

Kennedy-Wilson Holdings, Inc.  
Form 424B3  
March 01, 2016  
Filed by Kennedy-Wilson Holdings, Inc.  
pursuant to Rule 424(b)(3) under the Securities Act of 1933  
Commission File No.: 333-164926

**ANNUAL REPORT ON FORM 10-K**

On February 29, 2016, Kennedy-Wilson Holdings, Inc. filed with the Securities and Exchange Commission its Annual Report on Form 10-K for the year ended December 31, 2015 which is reproduced below as Appendix A to this filing.

The exhibits filed with the Annual Report are attached to Appendix A to this filing.

In connection with the offering (the "Offering") of up to 20,278,690 shares of common stock and 4,993,471 warrants to purchase common stock of Kennedy-Wilson Holdings, Inc. (the "Company") by certain selling security holders, the Company has filed with the Securities and Exchange Commission ("SEC") a registration statement (the "Registration Statement") on Form S-1 (No. 333-164926), as amended, which was declared effective on June 11, 2010. A prospectus, dated June 11, 2010, covering the Offering was filed with the SEC on June 11, 2010 (as supplemented from time to time, the "Prospectus").

**ANY POTENTIAL INVESTORS IN THE SECURITIES OF THE COMPANY ARE URGED TO READ THE PROSPECTUS AND THIS PROSPECTUS SUPPLEMENT CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE OFFERING.**

This Prospectus Supplement and the Prospectus are required to be delivered by the selling security holders of the above-referenced securities or by certain of their transferees, pledges, donees or their successors in connection with the offer and sale of the above-referenced securities.

The information contained herein, including the information attached hereto, supplements and supersedes, in part, the information contained in the Prospectus. This Prospectus Supplement should be read in conjunction with the Prospectus and all prior prospectus supplements, and is qualified by reference to the Prospectus and all prior prospectus supplements except to the extent that the information in this Prospectus Supplement supersedes the information contained in the Prospectus or any prior prospectus supplement.

You may obtain a copy of the Registration Statement, the Prospectus, this Prospectus Supplement and all prior prospectus supplements, as well as other filings containing information about the Company, without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the Registration Statement, the Prospectus and this Prospectus Supplement can also be obtained, without charge, from the Company's corporate website at [www.kennedywilson.com](http://www.kennedywilson.com), or by directing a request to the Company, Attention: Investor Relations, 151 S El Camino Drive, Beverly Hills, California 90212.

In addition to the documents described above, the Company files annual, quarterly and current reports, proxy statements and other information with the SEC, which are available at the SEC's website at [www.sec.gov](http://www.sec.gov) or at the Company's website at [www.kennedywilson.com](http://www.kennedywilson.com).

The information contained in, or that can be accessed through, the Company's website is deemed not to be a part of this filing.

**THIS FILING IS FOR INFORMATION PURPOSES ONLY AND SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES, NOR SHALL THERE BE ANY SALE OF SECURITIES IN ANY JURISDICTION IN WHICH SUCH SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.**

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Appendix A

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-33824

Kennedy-Wilson Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

26-0508760

(State or Other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

151 S El Camino Dr

90212

Beverly Hills, CA

(Address of Principal Executive Offices)

(Zip Code)

(310) 887-6400

(Registrant's telephone number, including area code)

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

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Title of Each Class

Common Stock, \$.0001 par value

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

Name of Each Exchange on which Registered

NYSE

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past

90 days. Yes  No

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

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

Form 10-K.

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

Large accelerated filer  Accelerated filer

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

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

Based on the last sale at the close of business on June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$2,775,789,503.

The number of shares of common stock outstanding as of February 29, 2016 was 114,409,152.

### DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates certain information by reference from the registrant's proxy statement for the annual meeting of stockholders to be held on or around June 9, 2016, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2015.

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**FORWARD-LOOKING STATEMENTS**

Statements made by us in this report and in other reports and statements released by us that are not historical facts constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are necessarily estimates reflecting the judgment of our senior management based on our current estimates, expectations, forecasts and projections and include comments that express our current opinions about trends and factors that may impact future operating results. Disclosures that use words such as “believe,” “may,” “anticipate,” “estimate,” “intend,” “could,” “plan,” “expect,” “project” or the negative of these, as well as similar expressions, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance, rely on a number of assumptions concerning future events, many of which are outside of our control, and involve known and unknown risks and uncertainties that could cause our actual results, performance or achievement, or industry results, to differ materially from any future results, performance or achievements, expressed or implied by such forward-looking statements. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we do not guarantee that the transactions and events described will happen as described (or that they will happen at all). For a further discussion of these and other factors that could impact our future results, performance or transactions, please carefully read “Risk Factors” in Part I, Item 1A below in addition to the following factors:

- disruptions in general economic and business conditions, particularly in geographies where our business may be concentrated;
- volatility and disruption of the capital and credit markets, higher interest rates, higher loan costs, less desirable loan terms and a reduction in the availability of mortgage loans, all of which could increase costs and could limit our ability to acquire additional real estate assets;
- continued high levels of, or increases in, unemployment and general slowdowns in commercial activity;
- our leverage and ability to refinance existing indebtedness or incur additional indebtedness;
- an increase in our debt service obligations;
- our ability to generate a sufficient amount of cash to satisfy working capital requirements and to service our existing and future indebtedness;
- our ability to achieve improvements in operating efficiency;
- foreign currency fluctuations;
- performance of our foreign currency hedge instruments;
- adverse changes in the securities markets;
- our ability to retain our senior management and attract and retain qualified and experienced employees;
- our ability to retain major clients and renew related contracts;
- trends in use of large, full-service commercial real estate providers;
- changes in tax laws in the United States, Ireland, United Kingdom, Spain, Italy or Japan that reduce or eliminate deductions or other tax benefits we receive;
- our ability to repatriate investment funds in a tax-efficient manner;
- future acquisitions may not be available at favorable prices or upon advantageous terms and conditions; and
- costs relating to the acquisition of assets we may acquire could be higher than anticipated.

Any such forward-looking statements, whether made in this report or elsewhere, should be considered in the context of the various disclosures made by us about our businesses including, without limitation, the risk factors discussed in this Annual Report. Except as required under the federal securities laws and the rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”), we do not have any intention or obligation to update publicly any forward-looking statements, whether as a result of new information, future events, changes in assumptions, or otherwise. Please refer to “Non-GAAP Measures and Certain Definitions” for definitions of certain terms used throughout this report.



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PART I

Item 1. Business

Company Overview

Kennedy Wilson is a global real estate investment company. We own, operate, and invest in real estate both on our own and through our investment management platform. We focus on multifamily and commercial properties located in the Western U.S., UK, Ireland, Spain, Italy and Japan. To complement our investment business, the Company also provides real estate services primarily to financial services clients.

Our value is primarily derived from our ownership in income producing real estate assets. We have an ownership interest in approximately 39 million square feet of property globally, including 24,371 multifamily rental units. In addition to our core income producing real estate, we engage in redevelopment and value add initiatives through which we enhance cash flows or reposition asset to increase disposal value. Additionally, our investment management and property services business manages over \$18 billion of AUM the majority of which we have an ownership interest in and the balance we manage for third parties.

We have over 495 employees in 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan and manage and work with over 5,000 operating associates.

The following is our business model:

• Identify countries and markets with an attractive investment landscape

• Establish operating platforms in our target markets

• Develop local intelligence and create long-lasting relationships; primarily with financial institutions

• Leverage relationships and local knowledge to drive proprietary investment opportunities with a focus on off-market transactions that we expect will result in above average cash flows and returns over the long term

• Acquire high quality assets, either on our own or with strategic partners, utilizing cash from our balance sheet (funded by cash flows from operations, refinancing of current investments, investments sales or the sale of equity or debt securities) and typically financing them on a long-term basis

• Reposition assets and enhance cash flows post-acquisition

• Explore development opportunities on underutilized portions of assets; primarily excess land with little or no basis adjacent to income producing properties

• Continuously evaluate and selectively harvest asset and entity value through strategic realizations utilizing both the public and private markets

• Utilize our services businesses to meet client needs, strengthen relationships with financial institutions, and position us as a valuable resource and partner to these institutions for any future real estate opportunities

Since going public on November 13, 2009 through December 31, 2015, the annualized total rate of return (including dividends) of our common stock (NYSE: KW) was 17.1%, compared to the return of the S&P 500 index of 13.1%.

Past stock price performance is not necessarily indicative of future stock price performance.



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The table below highlights some of the Company's performance metrics over the past five years:

(Dollars in millions, except per share amounts)	Year Ended December 31,				
	2015	2014	2013	2012	2011
Statements of operations data and dividends:					
Revenue	\$603.7	\$398.6	\$123.1	\$66.9	\$62.6
Net income (loss) to Kennedy-Wilson Holdings Inc. common shareholders	71.1	13.8	(14.5 )	(3.9 )	(2.4 )
Basic income (loss) per share	0.66	0.14	(0.21 )	(0.07 )	(0.06 )
Dividends declared per share of common stock	0.48	0.36	0.28	0.2	0.11
Adjusted EBITDA <sup>(1)</sup>	371.2	317.8	159.1	97.4	70.3
Adjusted EBITDA annual increase	17	% 100	% 63	% 39	%
Adjusted Fees	158.2	121.0	72.4	55.7	59.0
Adjusted Fees annual increase (decrease)	31	% 67	% 30	% (6 )	%
	As of December 31,				
	2015	2014	2013	2012	2011
Balance sheet data:					
Cash and cash equivalents	\$731.6	\$937.7	\$178.2	\$120.9	\$115.9
Total assets	7,640.1	6,332.1	1,798.8	1,283.8	792.8
Investment debt	3,658.2	2,195.9	401.8	236.5	30.7
Unsecured corporate debt	702.6	827.4	449.0	449.6	289.4
Kennedy Wilson equity	1,133.8	901.1	768.3	509.7	410.2
Noncontrolling interests	1,731.3	2,142.8	50.6	9.1	3.4
Total equity	2,865.1	3,043.9	818.9	518.8	413.6
Common shares outstanding	114.5	96.1	82.6	63.8	51.8

<sup>(1)</sup> See Non-GAAP Measures and Certain Definitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Non-GAAP measures" for a description of Consolidated EBITDA and Adjusted EBITDA and a reconciliation of these metrics to net income as reported under GAAP.

**Business Segments**

Our operations are defined by two core business units: KW Investments and KW Services. KW Investments invests our capital in real estate-related assets. KW Services is a niche business that provides a full array of real estate-related services to the Company and its investment partners, third party owners, and lenders, with a strong focus on financial institution based clients. Included in KW services is our management of KWE. The two segments have a symbiotic relationship and work closely together. KW Services provides insight and creates investment opportunities for KW Investments while KW Investments provides clients the ability to utilize the capabilities of KW Services.

**KW Investments**

We invest our capital in real estate assets and loans secured by real estate either on our own or through our investment management platform. When we have partners, we are typically the general partner in the arrangement with a promoted interest in the profits of our investments beyond our ownership percentage. The Company has an average ownership interest across all investments of approximately 38% as of December 31, 2015. Our equity partners include public shareholders, financial institutions, foundations, endowments, high net worth individuals and other institutional investors.

The following are product types we invest in through the KW Investments segment:

**Multifamily**



We pursue multifamily acquisition opportunities where we believe we can unlock value through a myriad of strategies, including institutional management, asset rehabilitation, repositioning and creative recapitalization. We focus primarily on apartments in supply-constrained, infill markets. Through our Vintage Housing Holdings ("VHH") partnership, we also utilize low-income housing tax credit structures for income and age restricted properties. As of December 31, 2015, we hold investments in 24,371 multifamily apartment units across 129 properties primarily located in the Western United States, Ireland, United Kingdom and Japan.

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### Commercial

We source, acquire, and finance various types of commercial real estate which includes office, industrial, retail, and mixed-use assets. After acquisition, the properties are generally repositioned to enhance market value. Assets are either sold as part of property-specific investment strategies designed to deliver above-market returns to our clients and shareholders or held if producing above average cash flows. As of December 31, 2015, we own interests in 319 commercial properties, totaling over 18.9 million square feet, located throughout the United States, United Kingdom, Ireland, Spain, Italy and Japan.

### Loan Originations/Discounted Loan Purchases

We acquire and/or originate loans secured by real estate. Our acquisitions and originations include individual notes on all real estate property types as well as portfolios of loans purchased from financial institutions, corporations and government agencies. We deliver value through loan resolutions, discounted payoffs, and sales. We also convert certain loans into a direct ownership in the underlying real estate collateral. Our discounted loan pool portfolio as of December 31, 2015 had current unpaid principal balance ("UPB") of \$558.6 million.

Our loan investment portfolio is principally related to loans acquired at a discount from their contractual balance due as a result of deteriorated credit quality of the borrower. Such loans are underwritten by us based on the value of the underlying real estate collateral. Due to the discounted purchase price, we seek and are generally able to accomplish near term realization of the loan in a cash settlement or by obtaining title to the property. Accordingly, the credit quality of the borrower is not of substantial importance to our evaluation of the risk of recovery from the investment.

### Hotel

We acquire hotels in certain opportunistic situations in which we are able to purchase at a significant discount to replacement or can implement our value-add investment approach.

### Residential and Other

In certain cases, we may pursue for sale housing acquisition opportunities, including land for entitlements, finished lots, urban infill housing sites and partially finished and finished housing projects. On certain income-producing acquisitions, there are adjacent land parcels to which we assign little or no basis and for which we may pursue entitlement activities or, in some cases, development or re-development opportunities. This group also includes our investment in marketable securities. Included in Western U.S. residential are three residential investments and one loan investment in Hawaii. Our investment account balance for these Hawaiian investments is \$148.3 million.

While our core investments have been in the specific markets and locations listed above, we will evaluate opportunities to earn above market returns across many other segments and geographic locations.

### Investment account

The investment account represents the Company's carrying value of equity invested before depreciation and amortization. In 2015, together with our equity partners, we acquired \$3.2 billion of real estate and loans secured by real estate at purchase price. These acquisitions were comprised of the following: 61% commercial, 31% multifamily, 7% loans secured by real estate and 1% other.

At December 31, 2015, we and our equity partners held a real estate and real estate related investment portfolio with assets at a book value of approximately \$10.7 billion, with approximately 58% leverage to depreciated book value.

The Company has an average ownership interest across all of its investments of approximately 38% as of December 31, 2015.

The Company's investment account increased during the year primarily due to the investment of corporate cash into consolidated real estate. The investment account also increased due to the consolidation of joint venture investments and conversion of loan purchases into consolidated real estate which resulted in fair value gains due to real estate being worth more than Company's original basis. Noncontrolling interest decreased during the year due to \$293.0 million in net distributions relating to the Company's acquisition of KWE shares and distributions relating to property sales and investing distributions from debt refinancings. Foreign currency translation and hedge losses also decreased noncontrolling interests by \$102.7 million.

The following table depicts how our equity in the portfolio is derived from the financial statement captions in our audited consolidated balance sheet as of December 31, 2015 and 2014:



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(Dollars in millions)	December 31, 2015	December 31, 2014
Real estate and acquired in-place lease values, gross of accumulated depreciation and amortization of \$248.5 and \$121.8, respectively	\$6,046.0	\$4,349.9
Loan purchases and originations	299.7	313.4
Investment debt	(3,658.2	)(2,195.9
Cash held by consolidated investments	549.0	763.1
Unconsolidated investments <sup>(1)</sup> , gross of accumulated depreciation and amortization of \$55.8 and \$69.4, respectively	487.8	532.7
Net hedge asset	15.2	30.6
Other <sup>(2)</sup>	50.6	83.9
Consolidated investment account	3,790.1	3,877.7
Less:		
Noncontrolling interests on investments, gross of depreciation and amortization of \$116.5 and \$102.9, respectively	(1,847.8	)(2,193.4
Investment account	\$1,942.3	\$1,684.3

<sup>(1)</sup> Excludes \$12.9 million and \$28.9 million related to our investment in a servicing platform in Spain, as of December 31, 2015 and December 31, 2014, respectively.

<sup>(2)</sup> Includes marketable securities, which are part of other assets, as well as net other assets of consolidated investments.

The following table breaks down our investment account information derived from the audited consolidated balance sheet, by investment type and geographic location as of December 31, 2015:

(Dollars in millions)	Multifamily	Commercial	Loans Secured by Real Estate	Residential and Other	Hotel	Total
Western U.S.	\$515.4	\$270.6	\$66.4	\$269.9	\$34.7	\$1,157.0
Japan	5.8	4.2	—	0.3	—	10.3
United Kingdom	11.2	83.8	0.6	1.8	—	97.4
Ireland	41.0	32.3	—	31.8	72.4	177.5
Net hedge assets						15.9
KW share of cash held by consolidated investments						52.3
Total excluding KWE	\$573.4	\$390.9	\$67.0	\$303.8	\$107.1	\$1,510.4
KWE:						
United Kingdom	12.3	245.0	43.6	10.4	9.6	320.9
Ireland	10.9	65.3	5.4	9.3	6.8	97.7
Italy	—	43.6	—	—	—	43.6
Spain	—	36.4	—	9.6	—	46.0
Other <sup>(1)</sup>						(76.3
Total KWE	\$23.2	\$390.3	\$49.0	\$29.3	\$16.4	\$431.9
Grand Total	\$596.6	\$781.2	\$116.0	\$333.1	\$123.5	\$1,942.3

<sup>(1)</sup> Includes \$96.0 million of KW's share of cash, \$(172.2) million of KW's share of unsecured debt, and \$(0.1) million of KW's share of hedges.

The following table breaks down our investment account information derived from the audited consolidated balance sheet, by investment type and geographic location as of December 31, 2014:

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(Dollars in millions)	Multifamily	Commercial	Loans Secured by Real Estate	Residential and Other	Hotel	Total
Western U.S.	\$411.2	\$229.1	\$75.2	\$145.0	\$38.3	\$898.8
Japan	80.9	3.6	—	0.4	—	84.9
United Kingdom	3.4	88.6	17.0	8.6	0.2	117.8
Ireland	63.8	40.1	8.9	27.1	91.1	231.0
KW share of cash held by consolidated investments						49.9
Total excluding KWE	\$559.3	\$361.4	\$101.1	\$181.1	\$129.6	\$1,382.4
KWE:						
United Kingdom	—	102.1	25.9	—	6.9	134.9
Ireland	8.0	26.9	21.9	2.8	5.1	64.7
KW share of net cash held by KWE						102.3
Total KWE	\$8.0	\$129.0	\$47.8	\$2.8	\$12.0	\$301.9
Grand Total	\$567.3	\$490.4	\$148.9	\$183.9	\$141.6	\$1,684.3

**KW Services**

KW Services includes both our investment management platform as well as our third party services business and offers a comprehensive line of real estate services for the full lifecycle of real estate ownership to clients that include shareholders of KWE, financial institutions, institutional investors, insurance companies, developers, builders and government agencies. KW Services has five main lines of business: investment management, property services, research, brokerage, and auction and conventional sales. These five business lines generate revenue for us through fees and commissions.

We manage approximately 50 million square feet of properties for the Company and its investment partners (including KWE) in the United States, Europe, and Asia, which includes assets we have ownership interests in and third party owned assets. With 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan, we have the capabilities and resources to provide property services to real estate owners as well as the experience, as a real estate investor, to understand client concerns. The managers of KW Services have an extensive track record in their respective lines of business and in the real estate community as a whole. Their knowledge and relationships are an excellent driver of businesses through the services business as well as on the investment front. Additionally, KW Services plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies.

