HUGHES Telematics, Inc.
Form 10-K
March 15, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

x Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2011, or

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-33860
HUGHES Telematics, Inc.
(Exact name of registrant as specified in its charter)

Delaware	26-0443717
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2002 Summit Boulevard, Suite 1800 Atlanta, Georgia	30319
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (404) 573-5800
Securities registered pursuant to Section 12(b) of the Act: none
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $0.0001
(Title of Class)

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

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 o No x

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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 x No o

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. o

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 o   Accelerated filer x   Non-accelerated filer o   Smaller reporting company o

(Do not check if a
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 o No x

The aggregate market value of the common stock held by non-affiliates of the registrant, as of June 30, 2011, was $78,668,257. As of March 14, 2012, there were 105,895,928 shares of the registrant's common stock outstanding.

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PART I

Forward-Looking Statements

We believe that some of the information in this annual report on Form 10-K constitutes forward-looking statements within the definition of the Private Securities Litigation Reform Act of 1995. You can identify these statements by forward-looking words such as "may," "expect," "anticipate," "contemplate," "believe," "estimate," "intends" and "continue" c words. You should read statements that contain these words carefully because they discuss future expectations, contain projections of future results of operations or financial condition or state other "forward-looking" information. We believe it is important to communicate our expectations to our stockholders. However, there may be events in the future that we are not able to predict accurately or over which we have no control. The risk factors and cautionary language contained in "Item 1A. Risk Factors" provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations described by us in such forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this annual report on Form 10-K. All forward-looking statements included herein are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this annual report on Form 10-K or to reflect the occurrence of unanticipated events. You should be aware that the occurrence of the events described in "Item 1A. Risk Factors" herein could have a material adverse effect on us.

Item 1. Business

Unless the context otherwise requires, "we", "us" or "our" refer to the business of HUGHES Telematics, Inc. its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries.

Overview

We are a telematics services company that provides a suite of real-time voice and data communications services and applications for use in vehicles and are developing additional applications for use within and outside of the automotive industry. These services are enabled through a state-of-the-art communications center designed and built to connect various mobile devices with content, services and call centers. Our system architecture enables us to manage the integration of these components and the associated service delivery in an efficient manner, allowing us to quickly adopt and implement new technologies and services.

Within the automotive industry, our communications center allows for two way voice and data communications to a vehicle and supports, among other things, critical safety and security services as well as location-based services and remote diagnostics. Since November 16, 2009, we have been the exclusive telematics service provider in the United States for all new vehicles sold by Mercedes-Benz USA, LLC ("Mercedes-Benz"), and we are the preferred provider of telematics services for all Mercedes-Benz vehicles purchased prior to November 16, 2009. These services are marketed under the mbrace® brand and are enabled through a factory-installed hardware device in Mercedes-Benz vehicles. As of December 31, 2011, we had approximately 175,000 subscribers to the mbrace service offering. On November 1, 2011, we executed a telematics services agreement with Volkswagen Group of America, Inc. ("VWGoA") pursuant to which we will provide telematics services on an exclusive basis to specified Volkswagen brand vehicles sold or leased in the United States market commencing in 2013.

Our In-Drive® solution offers services to consumers, partners and other third parties through an aftermarket hardware device that we have developed and which we intend to distribute through relationships with companies and organizations with large customer or membership bases for installation in existing vehicles. In August 2010, we entered into an agreement with State Farm Mutual Automobile Insurance Company ("State Farm") pursuant to which we provide our In-Drive telematics services to certain customers of State Farm. In July 2011, we also entered into an agreement with AAA Club Partners, Inc. ("ACP"), a holding company comprised of ten American Automobile Association clubs, pursuant to which we expect to develop, test, market and launch a telematics solution utilizing our In-Drive products and service offerings for ACP. We expect to launch our service offering to members of ACP in the fourth quarter of 2012. Additionally, through Networkfleet, Inc. ("Networkfleet"), our wholly-owned subsidiary, we currently offer remote vehicle monitoring and other data services through an aftermarket hardware device which supports owners and operators of fleets of vehicles. As of December 31, 2011, Networkfleet had approximately

132,000 subscribers to its service offering.

In May 2010, we broadened our connected services offerings beyond the automotive market to include the mobile health and wellness industry with the formation of Lifecomm, LLC (“Lifecomm”), a majority owned subsidiary founded with QUALCOMM Incorporated (“Qualcomm”), a leader in developing and delivering innovative digital wireless communications products and services, and American Medical Alert Corp. (“AMAC”), a healthcare communications company dedicated to the provision of support services to the healthcare community. Lifecomm intends to design, develop, finance and operate a mobile personal emergency response service which will permit subscribers to initiate requests for emergency assistance services through a wearable device that is able to communicate data information and support voice interactions between the subscriber and an emergency assistance call center for purposes of dispatching first responders to the subscriber's location. We expect to launch the Lifecomm service offerings in the third quarter of 2012.

We were incorporated in Delaware in 2007 as Polaris Acquisition Corp. ("Polaris"). On March 31, 2009, pursuant to the terms of the Agreement and Plan of Merger dated June 13, 2008 (as amended and restated on November 10, 2008 and March 12, 2009, the "Merger Agreement"), Hughes Telematics, Inc. ("Old HTI"), a privately held company, and Polaris, a publicly held blank check company, consummated the merger (the "Merger") whereby Old HTI merged with and into a wholly owned direct subsidiary of Polaris with Old HTI as the surviving corporation, and immediately thereafter, Old HTI merged with and into Polaris, with Polaris as the surviving corporation. In connection with the Merger, Polaris changed its name from "Polaris Acquisition Corp." to "HUGHES Telematics, Inc."

Automotive Service Offerings

We offer a comprehensive set of services that can be tailored to meet the needs of our customers and partners. Many of these services are being offered today through our relationship with each of Mercedes-Benz and State Farm, while others are expected to be offered through our relationship with VWGoA or through offerings designed for other In-Drive distribution partners. A sample of these services currently offered or under development includes:

Safety and Security - The safety and security services utilize certified emergency response specialists and the most accurate and up-to-date public safety answering point location data to provide peace of mind to a driver and other family members.	Services Offered or Under Development Include: Automatic crash notification SOS/Emergency calling Roadside assistance Stolen vehicle location assistance Automatic alarm notification Crisis assist
Navigation - The navigation services leverage vehicle connectivity to offer services to more effectively route a driver to a destination.	Services Offered or Under Development Include: Route assistance Point-of-interest destination downloads Location-based traffic Location-based weather Turn-by-turn navigation assistance
Convenience - The convenience services are designed to provide customers with an enhanced ownership experience and assistance with vehicle interaction.	Services Offered or Under Development Include: Remote door lock/unlock Vehicle finder Automated maintenance alerts Concierge
Diagnostics - The diagnostics services allow customers to proactively manage the maintenance of their vehicles.	Services Offered or Under Development Include: Maintenance/service reminders Automated diagnostic alerts Emissions monitoring Recall information
Infotainment - Infotainment (information and entertainment) services provide access to personalized information on demand.	Services Offered or Under Development Include: Local information Stock prices Sports scores News Fuel prices Social networking

Mercedes-Benz mbrace

On November 16, 2009, we launched our first automotive manufacturer service offering with Mercedes-Benz. This service offering is marketed by Mercedes-Benz under the mbrace brand. Mercedes-Benz mbrace services bring connectivity to Mercedes-Benz drivers and allow us to offer numerous features aggregated in the categories of safety and security, navigation and convenience. The services can be accessed quickly and easily from within the vehicle or from any computer through a personalized web portal. Additionally, with the launch of mbrace, we introduced the automotive industry's first connected mobile application allowing consumers to use several convenience features such as vehicle locate and door lock/unlock from certain smartphones.

In January 2012, we and Mercedes-Benz announced the introduction of the next generation of connected vehicle solutions for Mercedes-Benz vehicles with the mbrace2 service offering. The mbrace2 service offering features 3G network connectivity and enhanced integration with other vehicle networks and makes available features in the diagnostics and infotainment categories. Specifically, the new Internet-based service called "Mercedes-Benz Apps" includes, among other new functionality, access to Facebook, Google, open browsing, stocks, Yelp! and news headlines. In addition, the operating software underlying the mbrace2 service offering can be remotely updated in the vehicle "over the air" for a continual evolution of in-vehicle innovation throughout the life of the vehicle. The mbrace2 service offering will be launched in the second quarter of 2012 and will be enabled on most model year 2013 Mercedes-Benz vehicles produced for sale in the United States market.

In-Drive

We have leveraged our existing intellectual property and technology infrastructure to create an aftermarket solution for consumers that we are marketing under the In-Drive brand and which we intend to distribute through relationships with companies and organizations with large customer bases for installation in existing vehicles. The In-Drive solution includes self-installed hardware devices, each designed to operate with our core system architecture and allow customers to experience many of the same connected benefits as vehicle owners with factory-installed telematics units. Through our In-Drive service offering, we provide a broad range of applications, including usage-based insurance, vehicle diagnostics, emergency calling, stolen vehicle location assistance and driver behavior analysis.

In the second quarter of 2009, we launched a pilot program with State Farm using our In-Drive aftermarket hardware device to assess, develop and test a usage-based insurance program. The pilot program was eventually expanded to include more than 1,000 vehicles owned and operated by employees of State Farm. In August 2010, we executed a distribution agreement with State Farm and launched the program during the third quarter of 2011. Pursuant to the agreement, we configured our telematics platform to support the program and provide our aftermarket hardware device to State Farm's customers to enable the delivery of telematics services to both State Farm and its customers. In addition, we are responsible for, among other things, certain website development to allow the customers to access program information and maintenance and support of the hardware devices, including warranty.

In July 2011, we also entered into an agreement with ACP, a holding company comprised of ten American Automobile Association clubs, pursuant to which we expect to develop, test, market and launch a telematics solution utilizing our In-Drive products and service offerings for ACP. We expect to launch our service offering to members of ACP in the fourth quarter of 2012.

Networkfleet

Through Networkfleet, we provide fleet operators with a vehicle management solution that includes remote vehicle monitoring and other data services through an aftermarket hardware device installed on existing vehicles. Networkfleet provides a fleet management solution which includes an easy-to-use automatic vehicle location and remote vehicle diagnostics system and is targeted to the approximately 20 million local market commercial fleet customers operating throughout North America. Networkfleet allows fleet managers to monitor driver performance for unauthorized/unsafe usage and improve operating efficiency by providing access to data such as the vehicle's current location, fuel consumption, mileage, emission compliance status, maintenance alerts and actual driving speed through custom mapping and reporting. For the years ended December 31, 2011, 2010 and 2009, Networkfleet generated revenues of approximately $40.2 million, $35.6 million and $33.0 million, respectively. As of December 31, 2011 and 2010, Networkfleet had approximately 132,000 and 117,000 subscribers, respectively, to its service offering.

Lifecomm

In May 2010, we formalized our efforts to broaden our connected services beyond the automotive market to include the mobile health and wellness industry with the formation of Lifecomm, a majority owned subsidiary founded with Qualcomm and AMAC. Lifecomm intends to design, develop, finance and operate a mobile personal emergency response service which will permit subscribers to initiate requests for emergency assistance services through a wearable device that is able to communicate data information and support voice interactions between the subscriber and an emergency assistance call center for purposes of dispatching first responders to the subscriber's location. Lifecomm expects to launch its service offerings during the third quarter of 2012 through a Value Added Reseller Agreement with AMAC. Lifecomm is in active discussions with other potential distribution partners and also expects to pursue a direct to consumer distribution strategy.

Unlike previous generations of personal emergency response systems which utilize a customer's landline telephone, the Lifecomm device operates on a cellular network which allows the service to work when the customer is outside of the home. The solution will consist of a wearable lightweight device which can be worn as a watch, pendant or belt clip and will provide users with a convenient, one-button connection to an emergency assistance call center. Inside the device, a cellular modem will enable wireless voice and data communications and embedded GPS combined with other sensors will enable location-based tracking and monitoring of the person wearing the device. A personalized web portal for the user and/or caregiver will provide access to information about user activity and location.

International Joint Ventures

In the year ending December 31, 2012, we expect to expand our business internationally, with our initial market focus to include China, Russia and Europe. This global expansion is being driven by demand from our existing automaker partners who are looking for a single telematics service provider to support their worldwide operations and by our evaluation of regions currently under served for telematics services and which provide us with tremendous growth opportunities. As we enter new markets, we expect to leverage the telematics platform we have designed and implemented in the United States to bring each of our existing business initiatives to the market. In certain regions, regulatory or other requirements will require us to form partnerships with local entities. In these cases, we expect to find local partners with industry-specific knowledge and/or with relationships with relevant in-region distribution channels.

In November 2011, we entered into an agreement with a Russian partner pursuant to which we agreed to set up a pilot telematics system for use in the Russian and Commonwealth of Independent States ("CIS") markets. We expect to have the pilot system installed and operational in the second quarter of 2012. This agreement and the pilot system are expected to be the initial steps to forming a joint venture with our Russian partner pursuant to which we will launch our business in the Russian and CIS markets. In forming the joint venture, we expect our partner to contribute, among other things, cash and contributions for a majority interest, and we expect to contribute the right to use proprietary aspects of our telematics infrastructure on an exclusive basis in the Russian and CIS markets.

In February 2012, we and certain China-based partners formed a joint venture company which we expect will launch our business in the China market. With approximately 18.5 million vehicles sold during the year ended December 31, 2011, China has quickly become the world's largest market for new vehicle sales. In forming the joint venture, our partners have contributed, among other things, cash and the necessary operating licenses for a majority interest in the venture, and we expect to contribute the right to use our telematics infrastructure on an exclusive basis in the China market. We expect to have our telematics system installed and operational in China by the third quarter of 2012.

Automotive Telematics Industry

Introduction

Since the mid-1990's in the United States, consumer awareness and demand have grown dramatically for in-car safety and security applications, navigation systems, diagnostics capabilities and various forms of infotainment integration. The demand for telematics has risen steadily over the past few years as a result of several factors in addition to growing consumer demand. Vehicle manufacturers are looking for solutions that provide connectivity to the car for diagnostics, inventory tracking and the eventual need to update the on-board computers. Regulatory agencies are placing more emphasis on diagnostics, emissions and traffic-based navigation solutions, each of which are significantly enhanced with telematics services. Additionally, manufacturers see telematics as an opportunity to bring new service offerings to the vehicle on a more frequent basis without having to deploy a new hardware device or have the vehicle brought to a dealership for downloading software updates.

With domestic automakers increasingly seeking value-added services to attract car buyers, in-vehicle telematics solutions have been moving from a premium service in limited luxury models to a standard feature found in many vehicles. IMS Research projected that the global telematics market will grow at a compound annual growth rate of approximately 30% between 2009 and 2017 to a total of nearly 40.6 million vehicles produced with telematics systems by the year ending December 31, 2017.

Electric vehicles provide another area of expected growth for telematics. A report from Pike Research indicates nearly nine out of ten electric vehicles sold in the year ended December 31, 2011 included at least a basic telematics package and that the percentage will likely grow to 94% by the year ending December 31, 2017. In addition to traditional telematics applications such as safety and security, owners and lessees of electric vehicles are expected to use telematics for more unique applications such as to query information on the state of the battery charge of their vehicle, to find the nearest charging station and to remotely manage the climate of their vehicle while charging. Further, the ability for these vehicles to communicate with the electric grid will help utilities anticipate the location and duration of vehicle charging thereby allowing for better management of grid balancing.

Competitive Landscape

Telematics services providers compete directly for long-term telematics services relationships with automakers. Some of these solutions interface with “embedded,” or factory-installed, devices in the vehicle while others involve aftermarket products, such as personal navigation devices (“PNDs”) or tethered connectivity through a vehicle owner's or lessee's smartphone. As a general rule, factory-installed solutions offer a wider range of services given the integration within the vehicle. Other parties, such as wireless phone and other hand held device providers, offer limited services and products that partially overlap with the services provided by telematics companies.

Telematics Services Providers

Telematics services providers in the United States include OnStar, Wireless Car and Agero (formerly known as ATX Group). Of these telematics service providers, OnStar, a wholly-owned subsidiary of General Motors, is the most well-known, with over 6 million subscribers in the United States, Canada and China. OnStar focuses its service offerings around safety and security applications, including roadside assistance, emergency help following an airbag deployment and stolen vehicle tracking. OnStar has also introduced additional services, such as turn by turn navigation support, stolen vehicle slow-down and remote vehicle diagnostics. We view OnStar's success as being supportive of the broader telematics market as it has increased consumer awareness and appreciation of telematics services and illustrates the consumer's willingness to pay monthly subscription fees for the services provided. Additionally, General Motors has been vocal about the internal benefits OnStar provides the General Motors engineering teams, resulting in significant annual savings, and thereby motivating other automakers to consider adding telematics capabilities to their vehicles. OnStar's advertising support for its solutions has produced almost 100% recognition of the OnStar brand among new car buyers in the United States. Although OnStar offers similar services to ours, it largely offers its services only to owners and lessees of vehicles sold by General Motors. In the third quarter of 2011, OnStar launched a consumer oriented aftermarket device which is distributed through retail channels and may be installed on vehicles manufactured by other automakers.

Agero, which was acquired by Cross County in 2008, currently provides services to Toyota, BMW, Mercedes-Benz (vehicles sold in the United States prior to November 16, 2009 or in Canada), Hyundai, PSA Peugeot Citroen and Rolls-Royce Motor Cars. Mercedes-Benz terminated its contract with ATX Group, effective on November 15, 2009. Starting on November 16, 2009, we became the provider to all new Mercedes-Benz vehicles manufactured for the United States market, and we are now the telematics provider of choice for all Mercedes-Benz customers who purchased their vehicle prior to November 16, 2009.

Aftermarket Fleet Telematics Services Providers

There are over 75 aftermarket telematics suppliers that provide GPS tracking capabilities for fleets of vehicles. The market is segmented based on the type of fleet and the type of functionality required. These segments include, among others, long-haul trucking, service vehicles, municipalities, construction, school bus and emergency service vehicles. The suppliers range from Qualcomm, which is a major supplier to long haul truck fleets, to numerous small suppliers with simple web applications and no intellectual property. Networkfleet is one of the largest suppliers that serve the local fleet market, which includes cars, light-duty trucks and heavy-duty trucks. Our major competitors for aftermarket fleet telematics services are Trimble Mobile Resource Management, Fleetmatics, Telogis and Teletrac.

Overlapping Services and/or Products

Various services and/or products overlap and consequently indirectly compete with telematics services. Such services and/or products include connected portable navigation devices, mobile communications devices such as smartphones, and providers of factory-installed, in-vehicle communications and entertainment systems.

Services

We offer a comprehensive suite of service applications that will allow us and third parties with which we have strategic relationships to achieve market differentiations. We offer consumer services directly to end-user consumers and to fleet operators, automakers, dealers, the insurance industry, location-based advertisers and users of traffic probe data through our enterprise service offerings.

Consumer Service Offerings

We offer five categories of consumer service offerings: safety and security, navigation, convenience, diagnostics and infotainment. We launched our initial consumer service offering on November 16, 2009 with safety and security applications, including automatic crash notification, emergency calling, stolen vehicle location assistance and remote door unlock/lock as the core service set. Our current consumer service offering also includes both premium services such as voice delivered traffic information, point of interest and destination downloads into on-board navigation systems, concierge services, as well as a mobile application for iPhones and Android smartphones that enable subscribers, through their smartphones to, among other things, lock/unlock their vehicle doors, locate their vehicle, manage their mbrace account, contact Mercedes-Benz roadside assistance and view the contact information for their preferred dealers. Additional consumer services, including the mbrace2 service offering and our service offering for

Volkswagen vehicles, are being actively developed by us or our partners and are expected to launch within the next three to fifteen months.

