AMERICAN AIRLINES INC
Form 424B5
January 14, 2016
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-194685-01

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Being Offered	Maximum Aggregate Offering Price	Amount of Registration Fee(1)
Pass Through Certificates, Series 2016-1	$1,074,350,000	$108,187.05

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

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Prospectus Supplement to Prospectus dated March 19, 2014

$1,074,350,000

2016-1 Pass Through Trusts

Pass Through Certificates, Series 2016-1

American Airlines, Inc. is creating three separate pass through trusts that will issue American Airlines, Inc. Class AA, Class A and Class B Pass Through Certificates, Series 2016-1.

Each Certificate will represent an interest in the assets of the related pass through trust. The proceeds from the sale of the Certificates will be used on the date of issuance of such Certificates by the pass through trusts to acquire the related series of equipment notes to be issued by American on a full recourse basis. Payments on the equipment notes held in each pass through trust will be passed through to the holders of the Certificates of such trust. Distributions on the Certificates will be subject to certain subordination provisions described herein. The Certificates do not represent interests in, or obligations of, American or any of its affiliates.

Subject to the distribution provisions described herein, the Class AA Certificates will rank generally senior to the Class A Certificates and the Class B Certificates; the Class A Certificates will rank generally junior to the Class AA Certificates and will rank generally senior to the Class B Certificates; and the Class B Certificates will rank generally junior to the Class AA Certificates and the Class A Certificates.

The equipment notes expected to be held by each pass through trust will be issued to finance 22 aircraft: (a) eleven Airbus A321-231 aircraft delivered new to US Airways, Inc. from September 2014 to June 2015, (b) six Boeing 737-823 aircraft delivered new to American from September 2015 to December 2015, (c) one Boeing 777-323ER aircraft delivered new to American in October 2015 and (d) four Boeing 787-8 aircraft delivered new to American from April 2015 to December 2015. The equipment notes issued for each aircraft will be secured by a security interest in all such aircraft. Interest on the issued and outstanding equipment notes expected to be held by each pass through trust will be payable semiannually on January 15 and July 15 of each year, commencing on July 15, 2016, and principal on such equipment notes is scheduled for payment on January 15 and July 15 of each year, commencing on July 15, 2016.

KfW IPEX-Bank GmbH will provide a separate liquidity facility for each of the Class AA Certificates, Class A Certificates and Class B Certificates, in each case in an amount sufficient to make three semiannual interest distributions on the outstanding balance of the Certificates of such Class.

The Certificates will not be listed on any national securities exchange.

Investing in the Certificates involves risks. See Risk Factors beginning on page S-23.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Pass Through Certificates	Aggregate Face Amount	Interest Rate	Final Expected Distribution Date	Price to Public[(1)]
Class AA	$ 584,374,000	3.575%	January 15, 2028	100%
Class A	$ 262,218,000	4.100%	January 15, 2028	100%
Class B	$ 227,758,000	5.250%	January 15, 2024	100%

(1) Plus accrued interest, if any, from the date of issuance.

The underwriters will purchase all of the Class AA Certificates, the Class A Certificates and the Class B Certificates if any are purchased. The aggregate proceeds from the sale of the Class AA Certificates, the Class A Certificates and the Class B Certificates will be $1,074,350,000. American will pay the underwriters a commission of $11,280,675. Delivery of the Class AA Certificates, the Class A Certificates and the Class B Certificates in book-entry form will be made on or about January 19, 2016 against payment in immediately available funds.

Joint Structuring Agents and Lead Bookrunners

Goldman, Sachs & Co. **Citigroup**

Joint Active Bookrunners

Morgan Stanley **Credit Suisse** **Deutsche Bank Securities**

Joint Bookrunners

BofA Merrill Lynch **Barclays** **J.P. Morgan**

BNP PARIBAS **Credit Agricole Securities**

Co-Manager

US Bancorp

Prospectus Supplement dated January 12, 2016.

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We have not, and Goldman, Sachs & Co., Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., J.P. Morgan Securities LLC, BNP Paribas Securities Corp., Credit Agricole Securities (USA) Inc. and U.S Bancorp Investments, Inc. (the *Underwriters*) have not, authorized anyone to provide you with information other than the information contained in this prospectus supplement, the accompanying prospectus, any related free writing prospectus issued by us (which we refer to as a *company free writing prospectus*) and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus or to which we have referred you. This prospectus supplement, the accompanying prospectus and any related company free writing prospectus do not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus supplement, the accompanying prospectus and any related company free writing prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and any related company free writing prospectus or any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus supplement, the accompanying prospectus and any related company free writing prospectus nor any distribution of securities pursuant to this prospectus supplement and the accompanying prospectus shall, under any circumstances, create any implication that there has been no change in our business, financial condition, results of operations or prospects, or in the affairs of the Trusts or the Liquidity Provider, since the date of this prospectus supplement.

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PRESENTATION OF INFORMATION

These offering materials consist of two documents: (a) this prospectus supplement, which describes the terms of the American Airlines, Inc. Class AA, Class A and Class B Pass Through Certificates, Series 2016-1 (collectively, the *Certificates*, and each, a *Certificate*) that we are currently offering, and (b) the accompanying prospectus, which provides general information about us and our pass through certificates, some of which may not apply to the Certificates that we are currently offering. The information in this prospectus supplement replaces any inconsistent information included in the accompanying prospectus. To the extent the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement. See About this Prospectus in the accompanying prospectus.

In this prospectus supplement, unless otherwise specified, references to *American,* the *Company, we, us* and *our* to American Airlines, Inc.; references to *AAG* refer to our parent, American Airlines Group Inc.; and references to *AMR* refer to AAG during the period of time prior to its emergence from Chapter 11 of the United States Bankruptcy Code (the *Bankruptcy Code*) and AAG s acquisition of US Airways Group, Inc. (*US Airways Group*) on December 9, 2013.

We have given certain capitalized terms specific meanings for purposes of this prospectus supplement. The Index of Defined Terms attached as Appendix I to this prospectus supplement lists the page in this prospectus supplement on which we have defined each such term.

At varying places in this prospectus supplement, we refer you to other sections for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this prospectus supplement can be found is listed in the foregoing Table of Contents. All such cross-references in this prospectus supplement are to captions contained in this prospectus supplement and not the accompanying prospectus, unless otherwise stated.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this prospectus supplement, the accompanying prospectus, any related company free writing prospectus and the documents incorporated by reference herein and therein represent our expectations or beliefs concerning future events and should be considered forward-looking statements within the meaning of the Securities Act of 1933, as amended (the *Securities Act*), the Securities Exchange Act of 1934, as amended (the *Exchange Act*), and the Private Securities Litigation Reform Act of 1995. These forward-looking statements may be identified by words such as may, will, expect, intend, anticipate, believe, estimate, plan, project, co continue, seek, target, guidance, outlook, if current trends continue, optimistic, forecast and other simil statements include, but are not limited to, statements about the benefits of the merger of AMR Merger Sub, Inc. (*Merger Sub*) with and into US Airways Group, with US Airways Group surviving as a wholly-owned subsidiary of AMR (the *Merger*) pursuant to that certain Agreement and Plan of Merger, dated as of February 13, 2013, by and among AMR, Merger Sub and US Airways Group (as amended, the *Merger Agreement*), including future financial and operating results, our plans, objectives, expectations and intentions, and other statements that are not historical facts, such as, without limitation, statements that discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. These forward-looking statements are based on our current objectives, beliefs and expectations, and they are subject to significant risks and uncertainties that may cause actual results and financial position and timing of certain events to differ materially from the information in the forward-looking statements. These risks and uncertainties include, but are not limited to, those described below under Risk Factors and the following: significant operating losses in the future; downturns in economic conditions that adversely affect our business; the impact of continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel; competitive practices in the industry, including the impact of low cost carriers, airline alliances and industry consolidation; the challenges and costs of integrating operations and realizing anticipated synergies and other benefits of the Merger; our substantial indebtedness and other obligations and the effect they could have on our business and liquidity; an inability to obtain sufficient financing or other capital to operate successfully and in accordance with our current business plan; increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates; the effect our high level of fixed obligations may have on our ability to fund general corporate requirements, obtain additional financing and respond to competitive developments and adverse economic and industry conditions; our significant pension and other post-employment benefit funding obligations; the impact of any failure to comply with the covenants contained in financing arrangements; provisions in credit card processing and other commercial agreements that may materially reduce our liquidity; the limitations of our historical consolidated financial information, which is not directly comparable to our financial information for prior or future periods; the impact of union disputes, employee strikes and other labor-related disruptions; any inability to maintain labor costs at competitive levels; interruptions or disruptions in service at one or more of our hub airports; costs of ongoing data security compliance requirements and the impact of any significant data security breach; any inability to obtain and maintain adequate facilities, infrastructure and landing and take-off rights and authorizations (*Slots*) to operate our flight schedule and expand or change our route network; our reliance on third-party regional operators or third-party service providers that have the ability to affect our revenue and the public s perception about our services; any inability to effectively manage the costs, rights and functionality of third-party distribution channels on which we rely; extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages; the impact of the heavy taxation on the airline industry; changes to our business model that may not successfully increase revenues and may cause operational difficulties or decreased demand; the loss of key personnel or inability to attract and retain additional qualified personnel; the impact of conflicts overseas, terrorist attacks and ongoing security concerns; the global scope of our

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business and any associated economic and political instability or adverse effects of events, circumstances or government actions beyond our control, including the impact of foreign currency exchange rate fluctuations and limitations on the repatriation of cash held in foreign countries; the impact of environmental regulation; our reliance on technology and automated systems and the impact of any failure of these technologies or systems; challenges in integrating our computer, communications and other technology systems; losses and adverse publicity stemming from any accident involving any of our aircraft or the aircraft of our regional or codeshare operators; delays in scheduled aircraft deliveries, or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected; our dependence on a limited number of suppliers for aircraft, aircraft engines and parts; the impact of changing economic and other conditions beyond our control, including global events that affect travel behavior such as an outbreak of a contagious disease, and volatility and fluctuations in our results of operations due to seasonality; the effect of a higher than normal number of pilot retirements and a potential shortage of pilots; the impact of possible future increases in insurance costs or reductions in available insurance coverage; the effect of a lawsuit that was filed in connection with the Merger and remains pending; an inability to use net operating losses carried forward from prior taxable years (*NOL Carryforwards*); any impairment in the amount of goodwill we recorded as a result of the application of the acquisition method of accounting and an inability to realize the full value of our intangible or long-lived assets and any material impairment charges that would be recorded as a result; and other economic, business, competitive, and/or regulatory factors affecting our business, including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2014 (especially in Part I, Item 1A Risk Factors and Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations); in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015 (especially in Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations and Part II, Item IA Risk Factors) and in our other filings with the Securities and Exchange Commission (the *SEC*), and other risks and uncertainties listed from time to time in our filings with the SEC.

Additional information concerning these and other factors is contained in our filings with the SEC, including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2014 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015. All forward-looking statements in this prospectus supplement, the accompanying prospectus, any related company free writing prospectus and the documents incorporated by reference herein and therein are qualified in their entirety by reference to the factors discussed below under Risk Factors and elsewhere in this prospectus supplement and based upon information available to us on the date of this prospectus supplement or such document. There may be other factors of which we are not currently aware that may affect matters discussed in the forward-looking statements and may also cause actual results to differ materially from those discussed. We do not assume any obligation to publicly update or supplement any forward-looking statement to reflect actual results, changes in assumptions or changes in other factors affecting such statements other than as required by law.

CERTAIN VOLCKER RULE CONSIDERATIONS

None of the Trusts are or, immediately after the issuance of the Certificates pursuant to the Trust Supplements, will be a covered fund as defined in the final regulations issued December 10, 2013 implementing the Volcker Rule (Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act). In making the foregoing determination, the Trusts are relying upon the exemption from registration set forth in Rule 3a-7 under the Investment Company Act of 1940, as amended, although additional exemptions or exclusions may be available to the Trusts.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights basic information about us and this offering. Because it is a summary, it does not contain all of the information that *you should consider before investing. You should read this entire prospectus supplement, the accompanying prospectus and any related company free writing prospectus carefully, including the section entitled Risk Factors and the Special Note Regarding Forward-Looking Statements in this prospectus supplement, as well as the materials filed with the SEC* that *are considered to be a part of this prospectus supplement, the accompanying prospectus and any related company free writing prospectus before making an investment decision. See Where You Can Find More Information in this prospectus supplement.*

The Company

American was founded in 1934 and is a principal wholly-owned subsidiary of AAG, a Delaware corporation. All of American s common stock is owned by AAG. American operates in nine primary domestic markets: Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York City, Philadelphia, Phoenix and Washington, D.C. As of September 30, 2015, American and US Airways, Inc. (*US Airways*) operated a combined 963 mainline jets. American is supported by AAG s wholly-owned regional airline subsidiary and third-party regional carriers operating as American Eagle under capacity purchase agreements. American is a founding member of the oneworld® alliance whose members and members-elect serve nearly 1,000 destinations with 14,250 daily flights to 150 countries, and its cargo division is one of the largest air cargo operations in the world, providing a wide range of freight and mail services, with facilities and interline connections available across the globe.

On November 29, 2011, AMR, American, and certain of AMR s other direct and indirect domestic subsidiaries (collectively, the *Debtors*) filed voluntary petitions for relief (the *Chapter 11 Cases*) under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the *Bankruptcy Court*). On October 21, 2013, the Bankruptcy Court entered an order approving and confirming the Debtors fourth amended joint plan of reorganization (as amended, the *Bankruptcy Plan*). On December 9, 2013, the Debtors consummated their reorganization pursuant to the Bankruptcy Plan, principally through the transactions contemplated by the Merger Agreement. Following the Merger, American and US Airways began moving toward operating under the single brand name of *American Airlines.* In the second quarter of 2015, American and US Airways received a single operating certificate from the Federal Aviation Administration (the *FAA*) for American and US Airways, marking a major milestone in the integration of the two airlines. On October 17, 2015, AAG completed its transition to a single reservations system, retiring the US Airways name and website. In addition, on December 30, 2015, US Airways merged with and into American with American as the surviving entity and US Airways ceased to exist as a legal entity.

American s principal executive office is located at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. American s telephone number is 817-963-1234 and its Internet address is www.aa.com. Information contained on American s website is not and should not be deemed a part of this prospectus supplement.