**Investment Management**

Our investment management division, provides acquisition, asset management and disposition services to our equity partners as well as to third parties. Currently, we have seven closed end funds for which we serve as general partner and manager and separate accounts with strategic partners. In addition, we serve as the manager of KWE and are entitled to receive management fees (50% of which are paid in KWE shares) equal to 1% of KWE's adjusted net asset value (reported by KWE to be \$2.4 billion at December 31, 2015) and certain performance fees. Under US GAAP, we are required to consolidate the results of KWE and as such fees earned from KWE are eliminated in consolidation.

**Property Services**

Our property services division manages commercial real estate for third-party clients, fund investors, and investments held by Kennedy Wilson. In addition to earning property management fees, consulting fees, leasing commissions, construction management fees, disposition fees, and accounting fees, the property services division gives Kennedy Wilson insight into local markets and potential acquisitions. Leveraging over 38 years of real estate experience, we approach property management from the perspective of an owner and are active in identifying and implementing value creation strategies. The division has a proven track record of success in managing stabilized as well as value-add investments.

Research

Meyers Research LLC ("Meyers"), a Kennedy Wilson company, is a premier consulting practice and provider of data for residential real estate development and new home construction industry. Meyers' offers a national perspective as well as local expertise to homebuilders, multifamily developers, lenders and financial institutions. These relationships have led to investment

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opportunities with homebuilders in the Western U.S. region. We believe Zonda™, a Meyers innovation launched in October 2013, is the housing industry's most comprehensive solution for smart business analysis, real-time market data reporting and economic and housing data in one place and on-the-go.

Brokerage

Our brokerage division represents tenants and landlords on every aspect of site selection, negotiation and occupancy. The division also specializes in innovative marketing programs tailored to client objectives for all types of investment grade and income producing real estate. The division's property marketing programs combine proven techniques with its detailed market knowledge to create optimum results.

Auction and Conventional Sales

The auction and conventional sales division provides innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use developments, estate homes, multifamily dwellings, new home projects, and conversions. Generally the division's auction sales business is countercyclical to the traditional sales real estate market and has been a bellwether for us in forecasting market conditions.

Kennedy Wilson Europe Real Estate Plc (LSE: KWE)

KWE closed its initial public offering in February 2014 and a follow-on offering in October 2014, raising an aggregate of approximately \$2.2 billion in gross proceeds. KWE, whose ordinary shares are listed on the London Stock Exchange's main market and who is a member of the FTSE 250 Index, acquires real estate and real estate-related assets in Europe. Since its launch in February 2014 through December 31, 2015, KWE has acquired 337 real estate assets with approximately 13.1 million square feet and disposed of 35 assets with approximately 1.3 million square feet. As of December 31, 2015, KWE had a portfolio value of \$4.1 billion with its assets located in the United Kingdom, Ireland, Spain and Italy, which KWE currently expects to produce over \$235 million of annualized net operating income (net rental income for property portfolios, EBITDA for hotels and interest income for loan portfolios). As of December 31, 2015, Kennedy Wilson held approximately 24.7 million ordinary shares of KWE (with a cost basis of \$440.0 million) or approximately 18.2% of the total issued share capital of KWE.

KWE increased its leverage to 40% at December 31, 2015 from 8% at December 31, 2014 mainly due to the issuance of unsecured corporate debt during the year. The current leverage ratio is more in line with what KWE expects to maintain going forward.

KWE is externally managed by one of our wholly-owned subsidiaries whom we refer to as KWE Manager pursuant to an investment management agreement whereby we will be entitled to receive certain management and performance fees. KWE Manager is entitled to an annual management fee (payable quarterly in arrears) equal to 1% of KWE's adjusted net asset value (reported by KWE to be \$2.4 billion at December 31, 2015) and certain performance fees. The management fee payable to KWE Manager is paid half in cash and half in shares of KWE. During the year ended December 31, 2015, KWH earned \$23.3 million in management fees.

We are also entitled to receive an annual performance fee equal to 20% of the lesser of (i) the excess of the shareholder return for the relevant year (defined as the change in KWE's adjusted net asset value per ordinary share plus dividends paid) over a 10% annual return hurdle, and (ii) the excess of year-end adjusted net asset value per ordinary share over a "high water mark." The performance fee is payable in shares of KWE that vest equally over a three-year period. As of December 31, 2015, \$43.7 million in such fees have been earned and accrued (not yet paid) by Kennedy Wilson. The final calculation of the performance fee was completed at the conclusion of KWE's financial year and such fee will be paid to Kennedy Wilson during the first quarter of 2016.

The compensation committee of the Company's board of directors approved and reserved up to thirty percent (30%) of any performance fees earned by the Company with respect to its management of KWE to be allocated to certain employees of the Company. As of December 31, 2015, awards representing approximately twenty-five percent (25%) of the performance fees had been allocated to certain employees. Subsequent to December 31, 2015, the remaining five percent (5%) of the performance fees of the performance fees earned in 2015 were allocated to employees.

Due to the terms of the investment management agreement and Kennedy Wilson's equity ownership interest in KWE, pursuant to the guidance set forth in FASB Accounting Standards Codification Subtopic 810 - Consolidation ("Subtopic 810"), the results and financial position of KWE are consolidated in our financial statements. As such, fees

earned by KWE Manager are eliminated in the attached consolidated financial statements. Pursuant to the investment management agreement, subject to certain exceptions, KWE will be provided priority access to all real estate or real estate loan opportunities sourced by us in Europe that are within the parameters of KWE's investment policy. Compensation and certain general and administrative expenses relating to KWE is borne by Kennedy Wilson as employees of the Company work on behalf of KWE Manager.



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The following condensed financial statements show KWE's financial position and results of operations in the context of the Company's consolidated financial statements as a whole:

(Dollars in millions)	As of December 31, 2015 (unaudited)			Total KWH
	KWE	Non-KWE <sup>(1)</sup>	Elimination	
Cash <sup>(2)</sup>	\$481.1	\$ 250.5	\$ —	\$731.6
Accounts receivable	17.6	37.1	—	54.7
Loan purchases and originations	245.5	54.2	—	299.7
Real estate and acquired in place lease values, net of accumulated depreciation and amortization <sup>(3)</sup>	3,293.7	2,503.8	—	5,797.5
Investment in marketable securities	—	411.4	(411.4 )	—
Unconsolidated investments	—	444.9	—	444.9
Other assets	226.4	85.3	—	311.7
Total assets	\$4,264.3	\$ 3,787.2	\$ (411.4 )	\$7,640.1
Accounts payable	\$15.4	\$ 6.8	\$ —	\$22.2
Accrued expenses and other liabilities	200.5	191.5	—	392.0
Investment debt	2,102.2	1,556.0	—	3,658.2
Senior notes payable	—	702.6	—	702.6
Total liabilities	\$2,318.1	\$ 2,456.9	\$ —	\$4,775.0
Kennedy-Wilson Holdings Inc. shareholders' equity	\$434.0	\$ 1,181.5	\$ (434.0 )	\$1,181.5
Accumulated other comprehensive income	(22.6 )	(47.7 )	) 22.6	(47.7 )
Noncontrolling interests	1,534.8	196.5	—	1,731.3
Total equity	\$1,946.2	\$ 1,330.3	\$ (411.4 )	\$2,865.1
Total liabilities and equity	\$4,264.3	\$ 3,787.2	\$ (411.4 )	\$7,640.1

<sup>(1)</sup> Consists of investments that are consolidated in our financial statements and investments that are held through joint ventures.

<sup>(2)</sup> Includes cash and cash equivalents and cash held by consolidated investments

<sup>(3)</sup> Includes \$113.2 million and \$135.2 million of accumulated depreciation and amortization for KWE and Non-KWE, respectively.

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(Dollars in millions)	Year Ended December 31, 2015			
	KWE	Non-KWE	Fee Elimination <sup>(1)</sup>	Total KWH
Revenue				
Rental	\$209.7	\$195.1	\$ —	\$404.8
Hotel	30.6	75.8	—	106.4
Sale of real estate	—	3.7	—	3.7
Investment management, property services and research fees	—	136.3	(67.0)	69.3
Dividend income	—	11.8	(11.8)	—
Loan purchases, loan originations and other	18.2	1.3	—	19.5
Total revenue	258.5	424.0	(78.8)	603.7
Operating expenses				
Commission and marketing	—	7.3	—	7.3
Rental operating	41.0	67.0	—	108.0
Hotel operating	25.5	64.4	—	89.9
Cost of real estate sold	—	2.6	—	2.6
Compensation and related	0.6	154.2	—	154.8
General and administrative	10.2	33.6	—	43.8
Depreciation and amortization	91.3	75.0	—	166.3
Total operating expenses	168.6	404.1	—	572.7
Income from unconsolidated investments	(1.4)	98.8	—	97.4
Operating income	88.5	118.7	(78.8)	128.4
Non-operating income (expense)				
Gain on sale of real estate	37.5	34.9	—	72.4
Acquisition-related gains	23.7	84.4	—	108.1
Acquisition-related expenses	(34.6)	(2.7)	—	(37.3)
Interest expense-investment	(51.5)	(57.3)	—	(108.8)
Interest expense-corporate	—	(46.9)	—	(46.9)
Loss on extinguishment of corporate debt	—	(1.0)	—	(1.0)
Management fee	(67.0)	—	67.0	—
Other income	(0.1)	(2.4)	—	(2.5)
Income (loss) before provision for income taxes	(3.5)	127.7	(11.8)	112.4
Provision for income taxes	(11.6)	(41.8)	—	(53.4)
Net income (loss)	\$(15.1)	\$85.9	\$ (11.8)	\$59.0

<sup>(1)</sup>Only relates to fee elimination associated with the Company's investment in KWE. The Company has additional fees eliminated in consolidation associated with other equity partners.

## Legacy European Investments

Prior to KWE's formation and for investments that do not meet KWE's investment guidelines, the Company directly invested in 18 properties, five loan pools and a servicing platform in Europe that have total assets of \$862.3 million included in the Company's consolidated balance sheet and \$274.2 million of equity as of December 31, 2015. Four of the five loan pools were fully resolved as of December 31, 2015. As of December 31, 2015, the Company's weighted average ownership in these investments was 62%.

## Value Creation

Kennedy Wilson's differentiated and unique approach to investing is the cornerstone of how we create value for our shareholders. Our investment philosophy is based on three core fundamentals:

- Leverage our global footprint and complementary investments and services businesses to identify attractive investment markets across the world.

- Selectively invest in opportunities across many real estate product types with a goal of maximizing cash flow and return on capital.

Actively manage assets and finance them conservatively to generate stable, predictable and growing cash flows for shareholders and clients.

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Kennedy Wilson is able to create value for its shareholders in the following ways:

- We are able to identify and acquire attractive real estate assets across many markets, in part due to the significant proprietary deal flow driven from an established global network of industry relationships, particularly with financial institutions. This can create value by allowing us to maintain and develop a large pipeline of attractive opportunities.

Our operating expertise allows us to focus on opportunistic investments where we can increase the value of assets and cash flows, such as distressed real estate owners or lenders seeking liquidity, under-managed or under-leased assets, and repositioning opportunities.

Many times, these investments are acquired at a discount to replacement cost or recent comparative sales, thereby offering opportunities to achieve above average total returns. In many cases this may lead to significant additional returns, such as a promoted interest, based on the performance of the assets.

In many instances, our long-lasting and deep relationships with financial institutions allow us to refinance loans to reduce interest rates and/or increase borrowings due to property appreciation and thereby obtain cash flow to use for new investments. We generally implement this strategy after our value add initiatives have been executed, thus allowing us to maintain moderate levels of leverage.

KW Services plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies.

We understand that real estate is cyclical. Our management team employs a multi-cyclical approach that has resulted in our AUM being globally diversified across many sectors of real estate while maintaining a healthy liquidity position and adequate access to capital.

### Competitive Strengths

We have a unique platform from which to execute our investment and services strategy. The combination of an investment platform and a service business provides several competitive strengths when compared to other real estate buyers operating stand-alone or investment-focused firms and may allow us to generate superior risk-adjusted returns. Our investment strategy focuses on investments that offer significant appreciation potential through intensive property management, leasing, repositioning, redevelopment and the opportunistic use of capital. We differentiate ourselves from other firms in the industry with our full service, investment oriented structure. Whereas most other firms use an investment platform to obtain additional service business revenue, we use our service platform to enhance the investment process and ensure the alignment of interests with our investors.

The real estate business is cyclical. Real estate cycles are generally impacted by many factors including availability of equity and debt capital, borrowing cost, rent levels, and asset values. Our strategy has resulted in a strong track record of creating both asset and entity value for the benefit of our shareholders and partners over these various real estate cycles.

Our competitive strengths include:

**Transaction experience:** Our Executive Committee has more than 125 years of combined real estate experience and has been working and investing together on average for over 15 years. Members of the Executive Committee have collectively acquired, developed and managed in excess of \$20 billion of real estate investments in the United States, the United Kingdom, Ireland, Spain, Italy and Japan throughout various economic cycles, both at our Company and throughout their careers.

**Extensive relationship and sourcing network:** We leverage our services business in order to source off-market deals. In addition, the Executive Committee and our acquisition team have transacted deals in nearly every major metropolitan market on the West Coast of the United States, as well as in the United Kingdom, Ireland, Spain, Italy and Japan. Their local presence and reputation in these markets have enabled them to cultivate key relationships with major holders of property inventory, in particularly financial institutions, throughout the real estate community.

**Structuring expertise and speed of execution:** Prior acquisitions completed by us have taken a variety of forms including direct property investments, joint ventures, exchanges involving stock or operating partnership units, participating loans and investments in performing and non-performing mortgages at various capital stack positions with the objective of long-term ownership. We believe we have developed a reputation of being able to quickly

execute, as well as originate and creatively structure acquisitions, dispositions and financing transactions.

Vertically integrated platform for operational enhancement: We have over 495 employees in both KW Investments and KW Services, with 25 regional offices throughout the United States, the United Kingdom, Ireland, Spain, Jersey and Japan and manage and oversee over 5,000 operating associates. We have a hands-on approach to real estate investing and possess the local expertise in property management, leasing, construction management, development and investment sales, which we believe enable us to invest successfully in selected submarkets.

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Risk protection and investment discipline: We underwrite our investments based upon a thorough examination of property economics and a critical understanding of market dynamics and risk management strategies. We conduct an in-depth sensitivity analysis on each of our acquisitions. This analysis applies various economic scenarios that include changes to rental rates, absorption periods, operating expenses, interest rates, exit values and holding periods. We use this analysis to develop our disciplined acquisition strategies.

### Industry Overview

#### United States

Supported by historically low interest rates and a strengthening U.S. economy, U.S. real estate prices continued their upward trend during 2015. The improving U.S. economic landscape has improved occupancy in commercial properties in the majority of U.S. real estate markets. In coastal Western U.S. markets, higher residential home prices and low housing supply has created strong demand for apartments and led to continued increases in rents. The year ended with the Federal Reserve raising short term interest rates for the first time in nearly a decade, marking the end of an extraordinary seven year period during which the federal funds rate was held at nearly zero.

Falling oil prices and the concern of slowing global growth has resulted in a volatile beginning to 2016, which has also created uncertainty around the timing and nature of future interest rate hikes. However, we believe fundamentals for U.S. real estate remain attractive due to steady moderate growth of the U.S. economy, still historically low interest rates, and continued global appetite for U.S. real estate.

#### United Kingdom

Despite significant capital market volatility and worries about a global economic slowdown, the UK continues to show positive signs in terms of consumer confidence, employment levels and earnings growth. Preliminary estimates show that the economy grew by 2.2% overall for 2015, supported by the service sector and, importantly, is estimated to be performing ahead of the pre-crisis peak. Following the United Kingdom general election the European Union Referendum Act 2015 was passed by the British Parliament to hold a referendum in the United Kingdom and Gibraltar on whether the United Kingdom should remain a member of the European Union.

London continues to lead the recovery, with growth for 2015 at 3.4%, according to Ernst & Young. Central London office take-up for 2015 was 14.5 million sq. ft., which compares favorably to the ten-year average take-up of 12.7 million sq. ft., according to CBRE, and rental growth of 14% has outperformed all other sub-markets.

#### Ireland

According to the Central Bank of Ireland, the Irish economy is continuing to gather momentum and is forecast to grow by 4.8% in 2016. Economic indicators are strong, with retail sales up sharply, unemployment dipping below 9% and consumer sentiment at a 15-year high, according to the Central Statistics Office of Ireland. In the Dublin property market, this economic growth is translating into improved occupational demand across our key sectors. Dublin prime office take-up is well ahead of previous years and the ten-year average which is pushing rents up further with 2015 producing year-on-year office CBD rental growth of 22%. While this will provide some relief for tenants in a market where supply shortages continue to drive rents upwards, there is no cap on rents, which will continue to be reviewed to market levels and it will not have a significant impact on expected longer-term returns from the sector.

#### Spain

The investment market has been dominated by office transactions but after several years of slow activity, the retail market is back on investors' radars, as good economic forecasts and increased liquidity are starting to drive this market. In excess of €3 billion of retail investments were transacted in 2015, which is higher than the 2006 peak, according to Savills.

Preliminary Q4 GDP estimates in Spain are indicating that the economy delivered ten straight quarters of growth, according to the National Statistics Institute. This brings 2015 GDP growth to 3.2%, more than double the 1.4% growth of 2014 and the fastest level since 2007. The fall in energy prices will support this further by boosting disposable income. Looking forward, while the Spanish economy is still on the road to recovery, the economy has shown an upward trend with improving underlying fundamentals.

#### Italy

The economic recovery has been slow in Italy. Positives in 2015 include a moderate pick up in industrial production, household disposable income and consumer confidence. However, these are offset by unemployment that remains in

the low double-digits and appears uneven in its evolution. We expect continued quantitative easing to buoy the region. The investment market remains competitive, reaching €8.1 billion in 2015, up 55% on the previous year and in line with ten-year average volumes. Milan remains the most attractive office market, with improved leasing fundamentals, take-up set to reach its ten-year average,

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tenant incentives in decline and the investment market remaining the most liquid. We continue to expect to see the most significant investment opportunities arising from fixed-life funds in liquidation or where sponsors have been unable to execute on business plans, generating a good pipeline of off-market opportunities.

### Japan

The economic stimulus program in Japan instituted by Prime Minister Abe has led to a weakening of the Japanese yen against most major currencies and continues to create a tailwind for asset prices. The prospect of hosting the 2020 Summer Olympics has strengthened corporate demand in Tokyo. In addition, capital continues to flow into the country from a variety of investment sources, both domestic and international. We believe that there will be a continued interest in the Japanese real estate market due to its attractive exchange rate and low interest rates.

### Competition

We compete with a range of global, national and local real estate firms, individual investors and other corporations, both private and public. Because of our unique mix of investments and services businesses, we compete with companies that invest in real estate and loans secured by real estate along with brokerage and property management companies. Our investment business competes with real estate investment partnerships, real estate investments trusts, private equity firms and other investment companies and regional investors and developers. We believe that our relationships with the sellers and our ability to close an investment transaction in a short time period at competitive pricing provide us a competitive advantage. The real estate services business is both highly fragmented and competitive. We compete with real estate brokerage and auction companies on the basis of our relationship with property owners, quality of service, and commissions charged. We compete with property management and leasing firms also on the basis of our relationship with clients, the range and quality of services provided, and fees and commissions charged.

### Foreign Currency

Approximately 47% of our investment account is invested through our foreign platforms in their local currencies. Investment level debt is generally incurred in local currencies and we consider our equity investment as the appropriate exposure to evaluate for hedging purposes. Fluctuations in foreign exchanges rates may have a significant impact on the results of our operations. In order to manage the effect of these fluctuations, we generally hedge our book equity exposure to foreign currencies through currency forward contracts and options. We typically hedge 50%-100% of book equity exposure against these foreign currencies.