Safety and Security. Our products are anchored by traditional safety and security features, including automatic crash notification, emergency calling, stolen vehicle location assistance, roadside assistance, tripped alarm notification, emergency messaging and emergency management. Through an emergency call relay center operated by our partner, Intrado Inc., we utilize trained emergency response specialists that are certified by the Association of Public-Safety Communications Officials and National Emergency Number Association and have direct public safety experience as firefighters, emergency medical technicians or police officers.

Navigation. We utilize our connectivity to the vehicle to offer combinations of off-board server-based and vehicle-based navigation services, including the ability for the vehicle owner to download destinations and other points of interest into the vehicle's navigation system. Our Send2Benz™ service allows multiple ways to send destinations to the navigation system of Mercedes-Benz vehicles, including from our smartphone applications, a browser toolbar widget, third party websites and through our contact center operators. Our Drive2Friend™ service enables customers to connect with and then navigate to contacts or “friends.” To complement traditional navigation features such as turn-by-turn directions, we expect to create several personalized navigation features to enhance the customer navigation experience such as the integration of real-time traffic data, a comprehensive list of up-to-date points of interest, geo-tagging and preferred daily routes.

Convenience. Our convenience services provide the vehicle owner an enhanced ownership experience and assistance in interacting with his or her vehicle. These services currently include locking or unlocking a vehicle through our smartphone applications and via our call center operators, vehicle finder through our smartphone applications and web portal, and access to 24-hour concierge services. Future offerings are expected to include personal calling using the embedded cellular phone in the vehicle and hands-free audible text messaging and emails.

Diagnostics. Our diagnostics services are planned to allow the vehicle owner to manage the maintenance and care of the vehicle proactively, saving time and money in the future. These services include systematic communications regarding status of vehicle systems, maintenance reminders, recall notifications, interactive user manuals, online diagnostic analysis, engine check emails and the ability for the vehicle owner to contact his or her preferred service location to schedule maintenance. In addition, we have and are continuing to work with regulators to develop remote emissions programs that continuously check emissions metrics and notify the vehicle owner if the vehicle is not compliant, improving not only the “health” of the vehicle but also the environment. The United States Environmental Protection Agency and Department of Energy figures indicate that as many as 10% of vehicles in the United States are out of compliance with emissions standards, suggesting that the potential benefits of achieving 100% compliance could result in a significant annual savings as out of compliance vehicles are less efficient in fuel delivery resulting in a lower miles per gallon. In addition, out of compliance vehicles emit significantly higher levels of carbon monoxide, nitrous oxide and hydrocarbons. Reduction in out of compliance vehicles has a significant downward effect on emissions from these vehicles, improving overall health and reducing health care costs. This service is offered on a limited basis today to Networkfleet's fleet customers in California and Delaware.

Infotainment. We plan to combine information and entertainment into a suite of services which provide access to customized and location-specific information, such as sports, weather, news, gas price, traffic information and social networking. These services, as well as many others, will become available as we launch the mbrace2 service offering with Mercedes-Benz, as we provide access to Facebook, Google, open browsing, stock price information, Yelp! and news headlines.

Enterprise Service Offerings

We currently support enterprise offerings to five key categories of users: fleet operators, automakers, automotive dealerships, the insurance industry and users of traffic probe data.

Fleet Operators. Through Networkfleet, we provide an aftermarket wireless fleet management solution, including an easy-to-use automatic vehicle location and remote vehicle diagnostics system. Networkfleet targets the North American local fleet market, a market of approximately 20 million commercial vehicles that is largely composed of small fleets. Networkfleet's main product allows fleet managers to cost effectively monitor driver performance for unauthorized/unsafe usage, as well as data such as current location, fuel consumption, mileage, emission status, and actual driving speed through custom mapping and reporting. Through our relationships with automakers to factory-install hardware devices in their vehicles, we expect to increase our penetration of the local fleet market by leveraging Networkfleet's brand and expertise to sell similar services which can be activated over the air without the need for installation of aftermarket hardware.

Automakers. Automakers benefit from our telematics offerings as we enable product differentiation through our innovative technology, connectivity to vehicles, remote quality and diagnostic capabilities and improved tools for better customer and vehicle management. We intend to work with our automaker partners to identify cost savings opportunities using real-time data collected from vehicles. The collection of real-time diagnostic information from vehicles is considered by automakers to provide valuable insight on the performance of numerous vehicle systems and parts allowing the automaker to improve the quality of its vehicles more efficiently than is currently possible. Furthermore, as we provide connectivity with the vehicle's local area network that supports communication among other vehicle control units (i.e., CAN bus systems), we expect to be able to support an automaker's upgrade of vehicle software, avoiding costly recalls and without the consumer having to bring the vehicle into a dealership. We also offer tools to maintain contact with the vehicle owner through our service offerings, web portal and smartphone application, which helps connect the customer to the automaker and sustain the automaker's relationship with the customer following the lease or purchase of a vehicle.

Dealers. We intend to provide dealers with numerous revenue and cost savings opportunities. Using location tracking assistance leveraging data from either a factory-installed telematics device or our In-Drive aftermarket hardware device, dealers will be able to track their vehicle inventory and guard against theft, thus reducing insurance costs. Real-time diagnostic information is expected to enable dealers to be proactive in contacting vehicle owners, subject to a vehicle owner's prior consent, regarding preventative maintenance before a more costly problem arises. Furthermore, dealers are expected to be able to manage the schedule of their service bays more efficiently as issues can be diagnosed prior to the arrival of the vehicle. Early diagnosis of problems also allows for more efficient parts inventory management as items necessary for upcoming maintenance requests can be ordered in advance. Also, similar to the automaker, dealers are expected to be able to leverage our access to the customer and communicate with the vehicle owner via our web portal and smartphone application.

Insurance Industry. In the United States, major automobile insurance providers have begun exploring or implementing usage-based insurance programs whereby the insurer prices automobile insurance based on certain driving statistics. By installing or embedding a telematics device into vehicles to transmit real-time driving data, driving habits and road and weather conditions, insurers can measure and price premiums more accurately, provide customized services, improve safety and reduce claim costs. Today, several leading automotive insurance providers are developing products that offer dynamic rating as a function of the vehicle owner's driving behavior incorporating characteristics such as miles driven, speed, sudden starts and stops, time of day and location. In the second quarter of 2009, we launched a pilot program with State Farm using our In-Drive aftermarket hardware device. The pilot program was expanded to include more than 1,000 vehicles owned and operated by employees of State Farm. In August 2010, we executed a distribution agreement with State Farm and launched the program in the third quarter of 2011.

Traffic Probe Data Users. We believe that, through Networkfleet, we are currently one of the largest providers of real-time traffic probe data on the market today. Four of the leading traffic data aggregators currently purchase our probe data as an input for their real-time and predictive traffic information products offered nationwide. As our installed vehicle base grows, we expect to have one of the most accurate source and network of real-time GPS probe data on the market, greatly enhancing data collected via helicopters, government sensors or other secondary tools. We expect this data to be sold to third parties for their traffic products as well as to potentially be incorporated into future navigation products we may create.

Automaker Relationships

At present, nearly all automobile manufacturers selling vehicles in the United States are considering implementing, or have plans to implement, a telematics solution. The underlying factors driving this interest by automakers are emerging customer demand, the potential for product differentiation and the awareness of numerous benefits to the automaker and its dealers in the form of cost savings and customer relationship tools. We currently have a contract with each of Mercedes-Benz and VWGoA to be the respective automaker's exclusive telematics service provider for new vehicles leased or sold in the Unites States. We are also pursuing opportunities with many of the other automakers serving the United States market.

Agreement with Mercedes-Benz

Telematics Services. Under our agreement with Mercedes-Benz, we provide telematics services under the mbrace brand to all new Mercedes-Benz vehicles sold or leased in the United States market. In addition, as Mercedes-Benz's preferred provider of telematics services, we are working with Mercedes-Benz to provide the opportunity for paying subscribers to the Mercedes-Benz service formerly marketed as TeleAid who purchased or leased their vehicle prior to November 16, 2009 to transition to our service platform, although such decision is at the subscriber's option. We also have the ability to sell services to owners of Mercedes-Benz vehicles purchased or leased prior to November 16, 2009 which are capable of receiving telematics services but who do not presently subscribe for any service.

Under the mbrace brand, we provide safety and security services, remote door lock and unlock, electronic operator manuals, automatic alarm notification, direct voice connection to a preferred dealer, direct voice connection to Mercedes-Benz, automatic maintenance calls and premium services such as voice delivered traffic information, point of interest and destination downloads into on-board navigation systems and concierge services. In addition, we launched a mobile application for iPhones and Android smartphones that enables purchasers of most new

Mercedes-Benz vehicles as well as many legacy customers who subscribe to our mbrace service, through their smartphones, to lock and unlock their vehicle doors; locate their vehicle; view their mbrace account information; contact Mercedes-Benz roadside assistance, the mbrace response center and Mercedes-Benz Financial's client care center; search for local Mercedes-Benz dealers; and view the contact information for their preferred Mercedes-Benz dealer. Subject to the consent of Mercedes-Benz, we will also be able to provide additional approved services. We will be required to provide our services to end-use consumers in accordance with specified standards and service levels. The agreement also allocates between us and Mercedes-Benz certain costs and expenses related to the provision of telematics services to end-use consumers.

We and Mercedes-Benz are in the process of finalizing an amendment to the existing agreement to provide for the expanded services to be offered following the launch of mbrace2, commercial matters relating to those services and certain other matters.

Termination. Our agreement with Mercedes-Benz is scheduled to expire on June 16, 2016. Under the agreement, Mercedes-Benz may terminate the agreement with us upon the substantial breach of any of our material obligations, including the failure to satisfy certain customary automotive developmental milestones to the extent we are providing hardware to Mercedes-Benz and to maintain certain minimum service level standards. The service level standards under the agreement relate primarily to limitations on how timely our call center agents answer calls from vehicles. As these service level standards are in line with service levels currently maintained by our call center partners, management believes that we will be able to continue to meet or exceed such requirements. Upon the expiration or termination of the agreement, we will retain the ability to continue to provide telematics services to certain then current subscribers and may renew and enter into new subscription agreements with certain other end-use consumers.

Subscriptions. Under our agreement with Mercedes-Benz, we are responsible for entering into subscription agreements with, and the billing of, vehicle owners. We are required to institute reasonable or specified protocols with regard to the telematics services we provide end-use consumers. Our agreement with Mercedes-Benz additionally allocates the responsibilities for setting and distributing the proceeds from end-use consumer subscriptions fees between the parties.

Vehicle and Subscriber Data. Under our agreement with Mercedes-Benz, the obligation to provide, and the rights to receive and use, vehicle and subscriber data are allocated between the parties. The agreement also provides for end-use consumer consent for the transmission of vehicle and subscriber data between the parties and from the parties to third parties.

Intellectual Property, Trademarks, Indemnification Rights, Required Insurance and Audit Rights. Under our agreement with Mercedes-Benz, the ownership of intellectual property developed during the term of the agreement is allocated between the respective parties and each party agrees to respect the trademarks of the other party. The agreement also imposes specific indemnification obligations between the parties, requires us to maintain certain insurance policies and provides certain audit rights.

Agreement with Volkswagen Group of America

Telematics Services. On November 1, 2011, we executed an agreement with VWGoA pursuant to which we will provide telematics services on an exclusive basis to specified Volkswagen brand vehicles sold or leased in the United States market commencing in 2013. Our agreement with VWGoA includes vehicles built during model years 2013 through 2016, and VWGoA has the option to include model year 2017 vehicles under the agreement. The telematics services to be provided include a variety of applications including, among other things, safety and security services, enhanced navigation services and remote vehicle diagnostics. We will be required to provide services to subscribers in accordance with specified standards and service levels. The agreement also allocates between us and VWGoA certain costs and expenses related to the provision of telematics services to subscribers.

Termination. Our agreement with VWGoA is scheduled to expire on May 31, 2019 (subject to a one-year extension if VWGoA elects to include model year 2017 vehicles). If the agreement expires on May 31, 2019, we will retain the exclusive right to continue to provide telematics services to then current subscribers. Under the agreement, VWGoA may terminate the agreement upon the breach of any of our material obligations, including the failure to maintain certain minimum service level standards, subject to customary cure rights. The service level standards under the agreement relate primarily to the performance of our call center facilities. As these service level standards are in line with service levels currently maintained by our call center partners, we believe that we will meet or exceed such requirements.

Subscriptions. Under our agreement with VWGoA, we are responsible for entering into subscription agreements with, and the billing of, subscribers. We are required to institute reasonable or specified protocols with regard to the telematics services we provide subscribers. The agreement additionally allocates the responsibilities for setting pricing for subscriptions fees and provides for the allocation of revenue from subscription fees and other payments between the parties in a manner we believe is consistent with industry standards.

Vehicle and Subscriber Data. Under our agreement with VWGoA, the obligation to provide, and the rights to receive and use, vehicle and subscriber data are allocated between the parties. The agreement also provides for subscriber consent for the transmission of vehicle and subscriber data between the parties and from the parties to third parties.
Intellectual Property, Trademarks, Indemnification Rights, Required Insurance and Audit Rights. Under our agreement with VWGoA, the ownership of intellectual property developed during the term of the agreement is allocated between the respective parties and each party agrees to respect the trademarks of the other party. The agreement also imposes specific indemnification obligations between the parties, requires us to maintain certain insurance policies and provides certain audit rights.

Lifecomm LLC Agreement

Under the terms of the limited liability company agreement governing Lifecomm (the “LLC Agreement”), each of the initial members provided cash and/or immediate and future in-kind contributions to Lifecomm. Specifically, in exchange for approximately 54% of the membership interests of Lifecomm, we entered into (i) an Infrastructure Access Agreement with Lifecomm pursuant to which we will provide access to our telematics platform and infrastructure which will enable Lifecomm to provide service to its customers and (ii) a Services Agreement with Lifecomm pursuant to which we will provide, over the next six years, $10.9 million of in-kind selling, general and administrative services to support the venture. In addition, we agreed to enter into a Telematics Services Agreement that will include, among other things, a per user per month fee for wireless connectivity, billing, portal access and other associated services. In exchange for approximately 36% of the membership interests, Qualcomm (i) provided $6.0 million of cash, (ii) entered into a Know-How License Agreement pursuant to which Lifecomm licensed certain “know-how” previously developed by Qualcomm and also provided Lifecomm access to the LIFECOMM name and (iii) entered into a Services Agreement with Lifecomm pursuant to which Qualcomm will contribute a portion of the value of certain future engineering and project management services, up to an agreed upon aggregate value. Finally, in exchange for approximately 10% of the membership interests, AMAC (i) provided $4.0 million of cash and (ii) entered into a Value Added Reseller Agreement pursuant to which AMAC will be a preferred distributor of Lifecomm's products and services. In addition, pursuant to the LLC Agreement, each member agreed to fund its pro rata share of a $2.0 million stand-by equity commitment for Lifecomm's benefit. Lifecomm expects to request that the members fund the commitment during the first quarter of 2012. Assuming Lifecomm draws the entire commitment as expected, we will be required to provide approximately $1.1 million of cash.

Lifecomm is governed by a board of directors which is comprised of three members designated by us, two members designated by Qualcomm and one member designated by AMAC. The LLC Agreement requires supermajority approval of the board of directors for certain actions, including, among other things, approval of the annual budget, increases in the capital of Lifecomm, issuances of convertible securities, debt obligations in excess of a certain threshold, certain investments and certain changes to Lifecomm's executive management team during the eighteen months following formation. The LLC Agreement requires supermajority approval of the members for certain actions, including, among others, modifications to the LLC Agreement, addition of other members, modifications to the distribution policy, specified capital events, entering into or terminating any agreement related to Lifecomm's intellectual property rights or the purchase or transfer of technology other than in the ordinary course of business, any winding-up dissolution or voluntary liquidation of Lifecomm (which in certain circumstances requires unanimous approval), an asset sale or other material disposition, certain transactions with affiliates, changes in the size of the board of directors and investments above a specified threshold outside of the ordinary course.

Each of the initial members have preemptive rights with respect to future issuances of securities by Lifecomm, as well as rights of first offer, drag-along rights and tag-along rights on transfers of securities by the other members. In addition, for a two year period beginning on May 12, 2014, any member (or group of members) holding at least 25% of the membership interests in Lifecomm will have the right to demand either an auction for the sale of Lifecomm or an initial public offering of Lifecomm. Should Lifecomm fail to achieve either of these liquidity events within 180 days of the demand, then to the extent at such time we hold at least 50% of the outstanding membership interests of Lifecomm and have publicly traded common stock, each other member will be entitled on a one-time basis to exchange all of its membership interests in Lifecomm for shares of our common stock.

Research and Development

For the years ended December 31, 2011, 2010 and 2009, we incurred research and development expenses of approximately $17.1 million, $11.6 million and $26.4 million, respectively. Additionally, for the years ended December 31, 2011, 2010 and 2009, we capitalized approximately $6.0 million, $3.4 million and $14.3 million of software development costs which, as the software is ready for its intended use, is amortized over the expected useful life of the software. Through the year ended December 31, 2009, these research and development expenditures relate primarily to the development of our factory-installed telematics solution, including the development of the network operation center, factory-installed hardware devices and other back office systems. During the year ended December 31, 2009, we ceased development of factory-installed devices. Our current research and development expenditures relate primarily to the creation of new applications for the mbrace, Volkswagen and In-Drive service offerings, the engineering of new generations of our In-Drive and Networkfleet aftermarket hardware devices and the design of the first generation Lifecomm wearable devices.

Intellectual Property

We have established a strong intellectual property portfolio of patents and pending patents addressing a broad range of services. Key patents in the portfolio cover both the methods and systems for wireless communications from the vehicle for diagnostics, emissions performance and fuel economy, as well as technology that connects to the vehicle's on-board diagnostic connector (for aftermarket installations) to accomplish the same. We believe that portions of the portfolio in the vehicle diagnostics, aftermarket device application and emissions areas may be a meaningful source of revenue, a barrier to entry for other service providers in these areas or provide cross-licensing opportunities with competitors. We have 30 issued patents and 44 pending patent applications. We may be required to protect our intellectual property rights from the unauthorized use by others or may have these rights challenged, invalidated or circumvented.

Employees

As of December 31, 2011, we had a total of 374 employees. We believe relations with employees are good, and no employees are represented by a union. Generally, our employees are retained on an at-will basis; however, we have entered into employment agreements with certain key employees.

Item 1A. Risk Factors

Risks Relating to Our Business

To date, we have generated only net losses.

