management prepared and provided to Berkshire Capital with financial projections. Berkshire Capital used the projections for Kennedy-Wilson's 2009 fiscal year, adjusted for the last four months, through 2012 fiscal year in its DCF analysis. Berkshire Capital used the financial projections to determine the free cash flows of Kennedy-Wilson over the projected period. Berkshire Capital included further assumptions regarding Kennedy-Wilson's EBITDA growth post-management's forecast period and performed scenario analyses that assumed EBITDA compound annual growth rates, or CAGR, of 0%, 5%, 10% and 15% from fiscal year 2012 through fiscal year 2019. Berkshire Capital utilized the free cash flow to equity approach for the discounted cash flow analysis. Berkshire Capital calculated the cost of equity assuming the following:

a risk-free rate of 4.30% (yield on constant maturity 20-year Treasury Bond as of June 30, 2009);

an equity risk premium of 4.25% based on historical data (30-year average long-horizon equity risk premium, 1979-2008), net of the P/E expansion effect identified by Ibbotson and Chen in a study that decomposed average annual total returns on large-cap stocks between 1926 and 2000 into supply factors, including inflation, real growth in earnings, income return through dividends, and expansion of P/E multiples. An updated study determined that P/E multiple expansion contributed 0.71% to annual total returns of stocks over 1987-2008;

a size premium of 2.62% (Morningstar, Inc., Stocks, Bonds, Bills and Inflation, 2009 Yearbook); and

a company-specific risk-premium of 3.00%.

Combined, these factors set forth above yielded a cost of equity of 17.58%. After performing a series of sensitivity analyses to measure the impact of changes in the underlying forecast assumptions regarding fund size, fund returns and long-term EBITDA growth, Berkshire Capital compared the resulting values per share with the current and historical average Kennedy-Wilson market values. For each EBITDA CAGR scenario, Berkshire Capital varied the assumed return and required co-investment capital required for the real estate investment funds and separate accounts. The co-investment capital rates for each scenario as a percentage of the total committed capital for the funds and separate accounts were as follows: 4.0% (funds) and 6.5% (separate accounts); 4.5% (fund) and 7.0% (separate accounts); 5.0% (funds) and 7.5% (separate accounts); 5.5% (funds) and 8.0% (separate accounts); and 6.0% (funds) and 8.5% (separate accounts). The assumed multiple of invested capital, or MOIC, for each product, which represents the cash-on-cash return for the investor in each fund, was 1.3, 1.5, 1.7, 1.9 and 2.1 times. Each combination of co-investment capital requirement and return assumptions was calculated for each post-management forecast EBITDA CAGR scenario, resulting in 100 different scenarios. The resulting equity value per share ranged from \$24.86-\$106.64, \$26.44-\$120.18, \$29.06-\$145.43 and \$32.01-\$171.05, for the 0%, 5%, 10% and 15% post-management forecast EBITDA CAGR scenarios, respectively.

Comparison of Capital Raising Alternatives

Berkshire Capital researched historical equity offering activity where an existing public company issued new common equity in a secondary public offering. The research was focused on determining appropriate discounts to current share value when the new shares were offered to the public. Historical data collected from SNL Financial and Bloomberg indicated a range of discounts from the twenty-fifth to seventy-fifth percentiles of 11.46% to 4.19%, respectively. Berkshire Capital overlaid transaction cost assumptions on the discount assumptions and determined the number of shares that would be required

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to be issued in order to raise the amount of capital equivalent to the merger. Berkshire Capital applied share price discounts to the historical 30-day average Kennedy-Wilson share price as of September 3, 2009. Berkshire Capital used the 30-day average price due to the volatility and lack of trading volume of the Kennedy-Wilson shares. The scenario analysis utilized a variety of different discount and cost combinations and compared the dilutive effects of these transactions. The scenarios included all combinations of discounts between 5% and 20%, at steps of 100 basis points, and cost assumptions of 6% and 7%, resulting in 32 different scenarios. The dilutive effects were examined on both a basic and fully-diluted shares outstanding basis.

