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HUGHES Telematics, Inc.
Form 424B3
March 16, 2011
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SUPPLEMENT NO. 13 TO PROSPECTUS DATED AUGUST 19, 2009

THE DATE OF THIS SUPPLEMENT IS MARCH 16, 2011

On March 16, 2011, HUGHES Telematics, Inc. filed the attached Annual Report on Form 10-K with the Securities and Exchange Commission.

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

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2010, or**
- 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 (State or other jurisdiction of incorporation or organization)	26-0443717 (I.R.S. Employer Identification Number)
2002 Summit Boulevard, Suite 1800 Atlanta, Georgia (Address of principal executive offices)	30319 (Zip Code)
Registrant's telephone number, including area code: (770) 391-6400	

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 No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter 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 No

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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 No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The aggregate market value of the common stock held by non-affiliates of the registrant, as of June 30, 2010, was \$75,388,809. As of March 14, 2011, there were 94,103,976 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 or similar 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.

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 the 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 now 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. In addition, our In-Drive® solution offers services to consumers 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 bases for installation in existing vehicles. In August 2010, we entered into an agreement with a leading automotive insurance company to provide our In-Drive telematics services to certain customers of the insurance company and are in active discussions with other distribution partners. Through Networkfleet, Inc. (Networkfleet), our wholly-owned subsidiary, we currently offer remote vehicle monitoring and other data services to support owners and operators of fleets of vehicles.

In May 2010, we broadened our connected services 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

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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 information to 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 fourth quarter of 2011.

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 Acquisition Corp. (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 Mercedes-Benz, while others are expected to be offered through our In-Drive service offering.

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

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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 music and personalized information on demand.

Services Offered or Under Development Include:

Local information

Stock prices

Sports scores

RSS feed

News

Fuel prices

Social networking

System Architecture

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Our system architecture provides the ability to connect multiple devices, content and services from different providers and seamlessly manage the integration and service delivery. Our state-of-the-art communications center consists of a redundant pair of network operation centers, containing the hardware and associated applications, telephony and data network connections necessary to interface with mobile devices via the wireless carrier networks. An integrated suite of enterprise class applications and proprietary solutions have been configured to provide a robust, customizable platform to allow automakers and other future partners the ability to create customized service offerings that enhance and extend their brands. Our systems have been built and configured for rapid scalability using open standards to offer flexibility while providing for the capability to support millions of subscribers across multiple industries using multiple languages and currencies. This architecture allows us to adapt to new technologies quickly within the automotive industry, as well as allows us to expand our service offerings to other industries. Due to the public safety nature of many of our offerings, high availability of our systems is a primary requirement. Redundancy, fail-over and disaster recovery have been considered as each element (hardware, software and telecommunication) was designed and built.

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 begin the process of allowing them to customize their in-vehicle experiences to fit their daily needs. Through the mbrace solution, we offer thirty nine 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. We continue to work with Mercedes-Benz to expand the mbrace service offering and expect to launch additional features during 2011 and beyond.

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In-Drive

We have leveraged our patent portfolio 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 and dealer-installed hardware options, 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 intend to 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 a leading automotive insurance company 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 the insurance company. In the third quarter of 2010, we executed a distribution agreement with the insurance company and expect commercial launch of the program to begin in the third quarter of 2011. Pursuant to the agreement, we will configure our telematics platform to support the program and provide our aftermarket hardware device to customers of the insurance company to enable the delivery of telematics services to both the insurance company and its customers. In addition, we will be 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.

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, 2010, 2009 and 2008, Networkfleet generated revenues of approximately \$35.6 million, \$33.0 million and \$30.3 million, respectively.

Automotive Telematics Industry

Introduction

Since the mid-1990s 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. And finally, manufacturers see telematics as an opportunity to innovate by offering new services within the vehicle on a frequent basis without having to deploy new hardware or physically touch the car.