From January 9, 2006 (inception) to December 31, 2011 and for the year ended December 31, 2011, we incurred a net loss of approximately $426.4 million and $81.2 million, respectively, and used cash in operations of approximately $153.9 million and $16.2 million, respectively, in connection with the development and operation of our telematics system and the operations of our Networkfleet and Lifecomm subsidiaries. As a result of our historical net losses and our limited capital resources, our independent registered public accounting firm's report on our financial statements as of and for the year ended December 31, 2011 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. As of December 31, 2011, we had unrestricted cash, cash equivalents and short-term investments of approximately $38.3 million and an accumulated deficit of approximately $526.7 million. Of our consolidated cash, cash equivalents and short-term investments, approximately $1.9 million is held by our Lifecomm subsidiary for use in that business. We believe that our cash and cash equivalents on hand and the projected cash flows to be generated by our service offerings to Mercedes-Benz vehicles and sales of our In-Drive, Networkfleet and Lifecomm products and services will be sufficient to fund our operations for the next twelve months. We launched our service offerings to Mercedes-Benz vehicles just over two years ago, recently launched our In-Drive product and service offerings and expect to launch our Lifecomm product and service offerings during 2012. As such, some or all of the assumptions underlying our projections related to these product and service offerings may prove to be materially inaccurate, and if so, we cannot assure you that our net losses will not surpass our expectations and our cash flows will not be lower than projected. In addition, we have an aggregate of approximately $125.9 million of indebtedness maturing during the year ending December 31, 2013, including the approximately $92.0 million of senior secured term indebtedness which is due and payable on March 31, 2013. Accordingly, to ensure we have sufficient liquidity to repay such indebtedness, we will be required to refinance such indebtedness or to raise additional capital in the next twelve months. We have been successful in the past raising capital to address our liquidity needs; however, there is no assurance that we will be successful in the future in obtaining additional financing. If we are unsuccessful in obtaining additional financing, the value of your investment in our common stock will be adversely affected.

During the year ended December 31, 2010, we began generating significant revenue from our service offerings for vehicles with factory-installed hardware and have not yet generated substantial revenue from our In-Drive or Lifecomm service offerings.

Prior to the year ended December 31, 2010, substantially all of our revenues were earned through the sale of Networkfleet's products and services, and only nominal revenues had been generated from services enabled by factory-installed telematics devices. During the year ended December 31, 2010, we began growing the number of vehicles on our telematics system from our service offerings for Mercedes-Benz vehicles with factory-installed hardware. In addition, during the third quarter of 2011, we launched our In-Drive aftermarket products and service offering, and we expect to launch our Lifecomm products and service offerings during the third quarter of 2012. Our ultimate level of profitability is tied to the success of these efforts. We cannot assure you that we will build our subscriber base in a cost effective or timely manner or enter into additional distribution agreements which will generate material sales of either our In-Drive or Lifecomm products and service offerings to allow us to successfully generate sufficient revenues to operate profitably. If we fail to do so, our business will be materially and negatively impacted.

Our success depends on the success of our automaker partners, including Mercedes-Benz and VWGoA, with which we have strategic relationships.

Our service offerings for vehicles with factory-installed hardware are necessarily tied to having relationships with automakers and the success of those automakers. We have only launched service with one automaker, Mercedes-Benz, to deliver services to factory-installed telematics devices. We expect to launch service with VWGoA in 2013. To the extent Mercedes-Benz, or following launch, VWGoA, decreases the volume of vehicles they manufacture for the United States market, we will have a smaller addressable customer base. We cannot control the decisions of Mercedes-Benz, VWGoA or any other automaker with which we develop a strategic relationship regarding how many vehicles they manufacture or what lines, if any, they cease manufacturing in the face of general economic conditions, market pressures or internal financial demands. A significant decrease in actual production by Mercedes-Benz or, following launch, by VWGoA may have a material and negative impact on our business.

The success of our In-Drive business is dependent on our relationship with a small number of distribution partners and a single hardware manufacturer.
We launched our In-Drive service during the third quarter of 2011 through our relationship with State Farm. In addition, we have an agreement with ACP, a holding company comprised of ten American Automobile Association clubs, pursuant to which we expect to develop, test, market and launch a telematics solution utilizing our In-Drive products and service offerings for ACP and which we expect to launch to members of ACP in the fourth quarter of 2012. A decrease in the commitment to our In-Drive products and services by our distribution partners could have a material and negative impact on the growth of our business. As the In-Drive product and service offering is new to the market and currently relies on a single hardware manufacturer, a slower than anticipated adoption rate, whether due to lower than expected customer demand, challenges associated with the manufacturing process or other issues encountered with a product launch, would likely require us to raise additional capital. Such capital may not be available to us on satisfactory terms, or at all. Our failure to obtain such capital could have a material and negative impact on the success of our business.

Our key service agreement pursuant to which we are currently providing service is with Mercedes-Benz and is subject to numerous risks, including early termination and prolonged reduction in production volume. While we have an agreement with VWGoA, those services will not launch until the year ending December 31, 2013. There can be no assurances we will execute a telematics services contract with an additional automaker.
We currently provide our telematics solution to Mercedes-Benz vehicles leased or sold in the United States and expect to generate significant future revenues from our agreement with Mercedes-Benz. We have a long-term contract with Mercedes-Benz pursuant to which Mercedes-Benz has agreed to support the installation of telematics devices in its vehicles and permit us to exclusively provide telematics services to its customers who purchase or lease a new vehicle. If we are unable to meet the performance requirements of the contract and subsequently lose the Mercedes-Benz relationship, it would have a material adverse impact on our business and prospects. If Mercedes-Benz materially lowers its production volume for a prolonged period of time and we did not obtain additional customers or offsetting sources of revenue, our growth prospects would be materially harmed. Our prospects and future revenues may be negatively impacted by a prolonged contraction of demand for the vehicles produced by Mercedes-Benz. On November 1, 2011, we executed a telematics service agreement with VWGoA to provide telematics services on an exclusive basis to specified Volkswagen brand vehicles sold or used in the United States commencing in 2013. As a result, we do not currently expect to recognize significant revenues from that relationship prior to late 2013 or early 2014. If we do not sign additional agreements with other automakers or do not establish additional lines of business or otherwise expand our existing business, our growth prospects could be materially adversely affected.

Our business and growth may be significantly impacted by events in the overall global economy. Automakers have faced significant financial and structural challenges, and the automotive industry in general is still emerging from a period of reorganization, the effects of which are difficult to predict.
A significant portion of our business and growth depends on the willingness of automakers to install a hardware device in their vehicles which support our service offerings. The business and the results of the automotive industry are tied to industry and general economic conditions. The global economic recession, the European sovereign debt crisis and related turmoil in the global financial system has had and may continue to have an impact on the business and financial condition of automakers. Global economic events and conditions could have a material adverse impact on automakers with which we have a contract or may enter into a contract, causing them to fail to meet their obligations to us. Also, we are subject to the risks arising from changes in legislation and government regulation associated with any such recession or economic slowdown. Any of these events could negatively impact our business,

results of operations and financial condition.

We must meet minimum levels of service.

Our agreements with Mercedes-Benz, VWGoA and State Farm require us to maintain certain minimum service level standards. These agreements may be terminated by the respective partner upon a material breach by us, including upon our failure to satisfy such service levels. To the extent we fail to meet our material obligations under any of these contracts and such contract is terminated, our business and prospects would be severely impaired.

Competition for telematics services contracts with automakers is significant.

While we have an exclusive relationship with Mercedes-Benz to provide specified telematics services to new vehicles manufactured by Mercedes-Benz for the United States market and recently signed an agreement to begin providing telematics services to certain Volkswagen branded vehicles in the United States market in 2013, competition for new contracts to provide services similar to our services is significant. Certain of our current and potential competitors, including OnStar, could also have significantly greater name recognition and financial, marketing, management and other resources than we do. They may be able to respond more quickly to changes in customer preferences or devote greater resources to developing and promoting their service offerings. We cannot guarantee that we can maintain our competitive position relative to our current and potential competitors, especially those with greater financial, marketing, management and other resources than we have. If we cannot maintain our competitive position, our growth prospects could be materially adversely affected.

Competition for subscribers could negatively affect our business.
Indirectly, certain of our services compete with services provided by wireless devices such as cellular telephones and carriers of mobile communications, as well as aftermarket telematics providers. As wireless providers in the United States market complete their service build-out for location-based services, this competition may increase significantly or could jeopardize the commercial viability of certain of our services. Consumers may opt for certain services offered by wireless carriers, such as navigation, rather than those offered by us. There can be no assurance that we will be successful in continuously developing new services and applications which are competitive with those offered by wireless providers or other telematics services providers, many of which have greater access to capital and resources.

We cannot assure you that automakers will expand service offerings beyond traditional telematics services or do so at the rates we expect.
The continued rate of integration of telematics into vehicles, including both traditional safety and security features, such as those we currently offer, and future service offerings, such as diagnostics, navigation with integrated traffic, convenience services and infotainment, is subject to uncertainty. The uncertainty concerning the rate of integration of both traditional and future telematics services stems from a number of issues including:

- the relative early stage of the industry itself;
- uncertainties regarding the longer-term appeal of telematics services; and
- competitive uncertainties, including whether current or future consumer products will materially alter the industry.

Consumer products that are, or could become, direct competition for certain services include location-enabled cellular telephones; PDAs; navigation systems; factory-installed, in-vehicle communications and entertainment systems; and aftermarket telematics equipment.
As a result of these and other issues, automakers may limit the use of telematics services utilizing factory-installed devices to traditional safety and security services, or limit deployment of future services to select brands, models or pricing categories. If automakers do not integrate telematics programs into future automobiles, our business and growth prospects will suffer.

Not all automakers should be regarded as prospects for strategic relationships, since some may resist outsourcing their telematics programs and others may not embrace our approach to telematics services.
Not all automakers will solicit the assistance of an outside service provider to perform the services component of their telematics programs and may decide instead to develop in-house telematics capabilities. If automakers in general, or automakers with which we are pursuing strategic relationships, in particular, conclude that the disadvantages of engaging a third-party service provider for assistance outweigh the advantages, our growth prospects will suffer.
These automakers may resist using an outside telematics service provider such as us for a number of reasons, including:

- the risks or perceived risks of providing third-party service providers with access to their proprietary technology or information;
- a desire to retain control over all consumer-related functions;
- concerns over the level of service to be expected from a third-party service provider and the ability to properly measure acceptable levels of service; and
-

a belief that the automaker maintains all of the infrastructure, personnel, systems and other resources necessary to manage the program internally.

For those automakers that do outsource telematics, not all will ultimately embrace our approach to telematics services. As a result, not all automakers should be regarded as prospects for strategic relationships.

We recently launched our In-Drive products and service offerings during the year ended December 31, 2011. While we have performed extensive testing of our In-Drive products and services, our recent launch of the products and services will continue to require time and investment to fully develop the new business offering. The launch of the products and services involves new logistical efforts and modifications to our systems and processes. Such efforts will place additional burdens on our personnel and such modifications may not initially be complete or may have unanticipated or unforeseeable impacts on other aspects of the system, requiring additional modifications and updates. There can be no assurances that such efforts and modifications will be satisfactory to our distribution partners or our customers. To the extent we fail to meet our material obligations under existing or future contracts with distribution partners and such contracts are terminated, our business and prospects would be severely impaired. Moreover, even if the contract is not terminated, if we fail to meet our distribution partners' or our customers' expectations, our distribution partners may reduce the future business they are willing to do with us, which could have an adverse impact on our prospects.

We expect to complete development, testing and launch of the Lifecomm device and service offering during the year ending December 31, 2012 and do not expect to generate significant revenue from Lifecomm's service offerings until the year ending December 31, 2013.
To date, all of our revenues have been earned through automotive telematics. As part of our efforts to leverage our existing infrastructure outside of the automotive industry, we formed Lifecomm with Qualcomm and AMAC. Prior to Lifecomm generating any revenues, we have to complete development and testing of the Lifecomm device and launch the service offering which is currently expected during the third quarter of 2012. We cannot assure you that we will be successful in such effort. If we fail to do so, it may negatively impact our growth and future prospects.

Our business may be impaired if a third party infringes on our intellectual property rights.
Certain aspects of our service depend, in part, upon intellectual property that we have developed or will develop in the future. Monitoring infringement of intellectual property rights is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our intellectual property and technical know-how. If the intellectual property that we use is not adequately protected, others will be permitted to and may duplicate our service without liability. Others may also challenge, invalidate or circumvent our intellectual property rights, patents or existing sublicenses. In addition, some of the know-how and technology we have developed and plan to develop will not be covered by patents. Trade secret protection and contractual agreements may not provide adequate protection if there is any unauthorized use or disclosure. Other parties may have patents or pending patent applications which will later mature into patents or inventions which may block our ability to provide some of our services. We may have to resort to litigation to enforce our rights. This activity is expensive, and we may not succeed in any such litigation.

We may become involved in intellectual property or other disputes that could harm our business.
Third parties, including competitors, may already have patents on inventions, or may obtain patents on new inventions in the future, that could limit our ability to provide services in the future. Such third parties may claim that our products or services infringe their patent rights and assert claims against us. In addition, we have agreed in some of our contracts, and may in the future agree in other contracts, to indemnify third parties for any expenses or liabilities resulting from claimed infringements of the proprietary rights of third parties as it relates to the services we provide. We, or third parties that we are obligated to indemnify, may receive notifications alleging infringements of intellectual property rights relating to our business, the provision of our services or the products previously sold by us. If any infringement claim is successful against us, we may be required to pay substantial damages or we may need to seek and obtain a license of the other party's intellectual property rights. We may be required to redesign those services that use the infringed technology. Moreover, we may be prohibited from selling, using or providing our services that use the challenged intellectual property.

Rapid technological changes could make our services less attractive.
The wireless industry is characterized by rapid technological change, frequent new product innovations, changes in customer requirements and expectations and evolving industry standards. If we are unable to keep pace with these changes, our business may be harmed. Products using new technologies, or emerging industry standards, could make our technologies less attractive. In addition, we may face unforeseen problems when developing our services which could harm our business. Because we will depend on third parties to develop technologies used in key elements of our products, more advanced technologies which we may wish to use may not be available to us on reasonable terms or in

a timely manner. Furthermore, our competitors may have access to technologies not available to us, which may enable them to produce products of greater interest to consumers or automakers, or at a more competitive cost.

Systems failures or interruptions to our service may have a negative impact on our revenues, damage our reputation and decrease our ability to attract new customers to our service offerings.

Our ability to provide uninterrupted service and high quality customer support will depend on the efficient and uninterrupted operation of our computer and communications systems. The systems that we use to integrate the various elements of a telematics program and deliver our services are complex and may contain undetected errors. These errors may not be discovered until after a program service or vehicle model has been launched with our service offering or after consumers begin using the service. Any disruption of our services, computer systems or communications networks, or those of third parties we rely on, could result in the inability of consumers to receive our services for an indeterminate period of time, which could damage our reputation, cause our client or prospective clients to lose confidence in us and/or subject us to litigation. If we experience such problems and are unable to satisfactorily address our client concerns or protect our reputation, our business and prospects may be irreparably harmed.

We may be exposed to potential liability for actual or perceived failure to provide required services.
Because consumers subscribing to our safety and security services rely on us in emergency situations, we may be exposed to potential claims for damages, including special or consequential damages, as a result of an actual or perceived failure of our safety and security services. Our failure or inability to meet a driver's expectations in the performance of our services, or to do so in the time frame required by the driver, regardless of responsibility for such failure, could result in liability against us, harm to our business or reputation and/or discourage other automakers from integrating telematics into future vehicles or from engaging us to provide telematics services.

We have significant indebtedness due in the year ending December 31, 2013, the terms of which limit the operation of our business and will require us to refinance or repay such indebtedness through new debt or equity issuances or a sale of assets. If we fail to do so or fail to generate significant cash flow from operations to service the debt prior to maturity, we would be in default on our obligations and our lenders may foreclose on our assets which are pledged as collateral.
As of December 31, 2011, we had outstanding indebtedness with an aggregate principal balance, including accrued interest which has been, or will be, paid in kind, of approximately $121.3 million, consisting of approximately $92.0 million of senior secured term indebtedness, approximately $26.5 million of senior subordinated unsecured promissory notes and an approximately $2.8 million senior unsecured promissory note. The senior unsecured promissory note was repaid on January 3, 2012. The interest accrued on the senior secured term indebtedness must be paid in cash on a quarterly basis until its March 31, 2013 maturity date. Our ability to service this indebtedness will be dependent on our ability to generate cash from operations or raise equity sufficient to make required payments on such indebtedness. We do not expect to generate sufficient cash flows from operations to satisfy such obligations upon maturity and, therefore, expect to refinance or repay such indebtedness through the issuance of new indebtedness, the sale of equity securities or the sale of assets. There can be no assurance we will be able to effect any such transaction on acceptable terms, if at all, and the terms of any such transaction may restrict our financial or operational flexibility. Furthermore, issuances of equity securities or convertible debt securities could result in substantial dilution to our existing stockholders. If we default on our repayment obligations, our existing lenders may foreclose on substantially all of our assets, which are pledged as collateral to secure such indebtedness.
In addition, our existing senior secured term indebtedness bears variable interest at a rate equal to, at our option, (i) the Prime Lending Rate plus 10.00% or (ii) for Eurocurrency borrowings, 11.00% plus the greater of London Interbank Offered Rate ("LIBOR") or 3.00%. In accordance with an agreement between us and one of the senior secured note holders, the interest rate on term indebtedness with a principal amount of approximately $6.3 million will have an interest rate of no higher than 14.00% for the term of the debt. In the event interest rates rise, the result would be higher interest costs for us.
Furthermore, the credit agreement governing the senior secured term indebtedness contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Pursuant to an amendment dated October 7, 2011, an additional covenant was included in the First Lien Credit Agreement which requires us to maintain a minimum balance of cash, cash equivalents and short-term investments of $5.0 million, subject to certain cure measures. An event of default, including from the failure to comply with the covenants or from the termination of the Mercedes-Benz contract, could, if not cured or waived, result in the acceleration of all of our outstanding indebtedness.
We may require additional financing to fund our operations and execute our business plan.
We cannot assure you that our net losses and negative cash flow will not accelerate and surpass our expectations, potentially significantly, nor can we assure you that we will ever generate any net income or positive cash flow. In

light of these net losses and our negative cash flow, we may be required to raise additional capital in the future. This additional financing may take the form of loans under a new credit facility, the issuance of bonds or other types of debt securities, the issuance of equity securities or a combination of the foregoing. Any such financing must either comply with the covenants of the credit agreement governing our senior secured term indebtedness, or we will need to obtain a waiver from the lenders. Such credit agreement contains covenants that restrict our ability to incur debt and will require mandatory prepayments from the proceeds of an equity financing. Any debt financing we obtain may impose various restrictions and additional covenants on us, which could limit our ability to respond to market conditions, provide for unanticipated capital investments or take advantage of business opportunities, and may subject us to significant interest expense. Additional equity financing may be obtained on terms that are dilutive to the interests of our existing and future stockholders. Debt or additional equity financing may not be available when needed on terms favorable to us or at all, and our failure to attract a sufficient amount of additional debt or equity capital may impair our ability to fund our operations and execute on our business plan.

Substantially all of our assets are used to collateralize our senior secured term indebtedness.

Our senior secured term indebtedness is secured by substantially all of our assets, including cash, inventory and accounts receivable. The credit agreement governing this indebtedness contains various covenants that restrict our business. Noncompliance with any of the covenants without cure or waiver would constitute an event of default under the credit agreement. Upon the occurrence of an event of the default under the credit agreement, substantially all of our assets would be subject to liquidation by the creditors, which could result in no assets being left available to our stockholders.

Our expected future growth will place a significant strain on our management, employees, systems and resources.