The pre-transaction cases included a basic shares outstanding case and two fully diluted scenarios assuming different warrant repurchase scenarios post-transaction. The basic shares outstanding case, or Basic Scenario, results in 48.1% ownership for Kennedy-Wilson common equity holders post-transaction (the proposed merger). The first diluted scenario, or Dilution Scenario A, assumes 15.125 million warrants are exercised when the common stock is trading at \$19.50 per share and the proceeds from the warrants exercised at \$12.50 per warrant are used to repurchase shares of common stock in the open market at \$19.50 per share, resulting in 41.7% ownership for existing Kennedy-Wilson shareholders post-transaction (the proposed merger). The second diluted scenario, or Dilution Scenario B, assumes 15.125 million warrants are exercised when the common stock is trading at \$13.50 per share and proceeds from the warrants exercised at \$12.50 per warrant are used to repurchase shares of common stock at \$13.50 per share, resulting in 44.8% ownership for existing Kennedy-Wilson shareholders post-transaction (the proposed merger).

The equity offering scenario analysis outcomes ranged from 48.2%, assuming a 5% discount to market and 6% cost scenario, to 43.7%, assuming a 20% discount and 7% cost scenario, on a basic shares outstanding basis. The scenario outcomes ranged from 44.2%, assuming a 5% discount to market and 6% cost scenario, to 40.4%, assuming a 20% discount to market and 7% cost scenario, on a fully diluted basis. The vast majority of cases indicated that the dilutive effects of the merger (as summarized in the above paragraph) are less severe relative to an equity offering.

Based on the information and analyses set forth above, Berkshire Capital delivered its written opinion to the board of directors of Kennedy-Wilson on September 4, 2009, which stated that, as of September 3, 2009, and based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the fairness opinion, the merger consideration to be received in the merger by the non-management stockholders of Kennedy-Wilson is fair to such stockholders of Kennedy-Wilson from a financial point of view.

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

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. McMorro 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:

Mr. McMorro 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);

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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

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 the second and third bullets 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.

The compensation committee of Kennedy-Wilson's board of directors made the determination to pay cash bonuses to only Mr. McMorrow and Ms. Ricks upon consummation of the merger after taking into account several factors, including the primary roles Mr. McMorrow and Ms. Ricks played in negotiating the terms of the merger and the merger agreement and the amendments to Mr. McMorrow's and Ms. Ricks' employment agreements eliminating their rights to receive cash lump sum payments otherwise due upon a change in control.

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. The determination of Kennedy-Wilson's compensation committee to forgive the note upon the consummation of the merger stemmed from its consideration of Mr. McMorrow's contributions to Kennedy-Wilson, Mr. McMorrow's primary role in negotiating the terms of the merger and the merger agreement, and the terms of the note which provides for its forgiveness in the event of certain changes in control.

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 2,475,000 shares of Prospect common stock will be reserved for issuance under the 2009 Plan. If the merger is consummated, certain Kennedy-Wilson officers, directors

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and key employees will be issued an aggregate of 2,376,000 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	\$ 5,513,062.50	556,875
Freeman Lyle, Chief Financial Officer	\$ 765,705.60	77,344
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$ 5,513,062.50	556,875
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$ 765,705.60	77,344
Robert Hart, President of KW Multi-Family Management Group	\$ 765,705.60	77,344
James Rosten, President of Kennedy-Wilson Properties	\$ 765,705.60	77,344
All executive officers, as a group	\$22,021,619.40	2,224,406
All directors who are not executive officers, as a group	\$ 153,143.10	15,469
All employees, including all current officers who are not executive officers, as a group	\$ 1,347,637.50	136,125

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"* on page 180), 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"* on page 184 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:

the removal of certain benefits in the event of a change in control;

the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties;

the grant to each executive of 556,875 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above;

the cash bonus payments set forth above; and

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 the second and third bullets above.

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In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended:

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

to achieve compliance with Section 409A of the Code.

Fairness Opinion

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). Prospect considered several firms for this engagement and selected Houlihan Smith based on its experience and expertise in executing fairness opinion assignments in general, its experience in working with other special purpose acquisition corporations, and its ability to complete the engagement within the time frame requested by Prospect. Houlihan Smith has represented to Prospect that its experience includes having issued hundreds of opinions on fairness and solvency issues, as well as regularly issuing white papers on various fairness and solvency topics. There is not, and has not been, any material relationship between Houlihan Smith, its affiliates and/or unaffiliated representatives and either Prospect or Kennedy-Wilson, nor is such a relationship currently contemplated. Houlihan Smith did not provide any determination or guidance as to the amount of consideration to be paid in the merger.

Houlihan Smith delivered an oral 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:

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

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).