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. Industry analyst iSuppli Corporation (iSuppli) estimated that, in 2009, 30% of vehicles sold in the United States and 20% of vehicles sold globally had an embedded telematics device installed. iSuppli

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expected the United States market, with an estimated 60% of the world's telematics users, to grow at a compound annual growth rate of 17% as demand for telematics technology and services increases. ABI Research predicted that telematics capabilities will be standard in every vehicle sold in the United States by 2015.

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 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 handheld 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 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 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 encouraging 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 and therefore has not historically competed directly with us for telematics services contracts from other automakers. In press reports, OnStar executives have indicated that OnStar is exploring offering its services to other vehicle manufacturers. In addition, in January 2011, OnStar announced that it would launch a consumer oriented aftermarket product to be distributed through retail channels.

ATX Group, 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), 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 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, Discrete Wireless and Teletrac.

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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 navigation systems, mobile communications, such as cellular telephones and PDAs, 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 intend to 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 certain other 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 are being actively developed by us or our partners and are expected to launch within the next 12 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 unique 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 from third party websites and operator provided route assistance. 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 access to 24-hour concierge services. Future offerings are expected to include personal calling using the embedded cellular phone, Bluetooth enabled hands-free calling, hands-free audible e-mail, family locate/geo-fencing.

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 are working with regulators to develop a remote emissions program that would 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

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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 annual savings of as much as 6 billion gallons of gasoline, or 300 million barrels of oil equivalent to reducing consumption in the United States by as much as 4%. At today's prices, the cost savings exceed \$20 billion per year as well as eliminate over 10 million tons of greenhouse gasses and pollutants, up to 10% of today's North American pollution emissions. This service is offered on a limited basis today to Networkfleet's fleet customers in California.

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, media commerce and social networking. Via Bluetooth, a USB port or our web portal, we intend to allow a vehicle owner to synchronize data from an MP3 player, a PDA, cell phone or other similar device with the vehicle which allows for access to stored music, address books, calendars and email.

Enterprise Service Offerings

We currently expect to support enterprise offerings to six key categories of users: fleet operators, automakers, automotive dealerships, the insurance industry, location-based advertising 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. We believe that the value proposition to the automaker comes in many forms: product differentiation through 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 possible today. 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 intend to also offer tools to maintain contact with the vehicle owner through our service offerings, web portal and smartphone application, which will help the automaker sustain its 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

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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. The insurance industry has long considered usage-based or "pay as you drive" insurance as an area of promise. 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. To this end, we have contracted with a leading automotive insurance company to assess, develop and test a usage-based insurance program. In the second quarter of 2009, we launched a pilot program with this insurance company 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 the insurance company. In the third quarter of 2010, we executed a distribution agreement with the insurance company and expect commercial launch of 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. Three 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 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 be incorporated into our own navigation product.

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 long-term contract with Mercedes-Benz to be its exclusive telematics service provider for all new vehicles leased or sold in the United States beginning on November 16, 2009, and we are now the preferred provider of telematics services for all Mercedes-Benz vehicles leased or sold prior to November 16, 2009. We are pursuing opportunities with many of the other automakers serving the United States market, other than General Motors (the parent corporation of OnStar).

Until the second quarter of 2009, we also had a contract to be the telematics service provider in the United States for Chrysler LLC, now known as Old Carco LLC ("Old Chrysler"). On April 30, 2009, Old Chrysler filed for bankruptcy protection under Chapter 11 of the United States bankruptcy code. On June 10, 2009, substantially all of Old Chrysler's assets were sold to Chrysler Group LLC ("New Chrysler"), a group whose members include Italian automaker Fiat SpA, the United Auto Workers union and the United States government. At a hearing held on July 16, 2009, Old Chrysler rejected certain contracts, including our telematics services contract with Old Chrysler, and therefore, our contract was terminated. We had been in negotiations with New Chrysler concerning a new telematics services agreement. However, the parties reached an impasse in the negotiations, and as a result, we discontinued working with New Chrysler to deploy our hardware and launch our services as previously planned.

Mercedes-Benz Agreement

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

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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 certain other 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.

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 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.

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Lifecomm

In May 2010, we broadened 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 information to 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 in the fourth quarter of 2011 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.