Our business was formed in January 2006 and has grown quickly. In order to execute our business strategy, including the service offerings expected to be launched in the next fifteen months, we have and will continue to experience significant growth, which has placed and is expected to continue to place a significant strain on our systems, processes, resources, management, employees and other infrastructure and support mechanisms. To manage the anticipated growth of our operations, we will be required to:

- improve existing and implement new operational, financial and management information controls, reporting systems and procedures;
- establish relationships with additional vendors, suppliers and strategic partners and maintain existing relationships; and
- hire, train, manage and retain additional personnel.

To the extent we are unable to assemble and retain the personnel, controls, systems, procedures and relationships necessary to manage our future growth, if any, management resources may be diverted, and our opportunity for success may be limited.

Our inability to identify, hire and retain qualified personnel would adversely affect our business.

Our continued success will depend, to a significant extent, upon the performance and contributions of our senior management and upon our ability to attract, motivate and retain highly qualified management personnel and employees. We depend upon our key senior management to effectively manage our business in a highly competitive environment. If one or more of our key senior managers joins a competitor or forms a competing company, we may experience material interruptions in product development, delays in bringing products to market, difficulties in our relationships with automakers, suppliers and customers and loss of additional personnel, which could significantly harm our business, financial condition, operating results and projected growth.

Additionally, failure to continue to attract and retain qualified management personnel could adversely affect our business and growth prospects. We compete to hire new employees, and we then must train them and develop their skills and competencies. Our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. Any unplanned turnover could deplete our institutional knowledge base and erode our competitive position.

Regulations concerning consumer privacy may adversely affect our business.

Certain technologies that we currently support, or may in the future support, are capable of collecting personally-identifiable information and vehicle-specific information such as performance data and error codes. Vehicle-specific information may also reveal personally-identifiable information. We anticipate that as telematics programs continue to develop, in the future it will be possible to collect or monitor substantially more of this kind of information. A growing body of laws designed to protect the privacy of personally-identifiable information, as well as to protect against its misuse, and the judicial interpretations of such laws, may adversely affect the growth of our business. In the United States, these laws could include the Federal Trade Commission Act, the Electronic Communications Privacy Act, the Fair Credit Reporting Act and the Gramm-Leach Bliley Act, as well as various state laws and related regulations. In addition, certain governmental agencies, like the Federal Trade Commission, have the authority to protect against the misuse of consumer information by targeting companies that collect, disseminate or maintain personal information in an unfair or deceptive manner. In particular, such laws could limit our ability to collect information related to users of our services, to store or process that information in what would otherwise be the most efficient manner, or to commercialize new services based on new technologies. The evolving nature of all of these laws and regulations, as well as the evolving nature of various governmental bodies' enforcement efforts, and the possibility of new laws in this area, may adversely affect our ability to collect and disseminate or share certain information about consumers and may negatively affect the ability of automakers or dealers to make use of that information. If we fail to successfully comply with applicable regulations in this area, our business and prospects could be harmed.

Consumer avoidance of services which collect, store or use personally-identifiable data could adversely affect our business.

Consumer sentiment regarding privacy issues is constantly evolving. Such consumer sentiment may affect the buying public's interest in our current or future service offerings. In some cases, consumer groups and individual consumers have already begun to vigorously lobby against, or otherwise express significant concern over, the collection, storage and/or use of personally-identifiable information. Accordingly, privacy concerns of consumers may influence automakers to refrain from adopting telematics programs, especially those which involve more advanced programs, which could in turn harm the overall telematics industry or, depending on our programs, our prospects. Moreover, strong consumer attitudes often precipitate new regulations like the ones described above. If we fail to successfully monitor and consider the privacy concerns of consumers, our business and prospects would be harmed.

If we fail to protect the security of personal information about our customers, we could be subject to costly government enforcement actions or private litigation and our reputation could suffer.

The nature of our business involves the receipt and storage of personal information about our subscribers. If we experience a data security breach, we could be exposed to government enforcement actions and private litigation. In addition, our subscribers and potential customers could lose confidence in our ability to protect their personal information, which could cause them to discontinue usage of our services. Such events could lead to lost future sales, litigation by our customers and adversely affect our results of operations.

We expect that our foreign operations will involve joint ventures and will expose us to business risks not present in our domestic operations.

In order to penetrate certain foreign markets on an expedited basis, we expect to form joint ventures which will require that we share control with or cede certain controls to these foreign partners. The success of these ventures will necessarily be impacted by the partners we choose and their actions and motivations which we cannot control. In addition, as an organization, we have not previously addressed the challenges of managing operations in foreign jurisdictions, and there can be no assurances that we will be successful in such efforts.

As we launch operations in other countries, we will be subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with all applicable export control laws and regulations of the United States and other countries, including the United States Department of Commerce. In addition, we are subject to the Foreign Corrupt Practices Act, that, generally, bars bribes or unreasonable gifts to foreign governments or officials. Violations of these laws or regulations by us or by our joint venture partners could result in significant sanctions including fines, more onerous compliance requirements, debarments from export privileges or loss of authorizations needed to conduct aspects of our international business and could materially adversely affect our business, financial condition and results of operations.

Future foreign operations will expose us to regulatory risks and restrictions not present in our domestic operations.

Foreign operations involve varying degrees of risks and uncertainties inherent in doing business abroad. Such risks include:

- Complications in complying with restrictions on foreign ownership and investment and limitations on repatriation. We may not be permitted to own our operations in some countries and may have to enter into partnership or joint venture relationships. Many foreign legal regimes restrict our repatriation of earnings to the United States from our subsidiaries and joint venture entities. We may also be limited in our ability to distribute or access our assets by the governing documents pertaining to such entities. In such event, we will not have access to the cash flow and assets of our joint ventures;
- Difficulties in following a variety of foreign laws and regulations, such as those relating to data content retention, privacy and employee welfare. Our international operations are subject to the laws of many different jurisdictions that may differ significantly from United States law. For example, local data privacy laws may subject us to additional costs not present in the United States. Also, other nations may have more stringent employee welfare laws that guarantee perquisites that we must offer. Compliance with these laws may lead to increased operations costs, loss of business opportunities or violations that result in fines or other penalties; and
-

Changes in exchange rates between foreign currencies and the United States dollar. We expect to conduct our business and incur costs in the local currency of a number of the countries in which we operate. Fluctuations in currency exchange rates may the future affect, revenue, profits and cash earned on international operations.

Risks Related to Our Organization

An affiliate of Apollo Global Management, LLC beneficially owns a majority of our voting stock.
Affiliates of Apollo Global Management, LLC ("Apollo"), including Communications Investors, LLC ("Communications LLC") and PLASE HT, LLC ("PLASE HT"), may be deemed to beneficially own 65,668,697 shares of our common stock (including 45,501,064 earn-out shares and 3,000,000 shares issuable upon the exercise of an outstanding warrant), which represents approximately 65% of our voting power. Our board of directors includes four directors who are affiliated with Apollo. Because of their board representation and Communications LLC's control of our voting power, Apollo is able to indirectly exert considerable influence and control over us, including the appointment of management and the outcome of all matters requiring stockholder approval. Apollo's affiliates may be able to cause, prevent or delay a change of control of us or a change in the composition of our board of directors and could preclude any unsolicited acquisition of us. In addition, because affiliates of Apollo may substantially determine the outcome of a stockholder vote, Apollo's affiliates could deprive stockholders of an opportunity to receive a premium for their shares as part of a sale of us, and that voting control could ultimately affect the market price of our common stock. Affiliates of Apollo also hold a significant amount of our indebtedness. As of December 31, 2011, affiliates of Apollo held an aggregate of approximately $26.5 million (including principal and accrued interest which has been, or will be, paid in kind) of our senior subordinated unsecured promissory notes.

We are a public company and, as such, are subject to the reporting requirements of federal securities laws, which are expensive and may divert resources from other projects, thus impairing our ability to grow.
We are a public reporting company and, accordingly, are subject to the information and reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other U.S. federal securities laws, including compliance with the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). Compliance with these obligations requires significant time and resources from our management and our finance and accounting staff and increases our legal, insurance and financial compliance costs. It is time consuming and costly for us to develop, implement and maintain the internal controls and reporting procedures required by the Sarbanes-Oxley Act. Occasionally, we may need to hire additional financial reporting, internal controls and other finance and accounting personnel in order to develop and implement appropriate internal controls and reporting procedures. If we are unable to comply with the requirements of the Sarbanes-Oxley Act, then we may not be able to keep our filings with the Securities and Exchange Commission (the "SEC") current. Non-current reporting companies are subject to various restrictions and penalties.

We must comply with Section 404 of the Sarbanes-Oxley Act which requires us to document and test our internal controls over financial reporting. Any delays or difficulty in satisfying these requirements could adversely affect our future results of operations and stock price.
Section 404 of the Sarbanes-Oxley Act requires us to document and test the effectiveness of our internal control over financial reporting in accordance with an established control framework and to report on our management's conclusion as to the effectiveness of our internal control over financial reporting. We are also required to have our independent registered public accounting firm test the internal control over financial reporting and report on its effectiveness. Any delays or difficulty in satisfying these requirements could adversely affect our stock price. We may also incur significant costs to comply with these requirements.
We may in the future discover areas of internal control over financial reporting that need improvement. There can be no assurance that remedial measures will result in adequate internal control over financial reporting in the future. Any failure to implement the required new or improved controls, or difficulties encountered in their implementation, could materially adversely affect our results of operations or could cause us to fail to meet our reporting obligations. If we are unable to conclude that we have effective internal control over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified report regarding the effectiveness of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act, investors may lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities. In addition, failure to comply with Section 404 of the Sarbanes-Oxley Act could potentially subject us to sanctions or investigation

by the SEC or other regulatory authorities.

Public company compliance makes it more difficult for us to attract and retain officers and directors.
The Sarbanes-Oxley Act and new rules subsequently implemented by the SEC have required changes in corporate governance practices of public companies. As we are a public company, these new rules and regulations have increased and may continue to increase our compliance costs in the future and make certain activities more time consuming and costly. As a public company, these new rules and regulations may make it more difficult and expensive for us to obtain director and officer liability insurance in the future, or we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers.

Risks Related to Our Common Stock

Our common stock is currently traded on the over-the-counter (OTC) Bulletin Board market, which may generally involve certain risks not present in all securities.
Our securities are currently traded on the OTC Bulletin Board, an electronic bulletin board established for unlisted securities, which could limit investors' ability to make transactions in our securities. Although the Financial Industry Regulatory Authority, Inc. oversees the OTC Bulletin Board, market makers of bulletin board securities are unable to use electronic means to interact with other dealers to execute trades, which can cause delays in the time it takes to interact with the market place. Risks associated with trading bulletin board securities may include, among others, limited availability of order information and market data, liquidity risks, and communications risks. Furthermore, for companies whose securities are quoted on the OTC Bulletin Board, it is more difficult (1) to obtain accurate quotations, (2) to obtain coverage for significant news events because major wire services generally do not publish press releases about such companies, and (3) to obtain needed capital.

Our stock price may continue to be volatile and may decrease in response to various factors, which could adversely affect our business and cause our stockholders to suffer significant losses.
Our common stock is illiquid, and its price has been and may continue to be volatile in the indefinite future. The price of our stock could fluctuate widely in response to various factors, many of which are beyond our control, including the following:

- changes in our industry or the auto industry;
- competitive pricing pressures;
- our ability to obtain working capital or project financing;
- additions or departures of key personnel;
- limited “public float” in the hands of a small number of persons, whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;
- sales of our common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship;
- economic and other external factors; and
- period-to-period fluctuations in our financial results.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have not paid dividends in the past and do not expect to pay dividends in the foreseeable future. Any return on investment may be limited to the value of our common stock.
We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us that our board of directors may consider relevant. Further, we are significantly limited in the amount of dividends we can pay by the terms of our senior secured term indebtedness. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

There is currently a limited trading market for our common stock, and we cannot ensure that a liquid market will be established or maintained.
Trading in our common stock on the OTC Bulletin Board began on June 8, 2009, and only a limited market has developed for the purchase and sale of our common stock. We cannot predict how liquid the market for our common

stock might become. Therefore, the purchase of our shares must be considered a long-term investment acceptable only for prospective investors who are willing and can afford to accept and bear the substantial risk of the investment for an indefinite period of time. Because there is a limited public market for the resale of our shares, an investor in our common stock may not be able to liquidate his investment, and our shares may not be acceptable as collateral for a loan.

If we fail to remain current in our reporting requirements, we could be removed from the OTC Bulletin Board, which would limit the ability of broker-dealers to sell our securities and the ability of our shareholders to sell their securities in the secondary market.

Companies such as us trading on the OTC Bulletin Board must be reporting issuers under Section 12 of the Exchange Act and must be current in their reports under Section 13 of the Exchange Act in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current in our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of our shareholders to sell their securities in the secondary market.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

The ability of our stockholders to sell substantial amounts of our common stock in the public market creates a circumstance commonly referred to as an “overhang” and in anticipation of significant sales the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. Certain of the shares of our common stock issued upon consummation of the Merger were placed into escrow, to be released only if the trading price of our common stock equals or exceeds various prices between $20.00 and $30.50 before March 31, 2014. If any such shares are released from escrow, they will become freely tradable, subject to securities laws.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following sets forth each of our principal properties, all of which are leased:

Location	Use	Square Feet	Lease Expiration
2002 Summit Boulevard, Atlanta, Georgia 30319	Headquarters	53,995	January 31, 2016
6363 Greenwich Drive, San Diego, California 92122	Offices	19,484	March 31, 2015

Item 3. Legal Proceedings

From time to time, we are subject to litigation in the normal course of business. We are of the opinion that, based on information presently available, the resolution of any such legal matters will not have a material adverse effect on our financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Since June 8, 2009, our common stock has been quoted on the OTC Bulletin Board under the trading symbol “HUTC.” The following table sets forth the range of high and low sales prices as reported on the OTC Bulletin Board for the periods indicated:

	Sales Price	
	High	Low
Year Ended December 31, 2011		
Quarter ended March 31, 2011	$4.68	$2.75
Quarter ended June 30, 2011	4.00	2.15
Quarter ended September 30, 2011	4.50	2.30
Quarter ended December 31, 2011	5.99	3.50

	Sales Price	
	High	Low
Year Ended December 31, 2010		
Quarter ended March 31, 2010	$3.49	$2.75
Quarter ended June 30, 2010	3.75	2.11
Quarter ended September 30, 2010	2.85	1.20
Quarter ended December 31, 2010	3.50	1.20

The above quotations reported by the OTC Bulletin Board reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. On March 14, 2012, the last sale price for our common stock as reported by the OTC Bulletin Board was $3.35 per share.

Holders of Common Equity

As of March 14, 2012, an aggregate of 105,895,928 shares of our common stock were issued and outstanding and were owned by approximately 277 stockholders of record.

Dividends

We have never declared cash dividends on our common stock, nor do we anticipate paying any dividends on our common stock in the foreseeable future. Further, we are significantly limited in the amount of dividends we can pay by the terms of our senior secured lien term indebtedness.

Performance

The graph below compares the cumulative total return of our common stock from January 28, 2008, the date that our common stock first became tradable, through December 31, 2011 with the cumulative return of companies comprising the Nasdaq Composite Index and the SIC Code Communications Services index. The graph plots the change in value of an initial investment of $100 in each of our common stock, the S&P 500 Index and a peer group selected by us over the indicated time periods and assumes reinvestment of all dividends, if any, paid on the securities. We have not paid any cash dividends, and therefore, the cumulative total return calculation for us is based solely upon stock price appreciation and not upon reinvestment of cash dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

The SIC Code Communications Services was chosen because the index contains companies which are in a business similar to ours.

Item 6. Selected Financial Data

The selected financial data set forth below has been derived from our consolidated financial statements contained in “Item 8. Financial Statements and Supplementary Data” of this Annual Report on Form 10-K, and previously published historical financial statements not included in this Annual Report on Form 10-K. The selected financial data set forth below should be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, including the footnotes thereto, contained in this report.

	Year Ended December 31,				
	2011	2010[1]	2009[2]	2008	2007
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenues	$71,266	$40,339	$33,043	$30,260	$20,352
Loss from operations	(60,077)	(67,875)	(87,590)	(47,658)	(33,577)
Loss before income taxes	(85,311)	(89,558)	(163,652)	(57,467)	(34,535)
Net loss	(85,350)	(89,561)	(163,661)	(57,467)	(32,333)
Net loss available to common shareholders	(81,204)	(87,906)	(220,280)	(57,467)	(32,333

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that would have been payable to and including May 15, 2038 (not including any portion of any payment of interest accrued to the redemption date) discounted from the relevant interest payment date to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate plus 0.50%;

plus, in either case, accrued and unpaid interest on the new junior subordinated debentures to the date of redemption.

If we redeem or repay the new junior subordinated debentures prior to the final maturity date when any deferred interest remains unpaid, the unpaid deferred interest (including compounded interest thereon) may only be paid pursuant to the alternative payment mechanism, as described under Alternative Payment Mechanism. In addition, if we exercise our right to redeem the new junior subordinated debentures in part prior to the scheduled maturity date, the aggregate principal amount thereof outstanding after such redemption must be at least $50,000,000.

The definitions of certain terms used in the second preceding paragraph above are listed below.

Adjusted treasury rate means, with respect to any redemption date, the rate per annum equal to the quarterly equivalent yield to maturity of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

Comparable treasury issue means the U.S. Treasury security selected by an independent investment bank selected by the calculation agent as having a maturity comparable to the term remaining from the redemption date to May 15, 2038 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity.

Comparable treasury price means, with respect to any redemption date, the average of the reference treasury dealer quotations for such redemption date.

Reference treasury dealer means:

- Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. or their respective successors; *provided* that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a *primary treasury dealer*), we will substitute therefor another primary treasury dealer; and

- any other primary treasury dealer selected by the calculation agent after consultation with us.

Reference treasury dealer quotations means with respect to each reference treasury dealer and any redemption date, the average, as determined by the calculation agent, of the bid and ask prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the calculation agent by that reference treasury dealer at 5:00 p.m. on the third business day preceding such redemption date.

For purposes of the above, a *tax event* means that we have requested and received an opinion of counsel experienced in such matters to the effect that, as a result of any:

- amendment to or change in the laws or regulations of the United States or any political subdivision or taxing authority of or in the United States that is enacted or becomes effective after May 13, 2008;

- proposed change in those laws or regulations that is announced after May 13, 2008;

- official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after May 13, 2008; or

- threatened challenge asserted in connection with an audit of us, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the new junior subordinated debentures; there is more than an insubstantial risk that interest payable by us on the new junior subordinated debentures is not, or will not be, deductible by us, in whole or in part, for United States federal income tax purposes.

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For purposes of the above, a *rating agency event* means that any rating agency amends, clarifies or changes the criteria it uses to assign equity credit to securities such as the new junior subordinated debentures, which amendment, clarification or change results in:

- the shortening of the length of time the new junior subordinated debentures are assigned a particular level of equity credit by that rating agency as compared to the length of time they would have been assigned that level of equity credit by that rating agency or its predecessor on May 20, 2008, or

- the lowering of the equity credit (including up to a lesser amount) assigned to the new junior subordinated debentures by that rating agency as compared to the equity credit assigned by that rating agency or its predecessor on May 20, 2008.

A *rating agency* means any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act (or any successor provision), that publishes a rating for us on the relevant date.