### Transaction-based Results

A significant portion of our cash flow is tied to transaction activity which can affect an investor's ability to compare our financial condition and results of operations on a quarter-by-quarter basis or to easily evaluate the breadth of our operation. Historically, this variability has caused our revenue, operating income, net income and cash flows to be tied to transaction activity, which is not necessarily concentrated in any one quarter. In addition, our operating results can be affected by acquisition-related gains, which often can cause concentrated gain recognition in particular periods. While acquisition related gains can have a material result on our net income, because it arises from remeasurement of asset value, it does not affect operating income or cash flow.

### Employees

As of December 31, 2015, we have 495 employees in 25 offices throughout the United States, the United Kingdom, Ireland, Spain, Jersey, Italy and Japan and manage and oversee over 5,000 operating associates. We believe that we have been able to attract and maintain high quality employees. There are no employees subject to collective bargaining agreements. In addition, we believe we have a good relationship with our employees.

### Available Information

Information about us is available on our website (<http://www.kennedywilson.com>) (this website address is not intended to function as a hyperlink, and the information contained in, or accessible from, our website is not intended to be a part of this filing). We make available on our website, free of charge, copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and amendments to those reports and other statements filed or furnished pursuant to Section 13(a), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after filing or submitting such material electronically or otherwise furnishing it to the SEC. In addition, we have previously filed registration



statements and other documents with the SEC. Any document we file may be inspected, without charge, at the SEC's public reference room at 100 F Street NE, Washington, D.C. 20549 or at the SEC's internet address at <http://www.sec.gov> (this website address is not intended to function as a hyperlink, and the information contained in, or accessible from, the SEC's website is not intended to be a part of this filing). Information related to the operation of the SEC's public reference room may be obtained by calling the SEC at 1-800-SEC-0330.

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Non-GAAP Measures and Certain Definitions

“KWH,” “Kennedy Wilson,” the “Company,” “we,” “our,” or “us” refer to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries.

“KWE” refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange listed company that we externally manage through a wholly-owned subsidiary. The results of KWE are consolidated in our financial statements due to our control of KWE as of December 31, 2015. We own an approximately 18.2% equity interest in KWE and throughout this report, we refer to our pro-rata ownership stake in investments made and held directly by KWE.

“KW Group” refers to Kennedy Wilson and its consolidated subsidiaries that we consolidate in our financial statements under U.S. GAAP, including KWE.

“Acquisition-related gains” consist of non-cash gains recognized by the Company or its consolidated subsidiaries upon a GAAP required fair value measurement due to a business combination. These gains are typically recognized when a loan is converted into consolidated real estate owned and the fair value of the underlying real estate exceeds the basis in the previously held loan. These gains also arise when there is a change of control of an investment. The gain amount is based upon the fair value of the Company’s or its consolidated subsidiaries’ equity in the investment in excess of the carrying amount of the equity directly preceding the change of control.

“Adjusted EBITDA” represents Consolidated EBITDA, as defined below, adjusted to exclude corporate merger and acquisition-related expenses, share-based compensation expense for the Company and EBITDA attributable to noncontrolling interests. Our management uses Adjusted EBITDA to analyze our business because it adjusts Consolidated EBITDA for items we believe do not accurately reflect the nature of our business going forward or that relate to non-cash compensation expense or noncontrolling interests. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Adjusted EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations. However, Consolidated EBITDA and Adjusted EBITDA are not recognized measurements under GAAP and when analyzing our operating performance, readers should use Consolidated EBITDA and Adjusted EBITDA in addition to, and not as an alternative for, net income as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of Consolidated EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, Consolidated EBITDA and Adjusted EBITDA are not intended to be a measure of free cash flow for our management’s discretionary use, as it does not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as tax and debt service payments. The amounts shown for Consolidated EBITDA and Adjusted EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

“Adjusted fees” refers to Kennedy Wilson’s investment management, property services and research fees adjusted to include fees eliminated in consolidation and Kennedy Wilson’s share of fees in unconsolidated service businesses.

“Adjusted Net Asset Value” is calculated by KWE as net asset value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model such as the fair value of financial derivatives and deferred taxes on property valuation surpluses.

“Adjusted Net Income” represents Consolidated Adjusted Net Income as defined below, adjusted to exclude net income attributable to noncontrolling interests, before depreciation and amortization.

“Assets under Management” (“AUM”) generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans, and investments in joint ventures. Our AUM is principally intended to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our AUM consists of the total estimated fair value of the real estate properties and other real estate related assets either owned by third parties, wholly owned by us or held by joint ventures and other entities in which our sponsored funds or investment

vehicles and client accounts have invested. Committed (but unfunded) capital from investors in our sponsored funds is not included in our AUM. The estimated value of development properties is included at estimated completion cost.

"Cap rate" represents the net operating income of an investment of the year preceding its acquisition or disposition divided by the purchase or sale price. Cap rates set forth in this presentation only includes data from income-producing properties. Cap rates represent historical performance and are not a guarantee of future NOI. Properties for which a cap rate is provided may not continue to perform at that cap rate.

"Consolidated Adjusted Net Income" represents net income before depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments and share-based compensation expense.

"Consolidated EBITDA" represents net income before interest expense, our share of interest expense included in income

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from investments in unconsolidated investments, depreciation and amortization, our share of depreciation and amortization included in income from unconsolidated investments, loss on early extinguishment of corporate debt and income taxes. We do not adjust Consolidated EBITDA for gains or losses on the extinguishment of mortgage debt as we are in the business of purchasing discounted notes secured by real estate and, in connection with these note purchases, we may resolve these loans through discounted payoffs with the borrowers. Consolidated EBITDA is not a recognized term under U.S. generally accepted accounting principles, or GAAP, and does not purport to be an alternative to net earnings as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, Consolidated EBITDA is not intended to be a measure of free cash flow available for management's discretionary use, as it does not remove all non-cash items (such as acquisition-related gains) or consider certain cash requirements such as interest payments, tax payments and debt service requirements. Our presentation of Consolidated EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Our management believes Consolidated EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of Consolidated EBITDA generally eliminates the effects of financing and income taxes and the accounting effects of capital spending and acquisitions. Such items may vary for different companies for reasons unrelated to overall operating performance. Additionally, we believe Consolidated EBITDA is useful to investors to assist them in getting a more accurate picture of our results from operations.

"Consolidated investment account" refers to the sum of Kennedy Wilson's equity in: cash held by consolidated investments, consolidated real estate and acquired in-place leases, net hedge assets, unconsolidated investments, consolidated loans gross of accumulated depreciation and amortization, and net other assets.

"Equity multiple" is calculated by dividing the amount of total distributions received by KW from an investment (including any gains, return of equity invested by KW and promoted interests) by the amount of total contributions invested by KW in such investment. This metric does not take into account management fees, organizational fees, or other similar expenses, all of which in the aggregate may be substantial and lower the overall return to KW. Equity multiples represent historical performance and are not a guarantee of the performance of future investments.

"Equity partners" refers to non-wholly-owned subsidiaries that we consolidate in our financial statements under U.S. GAAP, including KWE, and third-party equity providers.

"Investment account" refers to the consolidated investment account presented after noncontrolling interest on invested assets gross of accumulated depreciation and amortization.

"Net operating income" or "NOI" is a non-GAAP measure representing the income produced by a property calculated by deducting operating expenses from operating revenues.

"Operating associates" generally refer to individuals that are employed by or affiliated with third-party consultants, contractors, property managers or other service providers that we manage and oversee on a day-to-day basis with respect to our investments and services businesses.

"Same property" refers to properties in which Kennedy Wilson has an ownership interest during the entire span of both periods being compared.

### Item 1A. Risk Factors

Our results of operations and financial condition can be adversely affected by numerous risks. You should carefully consider the risk factors detailed below in conjunction with the other information contained in this report. If any of the following risks actually occur, our business, financial condition, operating results, cash flows and future prospects could be materially adversely affected.

#### Risks Related to Our Business

The success of our business is significantly related to general economic conditions and the real estate industry, and, accordingly, our business could be harmed by an economic slowdown and downturn in real estate asset values, property sales and leasing activities.

Our business is closely tied to general economic conditions in the real estate industry. As a result, our economic performance, the value of our real estate and real estate secured notes, and our ability to implement our business strategies may be significantly and adversely affected by changes in national and local economic conditions. The condition of the real estate markets in which we operate is cyclical and depends on the condition of the economy in the United States, United Kingdom, Ireland, Spain, Italy and Japan as a whole and to the perceptions of investors of the overall economic outlook. Rising interest rates, declining employment levels, declining demand for real estate, declining real estate values or periods of general economic slowdown or recession or the perception that any of these events may occur have negatively impacted the real estate market in the past and may in the future negatively impact our operating performance. In addition, the economic condition of each local market where

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we operate may depend on one or more key industries within that market, which, in turn, makes our business sensitive to the performance of those industries.

We have only a limited ability to change our portfolio promptly in response to economic or other conditions. 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 impede us from responding quickly to changes in the performance of our investments and could adversely impact our business, financial condition and results of operations. We have experienced in past years, and expect 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 we operate. The previous recession and the downturn in the real estate market have resulted in and may result in:

- a general decline in rents due to defaulting tenants or less favorable terms for renewed or new leases;
- a decline in actual and projected sale prices of our properties, resulting in lower returns on the properties in which we have invested;
- higher interest rates, higher loan costs, less desirable loan terms and a reduction in the availability of mortgage loans, all of which could increase costs and limit our ability to acquire additional real estate assets; and
- a decrease in the availability of lines of credit and the public equity and debt markets and other sources of capital used to purchase real estate investments and distressed notes;
- fewer purchases and sales of properties by clients, resulting in a decrease in property management fees and brokerage commissions.

If the economic and market conditions that prevailed in 2008 and 2009 were to return, our business performance and profitability could deteriorate. If this were to occur, we could fail to comply with certain financial covenants in our unsecured revolving credit facilities, which would force us to seek an amendment with our lenders. We may be unable to obtain any necessary waivers or amendments on satisfactory terms, if at all, which could result in the principal and interest of the debt to become immediately due. In addition, in an extreme deterioration of our business, we could have insufficient liquidity to meet our debt service obligations when they come due in future years.

Adverse developments in the credit markets may harm our business, results of operations and financial condition.

Disruptions in the credit markets may adversely affect our business of providing advisory services to owners, investors and occupiers of real estate in connection with the leasing, disposition and acquisition of property. If our clients are unable to procure credit on favorable terms, there may be fewer completed leasing transactions, dispositions and acquisitions of property. In addition, if purchasers of real estate are not able to procure favorable financing, resulting in the lack of disposition opportunities for our funds and projects, our services businesses will generate lower incentive fees and we may also experience losses of co-invested equity capital if the disruption causes a permanent decline in the value of investments made.

The credit markets may experience significant price volatility, dislocations and liquidity disruptions. These circumstances may materially impact liquidity in the financial markets, making terms for certain financings less attractive, and, in some cases, result in the unavailability of financing, even for companies that are otherwise qualified to obtain financing. Continued volatility and uncertainty in the credit markets may negatively impact our ability to access additional financing for our capital needs. Additionally, due to this uncertainty, we may be unable to refinance or extend our existing debt, or the terms of any refinancing may not be as favorable as the terms of our existing debt. A prolonged downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing and may require us to adjust our business plan. These events also may make it more difficult or costly for us to raise capital through the incurrence of additional secured or unsecured debt, which could materially and adversely affect us.

We could lose part or all of our investments in real estate assets, which could have a material adverse effect on our financial condition and results of operations.

There is the inherent possibility in all of our real estate investments that we could lose all or part of our investment. Real estate investments are generally illiquid, which may affect our ability to change our portfolio in response to changes in economic and other conditions. Moreover, we may not be able to unilaterally decide the timing of the disposition of an investment, and as a result, we may not control when and whether any gain will be realized or loss avoided. The value of our 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);

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the impact of present or future legislation in the United States, United Kingdom, Ireland, Spain, Italy and Japan (including environmental regulation, changes in laws concerning foreign ownership of property, changes in tax rates, changes in zoning laws and laws requiring upgrades to accommodate 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.

We may be unsuccessful in renovating the properties we acquire, resulting in investment losses.

Part of our investment strategy is to locate and acquire real estate assets that we believe are undervalued and to improve them to increase their resale value. Acquiring properties that are not yet fully developed or in need of substantial renovation or redevelopment entails several risks, particularly the risk that we overestimate the value of the property or 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;
- difficulty in obtaining necessary zoning, land-use, environmental, building, occupancy and other governmental permits and authorizations;
- the discovery of structural or other latent defects in the property after we acquire the property; 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 our business, results of operation and financial condition.

Our significant operations in the United Kingdom, Ireland, Spain, Italy and Japan expose our business to risks inherent in conducting business in foreign markets.

As of December 31, 2015, approximately 62% of our revenues were sourced from our foreign operations in the United Kingdom, Ireland, Spain, Italy and Japan. Accordingly, our firm-wide results of operations depends significantly on our foreign operations. Conducting business abroad carries significant risks, including:

- 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;
- unexpected changes in regulatory requirements;
- the impact of different business cycles and economic instability;
- political instability and civil unrest;
- greater difficulty in perfecting our security interests, collecting accounts receivable, foreclosing on secured assets and protecting our interests as a creditor in bankruptcies in certain geographic regions;
- potentially adverse tax consequences;
- share ownership restrictions on foreign operations;
- tariff regimes of the countries in which we do business; and
- geographic, time zone, language and cultural differences between personnel in different areas of the world.

Our investment in, and relationship with, Kennedy Wilson Europe Real Estate Plc presents risks to our business.



In February 2014, we invested approximately \$203 million in cash and non-cash assets in Kennedy Wilson Europe Real Estate Plc, or KWE, in connection with its initial public offering. In addition, after KWE's initial public offering, we invested another \$194 million since KWE's launch, including \$75 million in KWE's follow-on offering in October 2014. As of December 31, 2015 we held an 18.2% interest in KWE and currently act as its investment manager pursuant to an investment management agreement that provides for the payment to us of certain management and performance fees.

Subject to certain exceptions, the investment management agreement requires us to provide KWE with priority access to all real estate or real estate loan opportunities that we source in Europe and that are within the parameters of KWE's investment policy. Accordingly, we will be required to offer to KWE investment opportunities in Europe that we otherwise would have been able to pursue ourselves, and the management and performance fees, if any, we may earn with respect to these opportunities may be less than the profits we would have earned had we invested in these opportunities directly. There are exceptions to our requirement to offer European investment opportunities to KWE, and, if we believe an exception applies and we pursue the relevant opportunity ourselves, KWE may disagree.

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Although we are entitled to receive management and performance fees pursuant to the management agreement, the fees we actually receive may not be significant. Moreover, if KWE's portfolio does not perform favorably, we may not receive any performance fees.

In addition, the management agreement may be terminated, including for reasons that are beyond our control, in which case we will receive no management or performance fees. Although we are entitled to a termination fee if we are terminated as manager under certain circumstances, KWE may disagree that such a fee is owed or otherwise refuse to pay us a termination fee. In such an event, we may become involved in expensive legal proceedings and may never recover a termination fee.

The ongoing debt crisis in Europe could harm our business, financial condition and results of operations.

Since the establishment of our European operations in 2011, our business in Europe has become an increasingly important part of our business, and we expect to continue to grow our European presence over time. A number of European countries are continuing to experience recessionary conditions, and many European banks and investors have incurred substantial losses on real estate-related assets in recent years. Current macroeconomic conditions in Europe remain subject to significant uncertainty and could make the valuation of real estate-related assets difficult. Continued weakness or a worsening of those conditions could negatively impact the value of our existing investments and harm our ability to sell those investments and identify attractive investment opportunities in the future. These developments could harm our business, financial condition and results of operations.

Our joint venture activities subject us to unique third-party risks, including risks that other participants may become bankrupt or take action contrary to our best interests.

We have used joint ventures for large real estate investments, real estate developments, and the purchase of loans secured by real estate. We plan to continue to acquire interests in additional limited and general partnerships, joint ventures and other enterprises, which we collectively refer to as joint ventures, formed to own or develop real property or interests in real property or note pools. We have acquired and may acquire non-controlling interests in joint ventures, and we may also acquire interests as a passive investor without rights to actively participate in the 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 that are inconsistent with ours, that we 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 our instructions or requests and against our policies and objectives. Should a participant in a material joint venture investment act contrary to our interests, our business, results of operations and financial condition could significantly suffer. Moreover, we cannot be certain that we will continue these investments or that we can identify suitable joint venture partners and form new joint ventures in the future.

We purchase distressed loans and loan portfolios that may have a higher risk of default and delinquencies than newly originated loans, and, as a result, we may lose part or all of our investment in such loans and loan portfolios.

From time-to-time we purchase loans and loan portfolios that are unsecured or secured by real or personal property. These loans and loan portfolios in some cases may be non-performing or sub-performing and may be in default at the time of purchase. In general, the distressed loans and loan portfolios we acquire are 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, our security interests, if any, and our ability to foreclose and liquidate whatever property that secures the loans and loan portfolios. We may be unable to collect on a defaulted loan or foreclose on security successfully or in a timely fashion. There may also be instances when we are able to acquire title to an underlying property and sell it but not make a profit on

its investment.

If we are unable to identify, acquire and integrate suitable acquisition targets, our future growth will be impeded.

Acquisitions and expansion have been, and will continue to be, a significant component of our growth strategy. While maintaining our existing business lines, we intend to continue to pursue a sustained growth strategy by increasing revenues from existing clients, expanding the breadth of our service offerings, seeking selective co-investment opportunities and pursuing strategic acquisitions. Our ability to manage our growth will require us to effectively integrate new acquisitions into our existing operations while managing development of principal properties. We expect that significant growth in several business lines occurring simultaneously will place substantial demands on our managerial, administrative, operational and financial resources. We may be unable to successfully manage all factors necessary for a successful expansion of our business. Moreover, our strategy of growth depends on the existence of and our ability to identify attractive and synergistic acquisition targets. The unavailability of suitable acquisition targets, or our inability to find them, may result in a decline in business, financial condition and results of operations.

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Our business is highly dependent upon the economy and real estate market in California, which has the potential for natural disasters.

We have a high concentration of our business activities in California. Consequently, our business, results of operations and financial condition depend on general trends in California's economy and real estate market. 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 our business, financial condition and results of operations.

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

We conduct operations and own properties in Hawaii. Consequently, our business, results of operations and financial condition depend on and are affected by general trends in Hawaii's economy and real estate market. Hawaii's economy, although it has significantly recovered, experienced a significant downturn in the most recent recession. Real estate market declines may negatively affect our ability to sell property at a profit. In addition, Hawaii's economy largely depends on tourism, which is subject to fluctuation. 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 us or property values to decline in general. Hawaii's remote and isolated location also may create additional operational costs and expenses, which could have a material adverse impact on our financial results.

We 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 we do.

Real estate investment and services businesses are highly competitive. Many of our competitors have greater financial resources and a broader global presence than we do. We compete with companies in the United States, United Kingdom, Ireland, Spain, Italy and 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 our own account; and
- acquiring secured and unsecured loans.

Our services operations must compete with a growing number of national firms seeking to expand market share. We may be unable to compete effectively, maintain current fee levels or arrangements, purchase investment properties profitably or avoid increased competition.

If we are unable to maintain or develop new client relationships, our service business and financial condition could be substantially impaired.

We are highly dependent on long-term client relationships and on revenues received for services with third-party owners and related parties. A considerable amount of our revenues are derived from fees related to our service business. The majority of our 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 agreements also may not be renewed when their respective terms expire. Our failure to maintain existing relationships or to develop and maintain new client relationships, or our loss of a substantial number of management agreements, could materially and adversely affect our business, financial condition and results of operations.