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Summary of Terms of Certificates

	Class AA Certificates	Class A Certificates	Class B Certificates
Aggregate Face Amount	$584,374,000	$262,218,000	$227,758,000
Interest Rate	3.575%	4.100%	5.250%
Initial Loan to Aircraft Value Ratio (cumulative)(1)(2)	39.0%	56.5%	71.7%
Expected Maximum Loan to Aircraft Value Ratio (cumulative)(2)	39.5%	57.2%	72.6%
Expected Principal Distribution Window (in years from Issuance Date)	0.5-12.0	0.5-12.0	0.5-8.0
Initial Average Life (in years from Issuance Date)	9.0	9.0	5.6
Regular Distribution Dates	January 15 and July 15	January 15 and July 15	January 15 and July 15
Final Expected Regular Distribution Date(3)	January 15, 2028	January 15, 2028	January 15, 2024
Final Legal Distribution Date(4)	July 15, 2029	July 15, 2029	July 15, 2025
Minimum Denomination(5)	$2,000	$2,000	$2,000
Section 1110 Protection	Yes	Yes	Yes
Liquidity Facility Coverage	3 semiannual interest payments	3 semiannual interest payments	3 semiannual interest payments

(1) These percentages are calculated as of the Issuance Date. In calculating these percentages, we have assumed that the aggregate appraised value of all such Aircraft is $1,498,394,465 as of the Issuance Date. The appraised value is only an estimate and reflects certain assumptions. See Description of the Aircraft and the Appraisals The Appraisals.

(2) See Loan to Aircraft Value Ratios in this prospectus supplement summary for the method and assumptions we used in calculating the loan to Aircraft value ratios and a discussion of certain ways that such loan to Aircraft value ratios could change.

(3) Each series of Equipment Notes will mature on the final expected Regular Distribution Date for the Certificates issued by the Trust that owns such Equipment Notes.

(4) The Final Legal Distribution Date for each of the Class AA Certificates, Class A Certificates and Class B Certificates is the date which is 18 months after the final expected Regular Distribution Date for that class of Certificates, which represents the period corresponding to the applicable Liquidity Facility coverage of three successive semiannual interest payments.

(5) The Certificates will be issued in minimum denominations of $2,000 (or such other denomination that is the lowest integral multiple of $1,000 that is, at the time of issuance, equal to at least 1,000 euros) and integral multiples of $1,000 in excess thereof, except that one Certificate of each class may be issued in a different denomination.

Equipment Notes and the Aircraft

The Trusts are expected to hold Equipment Notes issued for, and secured by, each of 22 aircraft: (a) eleven Airbus A321-231 aircraft delivered new to US Airways from September 2014 to June 2015, (b) six Boeing 737-823 aircraft delivered new to American from September 2015 to December 2015, (c) one Boeing 777-323ER aircraft delivered new to American in October 2015 and (d) four Boeing 787-8 aircraft delivered new to American from April 2015 to December 2015 (each such aircraft, an *Aircraft*, and, collectively, the *Aircraft*).

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Each of the Aircraft is owned and operated by American. See Description of the Aircraft and the Appraisals for a description of the 22 Aircraft to be financed with the proceeds of this offering. Set forth below is certain information about the Equipment Notes expected to be held in the Trusts and each of the Aircraft expected to secure such Equipment Notes.

On and subject to the terms and conditions of the Note Purchase Agreement and the forms of financing agreements attached to the Note Purchase Agreement, American will enter into a secured debt financing with respect to each Aircraft on the Issuance Date.

Aircraft Type	Registration Number	Manufacturer's Serial Number	Month of Delivery	Initial Principal Amount of Series AA Equipment Notes, Series A Equipment Notes and Series B Equipment Notes	Appraised Value(1)	Latest Equipment Note Maturity Date
Airbus A321-231	N912UY	6264	September 2014	$ 35,605,000	$ 49,658,012	January 15, 2028
Airbus A321-231	N916US	6420	January 2015	$ 36,750,000	$ 51,255,010	January 15, 2028
Airbus A321-231	N917UY	6427	January 2015	$ 36,760,000	$ 51,269,108	January 15, 2028
Airbus A321-231	N918US	6443	February 2015	$ 36,853,000	$ 51,399,224	January 15, 2028
Airbus A321-231	N920US	6490	February 2015	$ 37,012,000	$ 51,620,060	January 15, 2028
Airbus A321-231	N922US	6537	April 2015	$ 37,326,000	$ 52,057,915	January 15, 2028
Airbus A321-231	N923US	6543	April 2015	$ 37,320,000	$ 52,050,001	January 15, 2028
Airbus A321-231	N921US	6523	April 2015	$ 37,297,000	$ 52,018,243	January 15, 2028
Airbus A321-231	N924US	6569	April 2015	$ 37,425,000	$ 52,196,633	January 15, 2028
Airbus A321-231	N925UY	6613	June 2015	$ 37,566,000	$ 52,393,533	January 15, 2028
Airbus A321-231(2)	N927UW	6625	June 2015	$ 37,566,000	$ 52,393,533	January 15, 2028
Boeing 737-823	N977NN	31225	September 2015	$ 33,343,000	$ 46,503,477	January 15, 2028
Boeing 737-823	N978NN	31226	September 2015	$ 33,462,000	$ 46,670,000	January 15, 2028
Boeing 737-823	N979NN	31228	October 2015	$ 33,699,000	$ 47,000,000	January 15, 2028
Boeing 737-823	N980NN	31229	November 2015	$ 33,699,000	$ 47,000,000	January 15, 2028
Boeing 737-823	N981NN	31230	November 2015	$ 33,699,000	$ 47,000,000	January 15, 2028
Boeing 737-823	N982NN	31231	December 2015	$ 33,850,000	$ 47,210,000	January 15, 2028
Boeing 777-323ER(3)	N734AR	31480	October 2015	$ 116,097,000	$ 161,920,000	January 15, 2028
Boeing 787-8(3)	N805AN	40623	April 2015	$ 84,840,000	$ 118,326,382	January 15, 2028
Boeing 787-8(3)	N810AN	40628	September 2015	$ 87,775,000	$ 122,420,000	January 15, 2028
Boeing 787-8(3)	N811AB	40629	November 2015	$ 88,086,000	$ 122,853,333	January 15, 2028
Boeing 787-8(3)	N812AA	40630	December 2015	$ 88,320,000	$ 123,180,000	January 15, 2028
Total:				**$ 1,074,350,000**	**$ 1,498,394,465**	

(1) The appraised value of each Aircraft set forth above is the lesser of the average and median appraised value of such Aircraft as appraised by three independent appraisal and consulting firms (Aircraft Information Services, Inc. (*AISI*), BK Associates, Inc. (*BK*) and Morten Beyer & Agnew, Inc. (*mba*, and together with AISI and BK, the *Appraisers*)). In the case of each Aircraft owned by American (or US Airways as its predecessor in interest) as of the respective dates of the appraisals, such appraisals indicate the appraised base value of such Aircraft, adjusted for the maintenance status of such Aircraft at or around the time of the related appraisal (except as described in footnote (2) below with respect to the Airbus A321-231 aircraft bearing registration number N927UW), and in the case of each Aircraft not yet delivered to American as of the respective dates of the appraisals, such appraisals indicate the appraised base value projected as of its scheduled delivery month at the time of the related appraisal. The AISI appraisal is dated December 22, 2015, the BK appraisal is dated December 17, 2015 and the mba appraisal is dated December 30, 2015. The Appraisers based their appraisals on varying assumptions (which may not reflect current market conditions) and methodologies. See Description of the Aircraft and the Appraisals The Appraisals. An appraisal is only an estimate of value and you should not rely on any appraisal as a measure of realizable value. See Risk Factors Risks Relating to the Certificates and the Offering Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

(2) Because maintenance status data with respect to this aircraft was not readily available as of the dates of the appraisals, the appraised value of this aircraft was determined on the assumption that the maintenance status of this aircraft is substantially similar to the maintenance status of the other Airbus A321-231 aircraft of a similar age that will be financed pursuant to this offering.

(3) This aircraft is approved for Extended-range Twin-engine Operations (*ETOPs*).

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Loan to Aircraft Value Ratios

The following table provides loan to Aircraft value ratios (*LTVs*) for each class of Certificates as of the Issuance Date and each Regular Distribution Date thereafter. The table is not a forecast or prediction of expected or likely LTVs, but simply a mathematical calculation based upon one set of assumptions. See Risk Factors Risks Relating to the Certificates and the Offering Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

We compiled the following table on an aggregate basis. However, the Equipment Notes issued under an Indenture are entitled only to certain specified cross-collateralization provisions as described under Description of the Equipment Notes Security. The relevant LTVs in a default situation for the Equipment Notes issued under a particular Indenture would depend on various factors, including the extent to which the debtor or trustee in bankruptcy agrees to perform American s obligations under the Indentures. Therefore, the following aggregate LTVs are presented for illustrative purposes only and should not be interpreted as indicating the degree of cross-collateralization available to the holders of the Certificates.

		Pool Balance(2)			LTV(3)		
Date	Aggregate Assumed Aircraft Value(1)	Class AA Certificates	Class A Certificates	Class B Certificates	Class AA Certificates	Class A Certificates	Class B Certificates
At Issuance	$ 1,498,394,465	$ 584,374,000	$ 262,218,000	$ 227,758,000	39.0%	56.5%	71.7%
July 15, 2016	1,475,555,807	582,942,143	261,420,718	227,028,779	39.5%	57.2%	72.6%
January 15, 2017	1,452,717,148	569,594,488	255,452,006	214,837,905	39.2%	56.8%	71.6%
July 15, 2017	1,429,878,489	556,086,335	249,441,471	202,443,769	38.9%	56.3%	70.5%
January 15, 2018	1,407,039,831	542,375,016	243,364,022	191,460,604	38.5%	55.8%	69.5%
July 15, 2018	1,384,201,172	528,493,860	237,137,529	180,890,282	38.2%	55.3%	68.4%
January 15, 2019	1,361,362,514	514,613,209	230,910,838	170,458,905	37.8%	54.8%	67.3%
July 15, 2019	1,338,523,855	500,733,062	224,683,983	161,159,885	37.4%	54.2%	66.2%
January 15, 2020	1,315,685,196	486,853,459	218,456,929	150,966,769	37.0%	53.6%	65.1%
July 15, 2020	1,292,846,538	472,974,426	212,229,640	140,914,328	36.6%	53.0%	63.9%
January 15, 2021	1,270,007,879	459,096,010	206,002,161	130,279,243	36.1%	52.4%	62.6%
July 15, 2021	1,247,169,221	445,218,222	199,774,432	119,731,937	35.7%	51.7%	61.3%
January 15, 2022	1,224,330,562	431,341,117	193,546,433	115,320,006	35.2%	51.0%	60.5%
July 15, 2022	1,201,491,903	417,464,720	187,318,200	110,989,225	34.7%	50.3%	59.6%
January 15, 2023	1,178,653,245	403,589,084	181,089,657	105,445,493	34.2%	49.6%	58.6%
July 15, 2023	1,155,814,586	389,714,236	174,860,820	97,662,080	33.7%	48.8%	57.3%
January 15, 2024	1,132,975,928	375,840,241	168,631,669		33.2%	48.1%	0.0%
July 15, 2024	1,110,137,269	361,967,161	162,402,161		32.6%	47.2%	0.0%
	1,087,298,610	348,095,014	156,172,297		32.0%	46.4%	0.0%

January 15, 2025						
July 15, 2025	1,064,459,952	334,223,882	149,942,026	31.4%	45.5%	0.0%
January 15, 2026	1,041,621,293	320,353,848	143,717,433	30.8%	44.6%	0.0%
July 15, 2026	1,018,782,635	306,484,963	137,497,960	30.1%	43.6%	0.0%
January 15, 2027	995,943,976	292,627,556	131,277,925	29.4%	42.6%	0.0%
July 15, 2027	973,105,317	278,308,120	125,591,406	28.6%	41.5%	0.0%
January 15, 2028	950,266,659			0.0%	0.0%	0.0%

(1) In calculating the aggregate Assumed Aircraft Value, we assumed that the appraised value of each Aircraft determined as described under Description of the Aircraft and the Appraisals declines in accordance with the Depreciation Assumption described under Description of the Equipment Notes Loan to Value Ratios of Equipment Notes. Other rates or methods of depreciation could result in materially different LTVs. We cannot assure you that the depreciation rate and method assumed for purposes of the above table are the ones most likely to occur or predict the actual future value of any Aircraft. See Risk Factors Risks Relating to the Certificates and the Offering Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

(2) The pool balance for each class of Certificates indicates, as of any date, after giving effect to any principal distributions expected to be made on such date, the portion of the original face amount of such class of Certificates that has not been distributed to Certificateholders.

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(3) We obtained the LTVs for each class of Certificates for each Regular Distribution Date by dividing (i) the expected outstanding pool balance of such Class (together, in the case of the Class A Certificates, with the expected outstanding pool balance of the Class AA Certificates, and in the case of the Class B Certificates, with the expected outstanding pool balance of the Class AA Certificates plus the expected outstanding pool balance of the Class A Certificates) after giving effect to the principal distributions expected to be made on such date, by (ii) the aggregate Assumed Aircraft Value of all of the Aircraft expected to be included in the collateral pool on such date based on the assumptions described above. The outstanding pool balances and LTVs for any date will change if, among other things, any Equipment Notes are redeemed or purchased or if a default in payment on any Equipment Notes occurs.

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Cash Flow Structure

This diagram illustrates the structure for the offering of the Certificates and certain cash flows.

(1) American will issue Series AA Equipment Notes, Series A Equipment Notes and Series B Equipment Notes in respect of each Aircraft. The Equipment Notes with respect to each Aircraft will be issued under a separate Indenture.

(2) The separate Liquidity Facility for each of the Class AA Certificates, Class A Certificates and Class B Certificates is expected to cover up to three semiannual interest distributions on the Class AA Certificates, Class A Certificates and Class B Certificates, respectively. Initially, KfW IPEX-Bank GmbH will act as the Liquidity Provider for the Class AA Certificates, the Class A Certificates and the Class B Certificates.

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The Offering

Trusts and Certificates	Each of the Class AA Trust, Class A Trust and Class B Trust will be formed pursuant to a separate trust supplement entered into between American and Wilmington Trust Company to a basic pass through trust agreement between American and Wilmington Trust Company, as Trustee under each Trust. Each class of Certificates will represent fractional undivided interests in the related Trust.
Certificates Offered	Class AA Certificates. Class A Certificates. Class B Certificates.
Use of Proceeds	The proceeds from the sale of the Certificates of each Trust will be used by each Trust on the Issuance Date to acquire from American the related series of Equipment Notes under the related Indentures. The Equipment Notes will be full recourse obligations of American. American will use the proceeds from the issuance of the Equipment Notes issued with respect to each Aircraft for general corporate purposes and to pay fees and expenses relating to this offering.
Subordination Agent, Trustee and Loan Trustee	Wilmington Trust Company.
Liquidity Provider for the Class AA Certificates, Class A Certificates and Class B Certificates	KfW IPEX-Bank GmbH.
Trust Property	The property of each Trust will include: subject to the Intercreditor Agreement, the Equipment Notes acquired by such Trust, all monies at any time

	paid thereon and all monies due and to become due thereunder; the rights of such Trust to acquire the related series of Equipment Notes under the Note Purchase Agreement; the rights of such Trust under the Intercreditor Agreement (including all monies receivable in respect of such rights); all monies receivable under the separate Liquidity Facility for such Trust; and funds from time to time deposited with the applicable Trustee in accounts relating to such Trust.
Regular Distribution Dates	January 15 and July 15 of each year, commencing on July 15, 2016.