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) 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. Assuming Lifecomm draws the entire commitment, 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

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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, 2010, 2009 and 2008, we incurred research and development expenses of approximately \$11.6 million, \$30.5 million and \$33.6 million, respectively. Additionally, for the years ended December 31, 2010, 2009 and 2008, we capitalized approximately \$3.4 million, \$14.3 million and \$13.3 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 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 processes of 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 both the vehicle diagnostics and emissions areas are particularly strong and that those patents 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 22 issued patents and 41 pending patent applications. Of the pending applications, the patent office has allowed one of them. 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.

Approach to Privacy

Our approach to privacy is critical to our ability to gain customer acceptance of our services, while also enabling us to monetize certain of the data that is collected. Our customers, and in particular the consumers and automakers, are sensitive to certain types of information that the system will be able to access. We have retained outside privacy experts to ensure that privacy policies provide our consumers and strategic relationships with the highest level of confidence that customer privacy is maintained, while also permitting the customer, we and our strategic partners to monetize the value of such a data stream. As part of the subscription process, we require consumers to provide us and our automakers with broad rights to data, other than customer personally identifiable information (CPII), in order to subscribe. The processes are designed to ensure that sensitive information such as any CPII is highly secure, separate and cannot be associated with the vehicle data that is

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collected, unless a specific and separate authorization has been given by the consumer. Similarly, many types of quality and safety information relating to vehicles, to which automakers are acutely sensitive, is similarly accorded the highest level of security, and we expect to be a conduit for providing such data to automakers, rather than collecting it directly, unless otherwise requested specifically by the automaker.

Employees

As of December 31, 2010, we had a total of 316 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, 2010 and for the year ended December 31, 2010, we incurred a net loss of approximately \$345.2 million and \$87.9 million, respectively, and used cash in operations of approximately \$137.8 million and \$25.1 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, 2010 includes an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. As of December 31, 2010, we had unrestricted cash, cash equivalents and short-term investments of approximately \$16.9 million and an accumulated deficit of approximately \$445.5 million. Of our consolidated cash, cash equivalents and short-term investments, approximately \$9.3 million is held by our Lifecomm subsidiary for use in that business. We believe that our cash, cash equivalents and short-term investments on hand, including the \$10.0 million raised in February 2011 through the sale of common stock in a private placement and the issuance of incremental second lien term indebtedness, and the projected cash flows to be generated by our service offerings to Mercedes-Benz vehicles and sales of our In-Drive and Lifecomm products and services, will allow us to continue operations beyond the next twelve months. Since we launched our service offerings to Mercedes-Benz vehicles less than a year and a half ago and expect to launch our In-Drive and Lifecomm products and services later this year, some or all of the assumptions underlying our projections may prove to be materially inaccurate. If so, we cannot assure you that our net losses and negative cash flow will not surpass our expectations, and thus, we may be required to raise additional capital in the future or to reduce our operating expenditures. 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 needed, or that we will be able to reduce our operating expenditures. If such additional capital is required and 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, we expect to commence commercial launch of our In-Drive aftermarket products and service offering and our Lifecomm products and service offerings later this year. Our ultimate 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

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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 Mercedes-Benz with which we have a strategic relationship.

Our service offerings for vehicles with factory-installed hardware are necessarily tied to having relationships with automakers and the success of those automakers. We currently only have a contract with one automaker, Mercedes-Benz, to deliver services to factory-installed telematics devices and have not yet launched either our In-Drive or Lifecomm service offerings. To the extent Mercedes-Benz decreases the volume of vehicles they manufacture for the domestic market, we will have a smaller addressable customer base. We cannot control the decisions of Mercedes-Benz 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 in the future by Mercedes-Benz may have a material and negative impact on our business.

Our key service agreement is with Mercedes-Benz and is subject to numerous risks, including early termination and prolonged reduction in production volume. There can be no assurances we will execute a telematics services contract with an additional automaker which could adversely affect our growth prospects.