Decreases in the performance of the properties we manage are likely to result in a decline in the amount of property management fees and leasing commissions we generate.

Our property management fees are generally structured as a percentage of the revenues generated by the properties that we manage. Similarly, our leasing commissions typically are based on the value of the lease commitments. As a result, our revenues are adversely affected by decreases in the performance of the properties we manage and declines in rental value. Property performance will depend upon, among other things, our ability to control operating expenses (some of which are beyond our control) and 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 we manage decline, the management fees and leasing commissions we derive from such properties could be materially adversely affected.

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Our reliance on third-parties to operate certain of our properties may harm our business.

In some instances, we rely on third party property managers and hotel operators to manage our properties. These third parties are directly responsible for the day-to-day operation of our properties with limited supervision by us, and they often have potentially significant decision-making authority with respect to those properties. Our ability to direct and control how our properties are managed on a day-to-day basis may be limited because we will engage third parties to perform this function. Thus, the success of our business may depend in large part on the ability of our third party property managers to manage the day-to-day operations, and any adversity experienced by our property managers could adversely impact the operation and profitability of our properties

These third parties may fail to manage our properties effectively or in accordance with their agreements with us, may be negligent in their performance and may engage in criminal or fraudulent activity. If any of these events occur, we could incur losses or face liabilities from the loss or injury to our property or to persons at our properties. In addition, disputes may arise between us and these third party managers and operators, and we may incur significant expenses to resolve those disputes or terminate the relevant agreement with these third parties and locate and engage competent and cost-effective service providers to operate and manage the relevant properties. We are also parties to hotel management agreements under which unaffiliated third party property managers manage our hotels. If any of these events occur, our relationships with any franchisors may be damaged, we may be in breach of our franchise agreement, and we could incur liabilities resulting from loss or injury to our property or to persons at our properties. In addition, from time to time, disputes may arise between us and our third party managers regarding their performance or compliance with the terms of the hotel management agreements, which in turn could adversely affect us. If we are unable to resolve such disputes through discussions and negotiations, we may choose to terminate our management agreement, litigate the dispute or submit the matter to third party dispute resolution, the expense of which may be material and the outcome of which may harm our business, operating results or prospects.

Our leasing activities depend on various factors, including tenant occupancy and rental rates, which, if adversely affected, could cause our operating results to suffer.

A significant portion of our 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, we may not be able to renew leases or obtain new tenants for our 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. Our revenues may be adversely affected if we fail 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. We may be unable to continue to lease properties for our clients and for our own account in a profitable manner.

Our ability to lease properties also depends on:

- the attractiveness of the properties to tenants;
- competition from other available space;
- our ability to provide adequate maintenance and obtain 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 we fail to comply with laws and regulations applicable to us in our role as a real estate broker, property/facility manager or developer, we may incur significant financial penalties.

We are subject to numerous federal, state, local and foreign laws and regulations specific to the services we perform in our business, as well as laws of broader applicability, such as tax, securities and employment laws. Brokerage of real estate sales and leasing transactions and the provision of property management and valuation services require us to maintain applicable licenses in each U.S. state and certain foreign jurisdictions in which we perform these services. If we fail to maintain our licenses or conduct these activities without a license, or violate any of the regulations covering our licenses, we may be required to pay fines (including treble damages in certain states), return commissions received or have our licenses suspended or revoked.

As a licensed real estate broker, we and our licensed employees are subject to certain statutory due diligence, disclosure and standard-of-care obligations. Failure to fulfill these obligations could subject us or our employees to litigation from parties

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who purchased, sold or leased properties that we brokered or managed. In addition, we may become subject to claims by participants in real estate sales claiming that we did not fulfill our statutory obligations as a broker.

We may become subject to claims for construction defects or other similar actions in connection with the performance of our property management services.

In our property management capacity, we hire and supervise third-party contractors to provide construction and engineering services for our properties. While our role is limited to that of a supervisor, we may be subjected to claims for construction defects or other similar actions. Adverse outcomes of property management litigation could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to potential environmental liability.

Under various foreign, federal, state and local laws, ordinances and regulations, a current or previous owner or operator of real estate may be liable for the cleanup 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, we 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, we may be potentially liable for removal or remediation costs.

Certain foreign, 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 the 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. We may be potentially liable for those costs for properties that we own. In the past, we have been required to remove asbestos from certain buildings that we own or manage. We may be required to remove asbestos from our buildings or incur other substantial costs of environmental remediation.

Before consummating the acquisition of a particular piece of real property, it is our policy to retain independent environmental consultants to conduct an environmental review of the real property, including performing a Phase I environmental review. These assessments have included, among other things, a visual inspection of the real properties and the surrounding area and a review of relevant federal, state and historical documents. It is possible that the assessments we commissioned do not reveal all environmental liabilities or that there are material environmental liabilities of which we are currently unaware. Future laws, ordinances or regulations may impose material environmental liability and the current environmental condition of our properties may be affected by tenants, by the condition of land or operations in the vicinity of those properties, or by unrelated third parties. Federal, state, local and foreign agencies or private plaintiffs may bring actions against us in the future, and those actions, if adversely resolved, may have a material adverse effect on our business, financial condition and results of operations.



Rent control or rent stabilization legislation and other regulatory restrictions may limit our ability to increase rents and pass through new or increased operating costs to our tenants.

We presently expect to continue operating and acquiring properties in areas that have adopted laws and regulations imposing restrictions on the timing or amount of rent increases. Currently, California does not have state mandated rent control, but various municipalities within the state, including certain cities where our properties are located, have enacted rent control or rent stabilization legislation. Furthermore, enactment of similar regulations have been and are being considered in other jurisdictions where we hold investments. Although, under current California law we are able to increase rents to market rates once a tenant vacates a rent-controlled or stabilized unit, increases in rental rates for renewing tenants are limited by such regulations. These laws and regulations can (i) limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating expenses, (ii) negatively impact our ability to attract higher-paying tenants, (iii) require us to expend money for reporting and compliance, and (iv) make it more difficult for us to dispose of properties in certain circumstances. Any failure to comply with these regulations could result in fines and/or other penalties.

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We 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. If our properties are not in compliance with the ADA, the U.S. federal government could fine us or private litigants could sue us for monetary damages. In addition, if we are required to make substantial alterations to one or more of our properties in order to comply with the ADA, our results of operations could be materially adversely affected.

We may incur significant costs complying with laws, regulations and covenants that are applicable to our properties and operations.

The properties in our portfolio and our operations are subject to various covenants and federal, state, local and foreign 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 our use of our properties and may require us to obtain approval from local officials or community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic, asbestos-cleanup or hazardous material abatement requirements. Existing laws and regulations may adversely affect us, the timing or cost of our future acquisitions or renovations may be uncertain, and additional regulations may be adopted that increase such delays or result in additional costs. Our failure to obtain required permits, licenses and zoning relief or to comply with applicable laws could have a material adverse effect on our business, financial condition and results of operations.

Our property insurance coverage is limited, and any uninsured losses could cause us to lose part or all of our investment in our insured properties.

We carry commercial general liability coverage and umbrella coverage on all of our properties with limits of liability that we deem adequate and appropriate under the circumstances (certain policies 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 either may be uninsurable or are not generally insured because it is not economically feasible to insure against those losses. Should any uninsured loss occur, we could lose our investment in, and anticipated revenues from, a property, and these losses could have a material adverse effect on our operations. Currently, we also insure some of our properties for loss caused by earthquakes in levels we deem appropriate and, where we believe necessary, for loss caused by flood. The occurrence of an earthquake, flood or other natural disaster may materially and adversely affect our business, financial condition and results of operations.

Our business could be adversely affected by security breaches through cyber attacks, cyber intrusions or otherwise.

We face risks associated with security breaches, whether through cyber attacks or cyber intrusions over the internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization, and other significant disruptions of our information technology networks and related systems. These risks include operational interruption, private data exposure and damage to our relationship with our customers, among others. A security breach involving our networks and related systems could disrupt our operations in numerous ways that could ultimately have an adverse effect on our financial condition and results of operations.

## Risks Related to Our Company

If we are unable to raise additional debt and equity capital, our growth prospects may suffer.

We depend on the capital markets to grow our balance sheet along with third-party equity and debt financings to acquire properties through our investment business, which is a key driver of future growth. We currently intend to raise a significant amount of third-party equity and debt to acquire assets in the ordinary course of our business. We depend on debt financing from a combination of seller financing, the assumption of existing loans, government agencies and financial institutions. We depend on equity financing from equity partners, which include public companies, pension funds, family offices, financial institutions, endowments and money managers. Our access to capital funding is uncertain. Our inability to raise additional capital on terms reasonably acceptable to us could jeopardize the future growth of our business.

The loss of one or more key personnel could have a material adverse effect on our operations.

Our continued success depends to a significant degree on the efforts of our senior executives, particularly our chief executive officer, or CEO, who have each been essential to our business. The departure of all or any of our executives for whatever

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reason or the inability of all or any of them to continue to serve in their present capacities or our inability to attract and retain other qualified personnel could have a material adverse effect upon our business, financial condition and results of operations. Our executives have built highly regarded reputations in the real estate industry. Our 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 we lost their services, our relationships with lenders, joint ventures and clients would diminish significantly.

In addition, certain of our officers have strong regional reputations, and they aid in attracting and identifying opportunities and negotiating for us and on behalf of our clients. As we continue to grow, our success will largely depend on our ability to attract and retain qualified personnel in all areas of business. We may be unable to continue to hire and retain a sufficient number of qualified personnel to support or keep pace with our planned growth.

The loss of our CEO could have a material adverse effect on our operations.

Our continued success is dependent to a significant degree upon the efforts of our CEO, who is essential to our business. The departure of our CEO for whatever reason or the inability of our CEO to continue to serve in his present capacity could have a material adverse effect upon our business, financial condition and results of operations. Our CEO has built a highly regarded reputation in the real estate industry. Our CEO attracts business opportunities and assists both in negotiations with lenders and potential joint venture partners and in the representation of large and institutional clients. If we lost his services, our relationships with lenders, joint ventures and clients would diminish significantly. Furthermore, the departure of our CEO for whatever reason or the inability of our CEO to continue to serve as our Chairman and CEO would be an event of default under our unsecured revolving loan agreement.

Our revenues and earnings may be materially and adversely affected by fluctuations in foreign currency exchange rates due to our international operations.

Our revenues from foreign operations have been primarily denominated in the local currency where the associated revenues were earned. Thus, we may experience significant fluctuations in revenues and earnings because of corresponding fluctuations in foreign currency exchange rates. To date, our foreign currency exposure has been limited to the Pound Sterling, the Euro and the Japanese Yen. Certain questions have arisen about the viability of the Euro, and there has been speculation that some countries within the Eurozone may elect, or may be forced, to revert to the currency they issued prior to the establishment of the Euro, which could significantly reduce the value of the Euro. Due to the constantly changing currency exposures to which we will be subject and the volatility of currency exchange rates, we may experience currency losses in the future, and we cannot predict the effect of exchange rate fluctuations on future operating results. Our management uses 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 foreign currency rates, which could lead to hedging losses or the requirement to post collateral, along with unexpected changes in our underlying net asset position. Our hedging activities may not be effective.

In addition, our foreign operations may subject us to foreign income or other taxes, including at tax rates that exceed those of the United States. Foreign tax laws may also subject any foreign earnings that we repatriate to dividend withholding tax requirements or other restrictions. We may be unable to repatriate non-U.S. earnings in a tax efficient manner, and future new or amended foreign tax and other laws may impose additional restrictions on our ability to repatriate our foreign earnings.

Our results are subject to significant volatility from quarter to quarter due to the varied timing and magnitude of our strategic acquisitions and dispositions and other transactions.

We have experienced a fluctuation in our financial performance from quarter to quarter due in part to the significance of revenues from the sales of real estate and acquisition related gain on overall performance. The timing of purchases and sales of our real estate investments, transactions with our equity partners to take control of real estate or taking control of underlying real estate previously securing loans 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 our increased operating income and earnings in past years, we may be unable to continue to perform well due to significant variability in these factors. Moreover, acquisition related gains are non-operating items that result in non-cash gains and do not result in net proceeds to us. Transactions resulting in acquisition related gains have had a material positive impact on our net income, Consolidated EBITDA and Adjusted EBITDA in recent periods, and to the extent we do not recognize similar gains in future periods our net income, Consolidated EBITDA and EBITDA could be adversely affected. In addition, the timing and magnitude of brokerage commissions paid to us may vary widely from quarter to quarter depending on overall activity in the general real estate market and the nature of our brokerage assignments, among other things.

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We have in the past incurred and may continue in the future to incur significant amounts of debt to finance acquisitions, which could negatively affect our cash flows and subject our properties or other assets to the risk of foreclosure.

We have historically financed new acquisitions with cash derived from secured and unsecured loans and lines of credit. For instance, we typically purchase real property with loans secured by a mortgage on the property acquired. We anticipate to continue this trend. We do not have a policy limiting the amount of debt that we may incur. Accordingly, our management and board of directors have discretion to increase the amount of our outstanding debt at any time. We could become more highly leveraged, resulting in an increase in debt service costs that could adversely affect our results of operations and increase the risk of default on debt. We may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase. If we are required to seek an amendment to our credit agreement, our debt service obligations may be substantially increased.

Some of our debt bears interest at variable rates. As a result, we are subject to fluctuating interest rates that may impact, adversely or otherwise, results of operations and cash flows. We may be subject to risks normally associated with debt financing, including the risks that:

- cash flow may be insufficient to make required payments of principal and interest;
- existing indebtedness on our properties may not be refinanced and our leverage could increase our vulnerability to general economic downturns and adverse competitive and industry conditions, placing us at a disadvantage compared to those of our competitors that are less leveraged;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and in the commercial real estate services industry;
- our failure to comply with the financial and other restrictive covenants in the documents governing our indebtedness could result in an event of default that, if not cured or waived, results in foreclosure on substantially all of our assets; and
- the terms of available new financing may not be as favorable as the terms of existing indebtedness.

If we are unable to satisfy the obligations owed to any lender with a lien on one of our properties, the lender could foreclose on the real property or other assets securing the loan and we would lose that property or asset. The loss of any property or asset to foreclosure could have a material adverse effect on our business, financial condition and results of operations.

From time to time, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rate our significant outstanding debt. These ratings and any downgrades thereof may impact our ability to borrow under any new agreements in the future, and could increase the interest rates of, and require more onerous terms for, any future borrowings, and could also cause a decline in the market price of our common stock. Our earnings may not be sufficient to allow us to pay principal and interest on our debt and meet our other obligations. If we do not have sufficient earnings, we may be required to seek to refinance all or part of our existing debt, sell assets, borrow more money or sell more securities, which we may be unable to do, and our stock price may be adversely affected.

Our debt obligations impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and taking certain actions.

Our existing debt obligations impose, and future debt obligations may impose, significant operating and financial restrictions on us. These restrictions limit or prohibit, among other things, our ability to:

- incur additional indebtedness;
- repay indebtedness (including our 5.875% senior notes due 2024 and our 7.75% senior notes due 2042) prior to stated maturities;
- pay dividends on, redeem or repurchase our stock or make other distributions;
- make acquisitions or investments;
- create or incur liens;
- transfer or sell certain assets or merge or consolidate with or into other companies;
- enter into certain transactions with affiliates;
- sell stock in our subsidiaries;
- restrict dividends, distributions or other payments from our subsidiaries; and
- otherwise conduct necessary corporate activities.

In addition, our unsecured revolving credit facility require us to maintain compliance with specified financial covenants, including maximum balance sheet leverage and fixed charge coverage ratios. As of December 31, 2015, we were in compliance

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with these covenants. These covenants could adversely affect our ability to finance our future operations or capital needs and pursue available business opportunities. A breach of any of these covenants could result in a default in respect of the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be immediately due and payable and proceed against any collateral securing that indebtedness. In addition, a default under one series of our indebtedness may also constitute a default under another series of our indebtedness.

We have guaranteed a number of loans in connection with various equity-method investments, which may result in us being obligated to make substantial payments.

We have provided recourse guarantees associated with loans secured by assets held in various joint venture partnerships. The maximum potential undiscounted amount of future payments that we could be required to make under these guarantees was approximately \$61.7 million at December 31, 2015. The guarantees expire through 2026, and our performance under the guarantees would be required to the extent there is a shortfall upon liquidation between the principal amount of the loan and the net sales proceeds of the property. If we were to become obligated to perform on these guarantees, our financial condition could suffer.

We have a number of equity partnerships that subject us to obligations under certain “non-recourse carve out” guarantees that may be triggered in the future.

Most of our real estate properties within our equity partnerships are encumbered by traditional non-recourse debt obligations. In connection with most of these loans, however, we entered into certain “non-recourse carve out” guarantees, which provide for the loans to become partially or fully recourse against us if certain triggering events occur. Although these events are different for each guarantee, some of the common events include:

- the special purpose property-owning subsidiary’s filing a voluntary petition for bankruptcy;
- the special purpose property-owning subsidiary’s failure to maintain its status as a special purpose entity; and
- subject to certain conditions, the special purpose property-owning subsidiary’s failure to obtain lender’s written consent prior to obtaining any subordinate financing or encumbering the associated property.

In the event that any of these triggering events occur and the loans become partially or fully recourse against us, our business, financial condition, results of operations and common stock price could be materially adversely affected.

The deteriorating financial condition and/or results of operations of certain of our clients could adversely affect our business.

We could be adversely affected by the actions and deteriorating financial condition and results of operations of certain of our clients. Losses or defaults by one or more of these clients could have a material adverse effect on our results of operations and financial condition. Any of our clients may experience a downturn in its business that may weaken its results of operations and financial condition. As a result, a client may fail to make payments when due, become insolvent or declare bankruptcy. Any client bankruptcy or insolvency, or the failure of any client to make payments when due, could result in material losses to our company. A client bankruptcy would delay or preclude full collection of amounts owed to us. Additionally, certain corporate services and property management client agreements require that we advance payroll and other vendor costs on behalf of clients. If such a client were to file bankruptcy or otherwise fail, we may not be able to obtain reimbursement for those costs or for the severance obligations we would incur as a result of the loss of the client.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.



As of December 31, 2015, we had \$133.2 million and \$84.8 million of federal and California net operating loss carryforwards, respectively, as well as \$10.4 million of foreign tax credits, which generally can be used to offset future taxable income. However, under Sections 382 and 383 of the Internal Revenue Code (“the Code”) of 1986, as amended, if a corporation undergoes an “ownership change” (generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period), the corporation’s ability to use its pre-change net operating loss carryforwards and foreign tax credits to offset its post-change income may be limited. We have not performed a detailed analysis to determine whether an ownership change under Sections 382 of the Code has previously occurred. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards and foreign tax credits to offset U.S. federal taxable income may become subject to limitations, which could potentially result in increased future tax liability to us.

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If we are unable to maintain and protect our intellectual property, or if third parties assert that we infringe their intellectual property rights, our business could suffer.

Our business depends, in part, on our ability to identify and protect proprietary information and other intellectual property such as our service marks, client lists and information and business methods. The laws of some countries in which we operate may offer only limited protection for our intellectual property rights. We rely on a combination of trade secrets, confidentiality policies, non-disclosure and other contractual arrangements and copyright and trademark laws to protect our intellectual property rights. However, we may not adequately protect these rights, and their disclosure to or use by third parties may harm our competitive position. Our inability to detect unauthorized use or take appropriate or timely steps to enforce our intellectual property rights may harm our business.

Also, third parties may claim that our business operations infringe on their intellectual property rights. These claims may harm our reputation, cost us money to defend, distract the attention of our management and prevent us from offering some services.

