

Kennedy-Wilson Holdings, Inc.
Form 10-Q
May 09, 2011
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

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 incorporation or organization)	(I.R.S. Employer Identification No.)
9701 Wilshire Blvd., Suite 700	
Beverly Hills, CA 90212	
(Address of principal executive offices)	
Registrant's telephone number, including area code:	
(310) 887-6400	

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 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). (Check one):

Large Accelerated Filer	Accelerated Filer	<input checked="" type="checkbox"/>
-------------------------	-------------------	-------------------------------------

Edgar Filing: Kennedy-Wilson Holdings, Inc. - Form 10-Q

Non-Accelerated Filer ☐

Smaller Reporting Company ☐

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

The number of shares of common stock outstanding as of May 1, 2011 was 40,180,056.

Table of Contents

Index

PART I FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (Unaudited)</u>	<u>1</u>
	<u>Consolidated Balance Sheets</u>	<u>1</u>
	<u>Consolidated Statements of Operations and Comprehensive Loss</u>	<u>2</u>
	<u>Consolidated Statement of Equity</u>	<u>3</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>4</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>14</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>22</u>
Item 4.	<u>Controls and Procedures</u>	<u>22</u>

PART II OTHER INFORMATION 23

Item 1.	<u>Legal Proceedings</u>	<u>23</u>
Item 1A.	<u>Risk Factors</u>	<u>23</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>23</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>23</u>
Item 4.	<u>(Removed and Reserved)</u>	<u>23</u>
Item 5.	<u>Other Information</u>	<u>23</u>
Item 6.	<u>Exhibits</u>	<u>23</u>

SIGNATURE 25

Table of Contents

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 21 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,” “anticipate,” “estimate,” “intend,” “could,” “plan,” “expect,” “project” or the negative of these, as well as similar expressions, are intended to identify forward-looking statements. These 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. These risks and uncertainties may include those factors and the risks and uncertainties described elsewhere in this report and other filings with the Securities and Exchange Commission (the “SEC”), including the Item 1A. “Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2010. 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 our filing with the SEC. Except as required under the federal securities laws and the rules and regulations of 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.

Table of Contents

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

Kennedy-Wilson Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

	March 31, 2011 (unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	\$35,493,000	\$46,968,000
Accounts receivable	2,569,000	2,097,000
Accounts receivable — related parties	7,337,000	7,062,000
Notes receivable	14,223,000	20,264,000
Notes receivable — related parties	6,749,000	3,837,000
Real estate, net	88,313,000	82,701,000
Investments in joint ventures (\$34,719,000 and \$34,687,000 carried at fair value as of March 31, 2011 and December 31, 2010)	287,408,000	266,886,000
Loan pool participations	27,092,000	25,218,000
Other assets	8,283,000	8,850,000
Goodwill	23,965,000	23,965,000
Total assets	\$501,432,000	\$487,848,000
Liabilities and equity		
Liabilities		
Accounts payable	577,000	1,504,000
Accrued expenses and other liabilities	9,565,000	9,064,000
Accrued salaries and benefits	2,579,000	10,721,000
Accrued and deferred tax liability	25,873,000	25,871,000
Notes payable	23,383,000	24,783,000
Borrowings under line of credit	46,750,000	27,750,000
Mortgage loans payable	39,454,000	35,249,000
Junior subordinated debentures	40,000,000	40,000,000
Total liabilities	188,181,000	174,942,000
Equity		
Cumulative Preferred stock, \$0.0001 par value: 1,000,000 shares authorized \$1,000 per share liquidation preference,		
6.00% Series A, 100,000 shares issued as of March 31, 2011 and December 31, 2010, mandatorily convertible on May 19, 2015	—	—
6.46% Series B, 32,550 shares issued as of March 31, 2011 and December 31, 2010, mandatorily convertible on November 3, 2018	—	—
Common stock, \$0.0001 par value: 125,000,000 shares authorized, 41,294,596 and 41,177,658 shares issued and 40,180,056 and 40,179,906 shares outstanding as of March 31, 2011 and December 31, 2010, respectively	4,000	4,000
Additional paid-in capital	285,847,000	284,669,000
Retained earnings	16,781,000	17,777,000

Edgar Filing: Kennedy-Wilson Holdings, Inc. - Form 10-Q

Accumulated other comprehensive income	8,156,000	9,043,000
Common stock held in treasury, at cost, \$0.0001 par value, 1,114,540 and 1,111,690 held at March 31, 2011 and December 31, 2010, respectively	(11,332,000) (11,301,000)
Total Kennedy-Wilson Holdings, Inc. shareholders' equity	299,456,000	300,192,000
Noncontrolling interests	13,795,000	12,714,000
Total equity	313,251,000	312,906,000
Total liabilities and equity	\$501,432,000	\$487,848,000
See accompanying notes to consolidated financial statements.		

Table of Contents

Kennedy-Wilson Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
(unaudited)

	Three months ended March 31,	
	2011	2010
Revenue		
Management and leasing fees	\$2,449,000	\$2,125,000
Management and leasing fees — related party	2,562,000	2,282,000
Commissions	1,551,000	1,382,000
Commissions — related party	1,010,000	431,000
Sale of real estate	417,000	3,937,000
Rental and other income	738,000	669,000
Total revenue	8,727,000	10,826,000
Operating expenses		
Commission and marketing expenses	638,000	771,000
Compensation and related expenses	7,832,000	9,102,000
Cost of real estate sold	397,000	2,714,000
General and administrative	2,813,000	