If less than all of the new junior subordinated debentures are to be redeemed at any time, selection of new junior subordinated debentures for redemption will be made by the indenture trustee on a *pro rata* basis, by lot or by such method as the indenture trustee deems fair and appropriate.

We will give to DTC a notice of redemption at least 10 but not more than 60 days before the redemption date. If any new junior subordinated debentures are to be redeemed in part only, the notice of redemption will state the portion of the principal amount thereof to be redeemed. Another new junior subordinated debenture in principal amount equal to the unredeemed portion thereof will be issued and delivered to the indenture trustee, or its nominee, or, in the case of new junior subordinated debentures in definitive form, issued in the name of the holder thereof, in each case upon cancellation of the original new junior subordinated debenture.

Events of Default

The following events are *events of default* with respect to the new junior subordinated debentures:

default in the payment of interest, including compounded interest, in full on any new junior subordinated debenture for a period of 30 days after the conclusion of a 10-year period following the commencement of any deferral period if such deferral period has not ended prior to the conclusion of such 10-year period; or

default in the payment of the principal on any new junior subordinated debenture at the final maturity date or upon a call for redemption; or

certain events of bankruptcy, insolvency and reorganization involving AIG (but not including its subsidiaries).

Remedies If an Event of Default Occurs

All remedies available upon the occurrence of an event of default under the junior subordinated debt indenture will be subject to the restrictions described below under Subordination. If an event of default occurs, the indenture trustee will have special duties. In that situation, the indenture trustee will be obligated to use its rights and powers under the junior subordinated debt indenture, and to use the same degree of care and skill in doing so that a prudent person would use in that situation in conducting his or her own affairs. If an event of default of the type described in the first bullet point in the definition of that term has occurred and has not been cured, the indenture trustee or the holders of at least 25% in principal amount of the new junior subordinated debentures may declare the entire principal amount of all the then outstanding new junior subordinated debentures to be due and immediately payable. This is called a declaration of acceleration of maturity. If an event of default described in the third bullet point in the definition has occurred, the principal amount of all then outstanding new junior subordinated debentures will immediately become due and payable. In the case of any other default or breach of the junior subordinated debt indenture by AIG, including an event of default under the second bullet point in the definition of that term, there is no right to declare the principal amount of the new junior subordinated debentures immediately due and payable.

The holders of a majority in aggregate outstanding principal amount of new junior subordinated debentures may, on behalf of the holders of all the new junior subordinated debentures, waive any default or event of default,

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except an event of default under the second or third bullet point above or a default with respect to a covenant or provision which under the junior subordinated debt indenture cannot be modified or amended without the consent of the holder of each outstanding new junior subordinated debenture.

Except in cases of an event of default, where the indenture trustee has the special duties described above, the indenture trustee is not required to take any action under the junior subordinated debt indenture at the request of any holders unless the holders offer the indenture trustee reasonable protection from expenses and liability called an indemnity. If indemnity reasonably satisfactory to the indenture trustee is provided, the holders of a majority in principal amount of the outstanding new junior subordinated debentures may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the indenture trustee. These majority holders may also direct the indenture trustee in performing any other action under the junior subordinated debt indenture with respect to the new junior subordinated debentures.

Before you bypass the indenture trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests under the junior subordinated debt indenture, the following must occur:

- a holder of the new junior subordinated debenture must give the indenture trustee written notice that an event of default has occurred and remains uncured;

- the holders of 25% in principal amount of all new junior subordinated debentures must make a written request that the indenture trustee take action because of the default, and they must offer reasonable indemnity to the indenture trustee against the cost, expenses and liabilities of taking that action; and

- the indenture trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity.

We will give to the indenture trustee every year a written statement of certain of our officers certifying that to their knowledge we are in compliance with the junior subordinated debt indenture, or else specifying any default.

Subordination

Holders of the new junior subordinated debentures should recognize that contractual provisions in the junior subordinated debt indenture may prohibit us from making payments on the new junior subordinated debentures. The new junior subordinated debentures are subordinate and junior in right of payment, to the extent and in the manner stated in the junior subordinated debt indenture, to all of our senior debt, as defined in the junior subordinated debt indenture.

The junior subordinated debt indenture defines *senior debt* as all indebtedness and obligations of, or guaranteed or assumed by, us:

- for borrowed money;
- evidenced by bonds, debentures, notes or other similar instruments; and
- that represent obligations to policyholders of insurance or investment contracts;

in each case, whether existing now or in the future, and all amendments, renewals, extensions, modifications and refundings of any indebtedness or obligations of that kind. Senior debt will also include any subordinated or junior subordinated debt that by its terms is not expressly *pari passu* or subordinated to the new junior subordinated debentures; all guarantees of securities issued by any trust, partnership or other entity affiliated with us that is, directly or indirectly, our financing vehicle; and intercompany debt. The new junior subordinated debentures will rank *pari passu* with the outstanding parity securities. Upon a successful remarketing of AIG s outstanding Series B-1 Junior Subordinated Debentures, Series B-2 Junior Subordinated Debentures and Series B-3 Junior Subordinated Debentures, such junior subordinated debentures will cease to be subordinated and will become senior debt. The junior subordinated debt indenture does not restrict or limit in any way our ability to incur senior debt. As of

December 31, 2008, we had approximately $110.98 billion of outstanding senior debt.

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Senior debt excludes:

- trade accounts payable and accrued liabilities arising in the ordinary course of business; and
- any indebtedness, guarantee or other obligation that is specifically designated as being subordinate, or not superior, in right of payment to the new junior subordinated debentures (including the outstanding parity securities).

The junior subordinated debt indenture provides that, unless all principal of and any premium and interest on the senior debt has been paid in full, no payment or other distribution may be made with respect to any new junior subordinated debentures in the following circumstances:

- in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization, assignment for creditors or other similar proceedings or events involving us or our assets; or
- any event of default with respect to any senior debt for borrowed money having at the relevant time an aggregate outstanding principal amount of at least $100 million has occurred and is continuing and has been accelerated (unless the event of default has been cured or waived or ceased to exist and such acceleration has been rescinded); or
- in the event the new junior subordinated debentures have been declared due and payable prior to the final maturity date.

If the indenture trustee under the junior subordinated debt indenture or any holders of the new junior subordinated debentures receive any payment or distribution that is prohibited under the subordination provisions, then the indenture trustee or the holders will have to repay that money to the holders of the senior debt.

The subordination provisions do not prevent the occurrence of an event of default. This means that the indenture trustee under the junior subordinated debt indenture and the holders of the new junior subordinated debentures can take action against us, but they will not receive any money until the claims of the holders of senior debt have been fully satisfied.

Defeasance

Subject to compliance with the replacement capital covenant, the following discussion of defeasance will be applicable to the new junior subordinated debentures until May 15, 2058. Upon a full defeasance or covenant defeasance, the subordination provisions applicable to the new junior subordinated debentures would cease to apply.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from any payment or other obligations on the new junior subordinated debentures, called full defeasance, if the following conditions are met:

We must deposit in trust for the benefit of all holders of the new junior subordinated debentures a combination of money and notes or bonds of the U.S. government or a U.S. government agency or U.S. government sponsored entity (the obligations of which are backed by the full faith and credit of the United States) that will generate enough cash to make interest, principal and any other payments on the new junior subordinated debentures on their various due dates.

There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on the new junior subordinated debentures any differently than if we did not make the deposit. Under current U.S. federal tax law, the deposit and our legal release from the obligations pursuant to the new junior subordinated debentures would be treated as though we took back the new junior subordinated debentures and gave the holders their share of the cash and notes or bonds deposited in trust. In that event, a holder could recognize gain or loss on the new junior subordinated debentures such holder is deemed to have given back to us.

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We must deliver to the indenture trustee a legal opinion of our counsel confirming the tax law change described above.

No event or condition may exist that, under the provisions described above under Subordination, would prevent us from making payments of principal, premium or interest on the new junior subordinated debentures on the date of the deposit referred to above or during the 90 days after that date.

If we ever did accomplish full defeasance, as described above, a holder would have to rely solely on the trust deposit for repayment on the new junior subordinated debentures. Such holders could not look to us for repayment in the unlikely event of any shortfall.

Covenant Defeasance

Under current U.S. federal tax law, we can make the same type of deposit as described above and we will be released from some of the restrictive covenants under the new junior subordinated debentures. This is called covenant defeasance. In that event, holders would lose the protection of these covenants but would gain the protection of having money and U.S. government or U.S. government agency notes or bonds set aside in trust to repay the new junior subordinated debentures. In order to achieve covenant defeasance, we must do the following:

Deposit in trust for the benefit of all holders of the new junior subordinated debentures a combination of money and notes or bonds of the U.S. government or a U.S. government agency or U.S. government sponsored entity (the obligations of which are backed by the full faith and credit of the United States) that will generate enough cash to make interest, principal and any other payments on the new junior subordinated debentures on their various due dates.

Deliver to the indenture trustee a legal opinion of our counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing the holders to be taxed on the new junior subordinated debentures any differently than if we did not make the deposit.

If we accomplish covenant defeasance, a holder of the new junior subordinated debentures can still look to us for repayment of the new junior subordinated debentures if there were a shortfall in the trust deposit. In fact, if an event of default occurred (such as a bankruptcy) and the new junior subordinated debentures became immediately due and payable, there could be such a shortfall.

Form, Exchange and Transfer

The new junior subordinated debentures will be issued in fully registered form and in minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof.

We do not intend to apply to list the new junior subordinated debentures on any national securities exchange or any automated dealer quotation system.

Holders may have their new junior subordinated debentures broken into more new junior subordinated debentures of smaller denominations of not less than $1,000 or combined into fewer new junior subordinated debentures of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

Subject to the restrictions relating to new junior subordinated debentures represented by global securities, holders may exchange or transfer new junior subordinated debentures at the office of the indenture trustee. They may also replace lost, stolen or mutilated new junior subordinated debentures at that office. The indenture trustee acts as our agent for registering new junior subordinated debentures in the names of holders and transferring new junior subordinated debentures. We may change this appointment to another entity or perform it ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers. The indenture trustee s agent may require an indemnity before replacing any new junior subordinated debentures.

Holders will not be required to pay a service charge to transfer or exchange new junior subordinated debentures, but holders may be required to pay for any tax or other governmental charge associated with the

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exchange or transfer. The transfer or exchange will only be made if the security registrar is satisfied with your proof of ownership.

In the event of any redemption, neither we nor the indenture trustee will be required to:

issue, register the transfer of or exchange new junior subordinated debentures during the period beginning at the opening of business 15 days before the day of selection for redemption of new junior subordinated debentures and ending at the close of business on the day of mailing of the relevant notice of redemption; or

transfer or exchange any new junior subordinated debentures so selected for redemption, except, in the case of any new junior subordinated debentures being redeemed in part, any portion thereof not being redeemed.

Payment and Paying Agents

The paying agent for the new junior subordinated debentures is the indenture trustee.

Notices

We and the indenture trustee will send notices regarding the new junior subordinated debentures only to holders, using their addresses as listed in the indenture trustee s records.

Governing Law

The junior subordinated debt indenture is, and the new junior subordinated debentures will be, governed by, and construed in accordance with, the laws of the State of New York.

Special Situations

Mergers and Similar Transactions

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease substantially all of our assets to another firm. However, we may not take any of these actions unless all the following conditions are met:

When we merge or consolidate out of existence or sell or lease substantially all of our assets, the other firm may not be organized under a foreign country s laws, that is, it must be a corporation, partnership or trust organized under the laws of a state of the United States or the District of Columbia or under federal law, and it must agree to be legally responsible for the new junior subordinated debentures.

The merger, sale of assets or other transaction must not cause a default on the new junior subordinated debentures, and we must not already be in default (unless the merger or other transaction would cure the default). For purposes of this no-default test, a default would include an event of default that has occurred and not been cured. A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

If the conditions described above are satisfied with respect to new junior subordinated debentures, we will not need to obtain the approval of the holders of the new junior subordinated debentures in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity.

We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets. It is possible that this type of transaction may result in a reduction in our credit rating or may reduce our operating results or impair our financial condition. Holders of the new junior subordinated debentures, however, will have no approval rights with respect to any transaction of this type.

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Modification and Waiver of the New Junior Subordinated Debentures

There are four types of changes we can make to the junior subordinated debt indenture and the new junior subordinated debentures.

Changes Requiring Approval of All Holders. First, there are changes that cannot be made to the new junior subordinated debentures without specific approval of each holder of the new junior subordinated debentures affected by the change. Following is a list of those types of changes:

- change the stated maturity or interest payable on the new junior subordinated debentures;
- reduce any amounts due on the new junior subordinated debentures;
- reduce the amount of principal payable upon acceleration of the maturity of the new junior subordinated debentures following an event of default;
- change the currency of payment on the new junior subordinated debentures;
- impair a holder s right to sue for payment;
- reduce the percentage of holders of the new junior subordinated debentures whose consent is needed to modify or amend the junior subordinated debt indenture;
- reduce the percentage of holders of the new junior subordinated debentures whose consent is needed to waive compliance with certain provisions of the junior subordinated debt indenture or to waive certain defaults;
- modify any other aspect of the provisions dealing with modification and waiver of the junior subordinated debt indenture.

We may, with the indenture trustee s consent, execute, without the consent of any holder of the new junior subordinated debentures, any supplemental indenture for the purpose of creating any new series of junior subordinated debentures.

Changes Requiring a Majority Vote. The second type of change to the junior subordinated debt indenture and the new junior subordinated debentures is the kind that requires a vote in favor by holders of the new junior subordinated debentures owning a majority of the principal amount of the new junior subordinated debentures. Most changes fall into this category, except for clarifying changes and certain other changes that would not adversely affect in any material respect holders of the new junior subordinated debentures. We may also obtain a waiver of a past default from the holders of the new junior subordinated debentures owning a majority of the principal amount of the new junior subordinated debentures. However, we cannot obtain a waiver of a payment default or any other aspect of the junior subordinated debt indenture or the new junior subordinated debentures listed in the first category described above under Changes Requiring Approval of All Holders unless we obtain the individual consent of each holder to the waiver.

Changes Not Requiring Approval. The third type of change does not require any vote by holders of the new junior subordinated debentures. This type is limited to clarifications, our right, under certain circumstances, to modify the definition of APM qualifying securities, and certain other changes that would not adversely affect in any material respect holders of the new junior subordinated debentures.

Modification of Subordination Provisions. We may not modify the subordination provisions of the junior subordinated debt indenture in a manner that would adversely affect in any material respect the new junior subordinated debentures, without the consent of the holders of a majority in principal amount of the new junior subordinated debentures.

Our Relationship with the Trustee

The Bank of New York Mellon is one of our lenders and from time to time provides other banking services to us and our subsidiaries.

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The Bank of New York Mellon serves or will serve as the trustee for certain of our senior debt securities and our subordinated debt securities and any warrants that we may issue under our warrant indenture, as well as the trustee under any amended and restated trust agreement and capital securities subordinated guarantee that we may enter into in connection with the issuance of capital securities. Consequently, if an actual or potential event of default occurs with respect to any of these securities, trust agreements or subordinated guarantees, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, trust agreements or subordinated guarantees and we would be required to appoint a successor trustee. For this purpose, a potential event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded.

LEGAL OWNERSHIP AND BOOK-ENTRY ISSUANCE

In this section, we describe special considerations that will apply to new junior subordinated debentures for so long as they remain issued in global *i.e.*, book-entry form. First, we describe the difference between legal ownership and indirect ownership of new junior subordinated debentures.

Then, we describe special provisions that apply to new junior subordinated debentures.

Who is the Legal Owner of a Registered Security?

The new junior subordinated debentures will be evidenced by one or more global securities, each registered in the name of a nominee for, and deposited with, DTC, or its nominee. We refer to those who, indirectly through others, own beneficial interests in new junior subordinated debentures that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in new junior subordinated debentures issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners

Since we will initially issue the new junior subordinated debentures in book-entry form only, they will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary s book-entry system. These participating institutions, in turn, hold beneficial interests in the new junior subordinated debentures on behalf of themselves or their customers.

Under the junior subordinated debt indenture, only the persons in whose name new junior subordinated debentures are registered are recognized as the holders of those new junior subordinated debentures represented thereby. Consequently, for so long as the new junior subordinated debentures are issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the new junior subordinated debentures, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the new junior subordinated debentures.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary s book-entry system or holds an interest through a participant. As long as the new junior subordinated debentures are issued in global form, investors will be indirect owners, and not holders, of the new junior subordinated debentures.

Street Name Owners

If we terminate an existing global security, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

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For new junior subordinated debentures held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the new junior subordinated debentures are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property, to them.

These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold new junior subordinated debentures in street name will be indirect owners, not holders, of those new junior subordinated debentures.

Legal Holders

Our obligations, as well as the obligations of the indenture trustee under the junior subordinated debt indenture and the obligations, if any, of any third parties employed by us or any agents of theirs, run only to the holders of the new junior subordinated debentures. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a new junior subordinated debenture or has no choice because we are issuing the new junior subordinated debentures only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose for example, to amend the junior subordinated debt indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the junior subordinated debt indenture we would seek the approval only from the holders, and not the indirect owners, of the new junior subordinated debentures. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to you in this prospectus, we mean all acquirers of the new junior subordinated debentures being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to your new junior subordinated debentures in this prospectus, we mean the new junior subordinated debentures in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners

If you hold new junior subordinated debentures through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles new junior subordinated debentures payments and notices;
- whether it imposes fees or charges;
- how it would handle a request for the holders consent, if ever required;
- how it would exercise rights under the new junior subordinated debentures if there were an event of default or other event triggering the need for holders to act to protect their interests; and
- if the new junior subordinated debentures are in book-entry form, how the depositary s rules and procedures will affect these matters.

What is a Global Security?

We will issue the new junior subordinated debentures in book-entry form. This means that the new junior subordinated debentures will be represented by one or more global securities deposited on behalf of DTC as depositary for the new junior subordinated debentures, and registered in the name of Cede & Co., as DTC s partnership nominee, or such other name as may be requested by an authorized representative of DTC. DTC will hold global securities on behalf of other financial institutions that participate in the book-entry system of DTC (the *DTC participants*). These DTC participants, in turn, hold beneficial interests in global securities on behalf of themselves or their customers. Investors will not own global securities issued in global form directly. Instead, they

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will own beneficial interests in a global security through a bank, broker or other financial institution that is itself a DTC participant or holds an interest through a DTC participant.

An investor will be an indirect holder and must look to its bank or broker for payments on the new junior subordinated debentures and protection of its legal rights relating to the new junior subordinated debentures. DTC has advised us that it will take any action permitted to be taken by a holder of new junior subordinated debentures only at the direction of one or more DTC participants whose accounts are credited with DTC interests in a global security.

The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities that they own. Consequently, you will not have the ability to transfer beneficial interests in the global securities to these persons.

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the new junior subordinated debentures must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

The depositary may require that those who purchase and sell interests in a global security within its book entry system use immediately available funds, and your bank, broker or other financial institution may require you to do so as well.

Financial institutions that participate in the depositary s book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the new junior subordinated debentures, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear Bank S.A./N.V., as operator of the Euroclear system, referred to as Euroclear, and Clearstream Banking, société anonyme, Luxembourg, known as Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg, as applicable, may require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

The new junior subordinated debentures will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under Special Situations When a Global Security Will Be Terminated. If termination occurs, the new junior subordinated debentures will no longer be held through any book-entry clearing system.