We currently have a service agreement to provide our telematics solution to Mercedes-Benz vehicles leased or sold in the United States and expect to generate significant future revenues from this agreement. We have a long-term contract with Mercedes-Benz pursuant to which it has agreed to support the installation of telematics devices in its vehicles and permit us to exclusively provide telematics services to its new customers. 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. If we do not sign an additional agreement with another automaker 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, particularly United States automakers, are facing significant financial and structural challenges, and the automotive industry in general is undergoing 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 and related turmoil in the global financial system has had and will 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 agreement with Mercedes-Benz requires us to maintain certain minimum service level standards. The agreement may be terminated by Mercedes-Benz upon a material breach by us, including upon our failure to

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satisfy such service levels. To the extent we fail to meet our material obligations under the contract and it 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, 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 U.S. 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. In addition, while we are the exclusive telematics services provider to Mercedes-Benz for all new Mercedes-Benz vehicles sold in the United States, we currently compete with the incumbent service provider, ATX Group, for certain Mercedes-Benz customers who purchased vehicles prior to the start of our contract. Although Mercedes-Benz supports us as the provider of choice for such customers, there can be no assurance that we will be successful in converting such customers to our service offering at the rates we expect or without incurring material additional costs.

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.

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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 potential 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 expect to launch our In-Drive products and service offering during the year ending December 31, 2011.

While we have performed extensive testing of our In-Drive product and services, we will not launch such products and services until the third quarter of 2011. The launch of the product and services involves logistical efforts and modifications to our systems that are new. Such efforts will place additional burdens on our personnel. 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, 2011 and will not generate significant revenue from Lifecomm's service offerings until the year ending December 31, 2012.

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 in the fourth quarter of 2011. 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

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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 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 cause us to lose automakers' confidence or revenue or to face litigation. If we experience frequent or persistent systems failures, 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

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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, the terms of which limit the operation of our business, and a failure to generate significant cash flow could render us unable to service such obligations.

As of December 31, 2010, we had outstanding indebtedness with an aggregate principal balance, including interest which has been or will be paid in kind, of approximately \$122.1 million, consisting of approximately \$76.9 million of senior secured term indebtedness, approximately \$16.5 million of second lien term indebtedness, an approximately \$5.6 million senior unsecured promissory note and approximately \$23.1 million of senior subordinated unsecured promissory notes. The senior unsecured promissory note becomes due and payable on December 31, 2011, and we are required to make scheduled principal payments of approximately \$0.5 million on April 15, 2011, approximately \$0.8 million on July 15, 2011 and approximately \$1.5 million on October 15, 2011 and the balance on December 31, 2011. While we may elect to pay in kind the interest accrued on the second lien term indebtedness and the senior subordinated unsecured promissory notes until the October 1, 2013 maturity date (i.e., with such accrued interest being added to the outstanding principal balance of the term indebtedness), the accrued interest on the senior secured term indebtedness and the senior unsecured promissory note must be paid in cash until their March 31, 2013 and December 31, 2011 respective maturity dates. Our ability to service this indebtedness will be dependent on our ability to generate cash from internal operations or raise equity sufficient to make required payments on such indebtedness. Our business may not generate sufficient cash flow from operations, and future borrowings may not be available to us under credit facilities in an amount sufficient to enable us to pay this indebtedness and fund operating and liquidity requirements. We may need to refinance all or a portion of this indebtedness on or before maturity; however, we may not be able to refinance any of this indebtedness on commercially reasonable terms, or at all.

In addition, the senior secured term indebtedness bears variable interest at a rate equal to, at our option, (i) 11.00% plus the greater of the London Interbank Rate (LIBOR) or 3.00% (pursuant to an agreement with one of the senior secured note holders, the interest rate on senior secured term indebtedness with an original principal amount of \$5.0 million cannot exceed 14.00%) or (ii) 10.00% plus the prime lending rate. In the event interest rates rise, the result would be higher interest costs for us.

Furthermore, the senior secured and second lien credit facilities contain restrictive covenants that will limit our ability to engage in activities that may be in our long-term best interests. 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 our credit facilities, or we will need to obtain waivers from our lenders. Our credit facilities contain 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.

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Substantially all of our assets are used to collateralize our senior secured and second lien credit facilities.