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Record Dates	The fifteenth day preceding the related Distribution Date.
Distributions	The Trustee of each Trust will distribute payments of principal, Make-Whole Amount (if any) and interest received on the Equipment Notes held in such Trust to the holders of the Certificates of such Trust, subject to the subordination provisions set forth in the Intercreditor Agreement. Subject to the subordination provisions set forth in the Intercreditor Agreement, Scheduled Payments of principal and interest made on the Equipment Notes will be distributed on the applicable Regular Distribution Dates; and payments in respect of, or any proceeds of, any Equipment Notes or the Collateral under any Indenture, including payments resulting from any early redemption of such Equipment Notes, will be distributed on a Special Distribution Date after not less than 15 days notice to Certificateholders.
Intercreditor Agreement	The Trustees, the Liquidity Providers and the Subordination Agent will enter into the Intercreditor Agreement. The Intercreditor Agreement prescribes how payments made on the Equipment Notes held by the Subordination Agent and made under each Liquidity Facility will be distributed. The Intercreditor Agreement also sets forth agreements among the Trustees and the Liquidity Providers relating to who will control the exercise of remedies under the Equipment Notes and the Indentures.
Subordination	Under the Intercreditor Agreement, after payment of certain fees and expenses, distributions on the Certificates generally will be made in the following order:

first, to the holders of the Class AA Certificates to make distributions in respect of interest on the Class AA Certificates;

second, to the holders of the Class A Certificates to make distributions in respect of interest on the Eligible A Pool Balance;

third, to the holders of the Class B Certificates to make distributions in respect of interest on the Eligible B Pool Balance;

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fourth, to the holders of the Class AA Certificates to make distributions in respect of the Pool Balance of the Class AA Certificates;

fifth, to the holders of the Class A Certificates to make distributions in respect of interest on the Pool Balance of the Class A Certificates not previously distributed under clause second above;

sixth, to the holders of the Class A Certificates to make distributions in respect of the Pool Balance of the Class A Certificates;

seventh, to the holders of the Class B Certificates to make distributions in respect of interest on the Pool Balance of the Class B Certificates not previously distributed under clause third above; and

eighth, to the holders of the Class B Certificates to make distributions in respect of the Pool Balance of the Class B Certificates.

Certain distributions to the Liquidity Providers will be made prior to distributions on the Class AA Certificates, Class A Certificates and Class B Certificates, as discussed under Description of the Intercreditor Agreement Priority of Distributions.

Control of Loan Trustee

The holders of at least a majority of the outstanding principal amount of Equipment Notes issued under each Indenture will be entitled to direct the Loan Trustee under such Indenture in taking action as long as no Indenture Event of Default has occurred and is continuing thereunder. If an Indenture Event of Default has occurred and is continuing under an Indenture, subject to certain conditions, the Controlling Party will be entitled to direct the Loan Trustee under such Indenture in taking action (including in exercising remedies, such as accelerating such Equipment Notes or foreclosing the lien on the Aircraft with respect to which such Equipment Notes were issued).

The Controlling Party will be:

if Final Distributions have not been paid in full to the holders of the Class AA Certificates, the Class AA Trustee;

if Final Distributions have been paid in full to the holders of the Class AA Certificates, but not to the holders of the Class A Certificates, the Class A Trustee;

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	if Final Distributions have been paid in full to the holders of the Class AA Certificates and the Class A Certificates, but not to the holders of the Class B Certificates, the Class B Trustee;
	if Final Distributions have been paid in full to the holders of the Class AA Certificates, the Class A Certificates and the Class B Certificates, but, if any Additional Certificates are outstanding, not to the holders of the most senior class of Additional Certificates, the trustee for the Additional Trust related to such most senior class of Additional Certificates; and
	under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the greatest amount owed to it.
Limitation on Sale of Aircraft or Equipment Notes	In exercising remedies during the nine months after the earlier of (a) the acceleration of the Equipment Notes issued pursuant to any Indenture and (b) the bankruptcy or insolvency of American, the Controlling Party may not, without the consent of each Trustee (other than the Trustee of any Trust all of the Certificates of which are held or beneficially owned by American or American s affiliates), direct the sale of such Equipment Notes or the Aircraft subject to the lien of such Indenture for less than certain specified minimum amounts. See Description of the Intercreditor Agreement Intercreditor Rights Limitation on Exercise of Remedies for a description of such minimum amounts and certain other limitations on the exercise of remedies.
Right to Buy Other Classes of Certificates	If American is in bankruptcy and certain other specified events have occurred:
	the Class A Certificateholders (other than American or any of its affiliates) will have the right to purchase all, but not less than all, of the Class AA Certificates;
	the Class B Certificateholders (other than American or any of its affiliates) will have the right to purchase all,

but not less than all, of the Class AA Certificates and Class A Certificates; and

if one or more classes of Additional Certificates are outstanding, the holders (other

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	than American or any of its affiliates) of any such class of Additional Certificates will have the right to purchase all, but not less than all, of the Class AA Certificates, Class A Certificates and Class B Certificates and, if applicable, any previously or concurrently issued class of Additional Certificates ranking senior in right of payment to such class of Additional Certificates.
	The purchase price, in each case described above, of any class of Certificates will be the outstanding Pool Balance of such class of Certificates plus accrued and undistributed interest, without any premium, but including any other amounts then due and payable to the Certificateholders of such class.
Liquidity Facilities	Under the Liquidity Facility for each of the Class AA Trust, Class A Trust and Class B Trust, the Liquidity Provider is required, if necessary, to make advances in an aggregate amount sufficient to pay interest distributions on the applicable Certificates on up to three successive semiannual Regular Distribution Dates (without regard to any expected future distributions of principal on such Certificates) at the applicable interest rate for such Certificates. Drawings under the Liquidity Facilities cannot be used to pay any amount in respect of the Certificates other than such interest. See Description of the Liquidity Facilities for a description of the terms of the Liquidity Facilities, including the threshold rating requirements applicable to the Liquidity Providers.
	Notwithstanding the subordination provisions under the Intercreditor Agreement, the holders of the Certificates issued by the Class AA Trust, Class A Trust or the Class B Trust will be entitled to receive and retain the proceeds of drawings under the Liquidity Facility for such Trust.
	Upon each drawing under any Liquidity Facility to pay interest distributions on the related Certificates, the Subordination Agent will be obligated to reimburse the applicable Liquidity Provider for the amount of such drawing, together with interest on that drawing. Such reimbursement obligation and all interest, fees and other

amounts owing to the applicable Liquidity Provider under each Liquidity Facility and certain other agreements will rank equally

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	with comparable obligations relating to the other Liquidity Facility and will rank senior to all of the Certificates in right of payment.
Obligation to Purchase Equipment Notes	The Trustees will be obligated to purchase the Equipment Notes issued with respect to each Aircraft pursuant to the terms and conditions of the Note Purchase Agreement and the forms of financing agreements attached to the Note Purchase Agreement. On and subject to the terms and conditions of the Note Purchase Agreement and such forms of financing agreements, American will enter into a secured debt financing with respect to each Aircraft on the Issuance Date with the relevant parties pursuant to financing agreements that are substantially in the forms attached to the Note Purchase Agreement. See Description of the Certificates Obligation to Purchase Equipment Notes.
Possible Issuance of Additional Certificates	Under certain circumstances, additional pass through certificates of one or more separate pass through trusts, which will evidence fractional undivided ownership interests in a related new series of subordinated equipment notes with respect to some or all of the Aircraft, may be issued at any time in the future. Consummation of any such transaction will be subject to satisfaction of certain conditions, including receipt of confirmation from each Rating Agency to the effect that such transaction will not result in a withdrawal, suspension or downgrading of the rating for each class of Certificates then rated by such Rating Agency and that remains outstanding. The issuance of any additional pass through certificates in compliance with such conditions will not require the consent of any Trustee or any holders of any class of Certificates. See Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates.
	If any class of Additional Certificates is issued, under certain circumstances, the holders of such class of Additional Certificates will have certain rights to purchase all, but not less than all, of the Class AA Certificates, Class A Certificates and Class B Certificates and, if applicable, any class of Additional Certificates ranking senior in right of payment to any such class of Additional Certificates. See Description of

the

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	Certificates Certificate Buyout Right of Certificateholders. In addition, if any Additional Certificates are issued, the priority of distributions in the Intercreditor Agreement may be revised such that certain obligations relating to interest on the Additional Certificates may rank ahead of certain obligations with respect to the Class AA Certificates, Class A Certificates and Class B Certificates. See Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates.
Possible Refinancing or Reissuance of Certificates	American may elect to: redeem all (but not less than all) of the Series A Equipment Notes or Series B Equipment Notes (or any series of Additional Equipment Notes) then outstanding and issue new Equipment Notes with respect to all of the Aircraft with the same series designation as, but with terms that may be the same as or different from, those of the redeemed Equipment Notes; or reissue Series A Equipment Notes or Series B Equipment Notes (or any series of Additional Equipment Notes) with respect to all of the Aircraft after such series has matured and been paid in full, with terms that may be the same as or different from those of the repaid Equipment Notes. In either such case, American will fund the sale of any such series of Reissued Equipment Notes through the sale of pass through certificates issued by a single pass through trust. Consummation of any such transaction will be subject to satisfaction of certain conditions, including receipt of confirmation from each Rating Agency to the effect that such transaction will not result in a withdrawal, suspension or downgrading of the rating for each class of Certificates then rated by such Rating Agency and that remains outstanding. The issuance of any Reissued Equipment Notes in compliance with such conditions will not require the consent of any Trustee or any

holders of any class of Certificates. See Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates. If American elects to refinance any series of Equipment Notes, it will be required to

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	pay any applicable Make-Whole Amount in connection with the redemption of such series of Equipment Notes. See Description of the Equipment Notes Redemption.
Equipment Notes	
(a) Issuer	Under each Indenture, American will issue Series AA Equipment Notes, Series A Equipment Notes and Series B Equipment Notes, which will be acquired, respectively, by the Class AA Trust, the Class A Trust and the Class B Trust.
(b) Interest	The Equipment Notes held in each Trust will accrue interest at the rate per annum applicable to the Certificates issued by such Trust set forth on the cover page of this prospectus supplement. Interest on the issued and outstanding Equipment Notes will be payable on January 15 and July 15, commencing on July 15, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.
(c) Principal	Principal payments on the issued and outstanding Series AA Equipment Notes, Series A Equipment Notes and Series B Equipment Notes are scheduled to be paid in specified amounts on January 15 and July 15 in each year, commencing on July 15, 2016, and ending on January 15, 2028 in the case of the Series AA Equipment Notes and Series A Equipment Notes and January 15, 2024 in the case of the Series B Equipment Notes.
(d) Rankings	The following subordination provisions will be applicable to the Equipment Notes issued under each Indenture:
	the indebtedness evidenced by the Series A Equipment Notes issued under such Indenture will be, to the extent and in the manner provided in such Indenture, subordinate and subject in right of payment to the Series AA Equipment Notes issued under such Indenture;

the indebtedness evidenced by the Series B Equipment Notes issued under such Indenture will be, to the extent and in the manner provided in such Indenture, subordinate and subject in right of payment to the Series AA Equipment Notes and the Series A Equipment Notes issued under such Indenture;

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if American issues any Additional Equipment Notes under such Indenture, (i) the indebtedness evidenced by the series of Additional Equipment Notes ranked most senior in priority of payment among all series of Additional Equipment Notes will be, to the extent and in the manner provided in such Indenture (as may be amended in connection with any issuance of such most senior Additional Equipment Notes), subordinate and subject in right of payment to the Series AA Equipment Notes, the Series A Equipment Notes and the Series B Equipment Notes issued under such Indenture and (ii) the indebtedness evidenced by any series of Additional Equipment Notes (other than the series of Additional Equipment Notes ranked most senior in priority of payment among all series of Additional Equipment Notes) will be, to the extent and in the manner provided in such Indenture (as may be amended in connection with any issuance of such Additional Equipment Notes), subordinate and subject in right of payment to the Series AA Equipment Notes, the Series A Equipment Notes, the Series B Equipment Notes and each series of Additional Equipment Notes that rank senior in priority of payment to such series of Additional Equipment Notes issued under such Indenture (see Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates); and

the indebtedness evidenced by the Series AA Equipment Notes, the Series A Equipment Notes, the Series B Equipment Notes and any Additional Equipment Notes issued under any Indenture will be, to the extent and in the manner provided in the other Indentures, subordinate and subject in right of payment under such other Indentures to the Equipment Notes issued under such other Indentures.

By virtue of the Intercreditor Agreement, all of the Equipment Notes held by the Subordination Agent will be effectively cross-subordinated. This means that payments received on a junior series of Equipment Notes issued in respect of one Aircraft may be applied in accordance with the priority of payment provisions set forth in the Intercreditor Agreement to make distributions on

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	a more senior class of Certificates. See Description of the Intercreditor Agreement Priority of Distributions.
(e) Redemption	Aircraft Event of Loss. Under an Indenture, if an Event of Loss occurs with respect to an Aircraft, American will either: substitute for such Aircraft under the related financing agreements an aircraft meeting certain requirements; or redeem all of the outstanding Equipment Notes issued with respect to such Aircraft. The redemption price in such case will be the unpaid principal amount of such Equipment Notes to be redeemed, together with accrued and unpaid interest, but without any premium. Optional Redemption. American may elect to redeem at any time prior to maturity all of the outstanding Equipment Notes issued with respect to an Aircraft; *provided* that all outstanding Equipment Notes issued with respect to all other Aircraft are simultaneously redeemed. In addition, American may elect to redeem the Series A Equipment Notes or Series B Equipment Notes with respect to all Aircraft in connection with a refinancing of such series or without refinancing. See Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates Refinancing or Reissuance of Certificates. The redemption price in each such case will be the unpaid principal amount of the Equipment Notes being redeemed, together with accrued and unpaid interest, plus the Make-Whole Amount (if any). See Description of the Equipment Notes Redemption.
(f) Security and Cross-collateralization	The outstanding Equipment Notes issued with respect to each Aircraft will be secured by, among other things, a security interest in such Aircraft.