Based on the analyses described herein, Houlihan Smith determined a range for the equity value of Kennedy-Wilson of \$101.4 million to \$273.3 million. The amount of the merger consideration was determined pursuant to negotiations between Prospect and Kennedy-Wilson and not pursuant to recommendations of Houlihan Smith. Houlihan Smith calculated a range for the merger consideration by stressing the number of potential shares electing conversion from 0% to 29.99%, which resulted in a range of \$202.9 million to \$217.1 million. Houlihan Smith determined that both the high and low values of the merger consideration were within the range of equity of Kennedy-Wilson, supporting Houlihan Smith's conclusion that 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. 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 \$90,000 for its services in rendering its fairness opinions, 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 losses as a result of Prospect's breach of its

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representations and warranties contained in the engagement letter between Prospect and Houlihan Smith or as a result of activities or services performed by Houlihan Smith except to the extent the losses were the result of Houlihan Smith's intentional misconduct or gross negligence. No material relationship exists or has existed within the past between Houlihan Smith and Prospect, or Kennedy- Wilson.

On October 22, 2009, Prospect informed Houlihan Smith of an amendment to the merger agreement relating to a reduction in the number of shares retained by Prospect's founders and the number of management incentive shares to be awarded to Kennedy-Wilson's management. Houlihan Smith reviewed the revised terms of the merger and analyzed the effects on the implied value of the merger consideration, and determined a new range of implied consideration of \$227.2 million to \$235.7 million. On October 22, 2009, Houlihan Smith issued a bring-down letter to Prospect stating that Houlihan Smith reaffirmed, as of the date of the letter, all statements made in its fairness opinion letter to Prospect dated as of September 5, 2009.

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. 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, which include projected revenue, operating expenses, interest, and EBITDA, prepared by Kennedy-Wilson's management for the years ending December 31, 2009 through December 31, 2014, dated August 10, 2009;

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Reviewed and analyzed updated financial projections of Kennedy-Wilson, which include projected revenue, operating expenses, interest, EBITDA, depreciation, and capital expenditures, prepared by management for the years ending December 31, 2009 through December 31, 2014, dated September 18, 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;

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

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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;

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;

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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 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 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

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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 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:

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

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:

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

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.

Table of Contents**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 considered certain adjustments to the cash flows, including the cancellation of the loan to Kennedy-Wilson's chief executive officer, Mr. McMorrow, Prospect's assumption of the Guardian Note, and the bonuses to be provided to certain management individuals of Kennedy-Wilson. To address the cancellation of the loan to Mr. McMorrow, Houlihan did not add back the loan amount as a non-operating asset. The second adjustment Houlihan Smith addressed was Prospect's assumption of the Guardian Note, which was subtracted from the enterprise value in order to arrive at Kennedy-Wilson's equity value. The third adjustment Houlihan Smith addressed was the bonuses to be paid to Kennedy-Wilson's management, which were addressed within the financial projections provided by Kennedy-Wilson's management. Houlihan Smith used the financial projections provided by Kennedy-Wilson, after adjustments, to determine the enterprise net cash flows of Kennedy-Wilson over the projected period. The financial projections provided by Kennedy-Wilson are provided in the following table:

Kennedy Wilson, Inc.**Discounted Cash Flow Analysis**

(\$ in thousands)	Year 2009(1)	Pro Forma Period		
		Year 2010	Year 2011	Year 2012
Revenue				
Target's share of property revenue	23,400	32,000	57,000	66,000
Co-invest proceeds and promoted interest	30,700	22,000	54,000	65,000
Gross fees	47,700	102,000	115,000	125,000
Interest & other	11,500	15,000	4,000	5,000
TOTAL REVENUE	\$ 113,300	\$171,000	\$230,000	\$ 261,000
Revenue Growth %	64.2%	50.9%	34.5%	13.5%
Nonrecurring Management Expense	(667)	(3,500)	(3,500)	
Operating Expenses Total	(64,167)	(67,500)	(98,500)	(105,000)
EBITDA Real Estate	20,900	30,250	68,250	83,000
EBITDA Management	26,900	73,250	63,250	73,000
EBITDA Total	\$ 47,800	\$103,500	\$131,500	\$ 156,000

(1)

Financial metrics were adjusted for the last four months in 2009 in the fairness opinion

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. Financial projections provided by Kennedy-Wilson's management included projected revenue, operating expenses, depreciation, and capital expenditures for 2009 through 2014. Operating expenses and depreciation were charged against revenues in order to calculate income before taxes. After subtracting estimated taxes using a 40% effective tax rate, depreciation was added back and capital expenditures were subtracted in order to