Special Situations When a Global Security Will Be Terminated

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the new junior subordinated debentures it represented. After that exchange, the choice of whether to hold the new junior subordinated debentures directly or in street name will be up to the investor. Investors must consult their own banks, brokers or other financial institutions to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under Who is the Legal Owner of a Registered Security?

The special situations for termination of a global security are as follows:

- if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days;

- if we notify the indenture trustee that we wish to terminate that global security; or

- if an event of default has occurred with regard to the new junior subordinated debentures and has not been cured or waived.

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If a global security is terminated, only the depositary, and not us, is responsible for deciding the names of the institutions in whose names the new junior subordinated debentures represented by the global security will be registered and, therefore, who will be the holders of those new junior subordinated debentures.

Considerations Relating to DTC

DTC has informed us as follows:

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that DTC participants deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between DTC participants accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*DTCC*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Indirect access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and DTC participants are on file with the SEC.

Acquisitions of new junior subordinated debentures within the DTC system must be made by or through DTC participants, which will receive a credit for the new junior subordinated debentures on DTC s records. The ownership interest of each actual acquirer of new junior subordinated debentures is in turn to be recorded on the direct and indirect participants records, including Euroclear and Clearstream, Luxembourg. Beneficial owners will not receive written confirmation from DTC of their acquisition, but beneficial owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct participant or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the new junior subordinated debentures are to be accomplished by entries made on the books of DTC participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in new junior subordinated debentures, except in the limited circumstances described in What is a Global Security Special Situations When a Global Security Will Be Terminated in which a global security of the new junior subordinated debentures will become exchangeable for new junior subordinated debentures certificates registered in the manner described therein.

To facilitate subsequent transfers, all new junior subordinated debentures deposited by DTC participants with DTC are registered in the name of DTC s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the new junior subordinated debentures with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC will not have knowledge of the actual beneficial owners of the new junior subordinated debentures; DTC s records reflect only the identity of the DTC participants to whose accounts such new junior subordinated debentures are credited, which may or may not be the beneficial owners. The DTC participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices will be sent to DTC s nominee, Cede & Co., as the registered holder of the new junior subordinated debentures. If less than all of the new junior subordinated debentures are being redeemed, DTC will determine the amount of the interest of each direct participant to be redeemed in accordance with its then current procedures.

In instances in which a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to the new junior subordinated debentures unless authorized by a DTC participant in accordance with DTC s money market instruments procedures. Under its usual procedures, DTC would mail an omnibus proxy to the indenture trustee as soon as possible after the record date. The omnibus proxy assigns Cede & Co. s consenting or voting rights

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to those direct participants to whose accounts such new junior subordinated debentures are credited on the record date (identified in a listing attached to the omnibus proxy).

Interest payments on the new junior subordinated debentures will be made by the indenture trustee to DTC. DTC s usual practice is to credit direct participants accounts, upon DTC s receipt of funds and corresponding detail information from us or the trustee (or any registrar or paying agent), on the relevant payment date in accordance with their respective holdings shown on DTC s records. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such DTC participants and not of DTC, the indenture trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the indenture trustee, disbursement of those payments to DTC participants will be the responsibility of DTC and disbursements of such payments to the beneficial owners are the responsibility of direct and indirect participants.

DTC may discontinue providing its services as securities depositary with respect to the new junior subordinated debentures at any time by giving reasonable notice to us.

Global Clearance and Settlement Procedures

As long as DTC is the depositary for the global securities, you may hold an interest in a global security through any organization that participates, directly or indirectly, in the DTC system. Those organizations include Euroclear and Clearstream, Luxembourg. If you are a participant in either of those systems, you may hold your interest directly in that system. If you are not a participant, you may hold your interest indirectly through organizations that are participants in that system. If you hold your interest indirectly, you should note that DTC, Euroclear and Clearstream, Luxembourg will have no record of you or your relationship with the direct participant in their systems.

Euroclear and Clearstream, Luxembourg are securities clearance systems in Europe, and they participate indirectly in DTC. Euroclear and Clearstream, Luxembourg will hold interests in the global securities on behalf of the participants in their systems, through securities accounts they maintain in their own names for their customers on their own books or on the books of their depositaries. Those depositaries, in turn, are participants in DTC and hold those interests in securities accounts they maintain in their own names on the books of DTC. Citibank, N.A. acts as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank acts as depositary for Euroclear. Clearstream, Luxembourg and Euroclear clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

If you hold an interest in a global security through Clearstream, Luxembourg or Euroclear, that system will credit the payments we make on your new junior subordinated debenture to the account of your Clearstream, Luxembourg or Euroclear participant in accordance with that system s rules and procedures. The participant s account will be credited only to the extent that the system s depositary receives these payments through the DTC system. Payments, notices and other communications or deliveries relating to the new junior subordinated debentures, if made through Clearstream, Luxembourg or Euroclear, must comply not only with the rules and procedures of those systems, but also with the rules and procedures of DTC, except as described below.

Trading in the new junior subordinated debentures between Clearstream, Luxembourg participants or between Euroclear participants will be governed only by the rules and procedures of that system. We understand that, at present, those systems rules and procedures applicable to trades in conventional eurobonds will apply to trades in the new junior subordinated debentures, with settlement in immediately available funds.

Cross-market transfers of the new junior subordinated debentures meaning transfers between investors who hold or will hold their interests through Clearstream, Luxembourg or Euroclear, on the one hand, and investors who hold or will hold their interests through DTC but not through Clearstream, Luxembourg or

Euroclear, on the other hand will be governed by DTC s rules and procedures in addition to those of Clearstream, Luxembourg or Euroclear. If you hold your new junior subordinated debenture through Clearstream, Luxembourg or Euroclear and you wish to complete a cross-market transfer, you will need to deliver transfer instructions and payment, if

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applicable, to Clearstream, Luxembourg or Euroclear, through your participant, and that system in turn will need to deliver them to DTC, through that system s depositary.

Because of time-zone differences between the United States and Europe, any new junior subordinated debentures you purchase through Clearstream, Luxembourg or Euroclear in a cross-market transfer will not be credited to your account at your Clearstream, Luxembourg or Euroclear participant until the business day after the DTC settlement date. For the same reason, if you sell the new junior subordinated debentures through Clearstream, Luxembourg or Euroclear in a cross-market transfer, your cash proceeds will be received by the depositary for that system on the DTC settlement date but will not be credited to your participant s account until the business day following the DTC settlement date. In this context, business day means a business day for Clearstream, Luxembourg or Euroclear.

The description of the clearing and settlement systems in this section reflects our understanding of the rules and procedures of DTC, Clearstream, Luxembourg and Euroclear as currently in effect. Those systems could change their rules and procedures at any time. We have no control over those systems and we take no responsibility for their activities.

REPLACEMENT CAPITAL COVENANT

We have summarized below certain terms of the replacement capital covenant. The replacement capital covenant contains the full legal text of the matters described in this section, and has been filed by us in a Current Report on Form 8-K. See Where You Can Find More Information for information on how you can contact us to obtain a copy of the replacement capital covenant. You should refer to the replacement capital covenant for more information.

References in this description to the new junior subordinated debentures include any old junior subordinated debentures that are not exchanged in this exchange offer. The new junior subordinated debentures and the old junior subordinated debentures that are not exchanged constitute a single series of junior subordinated debt securities under the junior subordinated debt indenture.

In the replacement capital covenant, we agree for the benefit of persons that buy, hold or sell a specified series of our long-term indebtedness ranking senior to the new junior subordinated debentures that we will not repay, redeem, defease or purchase, and none of our subsidiaries will purchase, all or a part of the new junior subordinated debentures prior to May 15, 2068, unless the principal amount repaid or defeased, or the applicable redemption or purchase price, does not exceed the sum of:

the applicable percentage of the aggregate amount of net cash proceeds we and our subsidiaries have received from the sale of common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity and qualifying capital securities, plus

the applicable percentage of the aggregate market value of any common stock (or rights to acquire common stock) we and our subsidiaries have delivered or issued in connection with the conversion of any convertible or exchangeable securities, other than securities for which we or any of our subsidiaries has received equity credit from any NRSRO ;

in each case to persons other than AIG and its subsidiaries since the most recent measurement date (without double counting proceeds received in any prior measurement period). The foregoing limitation will not restrict the repayment, redemption or other acquisition of any new junior subordinated debentures that we have previously defeased in accordance with the replacement capital covenant. We sometimes refer collectively in this prospectus to common stock, rights to acquire common stock, mandatorily convertible preferred stock, debt exchangeable for common equity and qualifying capital securities as *replacement capital securities*.

Applicable percentage means:

in the case of any common stock or rights to acquire common stock, (a) 133.33% with respect to any repayment, redemption or purchase prior to May 15, 2018, (b) 200% with respect to any repayment,

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redemption or purchase on or after May 15, 2018 and prior to May 15, 2058 and (c) 400% with respect to any repayment, redemption or purchase on or after May 15, 2058;

in the case of any mandatorily convertible preferred stock, debt exchangeable for common equity or any qualifying capital securities described in clause (i) of the definition of that term, (a) 100% with respect to any repayment, redemption or purchase prior to May 15, 2058 and (b) 300% with respect to any repayment, redemption or purchase on or after May 15, 2058;

in the case of any qualifying capital securities described in clause (ii) of the definition of that term, (a) 100% with respect to any repayment, redemption or purchase prior to May 15, 2058 and (b) 200% with respect to any repayment, redemption or purchase on or after May 15, 2058; and

in the case of any qualifying capital securities described in clause (iii) of the definition of that term, 100%.

Common stock means any of our equity securities (including equity securities held as treasury shares) or rights to acquire equity securities that have no preference in the payment of dividends or amounts payable upon the liquidation, dissolution or winding-up of AIG (including a security that tracks the performance of, or relates to the results of, a business, unit or division of AIG), and any securities that have no preference in the payment of dividends or amounts payable upon liquidation, dissolution or winding-up and are issued in exchange therefor in connection with a merger, consolidation, binding share exchange, business combination, recapitalization or other similar event.

Debt exchangeable for common equity means a security or combination of securities that:

gives the holder a beneficial interest in (i) a fractional interest in a stock purchase contract for a share of common stock of AIG that will be settled in three years or less, with the number of shares of common stock of AIG purchasable pursuant to such stock purchase contract to be within a range established at the time of issuance of the subordinated debt securities referred to in clause (ii), subject to customary anti-dilution adjustments, and (ii) debt securities of AIG or one of its subsidiaries that are non-callable prior to the settlement date of the stock purchase contract;

provides that the holders directly or indirectly grant AIG a security interest in such securities and their proceeds (including any substitute collateral permitted under the transaction documents) to secure the holders direct or indirect obligation to purchase common stock of AIG pursuant to such stock purchase contracts;

includes a remarketing feature pursuant to which the debt securities are remarketed to new investors commencing not later than the settlement date of the stock purchase contract; and

provides for the proceeds raised in the remarketing to be used to purchase common stock of AIG under the stock purchase contracts and, if there has not been a successful remarketing by the settlement date of the stock purchase contract, provides that the stock purchase contracts will be settled by AIG exercising its remedies as a secured party with respect to the debt securities or other collateral directly or indirectly pledged by holders of the debt exchangeable for common equity.

Employee benefit plan means any written purchase, savings, option, bonus, appreciation, profit sharing, thrift, incentive, pension or similar plan or arrangement or any written compensatory contract or arrangement.

Measurement date means with respect to any repayment, redemption, defeasance or purchase of the new junior subordinated debentures (i) on or prior to the scheduled maturity date, the date 180 days prior to delivery of notice of such repayment, defeasance or redemption or the date of such purchase and (ii) after the scheduled maturity date, the date 90 days prior to the date of such repayment, redemption, defeasance or purchase, except that, if during the 90 days (or any shorter period) preceding the date that is 90 days prior to the date of such repayment, redemption, defeasance or purchase, net cash proceeds described above were received but no repayment, redemption, defeasance or purchase was made in connection therewith, the measurement date shall be the earliest date upon which such net cash proceeds were received.

For example, if we receive proceeds from the issuance of qualifying capital securities before the scheduled maturity date but after we have given the indenture trustee a notice of repayment and we do not redeem or purchase

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any new junior subordinated debentures based on the receipt of these proceeds, the measurement date with respect to the next interest payment date will be the date we received those proceeds (even though it is more than 90 days prior to that interest payment date) and, accordingly, we may count those proceeds in connection with the repayment of the new junior subordinated debentures on that interest payment date.

Measurement period with respect to any notice date or purchase date means the period (i) beginning on the measurement date with respect to such notice date or purchase date and (ii) ending on such notice date or purchase date. Measurement periods cannot run concurrently.

NRSRO means any nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act (or any successor provision).

Qualifying capital securities means securities (other than common stock, rights to acquire common stock or securities exchangeable for or convertible into common stock) that in the determination of AIG s board of directors (or a duly authorized committee thereof), reasonably construing the definitions and other terms of the replacement capital covenant, meet one of the following criteria:

(i) in connection with any repayment, redemption or purchase of new junior subordinated debentures prior to May 15, 2018:

junior subordinated debt securities and guarantees issued by us or our subsidiaries with respect to trust preferred securities if the junior subordinated debt securities and guarantees (a) rank *pari passu* with or junior to the new junior subordinated debentures upon our liquidation, dissolution or winding-up, (b) are non-cumulative, (c) have no maturity or a maturity of at least 60 years and (d) are subject to a qualifying replacement capital covenant ;

securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the new junior subordinated debentures upon our liquidation, dissolution or winding-up, (b) have no maturity or a maturity of at least 60 years and

(c) (i) are non-cumulative and subject to a qualifying replacement capital covenant or (ii) have a mandatory trigger provision and an optional deferral provision and are subject to intent-based replacement disclosure ; or

securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the new junior subordinated debentures, (b) have no maturity or a maturity of at least 40 years, (c) are subject to a qualifying replacement capital covenant and (d) have a mandatory trigger provision and an optional deferral provision ;

(ii) in connection with any repayment, redemption or purchase of new junior subordinated debentures on or after May 15, 2018 but prior to May 15, 2038:

all types of securities that would be qualifying capital securities under clause (i) above;

securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the new junior subordinated debentures upon our liquidation, dissolution or winding-up, (b) have no maturity or a maturity of at least 60 years, (c) are subject to a qualifying replacement capital covenant and (d) have an optional deferral provision ;

securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the new junior subordinated debentures upon our liquidation, dissolution or winding-up, (b) are non-cumulative, (c) have no maturity or a maturity of at least 60 years and (d) are subject to intent-based replacement disclosure ;

securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the new junior subordinated debentures upon our liquidation, dissolution or winding-up, (b) have no maturity or a maturity of at least 40 years and (c) (i) are non-cumulative and subject to a qualifying replacement capital covenant or (ii) have a mandatory trigger provision and an optional deferral provision and are subject to intent-based replacement disclosure ;

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securities issued by us or our subsidiaries that (a) rank junior to all of our senior and subordinated debt other than the new junior subordinated debentures and the *pari passu* securities, (b) have a mandatory trigger provision and an optional deferral provision, and are subject to intent-based replacement disclosure and (c) have no maturity or a maturity of at least 60 years;

cumulative preferred stock issued by us or our subsidiaries that (a) has no prepayment obligation on the part of the issuer thereof, whether at the election of the holders or otherwise, and (b) (1) has no maturity or a maturity of at least 60 years and (2) is subject to a qualifying replacement capital covenant ; or

other securities issued by us or our subsidiaries that (a) rank upon our liquidation, dissolution or winding-up either (1) *pari passu* with or junior to the new junior subordinated debentures or (2) *pari passu* with the claims of our trade creditors and junior to all of our long-term indebtedness for money borrowed (other than our long-term indebtedness for money borrowed from time to time outstanding that by its terms ranks *pari passu* with such securities on our liquidation, dissolution or winding-up); and (b) either (1) have no maturity or a maturity of at least 40 years and have a mandatory trigger provision and an optional deferral provision and are subject to intent-based replacement disclosure or (2) have no maturity or a maturity of at least 25 years and are subject to a qualifying replacement capital covenant and have a mandatory trigger provision and an optional deferral provision ;

(iii) in connection with any repayment, redemption or purchase of new junior subordinated debentures at any time on or after May 15, 2038:

all of the types of securities that would be qualifying capital securities under clause (ii) above;

securities issued by us or our subsidiaries that (a) rank *pari passu* with or junior to the new junior subordinated debentures upon our liquidation, dissolution or winding-up, (b) either (1) have no maturity or a maturity of at least 60 years and are subject to intent based replacement disclosure or (2) have no maturity or a maturity of at least 40 years and are subject to a qualifying replacement capital covenant and (c) have an optional deferral provision ;

securities issued by us or our subsidiaries that (a) rank junior to all of our senior and subordinated debt other than the new junior subordinated debentures and any other *pari passu* securities, (b) have a mandatory trigger provision and an optional deferral provision and are subject to intent-based replacement disclosure and (c) have no maturity or a maturity of at least 25 years; or

preferred stock issued by us or our subsidiaries that either (a) has no maturity or a maturity of at least 60 years and is subject to intent-based replacement disclosure or (b) has a maturity of at least 40 years and is subject to a qualifying replacement capital covenant ;

provided that if any of the securities described above is structured at the time of issuance with a significant distribution rate step-up (whether interest or dividend) prior to May 15, 2058, then such security shall be subject to a qualifying replacement capital covenant that will remain in effect until at least May 15, 2058. *Significant distribution rate step-up* means, as to a qualifying capital security, an increase in the distribution rate at a date after initial issuance of such security of more than 25 basis points (or, if the method of calculating distributions on such qualifying capital security is changing at the time of such increase (for example, from a fixed rate to a floating rate based upon a margin above an index or from a floating rate based upon a margin above one index to a floating rate based upon a margin above a different index), an increase in the margin above the applicable credit spread used in calculating such increased rate as compared to the credit spread used in calculating the initial distribution rate of more than 25 basis points).