In addition, the Equipment Notes will be cross-collateralized to the extent described under Description of the Equipment Notes Security and Description of the Equipment Notes Subordination. This means, among other things, that any proceeds from the sale of any Aircraft by the Loan Trustee or other exercise of remedies under the related Indenture following an Indenture Event of Default under such

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Indenture will (after all of the Equipment Notes issued under such Indenture have been paid off, and subject to the provisions of the Bankruptcy Code) be available for application to shortfalls with respect to the Equipment Notes issued under the other Indentures and the other obligations secured by the other Indentures that are due at the time of such application. In the absence of any such shortfall at the time of such application, excess proceeds will be held by the Loan Trustee under such Indenture as additional collateral for the Equipment Notes issued under each of the other Indentures and will be applied to the payments in respect of the Equipment Notes issued under such other Indentures as they come due. However, if any Equipment Note ceases to be held by the Subordination Agent (as a result of sale during the exercise of remedies by the Controlling Party or otherwise), such Equipment Note will cease to be entitled to the benefits of cross-collateralization. Any cash Collateral held as a result of the cross-collateralization of the Equipment Notes would not be entitled to the benefits of Section 1110 of the Bankruptcy Code (*Section 1110*). See Description of the Equipment Notes Indenture Events of Default, Notice and Waiver.

If the Equipment Notes issued under any Indenture are repaid in full in the case of an Event of Loss with respect to the related Aircraft, the lien on the applicable Aircraft under such Indenture will be released. Once the lien on any Aircraft is released, such Aircraft will no longer secure the amounts that may be owing under any Indenture.

(g) Airframe Substitution

American may elect to release any Airframe from the security interest of the related Indenture and substitute for it an airframe of the same model, so long as:

- no Indenture Event of Default has occurred and is continuing at the time of substitution;
- the substitute airframe has a date of manufacture no earlier than one year prior to the date of manufacture of the Airframe subject to such Indenture on the Issuance Date; and

the substitute airframe has an appraised current market value, adjusted for its

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	maintenance status, not less than that of the released Airframe.
	See Description of the Equipment Notes Security Substitution of Airframe.
(h) Cross-default	There will be cross-default provisions in the Indentures. This means that if the Equipment Notes issued with respect to one Aircraft are in a continuing default, the Equipment Notes issued with respect to the remaining Aircraft also will be in default, and remedies will be exercisable with respect to all Aircraft.
(i) Section 1110 Protection	Counsel to American will provide an opinion to the Trustees stating that the benefits of Section 1110 will be available for each of the Aircraft. See Description of the Equipment Notes Remedies.
Material U.S. Federal Income Tax Consequences	No Trust will be treated as a corporation or other entity taxable as a corporation for United States federal income tax purposes. Each person acquiring an interest in Certificates generally should report on its federal income tax return its pro rata share of income from the Equipment Notes and other property held by the relevant Trust. See Material U.S. Federal Income Tax Consequences.
Certain ERISA Considerations	Each person who acquires a Certificate or an interest therein will be deemed to have:
	represented that either (a) no assets of a Plan or of any trust established with respect to a Plan have been used to purchase or hold such Certificate or an interest therein or (b) the purchase and holding of such Certificate or an interest therein by such person are exempt from the prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended (*ERISA*) and Internal Revenue Code of 1986, as amended (the *Code*) or provisions of Similar Law (as defined below) pursuant to one or more prohibited transaction statutory or administrative exemptions or similar exemptions under Similar Law;

and

directed the Trustees to invest in the assets held in the Trusts pursuant to the terms and conditions described herein.

See Certain ERISA Considerations.

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Governing Law	The Certificates and the Equipment Notes are governed by the laws of the State of New York.

		Standard & Poor s	Moody s
Threshold Rating for the Liquidity Provider for the Class AA Trust	Long Term	AA-	Baa2
Threshold Rating for the Liquidity Provider for the Class A Trust	Long Term	BBB	Baa2
Threshold Rating for the Liquidity Provider for the Class B Trust	Long Term	BBB-	Baa2

Liquidity Provider Rating	The Liquidity Provider meets the Liquidity Threshold Rating requirements.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents summary historical consolidated financial data of American. We derived the annual historical financial data as of and for the year ended December 31, 2014 from American s audited consolidated financial statements and notes thereto, which have been audited by KPMG LLP, an independent registered public accounting firm. We derived the annual historical financial data for the years ended December 31, 2013, 2012, 2011 and 2010 from American s audited consolidated financial statements and notes thereto, which have been audited by Ernst & Young LLP, an independent registered public accounting firm. We derived the historical consolidated financial data as of and for the nine months ended September 30, 2015 and 2014 from American s unaudited condensed consolidated financial statements incorporated by reference in this prospectus supplement.

The summary historical consolidated financial data should be read in conjunction with American s consolidated financial statements for the respective periods, the related notes and the related reports of KPMG LLP and Ernst & Young LLP, as applicable, certain of which are incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, the following information should be read in conjunction with the financial statements for US Airways and the unaudited pro forma condensed combined financial statements relating to the merger of US Airways with and into American filed on Form 8-K/A on January 4, 2016, which is incorporated herein by reference. See Where You Can Find More Information in this prospectus supplement.

	Nine Months Ended September 30,		Year Ended December 31,				
	2015	2014	2014	2013	2012	2011	2010
				(in millions)			
Consolidated Statements of Operations data(1)							
Total operating revenues	$ 19,969	$ 20,676	$ 27,141	$ 25,760	$ 24,825	$ 23,957	$ 22,151
Total operating expenses	16,792	18,683	24,803	24,226	24,743	25,111	21,945
Operating income (loss)	3,177	1,993	2,338	1,534	82	(1,154)	206
Reorganization items, net(2)				(2,640)	(2,179)	(116)	
Net income (loss)	2,617	1,132	1,310	(1,526)	(1,926)	(1,965)	(469)
Other Data (unaudited):							
Ratio of earnings to fixed charges(3)(4)	3.7	2.5	2.19				

	September 30, 2015	December 31, 2014
	(in millions)	
Consolidated Balance Sheet data:		
Total assets	$ 31,682	$ 26,292
Long-term debt and capital leases, net of current maturities	12,040	10,004
Pension and postretirement benefits(5)	7,270	7,400
Bankruptcy settlement obligations	177	325
Stockholder s deficit	(2,843)	(5,572)

(1) Includes the following special items:

The 2015 nine month period total special items were $398 million, which principally included $404 million of merger integration expenses related to information technology, professional fees, severance, share-based compensation, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training, a net $64 million charge related to American s new pilot joint collective bargaining agreement and a $38 million charge in connection with the dissolution of the Texas Aero Engine Services joint venture. These charges were offset in part by a net $75 million

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credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and a $66 million credit related to proceeds received from a legal settlement. In addition, the 2015 nine month period included $41 million in charges primarily related to non-cash write offs of unamortized debt discount and debt issuance costs associated with refinancing American s secured term loan facilities, prepayment of certain aircraft financings and the purchase and subsequent remarketing of certain special facility revenue bonds. These charges were offset in part by a $17 million early debt extinguishment gain associated with the repayment of American s AAdvantage loan with Citibank.

The 2014 nine month period total special items were $569 million and consisted principally of $341 million of merger integration expenses related to information technology, alignment of labor union contracts, professional fees, severance and retention, share-based compensation, re-branding of aircraft and airport facilities, relocation and training, a $328 million non-cash tax provision related to the sale of American s portfolio of fuel hedging contracts, an $81 million charge to revise prior estimates of certain aircraft residual values and other spare parts asset impairments, $35 million in charges primarily related to the buyout of certain aircraft leases, and a $21 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets. In addition, the 2014 nine month period included $46 million of early debt extinguishment costs related to the prepayment of American s 7.50% senior secured notes and other indebtedness and $29 million of non-cash interest accretion on the bankruptcy settlement obligations. These charges were offset in part by a net $57 million credit for bankruptcy related items primarily consisting of fair value adjustments for bankruptcy settlement obligations and a $305 million gain on the sale of Slots at Ronald Reagan Washington National Airport in Washington, D.C. (*DCA*).

In 2014, total special items were $974 million and consisted principally of $532 million of merger integration expenses related to information technology, alignment of labor union contracts, professional fees, severance and retention, share-based compensation, divestiture of London Heathrow Slots, fleet restructuring, re-branding of aircraft and airport facilities, relocation and training, a $328 million non-cash tax charge relating to the sale of American s portfolio of fuel hedging contracts, $181 million in other charges, including an $81 million charge to revise prior estimates of certain aircraft residual values, and other spare parts asset impairments, $60 million for bankruptcy related items, $48 million of early debt extinguishment costs, $44 million in charges primarily relating to the buyout of certain aircraft leases, $43 million for Venezuelan foreign currency losses, $29 million of non-cash interest accretion on bankruptcy settlement obligations and a $14 million non-cash deferred income tax provision related to certain indefinite-lived intangible assets. These charges were offset in part by a $305 million gain on the sale of Slots at DCA.

In 2013, total special items were $48 million, excluding reorganization items, net and consisted of a $214 million non-cash charge due to additional valuation allowance required to reduce deferred tax assets, $166 million of primarily merger related expenses due to the alignment of labor union contracts, professional fees, severance and share-based compensation, a $107 million charge related to American s pilot long-term disability obligation, a $54 million charge related to the premium on tender for existing EETC financings and the write-off of debt issuance costs, $48 million of interest charges primarily to recognize post-petition interest expense on unsecured obligations pursuant to the Bankruptcy Plan, a $43 million charge for workers compensation claims, a $33 million aircraft impairment charge and $19 million in charges related to the repayment of existing EETC financings. These charges were offset in part by a $538 million non-cash income tax benefit resulting from gains recorded in other comprehensive income, a $67 million gain on the sale of Slots at LaGuardia Airport (*LGA*) and a $31 million special credit related to a change in accounting method

resulting from the modification of American s AAdvantage miles agreement with Citibank.

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In 2012, total special items were $463 million, excluding reorganization items, net and consisted primarily of a $569 million non-cash income tax benefit resulting from gains recorded in other comprehensive income and a $280 million benefit from a settlement of a commercial dispute, offset in part by $386 million of severance and related charges and write-off of leasehold improvements on aircraft and airport facilities that were rejected during the Chapter 11 process.

In 2011, total special items were $799 million, excluding reorganization items, net and consisted primarily of $725 million related to the impairment of certain aircraft and gates, $31 million of non-recurring non-cash charges related to certain sale/leaseback transactions and a $43 million revenue reduction as a result of a decrease in the breakage assumption related to the AAdvantage frequent flyer liability.

In 2010, total special items were $81 million and primarily included the impairment of certain route authorities in Latin America and losses on Venezuelan currency remeasurement.

(2) Reorganization items, net refers to revenues, expenses (including professional fees), realized gains and losses and provisions for losses that are realized or incurred as a direct result of the Chapter 11 Cases. See Note 2 in Part II, Item 8B to American s Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2014 for further information on reorganization items.

(3) As of September 30, 2015, American guaranteed $500 million of US Airways Group s 6.125% senior notes and $1.6 billion of US Airways Group s $1.6 billion term loan facility provided for by the loan agreement, as amended, entered into May 23, 2013 among US Airways, certain affiliates of US Airways and certain lenders (*2013 Citicorp Credit Facility*), as well as $750 million of American Airlines Group s 5.5% senior notes. On December 30, 2015, US Airways Group merged with and into American Airlines Group, with American Airlines Group continuing as the surviving corporation. Following this merger, American Airlines Group assumed US Airways Group s obligations under its 6.125% senior notes and the 2013 Citicorp Credit Facility and American s respective guarantees of these debt instruments remained in place. On December 30, 2015, US Airways merged with and into American, with American continuing as the surviving corporation. Following the merger, all debts, liabilities and duties of US Airways became the debts, liabilities and duties of American. The impact of these unconditional guarantees and the merger of US Airways with and into American is not included in the above computation. See the unaudited pro forma condensed combined financial statements of US Airways and American required by Item 9.01(b) of Form 8-K, and the notes related thereto, in our Current Report on Form 8-K/A filed with the SEC on January 4, 2016 which relates to the merger of US Airways with and into American.

(4) Earnings were inadequate to cover fixed charges by $1.9 billion, $2.5 billion, $2.0 billion, and $533 million for the years ended December 31, 2013, 2012, 2011, and 2010, respectively. There was not a coverage deficiency in 2014. Fixed charges in the above computation include interest, as shown on our statement of operations, plus capitalized interest and the portion of rental expense deemed to be interest.

(5) American s defined benefit pension plans were frozen effective November 1, 2012 and the Pilot B Plan, a defined contribution plan, was terminated on November 30, 2012. Further, American significantly modified its retiree medical plans in 2012 resulting in the recognition of a negative plan amendment. See Note 10 to American s Consolidated Financial Statements in Part II, Item 8B in American s Annual Report on Form 10-K for the year ended December 31, 2014 for further information on retirement benefits, including the financial impact of these plan changes.

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RISK FACTORS

In considering whether to purchase the Certificates, you should carefully consider all of the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related company free writing prospectus, including but not limited to, our Annual Report on Form 10-K for the year ended December 31, 2014, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2015, June 30, 2015 and September 30, 2015, and other information which may be incorporated by reference in this prospectus supplement and the accompanying prospectus after the date hereof. In addition, you should carefully consider the risk factors described below, along with any risk factors that may be included in our future reports to the SEC, as well as the Special Note Regarding Forward-Looking Statements. With respect to Risks Relating to the Company and Industry-Related Risks below, references to we, us, our, the Company and similar terms in this section refer to AA and its consolidated subsidiaries, including American.

Risks Relating to the Company and Industry-Related Risks

We could experience significant operating losses in the future.

For a number of reasons, including those addressed in these risk factors, we might fail to maintain profitability and might experience significant losses. In particular, the condition of the economy, the level and volatility of fuel prices, the state of travel demand and intense competition in the airline industry have had, and will continue to have, an impact on our operating results, and may increase the risk that we will experience losses.

Downturns in economic conditions adversely affect our business.

Due to the discretionary nature of business and leisure travel spending, airline industry revenues are heavily influenced by the condition of the U.S. economy and economies in other regions of the world. Unfavorable conditions in these broader economies have resulted, and may result in the future, in decreased passenger demand for air travel and changes in booking practices, both of which in turn have had, and may have in the future, a strong negative effect on our revenues. In addition, during challenging economic times, actions by our competitors to increase their revenues can have an adverse impact on our revenues. See The airline industry is intensely competitive and dynamic below. Certain labor agreements to which we are a party limit our ability to reduce the number of aircraft in operation, and the utilization of such aircraft, below certain levels. As a result, we may not be able to optimize the number of aircraft in operation in response to a decrease in passenger demand for air travel.

Our business is dependent on the price and availability of aircraft fuel. Continued periods of high volatility in fuel costs, increased fuel prices and significant disruptions in the supply of aircraft fuel could have a significant negative impact on our operating results and liquidity.

Our operating results are materially impacted by changes in the availability, price volatility and cost of aircraft fuel, which represents one of the largest single cost items in our business. Jet fuel market prices have fluctuated substantially over the past several years and prices continue to be volatile.