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calculate net cash flows. The enterprise net cash flows for the projected period are provided in the following table:

(\$ in thousands)	2009(1)	2010	2011	2012
Enterprise Net Cash Flow	\$28,680	(\$ 39,983)	\$23,707	\$38,367

(1)

Financial metrics were adjusted for the last four months in 2009 in the fairness opinion

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, 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) of \$132.7 million 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 Smith presented an updated range of equity value to reflect revised information regarding depreciation and capital expenditures. The revised depreciation created a tax shield, which offset the capital expenditures and resulted in a greater enterprise value applying the discounted cash flow method. The range of equity value presented after incorporating that revised information was \$206.8 million to \$323.9 million. The projected capital expenditures, depreciation, and resulting tax shield for the projected period are provided in the following table:

(\$ in thousands)	2009	2010	2011	2012	2013	2014
Depreciation	8,000	13,971	16,397	18,589	20,210	22,044
Depreciation Tax Shield	3,200	5,588	6,559	7,436	8,084	8,818
Capital Expenditures	(1,017)	(296)	(238)	(245)	(112)	(292)

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

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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, or face value. Of the 56 investments (including portfolios), 37 of the investments' values were based on capitalization rates, which ranged from 6.9% to 11.0%, three were based on appraisal values, four were based on value from units/partial of land sold applied to the number of remaining units/partial of land, two were based on recent purchase prices, seven were based on Kennedy-Wilson's book value, one was based on company estimates from previous sales, and two were loans, which were based on face value of the notes. Based on these methodologies, Houlihan Smith arrived at a fair market value of the direct real estate segment of \$90.4 million, shown in the following table:

	Net Operating Income	Avg cap rate used on income properties	Median % owned	Market value of equity
Residential	\$53,495,260	7.5%	7.5%	\$53,282,476
Loans	\$ 1,528,260		50.0%	\$32,900,484
Office	\$22,687,514	9.0%	4.4%	\$ 2,856,046
Other(1)	\$ 0		100.0%	\$ 1,354,161
Total	\$77,711,034		7.1%	\$90,393,167

- (1) Includes limited partnership investments and investments in securities that do not produce net operating income.

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. Houlihan Smith searched for companies within similar lines of business as Kennedy-Wilson and considered the following factors, amongst others, in selecting its guideline public companies: structure, size, growth, leverage, profitability, turnover, and other operating characteristics. All companies that met these criteria were included without exception.

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	Date of Initial Public Offering	Ticker Symbol
CB Richard Ellis Group, Inc.	06/10/2004	NYSE:CBG
Jones Lang Lasalle, Inc.	07/17/1997	NYSE:JLL
FirstService Corp.	06/22/1993	TSX:FSV
Grubb & Ellis Company	01/02/1992	NYSE:GBE
Stratus Properties, Inc.	07/01/1992	NasdaqGS:STRS
Century21 Real Estate of Japan Ltd.	11/21/2001	JASDAQ:8898
AEONMALL Co. Ltd.	07/24/2002	TSE:8905
Sumitomo Real Estate Sales Co. Ltd.	06/23/1998	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.

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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 shown in the table below:

Ticker	Company Name	TEV / REVENUE LTM	TEV / EBITDA LTM
NYSE:CBG	CB Richard Ellis Group, Inc.	1.4x	23.0x
NYSE:JLL	Jones Lang Lasalle Inc.	0.9x	11.5x
TSX:FSV	FirstService Corp.	0.6x	8.7x
NYSE:GBE	Grubb & Ellis Company	0.5x	NM
NasdaqGS:STRS	Stratus Properties Inc.	9.3x	NM
JASDAQ:8898	Century21 Real Estate of Japan Ltd.	2.4x	7.4x
TSE:8905	AEONMALL Co. Ltd.	3.9x	9.5x
TSE:8870	Sumitomo Real Estate Sales Co. Ltd.	2.3x	15.9x
	Mean	2.7x	12.7x
	Median	1.9x	10.5x

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 of 13.0%. The calculated enterprise value based on the 2009 revenue and EBITDA multiples was \$104.8 million and \$265.5 million, respectively. Houlihan Smith added the fair market value of the direct real estate segment of \$90.4 million to calculate the indicated enterprise values of \$195.2 million and \$355.9 million, respectively. Houlihan Smith then reduced these values by net interest bearing debt of \$93.8 million 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. This was calculated based on Kennedy-Wilson's estimated 2010 EBITDA, which assumes the transaction is successfully completed, multiplied by the peer group's 2010 TEV/EBITDA multiple of 7.6 times and discounted to the present value based on Kennedy-Wilson's weighted average cost of capital of 13.0%. The calculated enterprise value based on the estimated 2010 EBITDA was \$558.5 million. Houlihan Smith added the fair market value of the direct real estate segment of \$90.4 million to calculate the indicated enterprise value of \$648.9 million and reduced this value by net interest bearing debt of \$93.8 million to conclude an equity value of \$555.1 million.