Our senior secured and second lien credit facilities are secured by substantially all of our assets, including cash, inventory and accounts receivable. The credit agreements governing these credit facilities contain 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 facilities. Upon the occurrence of an event of the default under either credit facility, substantially all of our assets would be subject to liquidation by the creditors, which could result in no assets being left available to the stockholders.

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

Our business was formed in January 2006 and has grown quickly. In order to execute our business strategy, we will continue to experience significant growth, which will place a significant strain on our systems, processes, resources, management 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 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

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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.

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 our controlling stockholder, Communications Investors, LLC (Communications LLC), PLASE HT, LLC (PLASE HT), Hughes Communications, Inc. (HCI) and Hughes Network Systems, LLC (HNS), may be deemed to beneficially own 63,517,284 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 outstanding indebtedness. As of December 31, 2010, affiliates of Apollo held approximately \$5.9 million (including principal and accrued interest which has been paid in kind) of our outstanding senior secured term indebtedness, approximately \$16.5 million (including principal and accrued interest which has been paid in kind) of our outstanding second lien term indebtedness and approximately \$23.1 million (including principal and accrued interest which has been, or will be, paid in kind) of our senior subordinated unsecured promissory notes. Further, HNS, also an affiliate of Apollo, held a senior unsecured promissory note with an outstanding principal balance of approximately \$5.6 million.

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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 obtain the reports from our independent registered public accountant required by the Sarbanes-Oxley Act, which may preclude us from keeping 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 controls over financial reporting in accordance with an established control framework and to report on our management's conclusion as to the effectiveness of these internal controls over financial reporting. We are also required to have an independent registered public accounting firm test the internal controls over financial reporting and report on the effectiveness of such controls. Any delays or difficulty in satisfying these requirements could adversely affect future results of operations and our stock price. We may also incur significant costs to comply with these requirements.

We may in the future discover areas of internal controls over financial reporting that need improvement. There can be no assurance that remedial measures will result in adequate internal controls over financial processes and 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 controls over financial reporting, or if our independent registered public accounting firm is unable to provide an unqualified report regarding the effectiveness of internal controls 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.

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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

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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 and second lien 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.

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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	51,854	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 its cash flows.

Item 4. Reserved.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**
Market Information

From January 1, 2009 to April 1, 2009, our common stock was quoted on the NYSE Amex (formerly the NYSE Alternext US) under the trading symbol TKP and then under the symbol HTC from April 2, 2009 until June 5, 2009. Since June 8, 2009, our common stock has been quoted on the OTC Bulletin Board under the trading symbol HUTC. The quotations reflect inter-dealer prices, without retail mark-ups, mark-downs, or commissions and may not necessarily represent actual transactions.

The following table sets forth the range of high and low sales prices as reported on the OTC Bulletin Board for the period indicated:

	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

	Sales Price	
	High	Low
Year Ended December 31, 2009		
Quarter ended June 30, 2009 (June 8, 2009 through June 30, 2009)	\$ 7.50	\$ 4.00
Quarter ended September 30, 2009	5.50	2.75
Quarter ended December 31, 2009	6.15	2.76

The following table sets forth the range of high and low sales prices as reported on the NYSE Amex for the periods indicated:

	Sales Price	
	High	Low
Year Ended December 31, 2009		
Quarter ended March 31, 2009	\$ 9.59	\$ 8.78
Quarter ended June 30, 2009 (through June 5, 2009)	8.04	3.44

Holder of Common Equity

As of March 14, 2011, an aggregate of 94,103,976 shares of our common stock were issued and outstanding and were owned by approximately 274 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 and second lien term indebtedness.

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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, 2010 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.