Because of the amount of fuel needed to operate our business, even a relatively small increase in the price of fuel can have a material adverse aggregate effect on our operating results and liquidity. Due to the competitive nature of the airline industry and unpredictability of the market, we can offer no assurance that we may be able to increase our fares, impose fuel surcharges or otherwise increase revenues sufficiently to offset fuel price increases.

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Although we are currently able to obtain adequate supplies of aircraft fuel, we cannot predict the future availability, price volatility or cost of aircraft fuel. Natural disasters, political disruptions or wars involving oil-producing countries, changes in fuel-related governmental policy, the strength of the U.S. dollar against foreign currencies, changes in access to petroleum product pipelines and terminals, speculation in the energy futures markets, changes in aircraft fuel production capacity, environmental concerns and other unpredictable events may result in fuel supply shortages, additional fuel price volatility and cost increases in the future.

We have a large number of older aircraft in our fleet, and these aircraft are not as fuel efficient as more recent models of aircraft, including those we have on order. We intend to continue to execute our fleet renewal plans to, among other things, improve the fuel efficiency of our fleet, and we are dependent on a limited number of major aircraft manufacturers to deliver aircraft on schedule. If we experience delays in delivery of the more fuel efficient aircraft that we have on order, we will be adversely affected.

Our aviation fuel purchase contracts generally do not provide meaningful price protection against increases in fuel costs. Prior to the closing of the Merger, we sought to manage the risk of fuel price increases by using derivative contracts. As of September 30, 2015, we did not have any fuel hedging contracts outstanding. As such, and assuming we do not enter into any future transactions to hedge our fuel consumption, we will continue to be fully exposed to fluctuations in fuel prices. Our current policy is not to enter into transactions to hedge our fuel consumption, although we review that policy from time to time based on market conditions and other factors.

There can be no assurance that, at any given time, we will have derivatives in place to provide any particular level of protection against increased fuel costs or that our counterparties will be able to perform under our derivative contracts. To the extent we use derivative contracts that have the potential to create an obligation to pay upon settlement if prices decline significantly, such derivative contracts may limit our ability to benefit from lower fuel costs in the future. Also, a rapid decline in the projected price of fuel at a time when we have fuel hedging contracts in place could adversely impact our short-term liquidity, because hedge counterparties could require that we post collateral in the form of cash or letters of credit. See also the discussion in Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk AAG s Market Risk Sensitive Instruments and Positions Aircraft Fuel and American s Market Risk Sensitive Instruments and Positions Aircraft Fuel of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015.

The airline industry is intensely competitive and dynamic.

Our competitors include other major domestic airlines and foreign, regional and new entrant airlines, as well as joint ventures formed by some of these airlines, many of which have more financial or other resources and/or lower cost structures than ours, as well as other forms of transportation, including rail and private automobiles. In many of our markets we compete with at least one low-cost air carrier. Our revenues are sensitive to the actions of other carriers in many areas including pricing, scheduling, capacity and promotions, which can have a substantial adverse impact not only on our revenues, but on overall industry revenues. These factors may become even more significant in periods when the industry experiences large losses, as airlines under financial stress, or in bankruptcy, may institute pricing structures intended to achieve near-term survival rather than long-term viability.

Low-cost carriers have a profound impact on industry revenues. Using the advantage of low unit costs, these carriers offer lower fares in order to shift demand from larger, more established airlines. Some low-cost carriers, which have cost structures lower than ours, have better recent financial performance and have announced growth strategies including commitments to acquire significant numbers of aircraft for delivery in the next few years. These low-cost carriers are expected to continue

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to increase their market share through growth and, potentially, consolidation, and could continue to have an impact on our overall performance. For example, as a result of divestitures completed in connection with gaining regulatory approval for the Merger, low-fare, low-cost carriers have gained additional access in a number of markets, including DCA, a Slot-controlled airport. In addition, the Wright Amendment Reform Act of 2006 reduced, and has now eliminated all, domestic non-stop geographic restrictions on operations by Southwest Airlines and other carriers at Dallas Love Field Airport (*DAL*). The two gates at DAL that we divested as part of our settlement of antitrust litigation related to the Merger have been allocated to Virgin America, a low-cost carrier. The changed operating rules at DAL and that divestiture have increased low-cost carrier competition for our hub at Dallas/Fort Worth International Airport. The actions of the low-cost carriers, including those described above, could have a material adverse effect on our operations and financial performance.

Our presence in international markets is not as extensive as that of some of our competitors. We derived approximately 33% of our operating revenues in 2014 from operations outside of the U.S., as measured and reported to the DOT. In providing international air transportation, we compete with U.S. airlines to provide scheduled passenger and cargo service between the U.S. and various overseas locations, foreign investor-owned airlines and foreign state-owned or state-affiliated airlines, including carriers based in the Middle East, the three largest of which we believe benefit from significant government subsidies. In addition, open skies agreements with an increasing number of countries around the world provide international airlines with open access to U.S. markets. During 2014, international capacity grew more quickly than domestic service, creating a very competitive operating environment. See Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages below.

Certain airline alliances have been, or may in the future be, granted immunity from antitrust regulations by governmental authorities for specific areas of cooperation, such as joint pricing decisions. To the extent alliances formed by our competitors can undertake activities that are not available to us, our ability to effectively compete may be hindered. Our ability to attract and retain customers is dependent upon, among other things, our ability to offer our customers convenient access to desired markets. Our business could be adversely affected if we are unable to maintain or obtain alliance and marketing relationships with other air carriers in desired markets.

We have implemented a joint business agreement (*JBA*) with British Airways, Iberia and Finnair, and antitrust-immunized cooperation with British Airways, Iberia, Finnair and Royal Jordanian. In addition, we have implemented an antitrust-immunized JBA with Japan Airlines and a JBA with Qantas Airways. No assurances can be given as to any benefits that we may derive from such arrangements or any other arrangements that may ultimately be implemented.

Additional mergers and other forms of industry consolidation, including antitrust immunity grants, may take place and may not involve us as a participant. Depending on which carriers combine and which assets, if any, are sold or otherwise transferred to other carriers in connection with such combinations, our competitive position relative to the post-combination carriers or other carriers that acquire such assets could be harmed. In addition, as carriers combine through traditional mergers or antitrust immunity grants, their route networks will grow, and that growth will result in greater overlap with our network, which in turn could result in lower overall market share and revenues for us. Such consolidation is not limited to the U.S., but could include further consolidation among international carriers in Europe and elsewhere.

We may be unable to integrate operations successfully and realize the anticipated synergies and other benefits of the Merger.

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The Merger involves the combination of two companies that operated as independent public companies prior to the Merger, and each of which operated its own international network airline. Historically, the integration of separate airlines has often proven to be more time consuming and to require more resources than initially estimated. Although we received a single operating certificate from the FAA for American and US Airways on April 8, 2015, we must devote significant management attention and resources to integrating our business practices, cultures and operations. Potential difficulties we may encounter as part of the integration process include the following:

- the inability to successfully combine our businesses in a manner that permits us to achieve the synergies and other benefits anticipated to result from the Merger;
- the challenge of integrating complex systems, operating procedures, regulatory compliance programs, technology, aircraft fleets, networks, and other assets in a manner that minimizes any adverse impact on customers, suppliers, employees, and other constituencies;
- the effects of divestitures and other operational commitments in connection with the settlement of the litigation brought by the Department of Justice (*DOJ*) and certain states prior to the closing of the Merger, including those involving DAL and DCA;
- the challenge of forming and maintaining an effective and cohesive management team;
- the diversion of the attention of our management and other key employees;
- the challenge of integrating workforces while maintaining focus on providing consistent, high quality customer service and running an efficient operation;
- the risks relating to integrating various computer, communications and other technology systems that will be necessary to operate American and US Airways as a single airline and to achieve cost synergies by eliminating redundancies in the businesses;
- the disruption of, or the loss of momentum in, our ongoing business;
- branding or rebranding initiatives may involve substantial costs and may not be favorably received by customers; and
- potential unknown liabilities, liabilities that are significantly larger than we currently anticipate and unforeseen increased expenses or delays associated with the Merger, including costs in excess of the cash transition costs that we currently anticipate.

See We face challenges in integrating our computer, communications and other technology systems below.

Accordingly, we may not be able to realize the contemplated benefits of the Merger fully, or at all, or it may take longer and cost more to realize such benefits than expected.

Our indebtedness and other obligations are substantial and could adversely affect our business and liquidity.

We have significant amounts of indebtedness and other obligations, including pension obligations, obligations to make future payments on flight equipment and property leases, and substantial non-cancelable obligations under aircraft and related spare engine purchase agreements. Moreover, currently a substantial portion of our assets are pledged to secure our indebtedness. Our substantial indebtedness and other obligations could have important consequences. For example, they:

- may make it more difficult for us to satisfy our obligations under our indebtedness;
- may limit our ability to obtain additional funding for working capital, capital expenditures, acquisitions, investments, integration costs, and general corporate purposes, and adversely affect the terms on which such funding can be obtained;

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require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;

make us more vulnerable to economic downturns, industry conditions and catastrophic external events;

limit our ability to respond to business opportunities and to withstand operating risks that are customary in the industry; and

contain restrictive covenants that could:

limit our ability to merge, consolidate, sell assets, incur additional indebtedness, issue preferred stock, make investments and pay dividends;

significantly constrain our ability to respond, or respond quickly, to unexpected disruptions in our own operations, the U.S. or global economies, or the businesses in which we operate, or to take advantage of opportunities that would improve our business, operations, or competitive position versus other airlines;

limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions; and

result in an event of default under our indebtedness.

We will need to obtain sufficient financing or other capital to operate successfully.

Our business plan contemplates significant investments in modernizing our fleet and integrating the American and US Airways businesses. Significant capital resources will be required to execute this plan. We estimate that, based on our commitments as of September 30, 2015, our planned aggregate expenditures for aircraft purchase commitments and certain engines on a consolidated basis for calendar years 2015-2019 would be approximately $16.7 billion, of which $14.2 billion represents commitments by American. We also currently anticipate cash transition costs to integrate our and US Airways businesses following the Merger to be approximately $1.2 billion, although these costs could exceed our expectations. Accordingly, we will need substantial financing or other capital resources. In addition, as of the date of this prospectus supplement, we had not secured financing commitments for some of the aircraft that we have on order, and we cannot be assured of the availability or cost of that financing. In particular, as of September 30, 2015, we did not have financing commitments for the following aircraft currently on order and scheduled to be delivered through 2017: 52 Airbus A320 family aircraft, 30 Boeing 737 family aircraft, 23 Boeing 787 family aircraft, three Boeing 737 MAX family aircraft and three Boeing 777-300ER aircraft. In addition, we did not have financing commitments in place for substantially all aircraft currently on order and scheduled to be delivered in 2018 and beyond. The number of aircraft for which we do not have financing may change as we exercise purchase options or otherwise change our purchase and delivery schedules. If we are unable to arrange financing for such aircraft at customary advance rates and on terms and conditions acceptable to us, we may need to use cash from operations or cash on hand to purchase such aircraft or may seek to negotiate deferrals for such aircraft with the aircraft manufacturers. Depending on numerous factors, many of which are out of our control, such as the state of the

domestic and global economies, the capital and credit markets view of our prospects and the airline industry in general, and the general availability of debt and equity capital at the time we seek capital, the financing or other capital resources that we will need may not be available to us, or may only be available on onerous terms and conditions. There can be no assurance that we will be successful in obtaining financing or other needed sources of capital to operate successfully. An inability to obtain necessary financing on acceptable terms would have a material adverse impact on our business, results of operations and financial condition.

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Increased costs of financing, a reduction in the availability of financing and fluctuations in interest rates could adversely affect our liquidity, results of operations and financial condition.

Concerns about the systemic impact of inflation, the availability and cost of credit, energy costs and geopolitical issues, combined with continued changes in business activity levels and consumer confidence, increased unemployment and volatile oil prices, have in the past and may in the future contribute to volatility in the capital and credit markets. These market conditions could result in illiquid credit markets and wider credit spreads. Any such changes in the domestic and global financial markets may increase our costs of financing and adversely affect our ability to obtain financing needed for the acquisition of aircraft that we have contractual commitments to purchase and for other types of financings we may seek in order to refinance debt maturities, raise capital or fund other types of obligations. Any downgrades to our credit rating may likewise increase the cost and reduce the availability of financing.

Further, a substantial portion of our indebtedness bears interest at fluctuating interest rates, primarily based on the London interbank offered rate for deposits of U.S. dollars (*LIBOR*). LIBOR tends to fluctuate based on general economic conditions, general interest rates, rates set by the Federal Reserve and other central banks, and the supply of and demand for credit in the London interbank market. We have not hedged our interest rate exposure with respect to the $1.9 billion term loan facility and the $1.4 billion revolving credit facility provided for by the credit and guaranty agreement, as amended, entered into June 27, 2013 between AAG, American and certain lenders (the *2013 Credit Facilities*), the $750 million term loan facility and the $1.0 billion revolving credit facility entered into October 10, 2014, as amended, between AAG and American and certain lenders (the *2014 Credit Facilities*) and other of our floating rate debt, and accordingly, our interest expense for any particular period may fluctuate based on LIBOR and other variable interest rates. To the extent these interest rates increase, our interest expense will increase, in which event we may have difficulties making interest payments and funding our other fixed costs, and our available cash flow for general corporate requirements may be adversely affected. See also the discussion of interest rate risk in Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk AAG s Market Risk Sensitive Instruments and Positions Interest and American s Market Risk Sensitive Instruments and Positions Interest of our Annual Report or Form 10-K for the year ended December 31, 2014.

Our high level of fixed obligations may limit our ability to fund general corporate requirements and obtain additional financing, may limit our flexibility in responding to competitive developments and causes our business to be vulnerable to adverse economic and industry conditions.

We have a significant amount of fixed obligations, including debt, pension costs, aircraft leases and financings, aircraft purchase commitments, leases and developments of airport and other facilities and other cash obligations. We also have certain guaranteed costs associated with our regional operations.

As a result of the substantial fixed costs associated with these obligations:

- a decrease in revenues results in a disproportionately greater percentage decrease in earnings;
- we may not have sufficient liquidity to fund all of these fixed obligations if our revenues decline or costs increase; and

we may have to use our working capital to fund these fixed obligations instead of funding general corporate requirements, including capital expenditures.

These obligations also impact our ability to obtain additional financing, if needed, and our flexibility in the conduct of our business, and could materially adversely affect our liquidity, results of operations and financial condition.

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We have significant pension and other post-employment benefit funding obligations, which may adversely affect our liquidity, results of operations and financial condition.

Our pension funding obligations are significant. The amount of these obligations will depend on the performance of investments held in trust by the pension plans, interest rates for determining liabilities and actuarial experience. Currently, our minimum funding obligation for our pension plans is subject to temporary favorable rules that are scheduled to expire at the end of 2017. Our pension funding obligations are likely to increase materially beginning in 2019, when we will be required to make contributions relating to the 2018 fiscal year. In addition, we may have significant obligations for other post-employment benefits the ultimate amount of which depends on, among other things, the outcome of an adversary proceeding related to retiree medical and life insurance obligations filed in the Chapter 11 Cases.