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. Houlihan Smith searched for transactions involving companies within similar lines of business as Kennedy-Wilson and considered the following factors, amongst others, in selecting its transactions: structure, size, growth, leverage, profitability, turnover, and other operating characteristics. Houlihan Smith also ensured that the selected transactions were similar in nature in terms of structure. All transactions that met these criteria were included without exception.

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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:

Closed 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

The selected transactions were completed in fiscal 2007 or by the fall of 2008 and reflect the uncertainty regarding when the real estate market will recover. As of September 2009, the overall market began showing signs of recovery. However, at this time the real estate market specifically still reflected the downturn in the market, making the values indicated by the selected transactions comparable. 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, shown in the table below:

Buyer / Investor	Target / Issuer	Closed Date	Enterprise Value / Revenues	Enterprise Value / EBITDA
Relo Holdings, Inc.	Nihon Housing Co. Ltd.	10/23/2008	0.3x	10.0x
Carter Bank & Trust	Bank Building Corp.	4/30/2008	9.5x	11.0x
Sutter Capital Management LLC; MacKenzie Patterson Fuller, LP	Century Properties Fund XIV	4/26/2008	4.6x	10.5x
Individual Investors	Bay Equities, Inc.	9/6/2007	0.9x	8.9x
AEONMALL Co. Ltd.	Diamond City Co. Ltd.	8/16/2007	4.7x	13.5x
Apollo Investment Fund VI LP, Apollo Management LP	Realogy Corp.	4/10/2007	1.2x	8.7x
Mean			3.5x	10.4x
Median			2.9x	10.3x

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 of 13.0%. The calculated enterprise value based on the 2009 revenue and EBITDA multiples was \$161.5 million and \$259.4 million, respectively. Houlihan Smith added the fair market value of the

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direct real estate segment of \$90.4 million to calculate the indicated enterprise values of \$251.9 million and \$349.8 million. Houlihan Smith then reduced these values by net interest bearing debt of \$93.8 million 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. This was calculated based on Kennedy-Wilson's estimated 2010 EBITDA, which assumes the transaction is successfully completed, multiplied by the indicated TEV/EBITDA multiple of 7.6 times and discounted to the present value based on Kennedy-Wilson's weighted average cost of capital of 13.0%. The calculated enterprise value based on the estimated 2010 EBITDA was \$625.0 million. Houlihan Smith added the fair market value of the direct real estate segment of \$90.4 million to calculate the indicated enterprise value of \$715.4 million and reduced this value by net interest bearing debt of \$93.8 million to conclude an equity value of \$621.6 million.

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.

Based on the information and analyses set forth above, Houlihan Smith determined that the merger consideration is within the range of the fair market value of Kennedy-Wilson, applying the three methodologies, guideline public company method, comparable transactions method, and discounted cash flow method. 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:

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

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

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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;

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.

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

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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;

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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

In the opinion of Loeb & Loeb LLP (which is attached as Exhibit 8.2 to the Registration Statement of which this proxy statement/prospectus forms a part), the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code, and therefore:

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.

However, this opinion is not binding on the Internal Revenue Service or the courts and is subject to certain assumptions, limitations and qualifications as set forth therein.

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

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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

In the opinion of Bingham McCutchen LLP (which is attached as Exhibit 8.1 to the Registration Statement of which this proxy statement/prospectus forms a part) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code and 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 to continue to hold public warrants, as amended, 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 in connection with the amendment of their warrants, and such holder's adjusted tax basis and holding period in the "new" warrants received (or deemed received) should be the same as such holder's adjusted tax basis and holding period in the "old" warrants exchanged or deemed exchanged in connection with the warrant amendment.

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 additional tax. The amount of any backup withholding will be refunded (or allowed as a credit against

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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*" on page 255.