Confidential intellectual property is increasingly stored or carried on mobile devices, such as laptop computers, which increases the risk of inadvertent disclosure where the mobile devices are lost or stolen and the information has not been adequately safeguarded or encrypted. This also makes it easier for someone with access to our systems, or someone who gains unauthorized access, to steal information and use it to our disadvantage. Advances in technology, which permit increasingly large amounts of information to be stored on mobile devices or on third party “cloud” servers, may exacerbate these risks.

We may fail to comply with section 404 of the Sarbanes-Oxley Act of 2002.

We are subject to section 404 of The Sarbanes-Oxley Act of 2002 and the related rules of the SEC, which generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Although our management has concluded that our internal control over financial reporting was effective as of December 31, 2015 and our independent registered public accounting firm has issued an unqualified report as to the same, our management or our independent registered public accounting firm may not be able to come to the same conclusion in future periods. During the course of the review and testing of our internal controls, we may identify deficiencies and weaknesses and be unable to remediate them before we must provide the required reports. If our management or our independent registered public accounting firm is unable to conclude on an ongoing basis that we have effective internal control over financial reporting, our operating results may suffer, investors may lose confidence in our reported financial information and the trading price of our stock may fall.

### Risks Related to Ownership of Our Common Stock

Our directors and officers and their affiliates are significant stockholders, which makes it possible for them to have significant influence over the outcome of all matters submitted to stockholders for approval and which influence may be in conflict with our interests and the interests of our other stockholders.

As of December 31, 2015 our directors and executive officers and their respective affiliates owned an aggregate of approximately 18% of the outstanding shares of our common stock. These stockholders will have significant influence over the outcome of all matters submitted for stockholder approval, including the election of our directors and other corporate actions. In addition, such influence by one or more of these stockholders could discourage others from attempting to purchase or take us over in a transaction that would be favorable to our other stockholders or reduce the market price offered for our common stock in such an event.

We may issue additional equity securities, which may dilute your interest in us.

In order to expand our business, we may consider offering and issuing additional equity or equity-based securities. If we issue and sell additional shares of our common stock, the ownership interests of our existing stockholders will be diluted to the extent they do not participate in the offering. The number of shares that we may issue for cash in non-public offerings without stockholder approval will be limited by the rules of the NYSE or other exchange on which our securities are listed. However, we may issue and sell shares of our common stock in public offerings, and there generally are exceptions that allow companies to issue a limited number of equity securities in private offerings without stockholder approval, which could dilute your ownership.

The price of our common stock may be volatile.

The trading price of our common stock has historically been and may in the future continue to be volatile due to factors such as:

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• changes in real estate prices;  
• actual or anticipated fluctuations in our quarterly and annual results and those of our 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 our operating results from levels forecasted by securities analysts;  
• investor sentiment toward the stock of real estate companies in general;  
• announcements concerning us or our competitors; and  
• the general state of the securities markets.

Our common stock may be delisted, which could limit your ability to trade our common stock and subject us to additional trading restrictions.

Our common stock is listed on the NYSE, a national securities exchange. However, our common stock may not continue to be listed on the NYSE in the future. If the NYSE delists our common stock from trading on its exchange, we could face significant material adverse consequences, including:

• limited availability of market quotations for our common stock;  
• limited amount of news and analyst coverage for our company;  
• decreased ability for us to issue additional securities or obtain additional financing in the future; and  
• limited liquidity for our stockholders due to thin trading.

Our 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 our organizational documents may discourage a change in control.

Our amended and restated certificate of incorporation provides for our board of directors to be divided into three classes, each of which generally serves 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 our stockholders from replacing a majority of our 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, certain provisions of our amended and restated certificate of incorporation and our 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 the payment of a premium over the market price for the shares held by stockholders.

In addition, Section 203 of the Delaware General Corporation Law may, under certain circumstances, make it more difficult for a person who would be an “interested stockholder” to effect a “business combination” with us for a three-year period. An “interested stockholder” generally is defined as any entity or person that beneficially owns 15% or more of our outstanding voting stock or any entity or person that is an affiliate or associate of such entity or person. A “business combination” generally is defined to include, among other transactions, mergers, consolidations and certain other transactions, including sales, leases or other dispositions of assets with an aggregate market value equal to 10% or more of the aggregate market value of the corporation.

These anti-takeover provisions could make it more difficult for a third party to acquire us, 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.

We may change our dividend policy.

Future distributions will be declared and paid at the discretion of our board of directors and the amount and timing of distributions will depend upon cash generated by operating activities, our financial condition, capital requirements, restrictions in the agreements governing our indebtedness and such other factors as our board of directors deems relevant. Our board of directors may change our dividend policy at any time, and there can be no assurance as to the manner in which future dividends will be paid or that the current dividend level will be maintained in future periods.

Item 1B. Unresolved Staff Comments

None

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## Item 2. Properties

The following table sets forth certain information regarding our consolidated properties at December 31, 2015 (dollars in millions):

## Consolidated Properties by Region

Commercial <sup>(2)</sup>	Square Feet	Ending % Occupancy	Annualized Base Rent <sup>(1)</sup>	Average Effective Rent <sup>(3)</sup>	KW/KWE Ownership % <sup>(4)</sup>	# of Properties
Western U.S.	1,703,094	95	% \$31.9	\$29.6	83	% 13
Japan	9,633	100	0.4	0.3	82	% 1
Europe <sup>(5)</sup>	11,994,445	96	229.9	221.8	50%-100%	280
Total Commercial	13,707,172	96	% \$262.2	\$251.7		294

  

Multifamily	Units	Ending % Leased	Annualized Base Rent <sup>(1)</sup>	Average Effective Rent <sup>(3)</sup>	KW/KWE Ownership % <sup>(4)</sup>	# of Properties
Western U.S.	7,434	95	% \$112.9	\$112.9	97	% 19
Europe <sup>(5)</sup>	1,307	94	25.1	25.1	50%-100%	7
Total Multifamily	8,741	95	% \$138.0	\$138.0		26

<sup>(1)</sup> Represents annualized cash base rent (i.e. excludes tenant reimbursements and other revenue).

<sup>(2)</sup> Excludes properties that are under development or undergoing lease up, which includes 3 properties totaling 0.3 million square feet.

<sup>(3)</sup> Average effective rents represents annualized base rent net of rental concessions and abatements.

<sup>(4)</sup> For investments made and held directly by KWE, the KWE ownership percentage range is shown above. As of December 31, 2015, Kennedy Wilson owns 18.2% of KWE's total share capital.

<sup>(5)</sup> Includes investments made and held directly by KWE.

## Consolidated Properties by Region

	Units	Acres	Lots	KW/KWE Ownership % <sup>(1)</sup>	# of Investments
Residential and Land					
Western U.S.	1	2,766	—	93	% 6
Europe <sup>(2)</sup>	—	13	—	50%-100%	6
Total Residential and Land	1	2,779	—		12

## Consolidated Properties by Region

	Rooms	KW/KWE Ownership % <sup>(1)</sup>	# of Investments
Hotel			
Western U.S.	363	53	% 2
Europe <sup>(2)</sup>	612	100	% 3
Total Hotel	975		5

(1) For investments made and held directly by KWE, the KWE ownership percentage range is shown above. As of December 31, 2015, Kennedy Wilson owns 18.2% of KWE's total share capital.

(2) Includes investments made and held directly by KWE.

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The following table sets forth a summary schedule of lease expirations for leases in place as of December 31, 2015, plus available space, in our consolidated commercial portfolio (including KWE) assuming non-exercise of renewal options and early termination rights:

Year of Lease Expiration	Number of Leases Expiring	Rentable Square Feet	Annualized Base Rent	Expiring Annualized Base Rent as a Percent of Total	
2016	218	1,093,864	\$24.8	10	%
2017	120	1,470,762	28.0	11	%
2018	100	1,008,003	20.9	8	%
2019	78	1,666,582	28.6	11	%
2020	129	1,535,043	23.1	9	%
2021	45	422,419	16.5	6	%
2022	38	1,495,031	25.0	10	%
2023	37	424,815	8.1	3	%
2024	40	489,040	7.8	3	%
2025	46	782,060	14.2	6	%
Thereafter	149	2,900,764	60.5	23	%
Total	1,000	13,288,383	\$257.5	100	%

Our corporate headquarters is located in Beverly Hills, California. We also have 24 other offices throughout the United States, including our disaster recovery office in Austin, Texas, one office in London, England, one office in Dublin, Ireland, one office in Madrid, Spain and one office in Tokyo, Japan. The Beverly Hills office operates as the main investment and asset management center for us in the United States, while the United Kingdom, Ireland, Jersey, Spain and Japan offices are the main investment and asset management center for our respective British, Irish, Spanish and Japanese operations. The remaining office locations primarily operate as property management satellites. With the exception of our corporate headquarters which we own, we lease all of our offices. In addition, we have on-site property management offices located within properties that we manage. The most significant terms of the leasing arrangements for our offices are the length of the lease and the rent. Our leases have terms varying in duration. The rent payable under our office leases vary significantly from location to location as a result of differences in prevailing commercial real estate rates in different geographic locations. Our management believes that except as provided below, no single office lease is material to our business, results of operations or financial condition. In addition, our management believes there is adequate alternative office space available at acceptable rental rates to meet our needs, although adverse movements in rental rates in some markets may negatively affect our profits in those markets when we enter into new leases.

The following table sets forth certain information regarding our corporate headquarters and regional offices.

Location	Use	Approximate Square Footage	Lease Expiration
Beverly Hills, CA	Corporate Headquarters	60,000	N/A*
Austin, TX	Regional Office; Disaster Recovery Office	6,864	7/31/2017
London, England	Regional Office	4,712	3/3/2023
Dublin, Ireland	Regional Office	3,380	6/1/2016

\*Building is owned by a wholly-owned subsidiary of the Company.

### Item 3. Legal Proceedings

We may be involved in various legal proceedings arising in the ordinary course of business, none of which we currently believe is material to our business. From time to time, our real estate management division is named in “slip



and fall” type litigation relating to buildings we manage. Our standard management agreement contains an indemnity provision whereby the building owner agrees to indemnify us and defend our real estate management division against such claims. In such cases, we are defended by the building owner’s liability insurer.

Item 4. Mine Safety Disclosures

Not Applicable

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Stock Price Information

Our common stock trades on the NYSE under the symbol "KW." The following table sets forth, for the calendar quarter indicated, the high and low sales prices per share of common stock as reported on the NYSE. The quotations listed below reflect inter dealer prices, without retail markup, markdown or commission and may not necessarily represent actual transactions.

	Common Stock	
	High	Low
Fiscal year 2015		
Quarter ended March 31, 2015	\$28.33	\$24.59
Quarter ended June 30, 2015	26.98	23.82
Quarter ended September 30, 2015	26.41	21.88
Quarter ended December 31, 2015	26.44	21.96
Fiscal year 2014		
Quarter ended March 31, 2014	26.50	21.45
Quarter ended June 30, 2014	26.91	20.50
Quarter ended September 30, 2014	27.29	23.19
Quarter ended December 31, 2014	28.00	23.31

## Holders

As of February 29, 2016, we had approximately 154 holders of record of our common stock.

## Dividends

We declared and paid quarterly dividends of \$0.12 per share and \$0.09 per share in 2015 and 2014, respectively. Cumulative dividends on our Series A and Series B Preferred Stock accrue at an annual rate of 6.00% and 6.452%, respectively, of the liquidation preference, subject to adjustment under certain circumstances. The Series A were mandatorily converted into 8,554,948 shares on May 19, 2015. The Series B shares are mandatorily convertible on November 3, 2018. The dividends are mandatory and payable quarterly in arrears.

The declaration and payment of any future dividends is at the sole discretion of our board of directors and will depend on, among other things, our operating results, overall financial condition, capital requirements and general business conditions.

Amounts shown in millions

Aggregate dividends declared since inception	Preferred	Common	Total
2009	\$3.2	\$—	\$3.2
2010	4.5	—	4.5
2011	8.7	5.7	14.4
2012	8.1	11.7	19.8
2013	8.1	21.8	29.9
2014	8.1	33.7	41.8
2015	3.6	53.3	56.9
Total	\$44.3	\$126.2	\$170.5

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Recent Sales of Unregistered Securities

None

Equity Compensation Plan Information

See Item 12—"Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Performance Graph

The graph below compares the cumulative total return of our common stock from December 31, 2010 through December 31, 2015, with the comparable cumulative return of companies comprising the S&P 500 Index and the S&P 500 Financials index. The graph plots the growth in value of an initial investment of \$100 in each of our common stock, the S&P 500 Index, and the S&P 500 Financials index for the five-year period ended December 31, 2015, and assumes reinvestment of all dividends, if any, paid on the securities. The stock price performance shown on the graph is not necessarily indicative of future price performance.

Kennedy Wilson uses the S&P 500 Financials index, which is a subsector of the S&P 500 index and includes real estate companies and other diversified financial services companies as a comparable measure. The information under this caption, "Performance Graph," is deemed not to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that such filing specifically states otherwise.

Purchases of Equity Securities by the Company and Affiliated Purchasers in the Fourth Quarter of 2015

None.

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## Item 6. Selected Financial Data

The following tables summarize our selected historical consolidated financial information. This information was derived from our audited financial statements for each of the years ended December 31, 2015, 2014, 2013, 2012 and 2011. This information is only a summary. You should read this information together in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the financial statements and related notes included elsewhere in this document.

(Dollars in millions, except per share amounts)	Year Ended December 31,				
	2015	2014	2013	2012	2011
Statements of operations data and dividends:					
Revenue	\$603.7	\$398.6	\$123.1	\$66.9	\$62.6
Net income (loss) to Kennedy-Wilson Holdings Inc. common shareholders	71.1	13.8	(14.5 )	(3.9 )	(2.4 )
Basic income (loss) per share	0.66	0.14	(0.21 )	(0.07 )	(0.06 )
Dividends declared per share of common stock	0.48	0.36	0.28	0.20	0.11
Adjusted EBITDA <sup>(1)</sup>	371.2	317.8	159.1	97.4	70.3
Adjusted EBITDA annual increase	17	% 100	% 63	% 39	%
Adjusted Fees	158.2	121.0	72.4	55.7	59.0
Adjusted Fees annual increase (decrease)	31	% 67	% 30	% (6 )	)%
	As of December 31,				
	2015	2014	2013	2012	2011
Balance sheet data:					
Cash and cash equivalents	\$731.6	\$937.7	\$178.2	\$120.9	\$115.9
Total assets	7,640.1	6,332.1	1,798.8	1,283.8	792.8
Investment debt	3,658.2	2,195.9	401.8	236.5	30.7
Unsecured corporate debt	702.6	827.4	449.0	449.6	289.4
Kennedy Wilson equity	1,133.8	901.1	768.3	509.7	410.2
Noncontrolling interests	1,731.3	2,142.8	50.6	9.1	3.4
Total equity	2,865.1	3,043.9	818.9	518.8	413.6
Common shares outstanding	114.5	96.1	82.6	63.8	51.8

<sup>(1)</sup> See Non-GAAP Measures and Certain Definitions and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Non-GAAP measures" for a description of Consolidated EBITDA and Adjusted EBITDA and a reconciliation of these metrics to net income as reported under GAAP.

Due to our significant acquisition activity, the periods presented above may not be comparable. See Note 4 in our Notes to the Consolidated Financial Statements for discussion of the business combinations that occurred during the years ended December 31, 2015 and 2014.

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The following table shows our investment account by region as of December 31, 2015, 2014, 2013, 2012 and 2011:

(in millions)	Year Ended December 31,										
	2015	%	2014	%	2013	%	2012	%	2011	%	
Western U.S.	\$1,157.0	59	% \$898.8	53	% \$793.2	67	% \$529.7	63	% \$378.4	65	%
United Kingdom	418.3	22	% 252.7	15	% 135.7	11	% 120.4	15	% 60.0	10	%
Ireland	275.2	14	% 295.7	18	% 161.8	14	% 76.2	9	% 23.0	4	%
Japan	10.3	1	% 84.9	5	% 96.3	8	% 111.3	13	% 121.4	21	%
Spain	46.0	2	% —	—	% —	—	% —	—	% —	—	%
Italy	43.6	2	% —	—	% —	—	% —	—	% —	—	%
Net hedges	15.8	1	% —	—	% —	—	% —	—	% —	—	%
KW share of cash held by consolidated investments	148.3	8	% 152.2	9	% —	—	% —	—	% —	—	%
KW share of unsecured debt held by KWE	(172.2	)(9	)% —	—	% —	—	% —	—	% —	—	%
Total	\$1,942.3	100	% \$1,684.3	100	% \$1,187.0	100	% \$837.6	100	% \$582.8	100	%

**Assets Under Management (AUM)**

AUM generally refers to the properties and other assets with respect to which we provide (or participate in) oversight, investment management services and other advice, and which generally consist of real estate properties or loans and investments in joint ventures. Our AUM is principally intended to reflect the extent of our presence in the real estate market, not the basis for determining our management fees. Our AUM consists of the total estimated fair value of the real estate properties and other real estate related assets either owned by third parties, wholly owned by us or held by joint ventures and other entities in which our sponsored funds or investment vehicles and client accounts have invested. Committed (but unfunded) capital from investors in our sponsored funds is not included in our AUM. The estimated value of development properties is included at estimated completion cost.

The table below details the changes in the Company's AUM for the twelve months ended December 31, 2015:

(in millions)	December 31, 2014	Increases	Decreases	December 31, 2015
AUM <sup>(1)</sup>	\$18,074.1	\$4,327.2	\$(4,350.6	)\$18,050.7

<sup>(1)</sup> For AUM purposes amounts are based off of LSE:KWE share value. Investments made by KWE reflected in GAAP consolidated results are excluded from Investment - KWH section above.

AUM remained at \$18.1 billion as of December 31, 2015 as compared to December 31, 2014. The increases are due to new acquisitions, KWE's bond issuance, appreciation in the value of its investments, and unrealized foreign currency gains on KWE shares. This is offset by decreases due to dispositions of commercial and multifamily assets, loan pool resolutions and foreign currency losses on assets in the Company's investments and services segments.

Foreign currency and currency derivative instruments

Please refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation for a discussion regarding foreign currency and currency derivative instruments.

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### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and related notes and the other financial information appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See the section title "Forward-Looking Statements" for more information. Actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including those discussed in "Risk Factors" and elsewhere in this report. Unless specifically noted otherwise, as used throughout this Management's Discussion and Analysis section, "we," "our," "us," "the Company" or "Kennedy Wilson" refers to Kennedy-Wilson Holdings, Inc. and its wholly-owned subsidiaries. "KWE" refers to Kennedy Wilson Europe Real Estate plc, a London Stock Exchange listed company that we externally manage through a wholly-owned subsidiary. "Equity partners" refers to the subsidiaries that we consolidate in our financial statements under U.S. GAAP (other than wholly-owned subsidiaries), including KWE, and third-party equity providers. "KW Group" refers to the Company and its subsidiaries that are consolidated in its financial statements under U.S. GAAP (including KWE). Please refer to "Non-GAAP Measures and Certain Definitions" for definitions of certain terms used throughout this report.

### Overview

Kennedy Wilson is a global real estate investment company. We own, operate, and invest in real estate both on our own and through our investment management platform. We focus on multifamily, office, retail and hotels located in the Western U.S., UK, Ireland, Spain, Italy and Japan. To complement our investment business, the Company also provides real estate services primarily to financial services clients.

Our value is primarily derived from our ownership in income producing real estate assets. We have an ownership stake in approximately 39 million square feet of property globally, including 24,371 multifamily rental units. In addition to our core income producing real estate, we engage in redevelopment and value add initiatives through which we enhance cashflows or reposition asset to increase disposal value. Additionally, our investment management and property services business manages over \$18 billion of AUM the majority of which we have an ownership stake in and the balance we manage for third parties.