Any failure to comply with the covenants contained in our financing arrangements may have a material adverse effect on our business, results of operations and financial condition.

The terms of the 2013 Credit Facilities, the 2013 Citicorp Credit Facility and the 2014 Credit Facilities require AAG and American to ensure that AAG and its restricted subsidiaries maintain consolidated unrestricted cash and cash equivalents and amounts available to be drawn under revolving credit facilities in an aggregate amount not less than $2.0 billion, and the 2013 Citicorp Credit Facility also requires AAG and the other obligors thereunder to hold not less than $750 million (subject to partial reductions upon certain reductions in the outstanding amount of the loan) of that amount in accounts subject to control agreements.

Our ability to comply with these liquidity covenants while paying the fixed costs associated with our contractual obligations and our other expenses, including significant pension and other post-employment funding obligations and cash transition costs associated with the Merger, will depend on our operating performance and cash flow, which are seasonal, as well as factors including fuel costs and general economic and political conditions.

In addition, our credit facilities and certain other financing arrangements include covenants that, among other things, limit our ability to pay dividends and make certain other payments, make certain investments, incur additional indebtedness, enter into certain affiliate transactions and engage in certain business activities, in each case subject to certain exceptions.

The factors affecting our liquidity (and our ability to comply with related liquidity and other covenants) will remain subject to significant fluctuations and uncertainties, many of which are outside our control. Any breach of our liquidity and other covenants or failure to timely pay our obligations could result in a variety of adverse consequences, including the acceleration of our indebtedness, the withholding of credit card proceeds by our credit card processors and the exercise of remedies by our creditors and lessors. In such a situation, we may not be able to fulfill our contractual obligations, repay the accelerated indebtedness, make required lease payments or otherwise cover our fixed costs.

If our financial condition worsens, provisions in our credit card processing and other commercial agreements may adversely affect our liquidity.

We have agreements with companies that process customer credit card transactions for the sale of air travel and other services. These agreements allow these processing companies, under certain conditions (including, with respect to certain agreements, the failure of American to maintain certain levels of liquidity) to hold an amount of our cash (a *holdback*) equal to some or all of the advance ticket sales that have been processed by that company, but for which we have not yet provided the air transportation. We are not currently required to maintain any holdbacks pursuant to these

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requirements. These holdback requirements can be modified at the discretion of the processing companies upon the occurrence of specific events, including material adverse changes in our financial condition. An increase in the current holdback balances to higher percentages up to and including 100% of relevant advanced ticket sales could materially reduce our liquidity. Likewise, other of our commercial agreements contain provisions that allow other entities to impose less favorable terms, including the acceleration of amounts due, in the event of material adverse changes in our financial condition.

Union disputes, employee strikes and other labor-related disruptions may adversely affect our operations.

Relations between air carriers and labor unions in the U.S. are governed by the Railway Labor Act (*RLA*). Under the RLA, collective bargaining agreements (*CBAs*) generally contain amendable dates rather than expiration dates, and the RLA requires that a carrier maintain the existing terms and conditions of employment following the amendable date through a multi-stage and usually lengthy series of bargaining processes overseen by the National Mediation Board (*NMB*). For the dates that the CBAs with our major work groups become amendable under the RLA, see Part I, Item 1. Business Employees and Labor Relations in our Annual Report on Form 10-K for the year ended December 31, 2014.

In the case of a CBA that is amendable under the RLA, if no agreement is reached during direct negotiations between the parties, either party may request that the NMB appoint a federal mediator. The RLA prescribes no timetable for the direct negotiation and mediation processes, and it is not unusual for those processes to last for many months or even several years. If no agreement is reached in mediation, the NMB in its discretion may declare that an impasse exists and proffer binding arbitration to the parties. Either party may decline to submit to arbitration, and if arbitration is rejected by either party, a 30-day cooling off period commences. During or after that period, a Presidential Emergency Board (*PEB*) may be established, which examines the parties positions and recommends a solution. The PEB process lasts for 30 days and is followed by another 30-day cooling off period. At the end of a cooling off period, unless an agreement is reached or action is taken by Congress, the labor organization may exercise self-help, such as a strike, which could materially adversely affect our business, results of operations and financial condition.

None of the unions representing our employees presently may lawfully engage in concerted refusals to work, such as strikes, slow-downs, sick-outs or other similar activity, against us. Nonetheless, there is a risk that disgruntled employees, either with or without union involvement, could engage in one or more concerted refusals to work that could individually or collectively harm the operation of our airline and impair our financial performance. See Part I, Item 1 Business Employees and Labor Relations in our Annual Report on Form 10-K for the year ended December 31, 2014.

The inability to maintain labor costs at competitive levels would harm our financial performance.

Currently, we believe our labor costs are competitive relative to the other large network carriers. However, we cannot provide assurance that labor costs going forward will remain competitive because some of our agreements are amendable now and others may become amendable, competitors may significantly reduce their labor costs or we may agree to higher-cost provisions in our current or future labor negotiations. As of December 31, 2014, approximately 82% of our employees were represented for collective bargaining purposes by labor unions. Some of our unions have brought and may continue to bring grievances to binding arbitration, including those related to wages. Unions may also bring court actions and may seek to compel us to engage in bargaining processes where we believe we have no such obligation. If successful, there is a risk these judicial or arbitral avenues could create material additional costs that we did not anticipate.

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Interruptions or disruptions in service at one of our hub airports could have a material adverse impact on our operations.

We operate principally through hubs in Charlotte, Chicago, Dallas/Fort Worth, Los Angeles, Miami, New York City, Philadelphia, Phoenix and Washington D.C. Substantially all of our flights either originate in or fly into one of these locations. A significant interruption or disruption in service at one of our hubs resulting from air traffic control (*ATC*) delays, weather conditions, natural disasters, growth constraints, relations with third-party service providers, failure of computer systems, facility disruptions, labor relations, power supplies, fuel supplies, terrorist activities or otherwise could result in the cancellation or delay of a significant portion of our flights and, as a result, could have a severe impact on our business, results of operations and financial condition.

Ongoing data security compliance requirements could increase our costs, and any significant data breach could disrupt our operations and harm our reputation, business, results of operations and financial condition.

Our business requires the appropriate and secure utilization of customer, employee, business partner and other sensitive information. We cannot be certain that advances in criminal capabilities (including cyber-attacks or cyber intrusions over the Internet, malware, computer viruses and the like), discovery of new vulnerabilities or attempts to exploit existing vulnerabilities in our systems, other data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology protecting the networks that access and store sensitive information. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. Furthermore, there has been heightened legislative and regulatory focus on data security in the U.S. and abroad (particularly in the EU), including requirements for varying levels of customer notification in the event of a data breach.

In addition, many of our commercial partners, including credit card companies, have imposed data security standards that we must meet. In particular, we are required by the Payment Card Industry Security Standards Council, founded by the credit card companies, to comply with their highest level of data security standards. While we continue our efforts to meet these standards, new and revised standards may be imposed that may be difficult for us to meet and could increase our costs.

A significant data security breach or our failure to comply with applicable U.S. or foreign data security regulations or other data security standards may expose us to litigation, claims for contract breach, fines, sanctions or other penalties, which could disrupt our operations, harm our reputation and materially and adversely affect our business, results of operations and financial condition. Failure to address these issues appropriately could also give rise to additional legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur further related costs and expenses.

If we are unable to obtain and maintain adequate facilities and infrastructure throughout our system and, at some airports, adequate Slots, we may be unable to operate our existing flight schedule and to expand or change our route network in the future, which may have a material adverse impact on our operations.

In order to operate our existing and proposed flight schedule and, where appropriate, add service along new or existing routes, we must be able to maintain and/or obtain adequate gates, ticketing facilities, operations areas, and office space. As airports around the world become more congested, we will not always be able to ensure that our plans for new service can be implemented in a commercially

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viable manner, given operating constraints at airports throughout our network, including due to inadequate facilities at desirable airports. Further, our operating costs at airports at which we operate, including our hubs, may increase significantly because of capital improvements at such airports that we may be required to fund, directly or indirectly. In some circumstances, such costs could be imposed by the relevant airport authority without our approval.

In addition, operations at four major domestic airports, certain smaller domestic airports and certain foreign airports served by us are regulated by governmental entities through the use of Slots or similar regulatory mechanisms which limit the rights of carriers to conduct operations at those airports. Each Slot represents the authorization to land at or take-off from the particular airport during a specified time period and may have other operational restrictions as well. In the U.S., the FAA currently regulates the allocation of Slot or Slot exemptions at DCA and three New York City airports: Newark Liberty International Airport, John F. Kennedy International Airport and LGA. Our operations at these airports generally require the allocation of Slots or similar regulatory authority. Similarly, our operations at international airports in Frankfurt, London Heathrow, Paris and other airports outside the U.S. are regulated by local Slot authorities pursuant to the International Air Transport Association s Worldwide Scheduling Guidelines and applicable local law. We cannot provide any assurance that regulatory changes regarding the allocation of Slots or similar regulatory authority will not have a material adverse impact on our operations.

In connection with the settlement of litigation relating to the Merger brought by the DOJ and certain states, we entered into settlement agreements that provide for certain asset divestitures, including 52 Slot pairs at DCA, 17 Slot pairs at LGA and gates and related ground facilities necessary to operate those Slot pairs, and two gates at each of Boston Logan International Airport, Chicago O Hare International Airport, DAL, Los Angeles International Airport and Miami International Airport. The settlement agreements also require us to maintain certain hub operations and continue to provide service to certain specified communities for limited periods of time. In addition, we entered into a related settlement with the U.S. Department of Transportation (*DOT*) related to small community service from DCA. Further, as a consequence of the Merger clearance process in the European Union (*EU*), we made one pair of London Heathrow Slots available for use by another carrier and, along with our JBA partners, we made one pair of London Heathrow Slots available to competitors for use for up to six years in different markets.

Our ability to provide service can also be impaired at airports, such as Chicago O Hare International Airport and Los Angeles International Airport, where the airport gate and other facilities are inadequate to accommodate all of the service that we would like to provide.

Any limitation on our ability to acquire or maintain adequate gates, ticketing facilities, operations areas, Slots (where applicable), or office space could have a material adverse effect on our business, results of operations and financial condition.

If we incur problems with any of our third-party regional operators or third-party service providers, our operations could be adversely affected by a resulting decline in revenue or negative public perception about our services.

A significant portion of our regional operations are conducted by third-party operators on our behalf, primarily under capacity purchase agreements. Due to our reliance on third parties to provide these essential services, we are subject to the risks of disruptions to their operations, which may result from many of the same risk factors disclosed in this prospectus supplement, such as the impact of adverse economic conditions, and other risk factors, such as a bankruptcy restructuring of any of the regional operators. We may also experience disruption to our regional operations if we terminate the capacity purchase agreement with one or more of our current operators and transition the services to

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another provider. As our regional segment provides revenues to us directly and indirectly (by providing flow traffic to our hubs), any significant disruption to our regional operations would have a material adverse effect on our business, results of operations and financial condition.

In addition, our reliance upon others to provide essential services on behalf of our operations may result in our relative inability to control the efficiency and timeliness of contract services. We have entered into agreements with contractors to provide various facilities and services required for our operations, including distribution and sale of airline seat inventory, provision of information technology and services, regional operations, aircraft maintenance, ground services and facilities, reservations and baggage handling. Similar agreements may be entered into in any new markets we decide to serve. These agreements are generally subject to termination after notice by the third-party service provider. We are also at risk should one of these service providers cease operations, and there is no guarantee that we could replace these providers on a timely basis with comparably priced providers. Volatility in fuel prices, disruptions to capital markets and adverse economic conditions in general have subjected certain of these third-party regional carriers to significant financial pressures, which have led to several bankruptcies among these carriers. Any material problems with the efficiency and timeliness of contract services, resulting from financial hardships or otherwise, could have a material adverse effect on our business, results of operations and financial condition.

We rely on third-party distribution channels and must manage effectively the costs, rights and functionality of these channels.

We rely on third-party distribution channels, including those provided by or through global distribution systems (*GDSs*) (e.g., Amadeus, Sabre and Travelport), conventional travel agents and online travel agents (*OTAs*) (e.g., Expedia and Orbitz and Travelocity, both of which will be owned by Expedia if previously announced transactions are completed), to distribute a significant portion of our airline tickets, and we expect in the future to continue to rely on these channels and hope to expand their ability to distribute and collect revenues for ancillary products (e.g., fees for selective seating). These distribution channels are more expensive and at present have less functionality in respect of ancillary product offerings than those we operate ourselves, such as our call centers and our website. Certain of these distribution channels also effectively restrict the manner in which we distribute our products generally. To remain competitive, we will need to manage successfully our distribution costs and rights, increase our distribution flexibility and improve the functionality of third-party distribution channels, while maintaining an industry-competitive cost structure. These imperatives may affect our relationships with GDSs and OTAs, including as consolidation of OTAs continues or is proposed to continue.

Any inability to manage our third-party distribution costs, rights and functionality at a competitive level or any material diminishment or disruption in the distribution of our tickets could have a material adverse effect on our business, results of operations and financial condition.

Our business is subject to extensive government regulation, which may result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.

Airlines are subject to extensive domestic and international regulatory requirements. In the last several years, Congress has passed laws, and the DOT, the FAA, the U.S. Transportation Security Administration (*TSA*) and the Department of Homeland Security have issued a number of directives and other regulations, that affect the airline industry. These requirements impose substantial costs on us and restrict the ways we may conduct our business.

For example, the FAA from time to time issues directives and other regulations relating to the maintenance and operation of aircraft that require significant expenditures or operational restrictions.

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Our failure to timely comply with these requirements has in the past and may in the future result in fines and other enforcement actions by the FAA or other regulators. In the future, new regulatory requirements could have a material adverse effect on us and the industry.

DOT consumer rules that took effect in 2010 require procedures for customer handling during long onboard delays, further regulate airline interactions with passengers through the reservations process, at the airport, and onboard the aircraft, and require new disclosures concerning airline fares and ancillary fees such as baggage fees. The DOT has been aggressively investigating alleged violations of these new rules. Other DOT rules apply to post-ticket purchase price increases and an expansion of tarmac delay regulations to international airlines.

The Aviation and Transportation Security Act mandates the federalization of certain airport security procedures and imposes additional security requirements on airports and airlines, most of which are funded by a per-ticket tax on passengers and a tax on airlines.