For purposes of the definitions provided above, the following terms shall have the following meanings:

Alternative payment mechanism means, with respect to any securities or combination of securities, provisions in the related transaction documents requiring AIG to issue (or use commercially reasonable efforts to issue) one or more types of APM qualifying securities raising eligible proceeds at least equal to the deferred distributions on such securities and apply the proceeds to pay unpaid distributions on such securities, commencing

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on the earlier of (x) the first distribution date after commencement of a deferral period on which AIG pays current distributions on such securities and (y) the fifth anniversary of the commencement of such deferral period, and that:

define eligible proceeds to mean, for purposes of such alternative payment mechanism, the net proceeds (after underwriters or placement agents fees, commissions or discounts and other expenses relating to the issuance or sale) that AIG has received during the 180 days prior to the related distribution date from the issuance of APM qualifying securities, up to the maximum share number in the case of APM qualifying securities that are common stock or mandatorily convertible preferred stock , up to the maximum warrant number in the case of APM qualifying securities that are qualifying warrants, and up to the preferred cap in the case of APM qualifying securities that are qualifying non-cumulative preferred stock or mandatorily convertible preferred stock ;

permit AIG to pay current distributions on any distribution date out of any source of funds but (x) require AIG to pay deferred distributions only out of eligible proceeds and (y) prohibit AIG from paying deferred distributions out of any source of funds other than eligible proceeds, unless otherwise required at the time by any applicable regulatory authority or if an event of default has occurred that results in an acceleration of the principal amount of the relevant securities;

include a repurchase restriction ;

limit the obligation of AIG to issue (or use commercially reasonable efforts to issue) APM qualifying securities up to:

in the case of APM qualifying securities that are common stock or qualifying warrants, during the first five years of any deferral period (x) an amount from the issuance thereof pursuant to the alternative payment mechanism equal to 2% of AIG s most recently published market capitalization or (y) a number of shares of common stock and qualifying warrants not in excess of 2% of the number of shares of outstanding common stock set forth in AIG s most recently published financial statements (the *common cap*);

in the case of APM qualifying securities that are qualifying non-cumulative preferred stock or mandatorily convertible preferred stock, an amount from the issuance thereof pursuant to the related alternative payment mechanism (including at any point in time from all prior issuances of qualifying non-cumulative preferred stock and still-outstanding mandatorily convertible preferred stock pursuant to such alternative payment mechanism) equal to 25% of the liquidation or principal amount of the securities that are the subject of the related alternative payment mechanism (the *preferred cap*);

permit AIG, at its option, to impose a limitation on the issuance of APM qualifying securities consisting of common stock, mandatorily convertible preferred stock and qualifying warrants, in each case to a maximum issuance cap to be set at the discretion of AIG and otherwise substantially similar to the maximum share number and maximum warrant number, respectively, *provided* that such maximum issuance cap will be subject to AIG s agreement to use commercially reasonable efforts to increase the maximum issuance cap when reached and (i) simultaneously satisfy its future fixed or contingent obligations under other securities and derivative instruments that provide for settlement or payment in shares of common stock or (ii) if AIG cannot increase the maximum issuance cap as contemplated in the preceding clause, by requesting its board of directors to adopt a resolution for shareholder vote at the next occurring annual shareholders meeting to increase the number of shares of AIG s authorized common stock for purposes of satisfying AIG s obligations to pay deferred distributions;

in the case of securities other than non-cumulative preferred stock, include a bankruptcy claim limitation provision ; and permit AIG, at its option, to provide that if AIG is involved in a merger, consolidation, amalgamation, binding share exchange or conveyance, transfer or lease of assets substantially as an entirety to any other person or a similar transaction (a *business combination*) where immediately after the consummation of the business combination more than 50% of the surviving or resulting entity s voting

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stock is owned by the shareholders of the other party to the business combination or continuing directors cease for any reason to constitute a majority of the directors of the surviving or resulting entity, then the first three bullet points will not apply to any deferral period that is terminated on the next interest payment date following the date of consummation of the business combination. *Continuing director* means a director who was a director of AIG at the time the definitive agreement relating to the transaction was approved by AIG s board of directors;

provided that:

AIG shall not be obligated to issue (or use commercially reasonable efforts to issue) APM qualifying securities for so long as a market disruption event has occurred and is continuing;

if, due to a market disruption event or otherwise, AIG is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred distributions on any distribution date, AIG will apply any available eligible proceeds to pay accrued and unpaid distributions on the applicable distribution date in chronological order subject to the common cap, preferred cap and any maximum issuance cap ; and

if AIG has outstanding more than one class or series of securities under which it is obligated to sell a type of APM qualifying securities and apply some part of the proceeds to the payment of deferred distributions, then on any date and for any period the amount of net proceeds received by AIG from those sales and available for payment of deferred distributions on such securities shall be applied to such securities on a *pro rata* basis up to the common cap, the preferred cap and any maximum issuance cap referred to above, as applicable, in proportion to the total amounts that are due on such securities.

APM qualifying securities means, with respect to an alternative payment mechanism or a mandatory trigger provision, one or more of the following (as designated in the transaction documents for the qualifying capital securities that include an alternative payment mechanism or a mandatory trigger provision, as applicable): common stock, qualifying warrants, qualifying non-cumulative preferred stock and mandatorily convertible preferred stock; *provided* that

if the APM qualifying securities for any alternative payment mechanism or mandatory trigger provision include both common stock and qualifying warrants,

such alternative payment mechanism or mandatory trigger provision may permit, but need not require, us to issue qualifying warrants; and

we may, without the consent of the holders of the qualifying capital securities, amend the definition of APM qualifying securities to eliminate common stock or qualifying warrants (but not both) from the definition if, after May 13, 2008, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes; and

if the APM qualifying securities for any alternative payment mechanism or mandatory trigger provision include mandatorily convertible preferred stock,

such alternative payment mechanism or mandatory trigger provision may permit, but need not require, us to issue mandatorily convertible preferred stock; and

we may, without the consent of the holders of the qualifying capital securities, amend the definition of APM qualifying securities to eliminate mandatorily convertible preferred stock from the definition if, after May 13, 2008, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective so that there is more than an insubstantial risk that the failure to do so would result in a reduction in our earnings per share as calculated for financial reporting purposes.

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Bankruptcy claim limitation provision means, with respect to any securities or combination of securities that have an alternative payment mechanism or a mandatory trigger provision, provisions that, upon any liquidation, dissolution, winding-up or reorganization or in connection with any insolvency, receivership or proceeding under any bankruptcy law with respect to the issuer, limit the claim of the holders of such securities to distributions that accumulate during (A) any deferral period, in the case of securities that have an alternative payment mechanism or (B) any period in which the issuer fails to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, in the case of securities having a mandatory trigger provision, to:

in the case of securities having an alternative payment mechanism or mandatory trigger provision with respect to which the APM qualifying securities do not include qualifying noncumulative preferred stock or mandatorily convertible preferred stock, 25% of the stated or principal amount of such securities then outstanding; and

in the case of any other securities, an amount not in excess of the sum of (x) the amount of accumulated and unpaid distributions (including compounded amounts) that relate to the earliest two years of the portion of the deferral period for which distributions have not been paid and (y) an amount equal to the excess, if any, of the preferred cap over the aggregate amount of net proceeds from the sale of qualifying non-cumulative preferred stock and still-outstanding mandatorily convertible preferred stock that the issuer has applied to pay such distributions pursuant to the alternative payment mechanism or the mandatory trigger provision, *provided* that the holders of such securities are deemed to agree that, to the extent the remaining claim exceeds the amount set forth in subclause (x), the amount they receive in respect of such excess shall not exceed the amount they would have received had such claim ranked *pari passu* with the interests of the holders, if any, of qualifying non-cumulative preferred stock.

In the case of any cumulative preferred stock that includes a bankruptcy claim limitation provision, such provision shall limit the liquidation preference of such cumulative preferred stock to its stated amount, plus an amount in respect of accumulated and unpaid dividends not in excess of the amount set forth in the first or second bullet point above, as applicable.

Intent-based replacement disclosure means, as to any security or combination of securities, that the issuer has publicly stated its intention, either in the prospectus or other offering document under which such securities were initially offered for sale or in filings made by the issuer prior to or contemporaneously with the issuance of such securities, that the issuer will repay, redeem, defease or purchase, and will cause its subsidiaries to purchase, such securities only with the proceeds of replacement capital securities that have terms and provisions at the time of repayment, redemption, defeasance or purchase that are as or more equity-like than the securities then being repaid, redeemed, defeased or purchased, raised within 180 days prior to the applicable redemption or purchase date.

Mandatory trigger provision means, as to any security or combination of securities, provisions in the terms thereof or of the related transaction agreements that:

upon a failure to satisfy one or more financial tests set forth in the terms of such securities or related transaction agreements, prohibit the issuer of such securities from making payment of distributions on such securities (including without limitation all deferred and accumulated amounts) other than out of the net proceeds of the issuance and sale of APM qualifying securities; *provided* that the amount of qualifying non-cumulative preferred stock and mandatorily convertible preferred stock the net proceeds of which the issuer may apply to pay such distributions pursuant to such provision may not exceed the preferred cap ;

in the case of securities other than non-cumulative perpetual preferred stock, require the issuance and sale of APM qualifying securities in an amount at least equal to the amount of unpaid distributions on such securities (including without limitation all deferred and accumulated amounts) and the application of such net proceeds to the payment of such distributions within two years of such failure;

provided that if the mandatory trigger provision does not require such issuance and sale within one year of such failure, the amount of common stock or qualifying warrants the net proceeds of which the issuer must apply to pay such distributions pursuant to such provision may not exceed the common cap ;

include a repurchase restriction if the provisions described in the prior bullet point do not require such issuance and sale within one year of such failure;

prohibit the issuer of such securities from redeeming, defeasing or purchasing any of its securities ranking upon the liquidation, dissolution or winding-up of the issuer, junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period prior to the date six months after the issuer applies the net proceeds of the sales described in the first bullet point above to pay such deferred distributions in full, except where non-payment would cause the issuer to breach the terms of the relevant instrument, subject to the exceptions set forth in the first and second bullet points of the definition of repurchase restriction ;

other than in the case of non-cumulative preferred stock, include a bankruptcy claim limitation provision ; and

do not include any remedies other than permitted remedies for the issuer s failure to pay distributions because of the mandatory trigger provision except in the event that distributions have been deferred for one or more distribution periods that total together at least 10 years;

provided that:

the issuer shall not be obligated to issue (or to use commercially reasonable efforts to issue) APM qualifying securities for so long as a market disruption event has occurred and is continuing;

if, due to a market disruption event or otherwise, the issuer is able to raise and apply some, but not all, of the eligible proceeds necessary to pay all deferred distributions on any distribution date, the issuer will apply any available eligible proceeds to pay accrued and unpaid distributions on the applicable distribution date in chronological order subject to the common cap and the preferred cap, as applicable; and

if the issuer has outstanding more than one class or series of securities under which it is obligated to sell a type of APM qualifying securities and apply some part of the proceeds to the payment of deferred distributions, then on any date and for any period the amount of net proceeds received by the issuer from those sales and available for payment of deferred distributions on such securities shall be applied to such securities on a *pro rata* basis up to the common cap and the preferred cap, as applicable, in proportion to the total amounts that are due on such securities.

Non-cumulative means, with respect to any securities, that the issuer may elect not to make any number of periodic distributions without any remedy arising under the terms of the securities or related agreements in favor of the holders, other than one or more permitted remedies. Securities that include an alternative payment mechanism will also be deemed to be non-cumulative, other than for the purposes of the definitions of APM qualifying securities and qualifying non-cumulative preferred stock.

Optional deferral provision means, as to any securities, a provision in the terms thereof or of the related transaction agreements to the effect of either (a) or (b) below:

(a) (i) the issuer of such securities may, in its sole discretion, defer in whole or in part payment of distributions on such securities for one or more consecutive distribution periods of up to five years or, if a market disruption event is continuing, 10 years, without any remedy other than permitted remedies and (ii) an alternative payment mechanism (*provided* that such alternative payment mechanism need not apply during the first 5 years of any deferral period and need not include a common cap or a preferred cap); or

(b) the issuer of such securities may, in its sole discretion, defer in whole or in part payment of distributions on such securities for one or more consecutive distribution periods up to 10 years, without any remedy other than permitted remedies.

Permitted remedies means, with respect to any securities, one or more of the following remedies: (a) rights in favor of the holders of such securities permitting such holders to elect one or more directors of the issuer (including any such rights required by the listing requirements of any stock or securities exchange on which such securities may be listed or traded), and (b) complete or partial prohibitions on the issuer or its subsidiaries paying distributions on or repurchasing common stock or other securities that rank *pari passu* with or junior as to distributions to such securities for so long as distributions on such securities, including unpaid distributions, remain unpaid.

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Qualifying non-cumulative preferred stock means non-cumulative perpetual preferred stock issued by us that (i) ranks *pari passu* with or junior to all other outstanding preferred stock of the issuer, other than a preferred stock that is issued or issuable pursuant to a stockholders rights plan or similar plan or arrangement and (ii) contains no remedies other than permitted remedies and either (i) is subject to intent-based replacement disclosure and has a provision that provides for mandatory suspension of distributions upon AIG s failure to satisfy one or more financial tests set forth therein or (ii) is subject to a qualifying replacement capital covenant.

Qualifying replacement capital covenant means (a) a replacement capital covenant substantially similar to the replacement capital covenant applicable to the new junior subordinated debentures or (b) a replacement capital covenant, as identified by AIG s board of directors, or a duly authorized committee thereof, acting in good faith and in its reasonable discretion and reasonably construing the definitions and other terms of the replacement capital covenant, (i) entered into by a company that at the time it enters into such replacement capital covenant is a reporting company under the Exchange Act and (ii) that restricts the related issuer from redeeming, repaying, purchasing or defeasing, and restricts the subsidiaries of such issuer from purchasing, identified securities except out of the proceeds of specified replacement capital securities that have terms and provisions at the time of redemption, repayment, purchase or defeasance that are as or more equity-like than the securities then being redeemed, repaid, purchased or defeased, raised within 180 days prior to the applicable redemption, repayment, purchase or defeasance date; *provided* that the term of such qualifying replacement capital covenant shall be determined at the time of issuance of the related replacement capital securities taking into account the other characteristics of such securities.

Repurchase restriction means, with respect to any APM qualifying securities that include an alternative payment mechanism or a mandatory trigger provision, provisions that require AIG and its subsidiaries not to redeem, purchase or defease any of its securities ranking junior to or *pari passu* with any APM qualifying securities the proceeds of which were used to settle deferred interest during the relevant deferral period until at least one year after all deferred distributions have been paid, except where non-payment would cause AIG to breach the terms of the relevant instrument, other than the following (none of which shall be restricted or prohibited by a repurchase restriction) if deferral of distributions continues for more than one year:

redemptions, purchases or other acquisitions of shares of common stock in connection with any employee benefit plan; or

purchases of shares of common stock pursuant to a contractually binding requirement to buy common stock entered into prior to the beginning of the related deferral period, including under a contractually binding stock repurchase plan.

Rights to acquire common stock includes the number of shares of common stock obtainable upon exercise or conversion of any right to acquire common stock, including, any right to acquire common stock pursuant to a stock purchase plan, employee benefit plan or assurance agreement.

Our ability to raise proceeds from qualifying capital securities, mandatorily convertible preferred stock, common stock, debt exchangeable for common equity and rights to acquire common stock during the applicable measurement period with respect to any repayment, purchase or redemption of new junior subordinated debentures will depend on, among other things, market conditions at that time as well as the acceptability to prospective investors of the terms of those securities. No assurance can be given that we will be able to issue those securities, and we will be unable to repay or redeem the new junior subordinated debentures prior to May 15, 2068 unless we can complete such an issuance.

The initial series of indebtedness benefiting from our replacement capital covenant is our 6.25% Notes due 2036, CUSIP No. 026874AZ0. The replacement capital covenant includes provisions requiring us to redesignate a new series of indebtedness if the covered series of indebtedness approaches maturity, becomes subject to a redemption notice or is reduced to less than $100,000,000 in outstanding principal amount. We expect that, at all times prior to May 15, 2068, we will be subject to the replacement capital covenant and, accordingly, restricted in our ability to repay, redeem, defease or purchase the new junior subordinated debentures.

The replacement capital covenant is made for the benefit of persons that buy, hold or sell the specified series of long-term indebtedness. It is not for the benefit of, and may not be enforced by, the holders of the new junior

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subordinated debentures. Any amendment or termination of our obligations under the replacement capital covenant will require the consent of the holders of at least a majority in principal amount of that series of indebtedness, except that we may amend or supplement the replacement capital covenant without the consent of the holders of that series of indebtedness if any of the following apply (it being understood that any such amendment or supplement may fall into one or more of the following): (i) the effect of such amendment or supplement is solely to impose additional restrictions on, or eliminate certain of, the types of securities qualifying as replacement capital securities, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate to that effect, (ii) such amendment or supplement is not materially adverse to the covered debtholders, and an officer of AIG has delivered to the holders of the then effective series of covered debt a written certificate stating that, in his or her determination, such amendment or supplement is not materially adverse to the covered debtholders, or (iii) such amendment or supplement eliminates common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities if, after May 20, 2008, an accounting standard or interpretive guidance of an existing standard issued by an organization or regulator that has responsibility for establishing or interpreting accounting standards in the United States becomes effective such that there is more than an insubstantial risk that the failure to eliminate common stock, debt exchangeable for common equity, mandatorily convertible preferred stock and/or rights to acquire common stock as replacement capital securities would result in a reduction in our earnings per share as calculated in accordance with generally accepted accounting principles in the United States. For this purpose, an amendment or supplement that adds new types of securities qualifying as replacement capital securities or modifies the requirements of securities qualifying as replacement capital securities will not be deemed materially adverse to the holders of the then effective series of covered debt if, following such amendment or supplement, the replacement capital covenant would constitute a qualifying replacement capital covenant.

With respect to qualifying capital securities, we have agreed in the junior debt indenture that we will not amend the replacement capital covenant to impose additional restrictions on the type or amount of qualifying capital securities that we may include for purposes of determining when repayment, redemption or purchase of the new junior subordinated debentures is permitted, except with the consent of holders of a majority by principal amount of the new junior subordinated debentures.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section describes the material United States federal income tax consequences of exchanging old junior subordinated debentures for new junior subordinated debentures and owning the new junior subordinated debentures. It applies to holders that hold old junior subordinated debentures and new junior subordinated debentures as capital assets for tax purposes and acquire new junior subordinated debentures by exchanging pursuant to the exchange offer the old junior subordinated debentures that they acquired upon their original issuance at their original offering price. For the purposes of this section Certain United States Federal Income Tax Considerations , the new junior subordinated debentures and the old junior subordinated debentures are hereinafter referred to as the Series A-6 Junior Subordinated Debentures .

This section does not apply to a holder that is a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that owns Series A-6 Junior Subordinated Debentures that are a hedge or that are hedged against interest rate risks;

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a person that owns Series A-6 Junior Subordinated Debentures as part of a straddle or conversion transaction for tax purposes; or

a United States Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Series A-6 Junior Subordinated Debentures, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Series A-6 Junior Subordinated Debentures should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Series A-6 Junior Subordinated Debentures.

The Series A-6 Junior Subordinated Debentures are a novel financial instrument, and there is no clear authority addressing their federal income tax treatment. We have not sought any rulings concerning the treatment of the Series A-6 Junior Subordinated Debentures, and the opinion of our tax counsel is not binding on the Internal Revenue Service (IRS). Investors should consult their tax advisors in determining the specific tax consequences and risks to them of purchasing, holding and disposing of the Series A-6 Junior Subordinated Debentures, including the application to their particular situation of the United States federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Treatment of the Exchange

In the opinion of our counsel, Sullivan & Cromwell LLP, the exchange of the old junior subordinated debentures for new junior subordinated debentures will not be treated as a taxable transaction for

U.S. federal income tax purposes. Your basis and holding period in the new junior subordinated debentures will equal your basis and holding period in the old junior subordinated debentures exchanged for them.

Classification of the Series A-6 Junior Subordinated Debentures

In the opinion of our counsel, Sullivan & Cromwell LLP, under current law and assuming full compliance with the terms of the junior debt indenture and other relevant documents, and based on certain representations to Sullivan & Cromwell LLP made at the time of the original issuance of the old junior subordinated debentures, the Series A-6 Junior Subordinated Debentures will be treated as indebtedness of AIG for United States federal income tax purposes (although there is no clear authority on this point). The remainder of this discussion assumes that the Series A-6 Junior Subordinated Debentures will not be recharacterized as other than indebtedness of AIG, unless otherwise indicated.