Table of Contents**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,				January 9,
	2010 ⁽¹⁾	2009 ⁽²⁾	2008	2007	2006 (inception) to December 31, 2006 ⁽³⁾
Consolidated Statements of Operations Data:					
Revenues	\$ 40,339	\$ 33,043	\$ 30,260	\$ 20,352	\$ 6,913
Loss from operations	(67,875)	(87,590)	(47,658)	(33,577)	(6,136)
Loss before income taxes	(89,558)	(163,652)	(57,467)	(34,535)	(6,104)
Net loss	(89,561)	(163,661)	(57,467)	(32,333)	(3,836)
Net loss available to common shareholders	(87,906)	(220,280)	(57,467)	(32,333)	(3,836)
Basic and diluted loss per share	(2.86)	(11.40)	(12.19)	(6.88)	(0.92)
Consolidated Balance Sheet Data:					
	2010	2009	December 31, 2008 (in thousands)	2007	2006
Cash, cash equivalents and short-term investments	\$ 16,859	\$ 28,368	\$ 17,837	\$ 22,017	\$ 17,388
Restricted cash, current and non-current	1,333	650	9,083	997	997
Total assets	108,817	118,081	108,982	62,932	54,648
Series A Redeemable Preferred Stock			62,092	57,017	35,273
Current portion of long-term debt	5,632	8,316			
Long-term debt, excluding current portion	102,669	91,140	66,596		
Capital lease obligations, current and non-current	1,924	4,724	7,331		
Total liabilities	171,179	123,457	159,652	75,795	50,398
Stockholders' (deficit) equity	(62,362)	(5,376)	(50,670)	(12,863)	4,250

- (1) On May 12, 2010, we entered into a limited liability company agreement forming Lifecomm. The results of Lifecomm's operations are included in our results for the period beginning May 12, 2010.
- (2) For the year ended December 31, 2009, loss from operations, net loss and net loss available to common stockholders include an approximate \$62.3 million charge related to the change in fair value of derivative instruments. Net loss available to common stockholders also includes an approximate \$56.6 million deemed dividend.
- (3) On August 1, 2006, we purchased all of the outstanding common stock of Networkfleet, Inc. The results of Networkfleet's operations are included in our results for the period beginning August 1, 2006.

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

The following discussion should be read in conjunction with our consolidated historical financial statements and the related notes included elsewhere in this annual report on Form 10-K. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section entitled "Risk Factors" and elsewhere in this annual report on Form 10-K. Unless the context indicates otherwise, in this section the terms "we," "us" and "our" refer to HUGHES Telematics, Inc. See the section entitled "Forward-Looking Statements."

Overview

We are a telematics services company that provides a suite of real-time voice and data communications services and applications. These services and applications are enabled through a state-of-the-art communications center designed with flexibility to connect various mobile devices with content, services and call centers. Within the automotive industry, our communications center allows for two way voice and data communications to vehicles 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 services provider in the United States for all new vehicles sold by Mercedes-Benz, and we are now 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. In addition, our In-Drive solution offers services to consumers or 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.

Through our wholly-owned subsidiary, Networkfleet, we currently offer remote vehicle monitoring and other data services with sales generated through a combination of distribution arrangements with large fleet management service providers, a network of resellers and direct sales. Networkfleet's service offerings are enabled by an aftermarket hardware device that is sold by Networkfleet for installation in vehicles. Owners and operators of a fleet of vehicles use these services to monitor driver performance for unauthorized or unsafe vehicle usage, as well as analyze data such as the current location of a vehicle, fuel consumption, mileage, emissions status and diagnostic trouble codes.

On May 12, 2010, we entered into the LLC Agreement with Qualcomm, a leader in developing and delivering innovative digital wireless communications products and services, and AMAC, a healthcare communications company dedicated to the provision of support services to the healthcare community, forming Lifecomm. 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 information to 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 in the fourth quarter of 2011.