We have over 495 employees in 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan and manage and work with over 5,000 operating associates.

Our operations are defined by two core business segments, KW Investments and KW Services, which work closely together to identify attractive investment markets and opportunities around the world:

#### KW Investments

We invest our capital in real estate assets and loans secured by real estate either on our own or with strategic partners through publicly traded companies, joint ventures, separate accounts, or funds. When we have partners, we are typically the general partner in the arrangement with a promoted interest in the profits of our investments beyond our ownership percentage. The Company has an average ownership interest across all investments of approximately 38% as of December 31, 2015. Our equity partners include public shareholders, financial institutions, foundations, endowments, high net worth individuals and other institutional investors.

The following are product types we invest in through the KW Investments segment:

#### Multifamily

We pursue multifamily acquisition opportunities where we believe we can unlock value through a myriad of strategies, including institutional management, asset rehabilitation, repositioning and creative recapitalization. We focus primarily on apartments in supply-constrained, infill markets. Through our Vintage Housing Holdings ("VHH") partnership, we also utilize low-income housing tax credit structures for income and age restricted properties. As of December 31, 2015, we hold investments in 24,371 multifamily apartment units across 129 properties primarily located in the Western United States, Ireland, United Kingdom and Japan.

#### Commercial

We source, acquire, and finance various types of commercial real estate which includes office, industrial, retail, and mixed-use assets. After acquisition, the properties are generally repositioned to enhance market value. Assets are

either sold as part of property-specific investment strategies designed to deliver above-market returns to our clients and shareholders or held if producing above average cash flows. As of December 31, 2015, we own interests in 319 commercial properties, totaling over 18.9 million square feet, located throughout the United States, United Kingdom, Ireland, Spain, Italy and Japan.

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### Loan Originations/Discounted Loan Purchases

We acquire and/or originate loans secured by real estate. Our acquisitions and originations include individual notes on all real estate property types as well as portfolios of loans purchased from financial institutions, corporations and government agencies. We deliver value through loan resolutions, discounted payoffs, and sales. We also convert certain loans into a direct ownership in the underlying real estate collateral. Our discounted loan pool portfolio as of December 31, 2015 had current unpaid principal balance ("UPB") of \$558.6 million.

Our loan investment portfolio is principally related to loans acquired at a discount from their contractual balance due as a result of deteriorated credit quality of the borrower. Such loans are underwritten by us based on the value of the underlying real estate collateral. Due to the discounted purchase price, we seek and are generally able to accomplish near term realization of the loan in a cash settlement or by obtaining title to the property. Accordingly, the credit quality of the borrower is not of substantial importance to our evaluation of the risk of recovery from the investment.

### Hotel

We acquire hotels in certain opportunistic situations in which we are able to purchase at a significant discount to replacement cost or can implement our value-add investment approach.

### Residential and Other

In certain cases, we may pursue for sale housing acquisition opportunities, including land for entitlements, finished lots, urban infill housing sites and partially finished and finished housing projects. On certain income-producing acquisitions, there are adjacent land parcels that we assign little or no basis and for which we may pursue entitlement activities or, in some cases, development or re-development opportunities. This group also includes our investment in marketable securities. Included in Western U.S. residential are three residential investments and one loan investment in Hawaii. Our investment account balance for these Hawaiian investments is \$148.3 million.

While our core investments have been in the specific markets and locations listed above, we will evaluate opportunities to earn above market returns across many other segments and geographic locations.

### KW Services

KW Services includes our investment management platform along with our property services, research, brokerage and auction and conventional sales divisions. These businesses generate revenue for us through fees and commissions.

We manage approximately 50 million square feet of properties for the Company and its investment partners (including KWE) in the United States, Europe, and Asia, which includes assets we have ownership interests in and third party owned assets. With 25 offices throughout the United States, the United Kingdom, Ireland, Jersey, Spain, Italy and Japan, we have the capabilities and resources to provide property services to real estate owners as well as the experience, as a real estate investor, to understand client concerns. The managers of KW Services have an extensive track record in their respective lines of business and in the real estate community as a whole. Their knowledge and relationships are an excellent driver of businesses through the services business as well as on the investment front. Additionally, KW Services plays a critical role in supporting our investment strategy by providing local market intelligence and real-time data for evaluating investments, generating proprietary transaction flow and creating value through efficient implementation of asset management or repositioning strategies.

### Investment Management

Our investment management division, provides acquisition, asset management and disposition services to our equity partners as well as to third parties. Currently, we have seven closed end funds for which we serve as general partner and manager and separate accounts with strategic partners. In addition, we serve as the manager of KWE and are entitled to receive management fees (50% of which are paid in KWE shares) equal to 1% of KWE's adjusted net asset value (reported by KWE to be \$2.4 billion at December 31, 2015) and certain performance fees. Under US GAAP, we are required to consolidate the results of KWE and as such fees earned from KWE are eliminated in consolidation.

### Property Services

Our property services division manages commercial real estate for third-party clients, fund investors, and investments held by Kennedy Wilson. In addition to earning property management fees, consulting fees, leasing commissions, construction management fees, disposition fees, and accounting fees, the property services division gives Kennedy Wilson insight into local markets and potential acquisitions. Leveraging over 38 years of real estate experience, we approach property management from the perspective of an owner and are active in identifying and implementing value



creation strategies. The division has a proven track record of success in managing stabilized as well as value-add investments.

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### Research

Meyers Research LLC ("Meyers"), a Kennedy Wilson company, is a premier consulting practice and provider of data for residential real estate development and new home construction industry. Meyers' offers a national perspective as well as local expertise to homebuilders, multifamily developers, lenders and financial institutions. These relationships have led to investment opportunities with homebuilders in the Western U.S. region. We believe Zonda™, a Meyers innovation launched in October 2013, is the housing industry's most comprehensive solution for smart business analysis, real-time market data reporting and economic and housing data in one place and on-the-go.

### Brokerage

Our brokerage division represents tenants and landlords on every aspect of site selection, negotiation and occupancy. The division also specializes in innovative marketing programs tailored to client objectives for all types of investment grade and income producing real estate. The division's property marketing programs combine proven techniques with its detailed market knowledge to create optimum results.

### Auction and Conventional Sales

The auction and conventional sales division provides innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use developments, estate homes, multifamily dwellings, new home projects, and conversions. Generally the division's auction sales business is countercyclical to the traditional sales real estate market and has been a bellwether for us in forecasting market conditions.

### Financial Measures and Descriptions

Our key financial measures and indicators are discussed below. Please refer to the critical accounting policies in the Notes to the Consolidated Financial Statements for additional detail regarding the GAAP recognition policies associated with the captions described below.

### Revenues

Rental income - rental income is comprised of rental revenue earned by our consolidated real estate investments.

Hotel income - hotel income is comprised of hotel revenue earned by our consolidated hotels.

Sale of real estate - sales of real estate consists of gross sales proceeds received on the sale of consolidated real estate that is not defined as a business by generally accepted accounting principles. This typically includes the sale of condominium units.

Investment Management, Property Services and Research Fees - Investment management, property services, and research fees are primarily comprised of base asset management fees, performance based fees, and acquisition fees generated by our investment management division, property management fees generated by our property services division, leasing fees and sales commissions generated by our brokerage and auction divisions, and consulting fees generated by Meyers.

Loans and other income- Loans and other income is primarily composed of interest income earned on the Company's loan originations and investments in discounted loan purchases.

### Expenses

Rental operating expenses - rental operating expenses consists of the operating expenses of our consolidated real estate investments, including items such as property taxes, insurance, maintenance and repairs, utilities, supplies, salaries and management fees.

Hotel operating expenses - hotel operating expenses consists of operating expenses of our consolidated hotel investments, including items such as property taxes, insurance, maintenance and repairs, utilities, supplies, salaries and management fees.

Commission and marketing expenses - commission and marketing expenses includes fees paid to third party sales and leasing agents as well as business development costs necessary to generate revenues.

Compensation and related expenses - compensation and related expenses include: (a) employee compensation, comprising of salary, bonus, employer payroll taxes and benefits paid on behalf of employees and (b) share-based

compensation associated with the grants of share-based awards.

General and administrative - general and administrative expenses represent administrative costs necessary to run KW Group's business and include things such as occupancy and equipment expenses, professional fees, public company costs, travel and related expenses, and communications and information services.

Depreciation and amortization - depreciation and amortization is comprised of depreciation expense which is recognized ratably over the useful life of an asset and amortization expense which primarily consist of the amortization of assets allocated to the value of in-place leases upon acquisition of a consolidated real estate asset.

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Non-Operating Income (Expense)

Income from unconsolidated investments - Income from unconsolidated investments consists of (a) the Company's share of income or loss earned on investments in which the Company can exercise significant influence but does not have control, and (b) interest income from unconsolidated loan pool participations. Additionally, interest income from loan pool participations are recognized on a level yield basis, where a level yield model is utilized to determine a yield rate which, based upon projected future cash flows, accretes interest income over the estimated holding period. See the unconsolidated investments footnote of the attached notes to the consolidated financial statements for summarized financial data, including balance sheet and income statement information of the underlying investments.

Acquisition-related gains - Acquisition-related gains consist of non-cash gains recognized by the Company upon a GAAP required fair value remeasurement due to a business combination. These gains are typically recognized when KW Group converts a loan into consolidated real estate owned and the fair value of the underlying real estate exceeds the basis in the previously held loan. These gains also arise when there is a change of control of an existing investment. The gain amount is based upon the fair value of the Company's equity in the investment in excess of the carrying amount of the equity directly preceding the change of control or the separately determined fair value of an investment being an excess of cash paid.

Acquisition-related expenses - Acquisition-related expenses consists of the costs incurred to acquire assets. Generally, the majority of these expenses relate to stamp duty taxes on foreign transactions (primarily within KWE).

Acquisition-related expenses may also include and professional fees associated with closing the transactions and the write off of any costs associated with acquisitions which did not materialize.

Gain on sale of real estate - Gain on sale of real estate relates to the amount received over the carrying value of assets sold that met the definition of a business under US GAAP.

Interest expense - corporate debt - Interest expense - corporate debt represents interest costs associated with our senior notes payable, junior subordinated debentures and line of credit facility. This debt is unsecured and we typically use the funds generated from corporate borrowings to fund new investments.

Interest expense - investment - Interest expense -investment represents interest costs associated with mortgages on our consolidated real estate and unsecured debt held by KWE. The mortgages are typically secured by the underlying real estate collateral.

Other Income - Other income includes the realized foreign currency exchange income or loss relating to the settlement of foreign transactions during the year which arise due to changes in currency exchange rates, realized gains or losses related to the settlement of derivative instruments, the gain or loss on the sale of marketable securities, and other non-operating interest income.

Income taxes - The Company's services business operates globally as corporate entities subject to federal, state, and local income taxes and the investment business operates through various partnership structures to participate in multifamily, office and residential property acquisitions as well as originate loans and purchases loan pools. The Company's distributive share of income from its partnership investments will be subject to federal, state, and local taxes at the entity level and the related tax provision attributable to the Company's share of the income tax is reflected in the consolidated financial statements.

Noncontrolling Interests - Noncontrolling interests represents income or loss attributable to equity partners for their ownership in investments which the Company controls. Income or loss is attributed to noncontrolling interest partners based on their respective ownership interest in an investment.

Accumulated other comprehensive income - Accumulated other comprehensive income represents the Company's share of foreign currency movement on translating KW Group's foreign subsidiaries from their functional currency into the Company's reporting currency. These amounts are offset by KW Group's effective portion of currency related hedge instruments. Unrealized changes in fair value on the Company's investment in marketable securities are also included in this account.

Foreign Currency

As of December 31, 2015, approximately 47% of our investment account is invested through our foreign platforms in their local currencies. Investment level debt is generally incurred in local currencies and therefore we consider the carrying value of our equity investment as the appropriate exposure to evaluate for hedging purposes. Fluctuations in

foreign exchanges rates may have a significant impact on the results of our operations. In order to manage the effect of these fluctuations, we generally hedge our book equity exposure to foreign currencies through currency forward contracts and options. We typically hedge 50%-100% of book equity exposure against these foreign currencies. Please see Qualitative and Quantitative Disclosures About Market Risk - Currency Risk - Foreign Currencies for a detailed discussion with respect to foreign currency.

#### Results of Operations

##### 4Q Highlights

- Same Property Performance: Across the Company's same property portfolio:

Multifamily: Revenues +8%; NOI +12%; Tenth consecutive quarter with above 8% NOI growth

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Commercial: Revenues +2%; NOI +2%

Liquidity: The Company increased the capacity of its undrawn corporate line of credit from \$300 million to \$475 million (maturity with extension December 2019). Kennedy Wilson has no other corporate debt maturities until 2024. As of December 31, 2015, the Company and its consolidated subsidiaries (including KWE) had \$732 million in cash and \$807 million in unused lines of credit.

Investment Gains on Sale: The Company realized gains from sales of \$46 million in 4Q-2015, including \$39 million related to the sale of four unconsolidated multifamily properties located in the Western U.S., compared to \$4 million in 4Q-2014.

Performance Fees: The Company earned \$34 million in performance fees related to its management of KWE and its U.S. fund management business. During 4Q-2014, the Company had performance fees of \$6 million.

#### Dividend Declaration

On February 25, 2016, Kennedy Wilson announced a 17% increase in the common dividend per share to \$0.14 per quarter or \$0.56 on an annualized basis. This marks the fifth consecutive annual dividend increase. The Company will pay a quarterly dividend to common shareholders of record as of March 31, 2016 with a payment date of April 7, 2016.

#### Share Repurchase Program

Kennedy Wilson announced the authorization of a stock repurchase program for up to \$100 million. Repurchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases depending on market conditions and subject to the Company's discretion. There have been no share repurchases made under the program yet.

#### Investment Business

For 4Q and FY 2015, the Company's Investment segment reported the following results:

Same Property Results: The Company continued to drive growth in same property revenue and net operating income across its income-producing portfolio as shown below by asset type (excludes KWE):

	4Q-2015 vs. 4Q-2014				FY -2015 vs. FY-2014			
	Same Property Units / Sq. Ft.	Occupancy	Revenue	NOI	Same Property Units / Sq. Ft.	Occupancy	Revenue	NOI
Multifamily	15,313	(0.2)%	8.1%	11.9%	12,838	(0.1)%	7.7%	10.7%
Commercial	5.3 million	2.4%	1.7%	1.5%	5.3 million	2.5%	2.4%	2.7%

Investment Transactions: The Company, together with its equity partners (including KWE), completed investment transactions of approximately \$1.2 billion in 4Q-2015 and \$5.4 billion for FY-2015:

(\$ in millions)	Purchase / Sale Price	Cap Rate <sup>(1)</sup>	KW Ownership <sup>(2)</sup>
4Q - 2015			
Acquisitions <sup>(3)</sup>	\$506.8	6.2%	20%
Dispositions <sup>(4)</sup>	731.4	5.3%	40%
Total	\$1,238.2		
FY - 2015			
Acquisitions <sup>(3)</sup>	\$3,204.7	6.9%	28%
Dispositions <sup>(4)</sup>	2,146.9	5.0%	37%
Total	\$5,351.6		

<sup>(1)</sup> Cap rate includes only income-producing properties. For the three months and year ended December 31, 2015, \$67.9 million and \$388.1 million of acquisitions and \$160.6 million and \$518.3 million of dispositions, respectively, were non-income producing assets. Please see "common definitions" for a definition of cap rate.

<sup>(2)</sup> Kennedy Wilson's ownership is shown on a weighted-average basis.

<sup>(3)</sup> The three months ended and year ended December 31, 2015 includes \$308.9 million and \$1.7 billion of acquisitions by KWE, respectively.

<sup>(4)</sup> The three months ended and year ended December 31, 2015 includes \$100.5 million and \$186.5 million of dispositions by KWE, respectively.

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Debt Financing: The Company and its equity partners (including KWE) completed total financings and refinancings of \$2.3 billion in 2015.

(\$ in millions)	Amount	Interest Rate	Average Maturity (years)	% Fixed Rate
FY 2015				
Financings	\$1,793.3	3.27%	7.2	80%
Refinancings <sup>(1)</sup>	517.3	3.02%	9.7	76%
Total	\$2,310.6	3.24%	6.7	79%
Loan terms prior to refinancings	\$385.9	4.07%	4.5	21%

<sup>(1)</sup> Excludes new \$475 million corporate line of credit, which was undrawn as of December 31, 2015.

## Services Business

The Company's Services segment earns fees primarily from its investment management business along with its property services and research activities. For 4Q and FY 2015, the Company's Services segment reported the following results:

(\$ amounts in millions)	4Q			Full Year			
	2015	2014	% Change	2015	2014	% Change	
Adjusted Fees <sup>(1)</sup>	\$64.2	\$31.1	106	158.2	\$121.0	31	%
Adjusted EBITDA - Services	36.9	11.5	221	82.8	59.3	40	%

<sup>(1)</sup> Adjusted Fees earned from KWE were \$37.1 million and \$5.3 million for 4Q 2015 and 4Q 2014 and \$14.0 million and \$67.0 million for FY 2015 and FY 2014. See supplemental financial information for additional information. See "Non-GAAP Measures and Definitions" for definitions and Results of Operations below for full year reconciliation.

## Subsequent events

In February 2016, Kennedy Wilson successfully completed fundraising for Kennedy Wilson Real Estate Fund V ("Fund V"). Fund V raised \$500 million of capital commitments, including \$60 million from Kennedy Wilson. The fund has a current portfolio of nine multifamily, office, retail and residential assets with an aggregate purchase price of \$365 million, deploying \$140 million of equity to date.

The following tables summarize KW Group's revenue, operating expenses, non-operating expenses, operating income (loss) and net income (loss) and calculate EBITDA and Adjusted EBITDA by segment for the year ended December 31, 2015, 2014, and 2013 and is intended to be helpful in understanding the year over year explanations following the tables:



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(Dollars in millions)	Year Ended			
	December 31, 2015			
	Investments	Services	Corporate	Total
Rental	\$404.8	\$—	\$—	\$404.8
Hotel	106.4	—	—	106.4
Sale of real estate	3.7	—	—	3.7
Investment management, property services and research fees	—	69.3	—	69.3
Loan purchases, loan originations, and other	19.5	—	—	19.5
Revenue	534.4	69.3	—	603.7
Operating expenses	(283.3	) (69.7	) (53.4	) (406.4 )
Depreciation and amortization	(166.3	) —	—	(166.3 )
Income from unconsolidated investments, net of depreciation and amortization	93.6	3.8	—	97.4
Operating income	178.4	3.4	(53.4	) 128.4
Non-operating income (expense):				
Gain on sale of real estate	72.4	—	—	72.4
Acquisition - related gains	108.1	—	—	108.1
Acquisition - related expenses	(37.3	) —	—	(37.3 )
Interest expense-investment	(108.8	) —	—	(108.8 )
Interest expense - corporate	—	—	(46.9	) (46.9 )
Loss on extinguishment of corporate debt	—	—	(1.0	) (1.0 )
Other non-operating expenses	(2.5	) —	—	(2.5 )
(Provision for) benefit from income taxes	(23.4	) —	(30.0	) (53.4 )
Total non-operating income	8.5	—	(77.9	) (69.4 )
Net income	186.9	3.4	(131.3	) 59.0
Add back (less):				
Interest expense-investment	108.8	—	—	108.8
Interest expense - corporate	—	—	46.9	46.9
Loss on extinguishment of corporate debt	—	—	1.0	1.0
Kennedy Wilson's share of interest expense included in unconsolidated investments	27.0	1.1	—	28.1
Depreciation and amortization	166.3	—	—	166.3
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	25.2	2.9	—	28.1
(Provision for) benefit from income taxes	23.4	—	30.0	53.4
Fees eliminated in consolidation	(75.0	) 75.0	—	—
Consolidated EBITDA <sup>(1)</sup>	462.6	82.4	(53.4	) 491.6
Add back (less):				
EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(151.6	) 0.4	—	(151.2 )
Stock based compensation	—	—	30.8	30.8
Adjusted EBITDA <sup>(1)</sup>	\$311.0	\$82.8	\$(22.6	) \$371.2

<sup>(1)</sup>See Non-GAAP Measures section for definitions and discussion of Consolidated EBITDA and Adjusted EBITDA

<sup>(2)</sup>\$166.9 million of depreciation, amortization, interest and taxes for the year ended December 31, 2015.