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 appraisal 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 appraisal 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.

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

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the business combination will have effective control of Prospect through its approximately 47.2% stockholder interest in the post-merger company, assuming no share conversions (54.6% in the event of maximum share conversion), which includes its largest principal stockholder owning approximately 26.1% of the Kennedy-Wilson stockholder interest in the post-merger company. In addition, through Kennedy-Wilson's 47.2% stockholder interest, Kennedy-Wilson will maintain effective control of the post-merger company 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*" starting on page 89 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, as amended, 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*" on page 150. 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

Each outstanding holder of public warrants will elect either:

to receive upon the closing of the merger \$0.55 in cash; or

to continue to hold his, her or its public warrant which will be amended to provide for a new 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 public warrants that will remain outstanding following 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 public warrants than the Warrant Limit, the public warrantholders and the holders of sponsor warrants will receive the cash election for their portion of their warrants. The number of additional warrants to be exchanged for the cash amount will be apportioned pro rata among the holders of public warrants who make a warrant election and the holders of sponsor warrants, by multiplying the number of amended public warrants evidenced by a specific warrant election or the number of sponsor warrants, as applicable, by a fraction (x) the numerator of which is the number by which the warrants elected to be exchanged for amended public warrants exceed the Warrant Limit and (y) the denominator of which is the sum of the aggregate number of amended public warrants evidenced by all warrant elections plus the number of sponsor warrants. Further, public warrants for which holders of public warrants make no election will be converted into the right to

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receive the cash exchange. There is, however, no limit on the number of public warrants that may be exchanged for cash.

Under the same warrant amendment, each sponsor warrant terms will be amended to provide for 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 above.

Forfeiture of Founder Shares

Immediately prior to the merger, 4,750,000 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 1,500,000 shares of Prospect common stock.

Management Incentive Shares

To reward and incentivize Kennedy-Wilson's key employees and management after the merger, up to 2,475,000 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 2,376,000 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	\$ 5,513,062.50	556,875
Freeman Lyle, Chief Financial Officer	\$ 765,705.60	77,344
Mary Ricks, Co-CEO of KW Commercial Investment Group	\$ 5,513,062.50	566,875
Barry Schlesinger, Co-CEO of KW Commercial Investment Group	\$ 765,705.60	77,344
Robert Hart, President of KW Multi-Family Management Group	\$ 765,705.60	77,344
James Rosten, President of Kennedy-Wilson Properties	\$ 765,705.60	77,344
All executive officers, as a group	\$22,021,619.40	2,224,406
All directors who are not executive officers, as a group	\$ 153,143.10	15,469
All employees, including all current officers who are not executive officers, as a group	\$ 1,347,637.50	136,125

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"* on page 180), 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"* on page 184 for additional information.

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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:

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);

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

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 the second and third bullets 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. The compensation committee of Kennedy-Wilson's board of directors made the determination to pay cash bonuses to only Mr. McMorrow and Ms. Ricks upon consummation of the merger after taking into account several factors, including the primary roles Mr. McMorrow and Ms. Ricks played in negotiating the terms of the merger and the merger agreement and the amendments to Mr. McMorrow's and Ms. Ricks' employment agreements eliminating their rights to receive cash lump sum payments otherwise due upon a change in control.

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. The determination of Kennedy-Wilson's compensation committee to forgive the note upon the consummation of the merger stemmed from its consideration of Mr. McMorrow's contributions to Kennedy-Wilson, Mr. McMorrow's primary role in negotiating the terms of the merger and the merger agreement, and the terms of the note which provides for its forgiveness in the event of certain changes in control.

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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:

the removal of certain benefits in the event of a change in control;

the addition of certain severance benefits if the executive resigns on account of a change in location or a material reduction in duties;

the grant to each executive of 556,875 shares of restricted stock of Prospect pursuant to the 2009 Plan and upon the terms and conditions set forth above;

the cash bonus payments set forth above and

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 the second and third bullets above. In addition, the employment agreements for Messrs. McMorrow and Herrema and Ms. Ricks have been amended to include language intended:

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

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:

any of the shares of Prospect common stock received as merger consideration for three months after the merger, and

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.