On August 30, 2010, we entered into an agreement with a large insurance company to provide our In-Drive telematics services to certain customers of the insurance company. Pursuant to the agreement, we will configure our telematics platform to support the program and provide our aftermarket hardware device to the insurance company's customers to enable the delivery of telematics services to the insurance company and the insurance company's customers. In addition, we will be responsible for, among other things, certain website development to allow the insurance company's customers to access program information and maintenance and support of the hardware devices, including warranty. Pursuant to the agreement and subject to fulfillment of our obligations thereunder, we will receive minimum aggregate payments from the insurance company of approximately \$24.1 million over the next two years for the configuration of our telematics platform to support the program, development of the program website, the final testing and deployment of the hardware device, other program launch activities and the procurement by us of an agreed upon minimum number of hardware devices which we will provide to the insurance company's customers. We received approximately \$5.5 million of such amounts in

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the year ended December 31, 2010 and expect to receive an additional \$15.0 million in the year ending December 31, 2011 and the remaining balance in the year ending December 31, 2012. In addition, we expect to receive recurring payments from the insurance company's customers subject to and in connection with their subscription to the offered telematics services. We expect to launch our service to the insurance company's customers and begin revenue generating activities in the third quarter of 2011.

Merger with Polaris Acquisition Corp.

On March 31, 2009, Old HTI and Polaris consummated the Merger. Upon closing of the Merger, the outstanding equity securities of Old HTI were exchanged for an aggregate of 77,102,149 shares of our common stock, comprised of 19,854,018 initial shares and 57,248,131 earn-out shares. In addition, all options exercisable for Old HTI common stock issued and outstanding immediately prior to the Merger were exchanged for options exercisable for an aggregate of 2,274,935 shares of our common stock, which includes 1,751,859 earn-out options. The earn-out shares, which were issued into escrow, will be released to the Old HTI stockholders and the earn-out options will be eligible to be exercised, according to their terms, by the optionholders, each in three tranches, upon the trading share price of our common stock reaching at least \$20.00, \$24.50 and \$30.50 (as may be adjusted or amended in accordance with the escrow agreement) within certain measurement periods over the five-year period following the closing of the Merger. Pursuant to the Merger Agreement, the Polaris founders agreed to deposit an aggregate of 1,250,000 shares of their common stock into escrow at closing with such shares being released upon the achievement of the first share price target between the first and fifth anniversary of closing. Upon consummation of the Merger, the Polaris founders also transferred an aggregate of 168,000 shares of common stock to us with such shares cancelled upon receipt.

In order to consummate the Merger, we agreed to purchase an aggregate of 7,439,978 shares of our common stock from a limited number of institutional shareholders in separate and privately negotiated transactions which were executed prior to the conclusion of the special meeting in which our shareholders voted on the Merger. On April 2, 2009, we consummated these purchases using approximately \$74.4 million of the approximately \$97.2 million of cash received from Polaris in connection with the Merger.

Notwithstanding the legal form of the transaction, the Merger has been accounted for under the purchase method of accounting as a reverse acquisition, equivalent to a recapitalization, through the issuance of stock by Old HTI for the net monetary assets of Polaris. The determination of Old HTI as the accounting acquirer was made based on consideration of all quantitative and qualitative factors of the Merger, including significant consideration given to the fact that following consummation of the Merger (i) the stockholders of Old HTI controlled a majority of our voting power, (ii) the controlling stockholder of Old HTI prior to the Merger, together with its affiliates, controlled approximately 72% of our voting power and had the right to select a majority of the members of our board of directors following the Merger and (iii) the management of Old HTI continued in all executive officer and other senior management positions and, accordingly, had day-to-day authority to carry out the business plan after the Merger. Accordingly, our historical financial statements prior to March 31, 2009 are the historical financial statements of Old HTI. The consolidated financial statements of Old HTI have been retroactively restated to reflect the recapitalization of Old HTI with the 77,102,149 shares of common stock issued to Old HTI equity holders in connection with the Merger.

For the year ended December 31, 2010, we have stated depreciation and amortization separately on the face of our consolidated statements of operations and revised all comparable periods presented to conform to this presentation. This revision in our presentation is intended to make our consolidated statements of operations consistent with the way management reviews and measures our business.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. These accounting principles require management to make certain estimates and assumptions that affect the reported assets, liabilities, revenues, expenses and related disclosures of contingent

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liabilities in the consolidated financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions we may undertake in the future, actual results may differ from estimates. The following discussion addresses the most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results from operations, and that require judgment. The notes accompanying the consolidated financial statements contain additional information regarding our accounting policies.