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(Dollars in millions)	Year Ended			
	December 31, 2014			
	Investments	Services	Corporate	Total
Rental	\$206.9	\$—	\$—	\$206.9
Hotel	63.3	—	—	63.3
Sale of real estate	28.4	—	—	28.4
Investment management, property services and research fees	—	82.6	—	82.6
Loan purchases, loan originations, and other	17.4	—	—	17.4
Revenue	316.0	82.6	—	398.6
Operating expenses	(201.7 )	(61.1 )	(35.8 )	(298.6 )
Depreciation and amortization	(104.5 )	—	—	(104.5 )
Income from unconsolidated investments, net of depreciation and amortization	48.3	5.9	—	54.2
Operating income	58.1	27.4	(35.8 )	49.7
Non-operating income (expense):				
Gain on sale of real estate	—	—	—	—
Acquisition - related gains	218.1	—	—	218.1
Acquisition - related expenses	(19.7 )	—	—	(19.7 )
Interest expense-investment	(46.3 )	—	—	(46.3 )
Interest expense - corporate	—	—	(57.1 )	(57.1 )
Loss on extinguishment of corporate debt	—	—	(27.3 )	(27.3 )
Other non-operating expenses	5.1	—	—	5.1
(Provision for) benefit from income taxes	—	—	(32.4 )	(32.4 )
Total non-operating income	157.2	—	(116.8 )	40.4
Net income (loss)	215.3	27.4	(152.6 )	90.1
Add back (less):				
Interest expense-investment	46.3	—	—	46.3
Interest expense - corporate	—	—	57.1	57.1
Early extinguishment of corporate debt	—	—	27.3	27.3
Kennedy Wilson's share of interest expense included in unconsolidated investments	34.0	1.5	—	35.5
Depreciation and amortization	104.5	—	—	104.5
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	43.7	3.4	—	47.1
(Provision for) benefit from income taxes	—	—	32.4	32.4
Fees eliminated in consolidation	(21.6 )	21.6	—	—
Consolidated EBITDA <sup>(1)</sup>	422.2	53.9	(35.8 )	440.3
Add back (less):				
EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(143.7 )	5.4	—	(138.3 )
Stock based compensation	—	—	15.8	15.8
Adjusted EBITDA <sup>(1)</sup>	\$278.5	\$59.3	\$(20.0 )	\$317.8

<sup>(1)</sup>See Non-GAAP Measures and Certain Definitions section for definitions and discussion of Consolidated EBITDA and Adjusted EBITDA

<sup>(2)</sup>\$70.1 million of depreciation, amortization, taxes and interest for the year ended December 31, 2014.

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(Dollars in millions)	Year Ended			
	December 31, 2013			
	Investments	Services	Corporate	Total
Rental	\$40.3	\$—	\$—	\$40.3
Hotel	2.7	—	—	2.7
Sale of real estate	10.1	—	—	10.1
Investment management, property services and research fees	—	68.1	—	68.1
Loans and other	1.9	—	—	1.9
Revenue	55.0	68.1	—	123.1
Depreciation and amortization	(17.4 )	—	—	(17.4 )
Operating expenses	(69.1 )	(40.7 )	(21.9 )	(131.7 )
Income from unconsolidated investments, net of depreciation and amortization	41.4	—	—	41.4
Operating income	9.9	27.4	(21.9 )	15.4
Non-operating income (expense):				
Gain on sale of real estate		—	—	—
Acquisition - related gains	56.6	—	—	56.6
Acquisition - related expenses	(1.6 )	—	—	(1.6 )
Interest expense-investment	(11.8 )	—	—	(11.8 )
Interest expense - corporate	—	—	(39.9 )	(39.9 )
Other non-operating expenses	(2.2 )	—	0.3	(1.9 )
(Provision for) benefit from income taxes	—	—	(2.9 )	(2.9 )
Total non-operating income	41.0	—	(42.5 )	(1.5 )
Net income	50.9	27.4	(64.4 )	13.9
Add back (less):				
Interest expense-investment	11.8	—	—	11.8
Interest expense - corporate	—	—	39.9	39.9
Kennedy Wilson's share of interest expense included in unconsolidated investments	45.0	—	—	45.0
Depreciation and amortization	17.4	—	—	17.4
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	46.7	—	—	46.7
(Provision for) benefit from income taxes	—	—	2.9	2.9
Fees eliminated in consolidation	(4.3 )	4.3	—	—
Consolidated EBITDA <sup>(1)</sup>	167.5	31.7	(21.6 )	177.6
Add back (less):				
EBITDA attributable to noncontrolling interests <sup>(2)</sup>	(26.0 )	—	—	(26.0 )
Stock based compensation	—	—	7.5	7.5
Adjusted EBITDA <sup>(1)</sup>	\$141.5	\$31.7	\$(14.1 )	\$159.1

<sup>(1)</sup>See Non-GAAP Measures and Certain Definitions section for definitions and discussion of Consolidated EBITDA and Adjusted EBITDA

<sup>(2)</sup> \$5.7 million of depreciation, amortization, taxes and interest for the year ended December 31, 2013.

#### Non-GAAP Measures

We use certain non-GAAP measures to analyze our business, including Consolidated EBITDA, Adjusted EBITDA and Adjusted Fees. We use these metrics for evaluating the success of our company and believe that they enhance the understanding of our operating results. A reconciliation of net income to Consolidated EBITDA, Adjusted EBITDA and Adjusted Fees is presented below:



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(Dollars in millions)	Years Ended December 31,				
	2015	2014	2013	2012	2011
Net income	\$59.0	\$90.1	\$13.9	\$6.7	\$7.5
Non-GAAP adjustments:					
Add back:					
Interest expense - investment	108.8	46.3	11.8	2.5	1.6
Interest expense - corporate	46.9	57.1	39.9	26.1	19.0
Early extinguishment of corporate debt	1.0	27.3	—	—	—
Kennedy Wilson's share of interest expense included in investment in unconsolidated investments	28.1	35.5	45.0	29.5	23.5
Depreciation and amortization	166.3	104.5	17.4	4.9	2.7
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	28.1	47.1	46.7	22.6	13.9
Provision for (benefit from) income taxes	53.4	32.4	2.9	(0.2)	(2.0)
Consolidated EBITDA <sup>(1)</sup>	491.6	440.3	177.6	92.1	66.2
Share-based compensation	30.8	15.8	7.5	8.1	5.1
EBITDA attributable to noncontrolling interests	(151.2)	(138.3)	(26.0)	(2.8)	(1.0)
Adjusted EBITDA <sup>(2)</sup>	\$371.2	\$317.8	\$159.1	\$97.4	\$70.3

<sup>(1)(2)</sup> See definitions in "Non-GAAP Measures and Certain Definitions" for definitions and discussion of Consolidated EBITDA and Adjusted EBITDA. Prior to 2014, the Company reported an Adjusted EBITDA metric that was comparable to the Company's current Consolidated EBITDA metric, as it was calculated as Consolidated EBITDA, adjusted to solely exclude merger related expenses and share based compensation expense. Beginning in 2014, as noncontrolling interests became more significant on the Company's consolidated balance sheet, primarily due to the consolidation of KWE's results in the Company's financial statements, the Company determined that it was appropriate to supplement Consolidated EBITDA with a revised metric. Adjusted EBITDA shown above is calculated as Consolidated EBITDA, adjusted to exclude share based compensation expense and EBITDA attributable to noncontrolling interests. As set forth in the reconciliation table above, EBITDA attributable to noncontrolling interests for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 were \$151.2 million, \$138.3 million, \$26.0 million, \$2.8 million, and \$1.0 million, respectively.

(dollars in millions)	Year Ended December 31,				
	2015	2014	2013	2012	2011
Investment management, property services and research fees <sup>(1)</sup>	\$69.3	\$82.6	\$68.1	\$53.3	\$57.1
Non-GAAP adjustments:					
Add back:					
Fees eliminated in consolidation	75.0	21.6	4.3	2.4	1.9
Kennedy Wilson's share of fees in unconsolidated service businesses	13.9	16.8	—	—	—
Adjusted Fees	\$158.2	\$121.0	\$72.4	\$55.7	\$59.0

<sup>(1)</sup> Amounts previously presented as Management and leasing fees and commissions on prior period statement of operations. Amounts above represent total of fees and commissions from prior periods.

	Three Months Ended December 31,	
	2015	2014
Investment management, property services and research fees	\$22.3	\$17.6

Non-GAAP adjustments:

Add back:

Fees eliminated in consolidation <sup>(1)</sup>	38.6	7.0
KW share of fees in unconsolidated service businesses <sup>(2)</sup>	3.3	6.5
Adjusted Fees	\$64.2	\$31.1

(1) The three months ended December 31, 2015 and 2014 includes \$30.8 million and \$5.1 million, respectively of fees recognized in net (income) loss attributable to noncontrolling interests relating to portion of fees paid by noncontrolling interest holders in KWE and equity partner investments.

(2) Included in income from unconsolidated investments relating to the Company's investment in a servicing platform in Spain.

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	Three months ended December 31,	
	2015	2014
Services		
Net (loss) income	\$(2.9	) \$—
Add back:		
Kennedy Wilson's share of interest expense included in unconsolidated investments	0.5	0.4
Kennedy Wilson's share of depreciation and amortization included in unconsolidated investments	0.7	1.4
Operating expenses attributable to noncontrolling interests	—	2.7
Fees eliminated in consolidation	38.6	7.0
Adjusted EBITDA	\$36.9	\$11.5

KW Group Consolidated Financial Results: Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Adjusted EBITDA was \$371.2 million, a 17% increase from \$317.8 million for the same period in 2014, due to gains on asset sales and strong same property performance and the additional net operating income from assets acquired subsequent to the prior period. For same property multifamily units, total revenues increased 8%, net operating income increased 11% and occupancy remained at 95% from the same period in 2014. For same property commercial real estate, total revenues increased 2%, net operating income increased 3% and occupancy increased 3% to 90% from the same period in 2014.

A significant portion of the Company's investments are in foreign currencies. We generally hedge the majority of our investments in foreign currencies but we generally do not hedge future operations or cash flows so changes in foreign currency rates will have an impact on our results of operations. We have included the table below to illustrate the impact these fluctuations have had on our revenues and Adjusted EBITDA by applying the applicable exchange rates for the prior period. Please refer to Currency Risk - Foreign Currencies section below for the Company's risks relating to foreign currency and its hedging strategy and the Other Comprehensive Income section below for a discussion of the balance sheet impact of foreign currency movements on our results of operations.

	Year Ended December 31, 2015		
	Investments	Services	Total
Revenues	(2 )%	— %	(2 )%
Adjusted EBITDA	— %	(1 )%	(1 )%

## Revenues

## Investments Segment Revenues

Rental income was \$404.8 million for the year ended December 31, 2015 as compared to \$206.9 million for the same period in 2014. The \$197.9 million increase is primarily due to new acquisitions and consolidations in 2015 and the latter half of 2014. KW Group increased rental income 10% on 5,296 same-store multifamily units in its consolidated portfolio and 4% on 2.2 million same-store square feet on its consolidated commercial properties.

Hotel income was \$106.4 million for the year ended December 31, 2015 as compared to \$63.3 million for the same period in 2014. The \$43.1 million increase is primarily due to the acquisition of three hotels in Europe subsequent to the second quarter of 2014. In addition to full years' worth of results in current period the hotels have benefited from higher average room rates due to asset management efforts and the hosting of the British Open adjacent to one of KW Group's hotels.

During the year ended December 31, 2015, we sold one condominium unit generating \$3.7 million of proceeds as compared to ten units sold in the prior period for proceeds of \$28.4 million.

Loan and other income was \$19.5 million for the year ended December 31, 2015 as compared to \$17.4 million for the same period in 2014. The increase in income was mainly due to the interest earned on notes KWE acquired in the second and third quarter of 2014.

## Services Segment Revenues

Fees are earned on the following types of services provided:



investment management, including acquisition, asset management and disposition services;

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- property services, including management of commercial real estate for third-party clients, fund investors, and investments held by KW Group;
- research, including consulting practice and data and analytics for the residential real estate development and new home construction industry;
- auction and conventional sales, including innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use developments, estate homes, multifamily dwellings, new home projects, conversions and scattered properties; and
- brokerage services, including innovative marketing programs tailored to client objectives for all types of investment grade and income producing real estate.

The following table shows Adjusted Fees for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
Investment management, property services and research fees - related party	\$37.8	\$57.4
Investment management, property services and research fees - third party	31.5	25.2
Investment management, property services and research fees	69.3	82.6
Non-GAAP adjustments:		
Add back:		
Fees eliminated in consolidation <sup>(1)</sup>	75.0	21.6
Kennedy Wilson's share of fees in unconsolidated service businesses	13.9	16.8
Adjusted Fees <sup>(2)</sup>	\$158.2	\$121.0

<sup>(1)</sup> The year ended December 31, 2015 and 2014 includes \$57.7 million and \$14.3 million, respectively, of fees recognized in net (income) loss attributable to noncontrolling interests relating to portion of fees paid by noncontrolling interest holders in KWE and equity partner investments.

<sup>(2)</sup> See Non-GAAP Measures and Certain Definitions for a definition and discussion of Adjusted Fees

#### Related Party Services

Related party fees generated revenues of \$37.8 million during the year ended December 31, 2015 as compared to \$57.4 million for the same period in 2014. The decrease is mainly due to management fees earned on the sale of a portfolio of commercial properties located primarily in Dublin, Ireland in 2014 as well as fees associated with joint venture investments that are now consolidated and whose fees are eliminated.

Fees earned from investments that were eliminated in consolidation totaled \$75.0 million compared to \$21.6 million for the same period in 2014. The increase is primarily due to fees earned with respect to Kennedy Wilson's external management of KWE. In accordance with U.S. GAAP, these fees were excluded from total fees of \$69.3 million and \$82.6 million, respectively.

Third Party Services - These are fees earned from third parties and relate to assets in which Kennedy Wilson does not have an ownership interest.

KW Group's third party fees increased 25.0% to \$31.5 million during the year ended December 31, 2015 as compared to approximately \$25.2 million for the same period in 2014. The increase in third party fees is mainly due to additional asset management fees earned on the resolution of loan pools during the year.

#### Operating Expenses

##### Investments Segment Operating Expenses

Operating expenses for the year ended December 31, 2015 increased to \$449.6 million compared to \$306.1 million for the same period in 2014. The increase is primarily attributable to the following:

Rental operating expenses increased by \$48.7 million, hotel operating expenses increased by \$32.8 million and depreciation and amortization increased by \$61.8 million due to the acquisitions and consolidations during 2014 and the launch of KWE in February of 2014.

Compensation and related expenses increased by \$14.5 million due to higher headcount and an increase in discretionary compensation.

Services Segment Operating Expenses

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Operating expenses for the year ended December 31, 2015 were \$69.7 million as compared to \$61.1 million for the same period in 2014. The increase is primarily attributable to a \$9.8 million increase in compensation and related expenses which was mostly due to an increase in the discretionary compensation accrual during the year. This was offset by a decrease in legal costs in our European operation.

### Corporate Operating Expenses

Operating expenses for the year ended December 31, 2015 were approximately \$53.4 million as compared to \$35.8 million for the same period in 2014. Compensation and related expenses increased by \$17.6 million primarily due to share-based compensation expense associated with additional grants and an increase in the discretionary compensation accrual.

### Income from Unconsolidated Investments

#### Investments Segment Income from Unconsolidated Investments

During the year ended December 31, 2015, income from unconsolidated investments (which includes both joint-venture investments and loan pool participations) was \$93.6 million as compared to \$48.3 million for the same period in 2014. The Company recognized \$46.6 million in gains on the sale of four multifamily properties and an office building all in the Western United States. The increase is also due to \$34.9 million of fair value gains during the year relating to improved market conditions in VHH, entitlements achieved on development projects, commencing sales process on a condo project as well as improved property performance in investments held within fund investments carried at fair value. In addition to fair value gains, the Company has recognized \$7.3 million in equity income related to operating distributions from VHH during the year.

The prior period income primarily related to the Company and its equity partners selling a portfolio of commercial properties located primarily in Dublin, Ireland to KWE. This transaction was unanimously approved by the independent shareholders of KWE. As a result of the sale, the Company recorded a profit of \$26.6 million on its 25% interest in the investment.

#### Services Segment Income from Unconsolidated Investments

Services segment income from unconsolidated investments relates to the Company's acquired interest in a loan servicing platform in Spain with approximately €23.0 billion of assets under management. During the year ended December 31, 2015, income from unconsolidated investments was \$3.8 million compared to \$5.9 million in 2014. Decrease in income during the current year relates to higher overhead and operational costs.

### Non-operating Items

Gains on sale of real estate were \$72.4 million for the year ended December 31, 2015 with no comparable activity in the prior period. KW Group sold the majority of its investment in its Japanese multifamily portfolio, which resulted in a gain of \$33.5 million before noncontrolling interest and KWE sold non-core assets out of its United Kingdom commercial properties during the year, which resulted in a gain of \$38.9 million before noncontrolling interest. These gains are presented net as a component of non-operating income (expense) as the properties were treated as businesses at acquisition.

Acquisition-related gains were \$108.1 million for the year ended December 31, 2015 as compared to \$218.1 million for the same period in 2014. The acquisition-related gains during the year ended December 31, 2015 were due to the Company acquiring additional equity interests in multifamily and commercial properties located in Western United States that were previously accounted for as unconsolidated investments. KW Group also converted two notes secured by three commercial buildings located in Dublin, Ireland and a note secured by a multifamily property in London into a direct 100% ownership interest in the property. As a result of acquiring control of the properties, the assets and liabilities were consolidated in KW Group's financial statements at fair value which resulted in an acquisition-related gains primarily by the remeasurement of the previously owned interest to current market values.

In the prior period, the Company and one of its equity partners amended existing operating agreements, which the Company had an approximate 50% ownership, governing six separate joint ventures that hold real estate-related investments located in the U.K. and Ireland. The Company and one of its equity partners also amended an existing operating agreement governing 50 multifamily buildings in and around Tokyo, Japan comprising approximately 2,400 units. (as mentioned above, the Company subsequently sold the majority of its investment in this portfolio) The Company has an approximate 41% ownership interest in these investments. These joint ventures were previously

accounted for by the Company on an equity method basis. As a result of gaining control, the Company was required to consolidate the assets and liabilities of these properties at fair value. As the fair value of our interests in these properties were in excess of the carrying value, we recorded acquisition-related gains of \$150.8 million of which \$63.1 million was allocated to noncontrolling interest partners.