The Guardian Note

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In connection with the merger, the Guardian Note will become convertible into shares of Prospect common stock pursuant to the terms of 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 and a letter agreement entered into between Kennedy-Wilson and Guardian on October 8, 2009, and following the consummation of the merger, Guardian will have the option to convert, in whole or in part, the outstanding principal balance and accrued interest into common stock at a conversion price of \$9.86 per share any time prior to May 3, 2017. At any time on or after the ninth anniversary of the original issue date of the note and prior to the due date, Prospect

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(as successor) may demand that Guardian convert the note in accordance with its terms. As of October 22, 2009, the outstanding principal balance and accrued interest of the Guardian Note were \$30 million and \$466,666, respectively. Upon consummation of the merger, the estimated number of shares of common stock into which the Guardian Note will be convertible is 3,042,466.

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;

permits and licenses (Kennedy-Wilson only);

title to properties (Kennedy-Wilson only);

intellectual property (Kennedy-Wilson only);

tax matters;

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employment and employee benefits matters (Kennedy-Wilson only);

related party transactions;

insurance (Kennedy-Wilson only);

material contracts;

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);

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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.

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 changes (after the date of the merger agreement) in law or in generally accepted accounting principles or in accounting standards or any decline in the market price, or change in trading volume of the capital stock of Kennedy-Wilson or Prospect, 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

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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;

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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 "*The Merger Proposal Material United States Federal Income Tax Consequences*" on page 135.

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;

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;

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

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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;

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 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;

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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;

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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;

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 2,475,000 shares of Prospect common stock and grant awards to key employees of Kennedy-Wilson; and

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

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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

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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

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.

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

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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.

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;

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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;

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 4,750,000 shares of Prospect common stock duly endorsed in blank with executed blank stock powers pursuant to the terms of the forfeiture agreement; and

Prospect having available a minimum of \$75,000,000, after taking into account all expenses and liabilities of Prospect and Kennedy-Wilson and other payments required to be made by Prospect or Kennedy-Wilson at or immediately after closing, 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

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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;

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;

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:

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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;

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- (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. Prospect is not obligated to pay any fees (other than expenses incurred) should the merger agreement be terminated or the merger not consummated.

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:

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

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 and printing costs.

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.

Table of Contents**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
Other	1,300,000	1,045,000	2,973,000	98,000			209,000
Total revenue	19,300,000	16,473,000	32,225,000	33,393,000	26,498,000	41,753,000	38,748,000
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	(1,763,000)	3,283,000	9,751,000	17,646,000	6,581,000	20,252,000	6,776,000
Non-operating income (expense)	(2,987,000)	(3,049,000)	(9,084,000)	(8,609,000)	(40,000)	(9,262,000)	(2,415,000)
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 stockholders**

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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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 merger, each holder of the 25,000,000 public warrants will elect either to receive upon the closing of the merger a cash payment of \$0.55 per public warrant or to continue to hold their public warrants as amended public warrants, with each such amended 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 of \$19.50 per share (increased from \$14.50 per share), and an expiration date of November 14, 2013 (extended from November 14, 2012). The sponsors' warrants are being amended similarly. No more than 50% of the outstanding public warrants may be exchanged for amended 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. As the fair value of the amended public warrants was determined to be less than the value of the old warrants, no accounting entry is required with respect to the amendment of the public warrants. To the extent that 50% of the public warrant holders do not elect to receive a cash payment for their public warrants, sponsors' warrants will be included in the warrant holder group receiving cash at closing (with a cut-back applied proportionately to the group comprised of those who elect amended warrant terms and all of the sponsors' warrants) in order to meet the 50% cash-out minimum. However, under no circumstances will sponsors be permitted to elect to receive cash for their warrants.

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 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 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

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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*" on page 56.

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 both 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:

their stockholder interest comprising the largest single control block of shares in the post-merger company,

a majority of the members of the board of directors of the post-merger company being comprised of current Kennedy-Wilson directors (initially, six directors of Kennedy-Wilson and one director of Prospect), and

all of the senior executive officers of the post-merger 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 for share and 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)	\$ 239,216		74,176(10)	\$ 158,165
			54(15)	11,420(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			\$ 507,315			\$ 426,264
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
	74,100		74,100(3)					

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Common stock subject to possible conversion							
Equity							
Preferred stock		1		1(5)			
Common stock	3	54		(9)	2(19)	6	1(10)
				54(19)	(7)		
				(18)	(15)		
					1(5)		
					(8)		
Additional paid-in capital	162,967	58,903		74,100(3)	296,398	74,099(10)	215,348
				6,852(11)	1,036(17)	76(10)	
				6,875(12)	52(19)	6,875(12)	
				(7)	2,455(8)		