Revenue Recognition

We recognize revenues from hardware sales and services rendered provided that there is an enforceable contract, we have delivered services to the customer, the fee for the services is fixed or determinable and collection is reasonably assured. Hardware sales consist principally of revenues from the sale of telematics devices, primarily to resellers. Shipping and handling costs for hardware shipped are classified as cost of hardware sold. We have determined that the sale of hardware and its accompanying services by Networkfleet constitute a revenue arrangement with multiple deliverables and account for the sale of hardware and the accompanying services as separate units of accounting. Prepaid service fees are recorded as deferred revenue and are recognized as revenue when earned over the applicable subscription term. For subscriptions with a term covering the ownership period of a vehicle, revenue is recognized ratably over the estimated duration of the ownership period with any residual amount of deferred revenue recognized upon termination of such subscription. Amounts received from third parties in connection with the configuration of our telematics platform and other program launch activities to support In-Drive distribution programs are recorded as deferred revenue and recognized as revenue over the expected life of the program.

Capitalized Software

Software development costs are capitalized in accordance with the accounting guidance governing the costs of computer software developed or obtained for internal use. The guidance requires companies to capitalize qualifying costs that are incurred during the application development stage and amortize them over the software's estimated useful life. Costs capitalized include direct labor, outside services, materials, software licenses and interest incurred on certain of our outstanding indebtedness. For the years ended December 31, 2010, 2009, and 2008, we capitalized approximately \$3.4 million, \$14.3 million and \$13.3 million, respectively, of software development costs. Amortization begins when the software is ready for its intended use and will be recognized over the expected useful life of the software, but not to exceed five years. For the years ended December 31, 2010, 2009 and 2008, we recorded amortization expense related to capitalized software costs of approximately \$3.3 million, \$0.9 million and \$0, respectively.

Impairment of Long-Lived Assets

Long-lived assets and identifiable intangibles with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with the accounting guidance governing the impairment or disposal of long-lived assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. In light of the termination of our contract with Old Chrysler and the discontinuation of work towards launch of service with New Chrysler, we evaluated for impairment certain equipment, capitalized software costs and other assets related to the deployment of hardware and launch of services to New Chrysler vehicles. Accordingly, we recorded an impairment charge during the year ended December 31, 2009 totaling approximately \$20.8 million to write down these assets to their net realizable values. The impairment consisted of approximately \$11.8 million of capitalized software, approximately \$3.6 million of equipment and approximately \$5.4 million of other assets. For the years ended December 31, 2010 and 2008, there were no factors indicating impairment of our long-lived and intangible assets.

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Fair Value of Financial Instruments

Our financial instruments include cash, cash equivalents, accounts receivable, accounts payable, letters of credit, long-term debt and certain warrants to purchase common stock. The fair value of cash, cash equivalents, accounts receivable, accounts payable and the letters of credit approximates book value due to their short-term duration. We determined the estimated fair value of the long-term debt and the warrants by using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the fair value estimates are not necessarily indicative of the amount that we or holders of the instruments could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

Share-Based Compensation

Compensation expense for all share-based awards expected to vest is measured at fair value on the date of grant and recognized over the service period. The fair value of restricted stock units is determined based on the number of shares granted and the quoted price of our common stock on the grant date. The fair value of stock option awards is determined using an option pricing model that is based on established principles of financial economic theory. Such value is recognized as expense ratably over the service period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Assumptions regarding volatility, expected term, dividend yield and risk-free rate are required for valuation of stock option awards.

Selected Segment Data

We classify our operations into three principal business segments: (i) the HUGHES Telematics segment, which provides the telematics solution which is being marketed to automakers and other parties and includes the operations relating to our contract with Mercedes-Benz and our In-Drive product offering; (ii) the Networkfleet segment, which provides an aftermarket wireless fleet management solution targeted to the local fleet market; and (iii) the Lifecomm segment, which is developing and will operate a mobile personal emergency response service which will permit subscribers to initiate requests for emergency assistance services through a wearable device. The following tables set forth revenues and operating (loss) income by operating segments:

Year Ended December 31,