United States Holders

This subsection describes the tax consequences to a *United States Holder.* A holder is a United States Holder if such holder is a beneficial owner of Series A-6 Junior Subordinated Debentures and is:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if (1) a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust, or (2) such trust has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

As used in this summary, the term *non-United States Holder* means a beneficial owner that is not a United States person for United States federal income tax purposes. This subsection does not apply to a holder that is a non-United States Holder and such holders should refer to Non-United States Holders below.

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Interest Income

Under applicable Treasury regulations, a remote contingency that stated interest will not be timely paid will be ignored in determining whether a debt instrument is issued with original issue discount, or OID. As of the time of the original issuance of the old junior subordinated debentures (which we believe, because of the relevant terms of the exchange offer, to be the relevant date for determining whether a contingency is remote), we believed that the likelihood of our exercising our option to defer payments was remote within the meaning of the regulations. Based on the foregoing, we believe that the Series A-6 Junior Subordinated Debentures will not be considered to be issued with OID at the time of their original issuance. Accordingly, each United States Holder of Series A-6 Junior Subordinated Debentures should include in gross income that holder s interest on the Series A-6 Junior Subordinated Debentures in accordance with that holder s method of tax accounting.

Original Issue Discount

Under the applicable Treasury regulations, if our exercise of the option to defer any payment of interest was determined not to be remote, or if we exercised that option, the Series A-6 Junior Subordinated Debentures would be treated as issued with OID at the time of issuance or at the time of that exercise, in which case all stated interest on the Series A-6 Junior Subordinated Debentures would thereafter be treated as OID as long as the Series A-6 Junior Subordinated Debentures remained outstanding.

In that event, all of a United States Holder s taxable interest income relating to the Series A-6 Junior Subordinated Debentures would constitute OID that would have to be included in income on an economic accrual basis before the receipt of the cash attributable to the interest, regardless of the United States Holder s method of tax accounting, and actual distributions of stated interest would not be reported as taxable income. Consequently, a United States Holder of Series A-6 Junior Subordinated Debentures would be required to include in gross income OID even though we will make no actual payments on the Series A-6 Junior Subordinated Debentures during a deferral period.

The IRS has not defined the meaning of the term remote as used in the applicable Treasury Regulations in any binding ruling or interpretation, and it is possible that the IRS could take a position contrary to the interpretation in this prospectus.

Because income on the Series A-6 Junior Subordinated Debentures will constitute interest or OID, (i) corporate holders of Series A-6 Junior Subordinated Debentures will not be entitled to a dividends-received deduction relating to any income recognized relating to the Series A-6 Junior Subordinated Debentures and (ii) non-corporate individual holders will not be entitled to any preferential tax rate for any income recognized relating to the Series A-6 Junior Subordinated Debentures.

Sale, Redemption or Maturity of Series A-6 Junior Subordinated Debentures

Upon the sale, redemption or maturity of Series A-6 Junior Subordinated Debentures, a United States Holder will recognize gain or loss equal to the difference between its adjusted tax basis in the Series A-6 Junior Subordinated Debentures and the amount realized on the sale, redemption or maturity of those Series A-6 Junior Subordinated Debentures. The amount realized will not include amounts that are allocated to accrued but unpaid interest, which will be subject to tax in the manner described above under Interest Income and Original Issue Discount. Assuming that we do not exercise our option to defer payments of interest on the Series A-6 Junior Subordinated Debentures and that the Series A-6 Junior Subordinated Debentures are not deemed to be issued with OID, a United States Holder s adjusted tax basis in the Series A-6 Junior Subordinated Debentures generally will be its initial purchase price. If the Series A-6 Junior Subordinated Debentures are deemed to be issued with OID, a United States Holder s tax basis in the Series A-6 Junior Subordinated Debentures generally will be its initial purchase price, increased by OID previously includible in that United States Holder s gross income to the date of disposition and decreased by distributions or other payments received on the Series A-6 Junior Subordinated Debentures since and including the date that the Series A-6 Junior

Subordinated Debentures were deemed to be issued with OID. That gain or loss generally will be a capital gain or loss, except to the extent of any accrued interest on the Series A-6 Junior Subordinated Debentures required to be included in income, and generally will be long-term capital gain or loss if the Series A-6 Junior Subordinated Debentures have been held for more than one year.

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Should we exercise our option to defer payment of interest on the Series A-6 Junior Subordinated Debentures, the Series A-6 Junior Subordinated Debentures may trade at a price that does not fully reflect the accrued but unpaid interest. In the event of that deferral, a United States Holder who disposes of its Series A-6 Junior Subordinated Debentures between record dates for payments of interest will be required to include in income as ordinary income accrued but unpaid interest on the Series A-6 Junior Subordinated Debentures to the date of disposition and to add that amount to its adjusted tax basis in the Series A-6 Junior Subordinated Debentures deemed disposed of. To the extent the selling price is less than the holder s adjusted tax basis, that holder will recognize a capital loss. Capital losses generally cannot be applied to offset ordinary income for United States federal income tax purposes.

Information Reporting and Backup Withholding

Generally, income on the Series A-6 Junior Subordinated Debentures will be subject to information reporting. In addition, United States Holders may be subject to backup withholding on those payments if they do not provide their taxpayer identification numbers to the paying agent in the manner required, fail to certify that they are not subject to backup withholding, or otherwise fail to comply with applicable backup withholding tax rules. United States Holders may also be subject to information reporting and backup withholding with respect to the proceeds from a sale, exchange, retirement or other taxable disposition (collectively, a *disposition*) of the Series A-6 Junior Subordinated Debentures. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder s United States federal income tax liability, provided the required information is timely furnished to the IRS.

Non-United States Holders

Assuming that the Series A-6 Junior Subordinated Debentures will be respected as indebtedness of AIG, under current United States federal income tax law, no withholding of United States federal income tax will apply to a payment on a Series A-6 Junior Subordinated Debenture to a non-United States

Holder under the Portfolio Interest Exemption, *provided* that:

- the payment is not effectively connected with the holder s conduct of a trade or business in the United States;
- the non-United States Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- the non-United States Holder is not a controlled foreign corporation that is related directly or constructively to us through stock ownership; and
- the non-United States Holder satisfies the statement requirement by providing to the paying agent, in accordance with specified procedures, a statement to the effect that the holder is not a United States person (generally through the provision of a properly executed Form W-8BEN).

If a non-United States Holder cannot satisfy the requirements of the Portfolio Interest Exemption described above, payments on the Series A-6 Junior Subordinated Debentures (including payments in respect of OID, if any, on the Series A-6 Junior Subordinated Debentures) made to a non-United States Holder would be subject to a 30% United States federal withholding tax, unless that Holder provides its withholding agent with a properly executed statement (i) claiming an exemption from or reduction of withholding under an applicable United States income tax treaty; or (ii) stating that the payment on the Series A-6 Junior Subordinated Debentures is not subject to withholding tax because it is effectively connected with that Holder s conduct of a trade or business in the United States.

If a non-United States Holder is engaged in a trade or business in the United States (and, if one of certain tax treaties applies, if the non-United States Holder maintains a permanent establishment within the United States in connection with that trade or business) and the interest on the Series A-6 Junior Subordinated Debentures is effectively connected with the conduct of that trade or business (and, if one of certain tax treaties applies, attributable to that permanent establishment), that non-United States Holder will be subject to United States federal income tax on the interest on a net income basis in the same manner as if that non-United States Holder were a United States Holder. In addition, a non-United States Holder that is a foreign corporation that is engaged in a trade

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or business in the United States may be subject to a 30% (or, if one of certain tax treaties applies, any lower rates as provided in that treaty) branch profits tax.

If, contrary to the opinion of our tax counsel, the Series A-6 Junior Subordinated Debentures were recharacterized as equity of AIG, payments on the Series A-6 Junior Subordinated Debentures would generally be subject to U.S. withholding tax imposed at a rate of 30% or such lower rate as might be provided for by an applicable income tax treaty.

Any gain realized on the disposition of a Series A-6 Junior Subordinated Debenture generally will not be subject to United States federal income tax unless:

that gain is effectively connected with the non-United States Holder s conduct of a trade or business in the United States (or, if one of certain tax treaties applies, is attributable to a permanent establishment maintained by the non-United States Holder within the United States); or

the non-United States Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

In general, backup withholding and information reporting will not apply to interest payments on a Series A-6 Junior Subordinated Debenture to a non-United States Holder, or to proceeds from the disposition of a Series A-6 Junior Subordinated Debenture by a non-United States Holder, in each case, if the holder certifies under penalties of perjury that it is a non-United States person and neither we nor our paying agent has actual knowledge to the contrary.

Any amounts withheld under the backup withholding rules will be allowed as a credit against the non-United States Holder s United States federal income tax liability, *provided* the required information is timely furnished to the IRS. In general, if Series A-6 Junior Subordinated Debentures are not held through a qualified intermediary, the amount of payments made on those Series A-6 Junior Subordinated Debentures, the name and address of the beneficial owner and the amount, if any, of tax withheld may be reported to the IRS.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE EXCHANGE OF THE OLD JUNIOR SUBORDINATED DEBENTURES FOR NEW JUNIOR SUBORDINATED DEBENTURES AND, OWNERSHIP AND DISPOSITION OF THE SERIES A-6 JUNIOR SUBORDINATED DEBENTURES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (a *plan*) subject to the Employee Retirement Income Security Act of 1974, as amended (*ERISA*), should consider the fiduciary standards of ERISA in the context of the plan s particular circumstances before authorizing an investment in the new junior subordinated debentures. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

ERISA and the Internal Revenue Code of 1986, as amended (the Code) prohibit plans, as well as individual retirement accounts, Keogh plans and other plans subject to Section 4975 of the Code and certain entities whose underlying assets include plan assets within the meaning of ERISA by reason of the investment by such plans or accounts therein (also plans), from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code (together, *parties in interest*) with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain governmental plans, church plans and non-U.S. plans (*non-ERISA arrangements*) are not subject to the requirements of ERISA or the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other laws (*similar laws*).

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AIG and certain of its affiliates may each be considered a party in interest with respect to many plans. The acquisition of new junior subordinated debentures by a plan with respect to which we or an affiliate is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or the Code, unless the new junior subordinated debentures are acquired pursuant to an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or *PTCEs* , that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the acquisition or holding of the new junior subordinated debentures. These exemptions are PTCE 84-14 (for certain transactions determined or effected by a qualified professional asset manager), 90-1 (for certain transactions involving insurance company pooled separate accounts), 91-38 (for certain transactions involving bank collective investment funds), 95-60 (for transactions involving insurance company general accounts) and 96-23 (for transactions determined or effected by an in-house asset manager). In addition, ERISA Section 408(b)(17) and Code Section 4975(d)(20) provide an exemption for the acquisition and sale of securities, *provided* that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any plan involved in the transaction, and *provided further* that the plan pays no more and receives no less than adequate consideration in connection with the transaction (the *service provider exemption*).

Any acquiror or holder of the new junior subordinated debentures or any interest therein will be deemed to have represented by its acquisition and holding of the new junior subordinated debentures that it either (1) is not a plan and is not acquiring the new junior subordinated debentures on behalf of or with the assets of a plan or (2) its acquisition and holding of the new junior subordinated debentures will not result in any nonexempt prohibited transaction under ERISA or the Code. In addition, any acquiror or holder of the new junior subordinated debentures which is a non-ERISA arrangement will be deemed to have represented by its acquisition or holding of the new junior subordinated debentures that its acquisition and holding will not violate the provisions of any similar laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering the exchange for the new junior subordinated debentures on behalf of or with plan assets of any plan or non-ERISA arrangement consult with their counsel regarding the availability of an exemption, or the potential consequences of any acquisition or holding under similar laws, as applicable. If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to acquire the new junior subordinated debentures, you should consult your legal counsel. The acquisition of any new junior subordinated debentures by a plan or non-ERISA arrangement is in no respect a representation by AIG or any of its affiliates that such an acquisition meets all relevant legal requirements with respect to investments by any such plan or arrangement generally or any particular plan or arrangement, or that such acquisition is appropriate for such plans or arrangements generally or any particular plan or arrangement.

PLAN OF DISTRIBUTION

Each broker-dealer that receives new junior subordinated debentures for its own account in connection with the exchange offer must acknowledge that it will comply with the prospectus delivery requirements of the Securities Act in connection with any resale of those new junior subordinated debentures. A broker-dealer may use this prospectus, as amended or supplemented from time to time, in connection with resales of new junior subordinated debentures received in exchange for old junior subordinated debentures where such broker-dealer acquired old junior subordinated debentures as a result of market-making activities or other trading activities. We have agreed that for a period of 30 days after the expiration date of the exchange offer, we will make available a prospectus, as amended or supplemented, meeting the requirements of the Securities Act to any broker-dealer for use in connection with those resales.

We will not receive any proceeds from any sale of new junior subordinated debentures by broker-dealers. Broker-dealers may sell new junior subordinated debentures received by them for their own account pursuant to the exchange offer from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the new junior subordinated debentures or a combination of those methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices or negotiated prices. Any such resale may be made directly to purchasers or to or through brokers or dealers who

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may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any new junior subordinated debentures.

Any broker-dealer that resells new junior subordinated debentures that were received by it for its own account pursuant to the exchange offer and any broker or dealer that participates in a distribution of such new junior subordinated debentures may be deemed to be an underwriter within the meaning of the Securities Act and any profit on any such resale of new junior subordinated debentures and any commission or concessions received by any such persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will comply with the prospectus delivery requirements of the Securities Act, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act.

For a period of 30 days after the expiration date of the exchange offer, we will promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests these documents in the letter of transmittal. We have agreed to pay all expenses incident to the exchange offer, other than commission or concessions of any broker or dealers.

VALIDITY OF THE NEW JUNIOR SUBORDINATED DEBENTURES

The validity of the new junior subordinated debentures will be passed upon by Sullivan & Cromwell LLP, New York, New York. Partners of Sullivan & Cromwell LLP involved in the representation of AIG beneficially own approximately 11,360 shares of AIG common stock.

EXPERTS

The consolidated financial statements and the financial statement schedules incorporated into this prospectus by reference to AIG s 2008 Annual Report on Form 10-K have been so incorporated in reliance upon the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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AMERICAN INTERNATIONAL GROUP, INC.

OFFER TO EXCHANGE UP TO

$4,000,000,000

8.175% JUNIOR SUBORDINATED DEBENTURES

WHICH HAVE BEEN REGISTERED UNDER THE

SECURITIES ACT OF 1933

FOR

ANY AND ALL OUTSTANDING

8.175% JUNIOR SUBORDINATED DEBENTURES

PROSPECTUS
, 2009

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PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. ***Indemnification of Directors and Officers***

The amended and restated certificate of incorporation of AIG provides that AIG shall indemnify to the full extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, his or her testator or intestate is or was a director, officer or employee of AIG or serves or served any other enterprise at the request of AIG. Section 6.4 of AIG s by-laws contains a similar provision. The amended and restated certificate of incorporation also provides that a director will not be personally liable to AIG or its shareholders for monetary damages for breach of fiduciary duty as a director, except to the extent that the exemption from liability or limitation thereof is not permitted by the Delaware General Corporation Law.

Section 145 of the Delaware General Corporation Law permits indemnification against expenses, fines, judgments and settlements incurred by any director, officer or employee of a company in the event of pending or threatened civil, criminal, administrative or investigative proceedings, if such person was, or was threatened to be made, a party by reason of the fact that he is or was a director, officer or employee of the company. Section 145 also provides that the indemnification provided for therein shall not be deemed exclusive of any other rights to which those seeking indemnification may otherwise be entitled.

In addition, AIG and its subsidiaries maintain a directors and officers liability insurance policy.

Item 21. ***Exhibits and Financial Statement Schedules***

See Exhibits Index which is incorporated herein by reference.

Item 22. ***Undertakings***

The undersigned Registrant hereby undertakes:

(a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any fact or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the Registrant pursuant to Section 13 or Section 15 (d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unexchanged at the termination of the offering.

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(4) each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness; *provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) any free writing prospectus relating to the offering prepared by or on behalf of the undersigned Registrant or used or referred to by the undersigned Registrant;

(iii) the portion of any other free writing prospectus relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(iv) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

(b) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(d) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

(e) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-158019) to be signed on its behalf by the undersigned, thereunto duly authorized, in The City of New York, State of New York, on this 1st day of May, 2009.

American International Group, Inc.

By: /s/ David L. Herzog
Name: David L. Herzog
Title: Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement on Form S-4 (File No. 333-158019) has been signed by the following persons in the capacities indicated on the date indicated.

Signature	Title(s)	Date
/s/ Edward M. Liddy (Edward M. Liddy)	Chief Executive Officer and Director (Principal Executive Officer)	May 1, 2009
/s/ David L. Herzog (David L. Herzog)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	May 1, 2009
/s/ Joseph D. Cook Joseph D. Cook	Vice President and Controller (Principal Accounting Officer)	May 1, 2009
*	Director	May 1, 2009

(Stephen F. Bollenbach)		
*	Director	May 1, 2009
(Dennis D. Dammerman)		
*	Director	May 1, 2009
(Martin S. Feldstein)		
*	Director	May 1, 2009
(George L. Miles, Jr.)		
*	Director	May 1, 2009
(Suzanne Nora Johnson)		
*	Director	May 1, 2009
(Morris W. Offit)		
*	Director	May 1, 2009
(James F. Orr III)		

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Signature	Title(s)	Date
*	Director	May 1, 2009
(Virginia M. Rometty)		
*	Director	May 1, 2009
(Michael H. Sutton)		
*	Director	May 1, 2009
(Edmund S.W. Tse)		

*By:
/s/ David L. Herzog

Attorney-in-fact

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EXHIBITS INDEX

Exhibit Number	Description	Location
4.1	Junior Subordinated Debt Indenture, dated as of March 13, 2007, between AIG and The Bank of New York, as Trustee	Incorporated by reference to Exhibit 4.1 to AIG s Current Report on Form 8-K filed with the SEC on March 13, 2007 (File No. 1-8787)
4.2	Ninth Supplemental Indenture, dated as of May 20, 2008, between AIG and The Bank of New York, as Trustee, including the form of note	Previously filed
4.3	Exchange and Registration Rights Agreement, dated as of May 20, 2008, between AIG and the initial purchasers listed therein.	Previously filed
5.1	Validity Opinion of Sullivan & Cromwell LLP	Previously filed
8	Tax Opinion of Sullivan & Cromwell LLP	Previously filed
12	Statement regarding computation of ratios of earnings to fixed charges	Incorporated by reference to Exhibit 12 to AIG s Annual Report on Form 10-K for the year ended December 31, 2008 (File No. 1-8787)
23.1	Consent of PricewaterhouseCoopers LLP, AIG s independent registered public	Filed herewith

	accounting firm	
23.2	Consent of Sullivan & Cromwell LLP	Previously filed
23.3	Consent of Sullivan & Cromwell LLP	Previously filed
25.1	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of The Bank of New York Mellon, as Trustee	Filed herewith
99.1	Form of Letter of Transmittal	Previously filed
99.2	Form of Notice of Guaranteed Delivery	Previously filed
99.3	Form of Letter to DTC Participants	Previously filed
99.4	Form of Letter to Clients	Previously filed
99.5	Form of Instructions to DTC Participant from Beneficial Owner	Previously filed
99.6	Form of Exchange Agent Agreement	Previously filed
99.7	Replacement of Capital Covenant, dated May 20, 2008	Incorporated by reference to Exhibit 99.1 to AIG s Current Report on Form 8-K filed with the SEC on May 20, 2008 (File No. 1-8787)

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