The results of our operations, demand for air travel, and the manner in which we conduct business each may be affected by changes in law and future actions taken by governmental agencies, including:

- changes in law which affect the services that can be offered by airlines in particular markets and at particular airports, or the types of fees that can be charged to passengers;
- the granting and timing of certain governmental approvals (including antitrust or foreign government approvals) needed for codesharing alliances and other arrangements with other airlines;
- restrictions on competitive practices (for example, court orders, or agency regulations or orders, that would curtail an airline s ability to respond to a competitor);
- the adoption of new passenger security standards or regulations that impact customer service standards (for example, a passenger bill of rights);
- restrictions on airport operations, such as restrictions on the use of Slots at airports or the auction or reallocation of Slot rights currently held by us; and
- the adoption of more restrictive locally-imposed noise restrictions.

Each additional regulation or other form of regulatory oversight increases costs and adds greater complexity to airline operations and, in some cases, may reduce the demand for air travel. There can be no assurance that our compliance with new rules, anticipated rules or other forms of regulatory oversight will not have a material adverse effect on us.

Any significant reduction in air traffic capacity at key airports in the U.S. or overseas could have a material adverse effect on our business, results of operations and financial condition.

In addition, the ATC system is not successfully managing the growing demand for U.S. air travel. ATC towers are frequently understaffed in certain of our hubs, and air traffic controllers rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes. The ATC system s inability to handle existing travel demand has led government agencies to implement short-term capacity constraints during peak travel periods in certain markets, resulting in delays and disruptions of air traffic. The outdated technologies also cause the ATC to be less resilient in the event of a failure. For example, the ATC systems in Chicago took weeks to recover following a fire in the ATC tower at Chicago O Hare International Airport, which resulted in thousands of cancelled flights.

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On February 14, 2012, the FAA Modernization and Reform Act of 2012 was signed. The law provides funding for the FAA to rebuild its ATC system, including switching from radar to a GPS-based system. It is uncertain when any improvements to the ATC system will take effect. Failure to update the ATC system in a timely manner and the substantial funding requirements that may be imposed on airlines of a modernized ATC system may have a material adverse effect on our business.

The ability of U.S. airlines to operate international routes is subject to change because the applicable arrangements between the U.S. and foreign governments may be amended from time to time and appropriate Slots or facilities may not be made available. We currently operate a number of international routes under government arrangements that limit the number of airlines permitted to operate on the route, the capacity of the airlines providing services on the route, or the number of airlines allowed access to particular airports. If an open skies policy were to be adopted for any of these routes, such an event could have a material adverse impact on us and could result in the impairment of material amounts of our related tangible and intangible assets. In addition, competition from revenue-sharing joint ventures, JBAs, and other alliance arrangements by and among other airlines could impair the value of our business and assets on the open skies routes. For example, the open skies air services agreement between the U.S. and the EU, which took effect in March 2008, provides airlines from the U.S. and EU member states open access to each other s markets, with freedom of pricing and unlimited rights to fly from the U.S. to any airport in the EU, including London Heathrow Airport. As a result of the agreement, we face increased competition in these markets, including London Heathrow Airport.

The airline industry is heavily taxed.

The airline industry is subject to extensive government fees and taxation that negatively impact our revenue. The U.S. airline industry is one of the most heavily taxed of all industries. These fees and taxes have grown significantly in the past decade for domestic flights, and various U.S. fees and taxes also are assessed on international flights. For example, as permitted by federal legislation, most major U.S. airports impose a passenger facility charge per passenger on us. In addition, the governments of foreign countries in which we operate impose on U.S. airlines, including us, various fees and taxes, and these assessments have been increasing in number and amount in recent years. Moreover, we are obligated to collect a federal excise tax, commonly referred to as the ticket tax, on domestic and international air transportation. We collect the excise tax, along with certain other U.S. and foreign taxes and user fees on air transportation (such as TSA security screening fees), and pass along the collected amounts to the appropriate governmental agencies. Although these taxes are not operating expenses, they represent an additional cost to our customers. There are continuing efforts in Congress and in other countries to raise different portions of the various taxes, fees, and charges imposed on airlines and their passengers. Increases in such taxes, fees and charges could negatively impact our business, results of operations and financial condition.

Under DOT regulations, all governmental taxes and fees must be included in the prices we quote or advertise to our customers. Due to the competitive revenue environment, many increases in these fees and taxes have been absorbed by the airline industry rather than being passed on to the customer. Further increases in fees and taxes may reduce demand for air travel, and thus our revenues.

Changes to our business model that are designed to increase revenues may not be successful and may cause operational difficulties or decreased demand.

We have recently implemented several measures designed to increase revenue and offset costs. These measures include charging separately for services that had previously been included within the price of a ticket and increasing other pre-existing fees. We may introduce additional initiatives in the future; however, as time goes on, we expect that it will be more difficult to identify and implement

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additional initiatives. We cannot assure you that these measures or any future initiatives will be successful in increasing our revenues. Additionally, the implementation of these initiatives may create logistical challenges that could harm the operational performance of our airline. Also, any new and increased fees might reduce the demand for air travel on our airline or across the industry in general, particularly if weakened economic conditions make our customers more sensitive to increased travel costs or provide a significant competitive advantage to other carriers that determine not to institute similar charges.

The loss of key personnel upon whom we depend to operate our business or the inability to attract additional qualified personnel could adversely affect our business.

We believe that our future success will depend in large part on our ability to retain or attract highly qualified management, technical and other personnel. We may not be successful in retaining key personnel or in attracting other highly qualified personnel. Any inability to retain or attract significant numbers of qualified management and other personnel would have a material adverse effect on our business, results of operations and financial condition.

We may be adversely affected by conflicts overseas or terrorist attacks; the travel industry continues to face ongoing security concerns.

Acts of terrorism or fear of such attacks, including elevated national threat warnings, wars or other military conflicts, may depress air travel, particularly on international routes, and cause declines in revenues and increases in costs. The attacks of September 11, 2001 and continuing terrorist threats, attacks and attempted attacks materially impacted and continue to impact air travel. Increased security procedures introduced at airports since the attacks of September 11, 2001 and any other such measures that may be introduced in the future generate higher operating costs for airlines. The Aviation and Transportation Security Act mandated improved flight deck security, deployment of federal air marshals on board flights, improved airport perimeter access security, airline crew security training, enhanced security screening of passengers, baggage, cargo, mail, employees and vendors, enhanced training and qualifications of security screening personnel, additional provision of passenger data to the U.S. Customs and Border Protection Agency and enhanced background checks. A concurrent increase in airport security charges and procedures, such as restrictions on carry-on baggage, has also had and may continue to have a disproportionate impact on short-haul travel, which constitutes a significant portion of our flying and revenue.

We operate a global business with international operations that are subject to economic and political instability and have been, and in the future may continue to be, adversely affected by numerous events, circumstances or government actions beyond our control.

We operate a global business with operations outside of the U.S. from which we derived approximately 33% of our operating revenues in 2014, as measured and reported to the DOT. Our current international activities and prospects have been and in the future could be adversely affected by reversals or delays in the opening of foreign markets, increased competition in international markets, exchange controls or other restrictions on repatriation of funds, currency and political risks (including changes in exchange rates and currency devaluations, which are more likely in countries with exchange controls such as Venezuela and Argentina), environmental regulation, increases in taxes and fees and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or Slots.

In particular, fluctuations in foreign currencies, including devaluations, exchange controls and other restrictions on the repatriation of funds, have significantly affected and may continue to significantly affect our operating performance, liquidity and the value of any cash held outside the U.S. in local currency. For example, the business environment in Venezuela has been challenging, with

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economic uncertainty fueled by currency devaluation, high inflation and governmental restrictions, including currency exchange and payment controls, price controls and the possibility of expropriation of property or other resources. As of September 30, 2015, we had approximately $609 million of unrestricted cash and short-term investments held in Venezuelan bolivars. This balance is valued at 6.3 bolivars to the U.S. dollar, which is the rate that was in effect on the date we submitted each of our repatriation requests to the Venezuelan government. This rate is materially more favorable than the exchange rates currently prevailing for other transactions conducted outside of the Venezuelan government s currency exchange system.

During 2014, we significantly reduced capacity in the Venezuelan market and we are no longer accepting bolivars as payment for airline tickets. We are monitoring this situation closely and continue to evaluate our holdings of Venezuelan bolivars for additional foreign currency losses or other accounting adjustments, which could be material, particularly in light of the continued deterioration of economic conditions in Venezuela and the additional uncertainty posed by the recent changes to the foreign exchange regulations, which created three new additional markets, as well as a new exchange rate to be utilized in those markets. The new exchange rate for transactions effected on those markets is intended to fluctuate based on supply and demand and was approximately 199 bolivars to the dollar as of September 30, 2015 as reported by the Venezuelan Central Bank. Although the new regulations do not abolish the prior exchange rates at which we are valuing our bolivar balances, it is still uncertain what impact these new regulations will have on the foreign exchange environment or whether the Venezuelan government will announce further changes to the foreign exchange regulations that may have the effect of materially adversely affecting our ability to repatriate the local currency we hold in Venezuela or the exchange rate applicable thereto.

More generally, fluctuations in foreign currencies, including devaluations, cannot be predicted by us and can significantly affect the value of our assets located outside the United States. These conditions, as well as any further delays, devaluations or imposition of more stringent repatriation restrictions, may materially adversely affect our business, results of operations and financial condition.

We are subject to many forms of environmental regulation and may incur substantial costs as a result.

We are subject to increasingly stringent federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment, including those relating to emissions to the air, discharges to surface and subsurface waters, safe drinking water, and the management of hazardous substances, oils and waste materials. Compliance with environmental laws and regulations can require significant expenditures, and violations can lead to significant fines and penalties.

In June 2015, the U.S. Environmental Protection Agency (*EPA*) issued revised underground storage tank regulations that could affect airport fuel hydrant systems, as certain of those systems may need to be modified in order to comply with applicable portions of the revised regulations. Additionally, on June 4, 2015, the EPA reissued the Multi-Sector General Permit for Stormwater Discharges from Industrial Activities. Among other revisions, the reissued permit incorporates the EPA s previously issued Airport Deicing Effluent Limitation Guidelines and New Source Performance Standards. In addition, California adopted a revised State Industrial General Permit for Stormwater Discharges on April 1, 2014, which became effective July 1, 2015. This permit places additional reporting and monitoring requirements on permittees and requires implementation of mandatory best management practices. Cost estimates to comply with the above permitting requirements have not been defined, but American and US Airways along with other airlines would share a portion of these costs at applicable airports. In addition to the EPA and state regulations, several U.S. airport authorities are actively engaged in efforts to limit discharges of de-icing fluid to the environment, often by requiring airlines to

participate in the building or reconfiguring of airport de-icing facilities. Such efforts are likely to impose additional costs and restrictions on airlines using those airports. We do not believe, however, that such environmental developments will have a material impact on our capital expenditures or otherwise materially adversely affect our operations, operating costs or competitive position.

We are also subject to other environmental laws and regulations, including those that require us to investigate and remediate soil or groundwater to meet certain remediation standards. Under federal law, generators of waste materials, and current and former owners or operators of facilities, can be subject to liability for investigation and remediation costs at locations that have been identified as requiring response actions. Liability under these laws may be strict, joint and several, meaning that we could be liable for the costs of cleaning up environmental contamination regardless of fault or the amount of wastes directly attributable to us. We have liability for investigation and remediation costs at various sites, although such costs are currently not expected to have a material adverse effect on our business.

We have various leases and agreements with respect to real property, tanks and pipelines with airports and other operators. Under these leases and agreements, we have agreed to indemnify the lessor or operator against environmental liabilities associated with the real property or operations described under the agreement, in some cases even if we are not the party responsible for the initial event that caused the environmental damage. We also participate in leases with other airlines in fuel consortiums and fuel committees at airports, where such indemnities are generally joint and several among the participating airlines.

There is increasing global regulatory focus on climate change and greenhouse gas (*GHG*) emissions. For example, the EU has established the Emissions Trading Scheme (*ETS*) to regulate GHG emissions in the EU. The EU adopted a directive in 2008 under which each EU member state is required to extend the ETS to aviation operations. This directive would have required us, beginning in 2012, to annually submit emission allowances in order to operate flights to and from airports in the European Economic Area (*EEA*), including flights between the U.S. and EU member states. However, in an effort to allow the International Civil Aviation Organization (*ICAO*) time to propose an alternate scheme to manage global aviation GHG emissions, in April 2013 the EU suspended for one year application of the ETS to flights entering and departing the EEA, limiting its application, for flights flown in 2012, to intra-EEA flights only. In October 2013, the ICAO Assembly adopted a resolution calling for the development through ICAO of a global, market-based scheme for aviation GHG emissions, to be finalized in 2016 and implemented in 2020. Subsequently, the EU amended the ETS so that the monitoring, reporting and submission of allowances for aviation GHG emissions will continue to be limited to only intra-EEA flights through 2016, at which time the EU will evaluate the progress made by ICAO and determine what, if any, measures to take related to aviation GHG emissions from 2017 onwards. The U.S. enacted legislation in November 2012 which encourages the DOT to seek an international solution through ICAO and that will allow the U.S. Secretary of Transportation to prohibit U.S. airlines from participating in the ETS. Ultimately, the scope and application of ETS or other emissions trading schemes to our operations, now or in the near future, remains uncertain. We did not incur any significant emissions allowance expenditures in 2015. Beyond 2015, compliance with the ETS or similar emissions-related requirements could significantly increase our operating costs. Further, the potential impact of ETS or other emissions-related requirements on our costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances or offsets and the number of future flights subject to ETS or other emissions-related requirements. These costs have not been completely defined and could fluctuate.

Similarly, within the U.S., there is an increasing trend toward regulating GHG emissions directly under the Clean Air Act (*CAA*). In response to a 2012 ruling by the U.S. District Court for the District of Columbia, the EPA announced in June 2015 a proposed endangerment finding that aircraft engine

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GHG emissions cause or contribute to air pollution that may reasonably be anticipated to endanger public health or welfare. A public hearing regarding the proposed endangerment finding was held in August 2015. If the EPA finalizes the endangerment finding, the EPA is obligated under the CAA to set aircraft engine GHG emission standards. In addition, several states have adopted or are considering initiatives to regulate emissions of GHGs, primarily through the planned development of GHG emissions inventories and/or regional GHG cap and trade programs. These regulatory efforts, both internationally and in the U.S. at the federal and state levels, are still developing, and we cannot yet determine what the final regulatory programs or their impact will be in the U.S., the EU or in other areas in which we do business. However, such climate change-related regulatory activity in the future may adversely affect our business and financial results by requiring us to reduce our emissions, purchase allowances or otherwise pay for our emissions. Such activity may also impact us indirectly by increasing our operating costs, including fuel costs.

Governmental authorities in several U.S. and foreign cities are also considering, or have already implemented, aircraft noise reduction programs, including the imposition of nighttime curfews and limitations on daytime take-offs and landings. We have been able to accommodate local noise restrictions imposed to date, but our operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

We rely heavily on technology and automated systems to operate our business, and any failure of these technologies or systems could harm our business, results of operations and financial condition.