In addition, in the prior period we foreclosed on a 133,000 square foot retail center and an adjacent 2.4 acre vacant lot in Van Nuys, California and converted a note secured by the landmark Shelbourne Hotel located in Dublin, Ireland into a direct 100% ownership interest in the property. As a result of taking title to the properties, the assets and liabilities were consolidated in KW Group's financial statements at fair value and an acquisition-related gain of \$3.7 million was recognized. KWE also acquired

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the subordinated notes on 20 commercial properties located throughout England and Scotland during the prior period and used its position as a debt holder to secure the acquisition of the underlying properties. KW Group recognized an acquisition-related gain of \$15.2 million on the transaction due to its ability to acquire the underlying real estate at a discount to its fair value.

Acquisition-related expenses were \$37.3 million for the year ended December 31, 2015 compared to \$19.7 million during the same period in 2014. The increase year over year is due to stamp duty expenses related to acquisitions by KWE during the first half of 2015.

Interest expense associated with corporate debt was \$46.9 million for the year ended December 31, 2015 as compared to \$57.1 million for the same period in 2014. The decrease in corporate interest expense is attributable to the interest savings related to the refinancing of \$350.0 million of 8.75% senior notes due 2019 with \$350.0 million of 5.875% senior notes due 2024, which occurred during the fourth quarter of 2014.

Loss on early extinguishment of corporate debt was \$1.0 million for the year ended December 31, 2015 compared to \$27.3 million in the prior period. The current period amount relates to fees associated with the extinguishment of its old credit facility as part of entering into its new \$475 million facility. The prior period loss on early extinguishment of corporate debt related to the extinguishment of the senior notes due 2019 as discussed above.

Interest expense associated with investment debt was \$108.8 million for the year ended December 31, 2015 as compared to \$46.3 million for the same period in 2014. The increase is due to the acquisitions and consolidations that occurred in the second half of 2014 and during 2015.

Provision for income taxes was \$53.4 million in 2015 as compared to a provision for income taxes of \$32.4 million in 2014 primarily due to taxable gain on the disposition of our Japanese assets and non-deductible depreciation and acquisition-related expenses in United Kingdom. The Company had \$133.2 million and \$90.0 million of federal and state net operating losses as of December 31, 2015, respectively.

We had net loss of \$15.7 million attributable to noncontrolling interests during the year ended December 31, 2015 compared to net income of \$68.2 million attributable to noncontrolling interests during the prior period. The prior period consolidations had higher noncontrolling interest ownerships, which resulted in greater gains being allocated from the Company.

**Other Comprehensive Income**

The two major components that drive the change in other comprehensive loss are the change in foreign currency rates and the gains or loss of any associated foreign currency hedges. Please refer to the Currency Risk - Foreign Currencies section below for the Company's risks relating to foreign currency and its hedging strategy.

(Dollars in millions)	Year Ended December 31,	
	2015	2014
Unrealized foreign currency translation loss, net of noncontrolling interests and tax	\$(27.5	) \$(46.7
Unrealized foreign currency derivative contract gain, net of noncontrolling interests and tax	8.0	9.5
Unrealized losses on marketable securities, net of noncontrolling interests and tax	—	(0.2
Comprehensive loss	\$(19.5	) \$(37.4

The main currencies that the Company has exposure to are the euro, pound sterling and the yen. The table below represents the change in rates over the year ended December 31, 2015 and 2014 as compared to the U.S. Dollar:

	Year Ended December 31,	
	2015	2014
Euro	(10.0	)% (12.0
GBP	(5.0	)% (6.0
Yen	—	)% (14.0

Other compressive loss, net of taxes and noncontrolling interests, for the year ended December 31, 2015 and 2014 was \$19.5 million and \$37.4 million, respectively. The two major components that drive the change in other comprehensive loss are the change in foreign currency rates and the gains or loss of any associated foreign currency hedges.

The unrealized foreign currency translation loss, net of taxes and non-controlling interests, was a loss of \$27.5 million and \$46.7 million for the year ended December 31, 2015 and 2014, respectively. In addition, KW Group had a large increase in the amount of assets denominated in foreign currencies due to the launch of KWE in February of 2014. The unrealized foreign currency derivative contract gain, net of taxes and non-controlling interests, was a gain of \$8.0 million and \$9.5 million for the year ended December 31, 2015 and 2014, respectively. The Company typically hedges 50%-100% of its

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net investments in certain non-U.S. operations through use of currency derivative contracts, such as foreign currency forward contracts and options. As the total amount of assets denominated in foreign currencies has grown due to KW Group's expansion in Europe, we have also increased the amount of corresponding foreign currency derivative contracts.

KW Group Consolidated Financial Results: Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Adjusted EBITDA was \$317.8 million, a 100% increase from \$159.1 million for the same period in 2013, due to acquisition related gains and the additional net operating income from assets acquired subsequent to the prior period. For some property multifamily units, total revenues increased 7%, net operating income increased 10% and occupancy remained at 95% from the same period in 2013. For some property commercial real estate, total revenues increased 1%, net operating income increased 1% and occupancy increased 1% to 86% from the same period in 2013.

A significant portion of the Company's investments are in foreign currencies. We generally hedge the majority of our investments in foreign currencies but we generally do not hedge future operations or cash flows so changes in foreign currency rates will have an impact on our results of operations. We have included the table below to illustrate the impact these fluctuations have had on our revenues and Adjusted EBITDA by applying the applicable exchange rates for the prior period. Please refer to Currency Risk - Foreign Currencies section in Item 7A for the Company's risks relating to foreign currency and its hedging strategy and the Other Comprehensive Income section below for a discussion of the balance sheet impact of foreign currency movements on our results of operations.

	Year Ended December 31, 2014		
	Investments	Services	Total
Revenues	(1 )%	— %	(1 )%
Adjusted EBITDA	(1 )%	(1 )%	(2 )%

Revenues

Investments Segment Revenues

Rental income was \$206.9 million for the year ended December 31, 2014 as compared to \$40.3 million for the same period in 2013. The \$166.6 million increase is primarily due to \$3.2 billion in consolidated acquisitions (including \$2.4 billion by KWE) during 2014 and consolidations of investments which were previously unconsolidated in the latter half of 2013 and the first half of 2014.

Hotel income was \$63.3 million for the year ended December 31, 2014 as compared to \$2.7 million for the same period in 2013. The \$60.6 million increase is due to the acquisition of three hotels during 2014.

During the year ended December 31, 2014, we sold ten condominium units generating \$28.4 million of proceeds. During the year ended December 31, 2013, we sold 44 condominium units generating \$10.1 million of proceeds from the sale of real estate.

Loan and other income was \$17.4 million for the year ended December 31, 2014 as compared to \$1.9 million for the same period in 2013. The \$15.5 million increase was mainly due to the acquisition of the notes on the Shelbourne Hotel in Dublin, Ireland, during the first quarter of 2014 and interest received on other discounted loan purchases by KWE throughout the year. On August 1, 2014, we took title to the Shelbourne Hotel and the loan was converted to real estate.

Services Segment Revenues

Fees are earned on the following types of services provided:

- investment management, including acquisition, asset management and disposition services;
- property services, including management of commercial real estate for third-party clients, fund investors, and investments held by KW Group;
- research, including consulting practice and data and analytics for the residential real estate development and new home construction industry;
- auction and conventional sales, including innovative marketing and sales strategies for all types of commercial and residential real estate, including single family homes, mixed-use developments, estate homes, multifamily dwellings, new home projects, conversions and scattered properties; and
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brokerage services, including innovative marketing programs tailored to client objectives for all types of investment grade and income producing real estate.

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The following table shows Adjusted Fees for the year December 31, 2014 and 2013:

	Year Ended December 31,	
	2014	2013
Investment management, property services and research fees - related party	\$57.4	\$46.0
Investment management, property services and research fees - third party	25.2	22.1
Investment management, property services and research fees	82.6	68.1
Non-GAAP adjustments:		
Add back:		
Fees eliminated in consolidation <sup>(1)</sup>	21.6	4.3
Kennedy Wilson's share of fees in unconsolidated service businesses	16.8	—
Adjusted Fees <sup>(2)</sup>	\$121.0	\$72.4

<sup>(1)</sup> The year ended December 31, 2014 and 2013 includes \$14.3 million of fees recognized in net (income) loss attributable to noncontrolling interests relating to portion of fees paid by noncontrolling interest holders in KWE and equity partner investments. There is no comparable activity in the prior period since KWE and the consolidation of non-wholly owned investments occurred during 2014

<sup>(2)</sup> See Non-GAAP Measures and Certain Definitions for a definition and discussion of Adjusted Fees

#### Related Party Services

Related party fees generated revenues of \$57.4 million during the year ended December 31, 2014 as compared to \$46.0 million for the same period in 2013. The increase in related party revenues primarily relates to management fees earned on the sale of a portfolio of commercial properties located in Dublin, Ireland. This increase was partially offset by acquisition fees of earned in 2013 related to the UK Loan Pool which was fully resolved during the second quarter of 2014.

Additionally, we earn certain fees on investments that we consolidate under US GAAP. As such, these fees are eliminated and excluded from total fees of \$57.4 million and \$46.0 million. For the year ended December 31, 2014, fees eliminated in consolidation totaled \$21.6 million, a \$17.3 million increase from the \$4.3 million for the same period in 2013 primarily due to the fees earned by Kennedy Wilson for its management of KWE. Total management fees earned from KWE, which were eliminated in consolidation, were \$14.0 million for the year ended December 31, 2014. No performance was earned in 2014.

The increase in Kennedy Wilson's share of fees in unconsolidated service business is due to the Company's investment in a servicing platform in Spain that was acquired in December 2013.

Third Party Services - These are fees earned from third parties and relate to assets in which Kennedy Wilson does not have an ownership interest.

KW Group's third party fees increased 14% to \$25.2 million during the year ended December 31, 2014 as compared to \$22.1 million for the same period in 2013.

#### Operating Expenses

##### Investments Segment Operating Expenses

Operating expenses for the year ended December 31, 2014 increased to \$306.1 million compared to \$86.5 million for the same period in 2013. The increase is primarily attributable to the following:

Rental operating expenses increased by \$42.6 million, hotel operating expenses increased by \$54.9 million and depreciation and amortization increased by \$87.1 million due to \$3.2 billion in consolidated acquisitions (including \$2.4 billion of acquisitions by KWE) during 2014 and consolidations of investments which were previously unconsolidated in the latter half of 2013 and the first half of 2014.

Compensation and related expenses increased by \$12.7 million due to a 10% increase in personnel, particularly due to growth and expansion in the United Kingdom and Ireland including the launch of KWE. This increase included accrued discretionary compensation. General and administrative expenses increased by \$8.9 million primarily due to growing operations in the United Kingdom and Ireland including the launch of KWE.

During the year ended December 31, 2014 we sold 10 condominium units which resulted in \$20.7 million of sale-related costs. During the year ended December 31, 2013, we sold 44 condominium units which resulted in \$7.9

million of sale-related costs.

Services Segment Operating Expenses

Operating expenses for the year ended December 31, 2014 were approximately \$61.1 million as compared to \$40.7 million for 2013. The increase is attributable to the following:

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Compensation and related expenses increased by \$11.4 million due to an increase in personnel, accrued discretionary compensation and stock-based compensation. As a result of the expansion in our Meyers group, we increased our head count in order to service the demand of our customers in the capital sourcing and real estate research for the single-family homebuilding and multifamily apartment industries. Additionally, due to the growth in our Services Consolidated EBITDA, there was an increase in our accrued discretionary compensation.

General and administrative expenses increased by \$7.7 million primarily due to the growth of KW Group specifically in the United Kingdom, Ireland, and Meyers.

Commissions and marketing expenses increased by \$1.4 million due to the increase in leasing activity during 2014 as compared to 2013.

### Corporate Operating Expenses

Operating expenses for the year ended December 31, 2014 were approximately \$35.8 million as compared to \$21.9 million in 2013. Compensation and related expenses increased by \$13.0 million primarily due to the increase in accrued discretionary compensation in connection with the increase in Adjusted EBITDA and the additional resources and costs associated with growing the Company.

### Income from Unconsolidated Investments

#### Investments Segment Income from Unconsolidated Investments

Income from unconsolidated investments generated income of \$54.2 million for the year ended December 31, 2014, as compared to income of \$41.4 million in 2013. During the second quarter in 2014, the Company and its equity partners sold a portfolio of commercial properties located primarily in Dublin, Ireland to KWE. This transaction was unanimously approved by the independent shareholders of KWE. As a result of the sale, the Company recorded a profit of \$26.6 million on its 25% interest in the investment. The current period also includes gains relating to the sale of three commercial properties in the Western United States by Kennedy Wilson and its equity partners.

During 2013, the Company and one of its equity partners foreclosed on a class A office building and an adjacent 3.5 acre site in Dublin, Ireland, resulting in an acquisition-related gain of \$30.1 million. The Company's portion of the gain was \$15.0 million and was recognized in income from unconsolidated investments. In 2013, the Company and one of its equity partners converted a mortgage note purchased in the fourth quarter of 2012 by the Company and its equity partners into a 100% equity interest on The Rock, a retail, residential and entertainment center in Manchester, United Kingdom. As a result of the conversion, the unconsolidated investment was required to consolidate the assets and liabilities at fair value. As the fair value of the assets were in excess of the basis in the previously held mortgage note, the unconsolidated investment recognized a \$32.3 million acquisition-related gain. The Company's portion of the gain was \$16.2 million and was recognized in income from unconsolidated investments.

Additionally, included in income from unconsolidated investments are acquisition costs. During the year ended December 31, 2013, approximately \$13.5 million of acquisition costs were included in income from unconsolidated investments. The acquisition costs relate to professional fees and the payment of stamp duty taxes in the United Kingdom and Ireland.

#### Services Segment Income from Unconsolidated Investments

During the year ended December 31, 2014, income from unconsolidated investments was \$5.9 million with no comparable activity in 2013. During the fourth quarter of 2013, Kennedy Wilson along with an equity partner acquired an interest in a loan servicing platform in Spain with approximately €23.0 billion of assets under management. The income recognized during 2014 relates to this acquisition.

### Non-operating Items

Acquisition-related gains were \$218.1 million for the year ended December 31, 2014 compared to \$56.6 million in 2013. On March 31, 2014, Kennedy Wilson and one of its equity partners amended existing operating agreements governing six separate joint ventures that hold real estate-related investments located in the U.K. and Ireland. Kennedy Wilson has an approximate 50% ownership interest in these investments. On June 30, 2014, Kennedy Wilson and one of its equity partners amended an existing operating agreement governing 50 multifamily buildings in and around Tokyo, Japan comprising approximately 2,400 units. Kennedy Wilson has an approximate 41% ownership interest in these investments. These joint ventures were previously accounted for by Kennedy Wilson on an equity method basis. As the fair value of Kennedy Wilson's interests in these properties were in excess of the carrying value,

acquisition-related gains of \$150.8 million were recorded in the accompanying consolidated statement of operations for the year ended December 31, 2014.

In addition, during the quarter ended March 31, 2014, we foreclosed on a 133,000 square foot retail center and an adjacent 2.4 acre vacant lot in Van Nuys, California. As a result of the foreclosure and taking title to the properties, we consolidated the assets and liabilities at fair value. As the fair value of the assets was in excess of the basis in the previously held mortgage notes,

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we recognized a \$3.7 million acquisition related gain. Also during the quarter ended June 30, 2014, KWE acquired subordinated notes secured by 20 commercial properties located throughout England and Scotland and used its position as a debt holder to secure the acquisition of the underlying properties. This transaction resulted in the recognition of an acquisition-related gain of \$15.6 million due to the ability to acquire the underlying real estate at a discount to its fair value.

In August 2014, Kennedy Wilson converted its note secured by the landmark Shelbourne Hotel located in Dublin, Ireland into a direct 100% ownership interest in the property. As a result of taking title to the property, the assets and liabilities were consolidated in KW Group's financial statements at fair value and an acquisition-related gain of \$28.6 million was recognized. In December 2014, the Company increased its ownership from approximately 42% to approximately 87% in a previously unconsolidated 750-unit apartment building in the Western U.S. As a result of gaining control of the asset, the Company was required to consolidate the assets and liabilities at fair value and recognized an acquisition-related gain of \$19.5 million of which \$3.7 million was allocated to our noncontrolling equity partners.

The acquisition related gains in 2013 are primarily attributable to a \$45.1 million gain on the consolidation of the Ritz Carlton, Lake Tahoe and a \$9.5 million gain from acquiring a controlling interest in a multifamily property in Northern California. The gain associated with the Ritz Carlton, Lake Tahoe is due to the Company and one of its equity partners amending an existing operating agreement where the Company gained control of the property which was previously accounted for as an equity method investment. The gain associated with the multifamily property was triggered when the Company acquired the interests of some of its equity partners which increased the Company's ownership from 15% to 94%. As a result of obtaining control of both properties and as the fair value was in excess of the carrying value of its ownership interests, the acquisition gains noted above were recognized.

Acquisition related expenses were \$19.7 million for the year ended December 31, 2014 compared to \$1.6 million in 2013. The increase is primarily due to acquisition activity by KWE for the year, which launched in February 2014. Interest expense associated with corporate debt was \$57.1 million in 2014 as compared to \$39.9 million in 2013. The increase in corporate interest expense is attributable to the issuance of \$300.0 million aggregate principal of the 2024 Notes which occurred in March 2014 and interest incurred on the revolving line of credit, which had a higher average balance outstanding and committed amount available which both lead to increases in interest expense

Interest expense associated with the investment debt was \$46.3 million in 2014 as compared to \$11.8 million. The increase is due to the acquisition of new investments and consolidations of previously consolidated investments in the latter half of 2013 and during 2014, including acquisitions made by and the consolidation of KWE.

Loss on early extinguishment of corporate debt was \$27.3 million in 2014 with no comparable activity in 2013. The loss was due to the early repayment of \$40 million of our junior subordinated debt in the third quarter and the refinancing of \$350 million of 8.75% senior notes due 2019 with the proceeds of \$350 million of 5.875% senior notes due 2024 and cash on hand in the fourth quarter. The payoff of the junior subordinated debt and the refinancing of our 8.75% Senior Notes will save the Company approximately \$13.7 million annually in interest.

Provision for income taxes was \$32.4 million in 2014 as compared to a provision for income taxes of \$2.9 million in 2013 due to higher taxable income in the United States. The Company had \$95.2 million and \$92.3 million of federal and state net operating losses as of December 31, 2014, respectively.

We had net income of \$68.2 million attributable to noncontrolling interest during the year ended December 31, 2014 compared to net income attributable to noncontrolling interest of \$20.3 million during the same period for 2013. The increase is mainly due to the \$78.7 million of the total \$218.1 million acquisition-related gains described above being allocated to noncontrolling interest holders and the consolidation of KWE, in which our ownership was 14.9% of KWE's total share capital as of December 31, 2014.

## Other Comprehensive Income

(Dollars in millions)

	Year Ended December 31,	
	2014	2013
Unrealized foreign currency translation loss, net of noncontrolling interests and tax	\$(46.7	) \$(6.5
Unrealized foreign currency derivative contract gain, net of noncontrolling interests and tax	9.5	3.1

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Unrealized losses on marketable securities, net of noncontrolling interests tax	(0.2	) —
Comprehensive income (loss)	\$(37.4	) \$(3.4 )

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The main currencies that the Company has exposure to are the euro, pound sterling and the yen. The table below represents the change in rates over the year ended December 31, 2014 and 2013 as compared to the U.S. Dollar:

	Year Ended December 31,		
	2014	2013	
Euro	(12.0	)% 4.0	%
GBP	(6.0	)% 2.0	%
Yen	(14.0	)% (23.0	)%

Other compressive loss, net of taxes and noncontrolling interests, for the year ended December 31, 2014 and 2013 was \$37.4 million and \$3.4 million, respectively. The two major components that drive the change in other comprehensive loss are the change in foreign currency rates and the gains or loss of any associated foreign currency hedges.