We are highly dependent on technology and automated systems to operate our business and achieve low operating costs. These technologies and systems include our computerized airline reservation systems, flight operations systems, financial planning, management and accounting systems, telecommunications systems, website, maintenance systems and check-in kiosks. In order for our operations to work efficiently, our website and reservation system must be able to accommodate a high volume of traffic, maintain secure information and deliver flight information, as well as issue electronic tickets and process critical financial information in a timely manner. Substantially all of our tickets are issued to passengers as electronic tickets. We depend on our reservation system, which is hosted and maintained under a long-term contract by a third-party service provider, to be able to issue, track and accept these electronic tickets. If our automated systems are not functioning or if our third-party service providers were to fail to adequately provide technical support, system maintenance or timely software upgrades for any one of our key existing systems, we could experience service disruptions or delays, which could harm our business and result in the loss of important data, increase our expenses and decrease our revenues. In the event that one or more of our primary technology or systems vendors goes into bankruptcy, ceases operations or fails to perform as promised, replacement services may not be readily available on a timely basis, at competitive rates or at all, and any transition time to a new system may be significant. Our automated systems cannot be completely protected against other events that are beyond our control, including natural disasters, power failures, terrorist attacks, cyber-attacks, data theft, equipment and software failures, computer viruses or telecommunications failures. Substantial or sustained system failures could cause service delays or failures and result in our customers purchasing tickets from other airlines. We cannot assure you that our security measures, change control procedures or disaster recovery plans are adequate to prevent disruptions or delays. Disruption in or changes to these systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

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We face challenges in integrating our computer, communications and other technology systems.

Among the principal risks of integrating our businesses and operations are the risks relating to integrating various computer, communications and other technology systems that will be necessary to operate US Airways and American as a single airline and to achieve cost synergies by eliminating redundancies in the businesses. While we have to date successfully integrated several of our systems, including our customer reservations system, we still have to complete several additional important system integration projects. The integration of these systems in a number of prior airline mergers has taken longer, been more disruptive and cost more than originally forecast. The implementation process to integrate these various systems will involve a number of risks that could adversely impact our business, results of operations and financial condition. New systems will replace multiple legacy systems and the related implementation will be a complex and time-consuming project involving substantial expenditures for implementation consultants, system hardware, software and implementation activities, as well as the transformation of business and financial processes.

As with any large project, there will be many factors that may materially affect the schedule, cost and execution of the integration of our computer, communications and other technology systems. These factors include, among others: problems during the design, implementation and testing phases; systems delays and/or malfunctions; the risk that suppliers and contractors will not perform as required under their contracts; the diversion of management attention from daily operations to the project; reworks due to unanticipated changes in business processes; challenges in simultaneously activating new systems throughout our global network; difficulty in training employees in the operations of new systems; the risk of security breach or disruption; and other unexpected events beyond our control. We cannot assure you that our security measures, change control procedures or disaster recovery plans will be adequate to prevent disruptions or delays. Disruptions in or changes to these systems could result in a disruption to our business and the loss of important data. Any of the foregoing could result in a material adverse effect on our business, results of operations and financial condition.

We are at risk of losses and adverse publicity stemming from any accident involving any of our aircraft or the aircraft of our regional or codeshare operators.

If one of our aircraft, an aircraft that is operated under our brand by one of our regional operators or an aircraft that is operated by an airline with which we have a marketing alliance or codeshare relationship were to be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft that we operate, an aircraft that is operated under our brand by one of our regional operators or an aircraft that is operated by an airline that is one of our codeshare partners could create a public perception that our aircraft or those of our regional operators or codeshare partners are not safe or reliable, which could harm our reputation, result in air travelers being reluctant to fly on our aircraft or those of our regional operators or codeshare partners and adversely impact our business, results of operations and financial condition.

Delays in scheduled aircraft deliveries or other loss of anticipated fleet capacity, and failure of new aircraft to perform as expected, may adversely impact our business, results of operations and financial condition.

The success of our business depends on, among other things, effectively managing the number and types of aircraft we operate. In many cases, the aircraft we intend to operate are not yet in our fleet, but we have contractual commitments to purchase or lease them. If for any reason we were unable to accept or secure deliveries of new aircraft on contractually scheduled delivery dates, this could have a negative impact on our business, results of operations and financial condition. Our failure

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to integrate newly purchased aircraft into our fleet as planned might require us to seek extensions of the terms for some leased aircraft or otherwise delay the exit of certain aircraft from our fleet. Such unanticipated extensions or delays may require us to operate existing aircraft beyond the point at which it is economically optimal to retire them, resulting in increased maintenance costs. If new aircraft orders are not filled on a timely basis, we could face higher operating costs than planned. In addition, if the aircraft we receive do not meet expected performance or quality standards, including with respect to fuel efficiency and reliability, our business, results of operations and financial condition could be adversely impacted.

We depend on a limited number of suppliers for aircraft, aircraft engines and parts.

We depend on a limited number of suppliers for aircraft, aircraft engines and many aircraft and engine parts. As a result, we are vulnerable to any problems associated with the supply of those aircraft, parts and engines, including design defects, mechanical problems, contractual performance by the suppliers, or adverse perception by the public that would result in customer avoidance or in actions by the FAA resulting in an inability to operate our aircraft.

Our business has been and will continue to be affected by many changing economic and other conditions beyond our control, including global events that affect travel behavior, and our results of operations could be volatile and fluctuate due to seasonality.

Our business, results of operations and financial condition has been and will continue to be affected by many changing economic and other conditions beyond our control, including, among others:

- actual or potential changes in international, national, regional, and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks, or political instability;
- changes in consumer preferences, perceptions, spending patterns, or demographic trends;
- changes in the competitive environment due to industry consolidation, changes in airline alliance affiliations, and other factors;
- actual or potential disruptions to the ATC systems;
- increases in costs of safety, security, and environmental measures;
- outbreaks of diseases that affect travel behavior; and
- weather and natural disasters.

In particular, an outbreak of a contagious disease such as the Ebola virus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other influenza-type illness, if it were to persist for an extended period, could materially affect the airline industry and us by reducing revenues and adversely

impacting our operations and passengers travel behavior. As a result of these or other conditions beyond our control, our results of operations could be volatile and subject to rapid and unexpected change. In addition, due to generally weaker demand for air travel during the winter, our revenues in the first and fourth quarters of the year could be weaker than revenues in the second and third quarters of the year.

A higher than normal number of pilot retirements and a potential shortage of pilots could adversely affect us.

We currently have a higher than normal number of pilots eligible for retirement. Among other things, the extension of pilot careers facilitated by the FAA s 2007 modification of the mandatory

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retirement age from age 60 to age 65 has now been fully implemented, resulting in large numbers of pilots in the industry approaching the revised mandatory retirement age. If pilot retirements were to exceed normal levels in the future, it may adversely affect us and our regional partners. On January 4, 2014, more stringent pilot flight and duty time requirements under Part 117 of the Federal Aviation Regulations took effect. In addition, in July 2013, the FAA issued regulations that increase the flight experience required for pilots working for airlines certificated under Part 121 of the Federal Aviation Regulations. These and other factors could contribute to a shortage of qualified pilots, particularly for our regional partners, which now face increased competition from large, mainline carriers to hire pilots. If we or our regional partners are unable to hire adequate numbers of pilots, we may experience disruptions, increased costs of operations and other adverse effects.

Increases in insurance costs or reductions in insurance coverage may adversely impact our operations and financial results.

The terrorist attacks of September 11, 2001 led to a significant increase in insurance premiums and a decrease in the insurance coverage available to commercial air carriers. Accordingly, our insurance costs increased significantly, and our ability to continue to obtain insurance even at current prices remains uncertain. If we are unable to maintain adequate insurance coverage, our business could be materially and adversely affected. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the claims paying ability of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. Because of competitive pressures in our industry, our ability to pass additional insurance costs to passengers is limited. As a result, further increases in insurance costs or reductions in available insurance coverage could have an adverse impact on our financial results.

A lawsuit filed in connection with the Merger remains pending, and this lawsuit could have a material adverse impact on our business.

US Airways Group, US Airways, AMR and American were named as defendants in a private antitrust lawsuit in connection with the Merger. The complaint alleges that the effect of the Merger may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Antitrust Act. The relief sought in the complaint includes an injunction against the Merger, or divestiture. In January 2014, the complaint was amended to add a claim for money damages and to request injunctive relief requiring the carriers to hold separate their assets. In March 2014, the court allowed plaintiffs to add certain allegations but denied plaintiffs requests to add a damages claim or seek preliminary injunctive relief requiring the carriers to hold separate their assets, and in June 2014 plaintiffs filed an amended motion for leave to file a second amended and supplemental complaint. This lawsuit could result in an obligation to pay damages or terms, conditions, requirements, limitations, costs or restrictions that would impose additional material costs on or materially limit our revenues, or materially limit some of the synergies and other benefits we anticipate following the Merger.

Our ability to utilize our NOL Carryforwards may be limited.

Under the Code, a corporation is generally allowed a deduction for net operating losses (NOLs) carried over from prior taxable years (NOL Carryforwards). As of December 31, 2014, we had available NOL Carryforwards of approximately $10.1 billion for regular federal income tax purposes which will expire, if unused, beginning in 2022, and approximately $4.6 billion for state income tax purposes which will expire, if unused, between 2015 and 2034. As of December 31, 2014, the amount of NOL Carryforwards for state income tax purposes that will expire, if unused, in 2015 is $83 million. Our NOL Carryforwards are subject to adjustment on audit by the Internal Revenue Service and the respective state taxing authorities.

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A corporation s ability to deduct its federal NOL Carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code (Section 382) if it undergoes an ownership change as defined in Section 382 (generally where cumulative stock ownership changes among material shareholders exceed 50 percent during a rolling three-year period). We experienced an ownership change in connection with our emergence from the Chapter 11 Cases and US Airways Group experienced an ownership change in connection with the Merger. The general limitation rules for a debtor in a bankruptcy case are liberalized where the ownership change occurs upon emergence from bankruptcy. We elected to be covered by certain special rules for federal income tax purposes that permit approximately $9.0 billion of our federal NOL Carryforwards to be utilized without regard to the annual limitation generally imposed by Section 382. If the special rules do not apply, our ability to utilize such federal NOL Carryforwards may be subject to limitation. Substantially all of our remaining federal NOL Carryforwards (attributable to US Airways Group and its subsidiaries) are subject to limitation under Section 382 as a result of the Merger; however, our ability to utilize such NOL Carryforwards is not anticipated to be effectively constrained as a result of such limitation. Similar limitations may apply for state income tax purposes.

Notwithstanding the foregoing, an ownership change subsequent to our emergence from the Chapter 11 Cases may severely limit or effectively eliminate our ability to utilize our NOL Carryforwards and other tax attributes. To reduce the risk of a potential adverse effect on our ability to utilize our NOL Carryforwards, our Certificate of Incorporation contains transfer restrictions applicable to certain substantial shareholders. Although the purpose of these transfer restrictions is to prevent an ownership change from occurring, no assurance can be given that such an ownership change will not occur, in which case our ability to utilize our NOL Carryforwards and other tax attributes could be severely limited or effectively eliminated.

Our ability to use our NOL Carryforwards also will depend on the amount of taxable income generated in future periods. The NOL Carryforwards may expire before we can generate sufficient taxable income to use them.

The application of the acquisition method of accounting resulted in AAG recording a significant amount of goodwill, which amount is tested for impairment at least annually. In addition, AAG and American may never realize the full value of their respective intangible assets or long-lived assets, causing them to record material impairment charges.

In accordance with applicable acquisition accounting rules, AAG recorded goodwill on its consolidated balance sheet to the extent the US Airways Group acquisition purchase price exceeded the net fair value of US Airways Group s tangible and intangible assets and liabilities as of the acquisition date. Goodwill is not amortized, but is tested for impairment at least annually. Also, in accordance with applicable accounting standards, AAG and American will be required to test their respective indefinite-lived intangible assets for impairment on an annual basis, or more frequently if conditions indicate that an impairment may have occurred. In addition, AAG and American are required to test certain of their other assets for impairment if conditions indicate that an impairment may have occurred.

Future impairment of goodwill or other assets could be recorded in results of operations as a result of changes in assumptions, estimates, or circumstances, some of which are beyond our control. Factors which could result in an impairment could include, but are not limited to: (i) reduced passenger demand as a result of domestic or global economic conditions; (ii) higher prices for jet fuel; (iii) lower fares or passenger yields as a result of increased competition or lower demand; (iv) a significant increase in future capital expenditure commitments; and (v) significant disruptions to our operations as a result of both internal and external events such as terrorist activities, actual or threatened war, labor

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actions by employees, or further industry regulation. There can be no assurance that a material impairment charge of goodwill or tangible or intangible assets will be avoided. The value of our aircraft could be impacted in future periods by changes in supply and demand for these aircraft. Such changes in supply and demand for certain aircraft types could result from grounding of aircraft by us or other airlines. An impairment charge could have a material adverse effect on our business, results of operations and financial condition.

In connection with the integration of American and US Airways, American may take actions not to American s advantage as a standalone airline.

The integration of the business and operations of American and US Airways has begun while they are separate, wholly-owned subsidiaries of AAG. As part of this integration, American may take actions intended to benefit the overall business and operations of the combined airline operations of American and US Airways that may not be to American s advantage as a stand-alone airline.

Risks Relating to the Certificates and the Offering

Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

Three independent appraisal and consulting firms have prepared appraisals of the Aircraft. The appraisal letters provided by these firms are annexed to this prospectus supplement as Appendix II. The AISI appraisal is dated December 22, 2015, the BK appraisal is dated December 17, 2015 and the mba appraisal is dated December 30, 2015. The appraised values provided by each of AISI, BK and mba are presented as of or around the respective dates of their appraisals. The appraisals do not purport to, and do not, reflect the current market value of the Aircraft. Such appraisals of the Aircraft are subject to a number of significant assumptions and methodologies (which differ among the appraisers) and were prepared without a physical inspection of the Aircraft. The appraisals take into account base value, which is the theoretical value for an aircraft assuming a balanced market, while current market value is the value for an aircraft in the actual market. In particular, the appraisals, in the case of each Aircraft owned by American (or US Airways as its predecessor in interest) as of the respective dates of the appraisals, indicate the appraised base value of such Aircraft, adjusted for the maintenance status of such Aircraft at or around the time of such appraisals (except as described under Prospectus Supplement Summary Equipment Notes and the Aircraft with respect to the Airbus A321-231 aircraft bearing registration number N927UW), and such appraisals, in the case of each Aircraft not yet delivered to American as of the respective dates of the appraisals, indicate the appraised base value of such Aircraft as a new aircraft, projected as of its scheduled delivery month at the time of the related appraisal. A different maintenance status may result in different valuations in the case of each Aircraft owned by American (or US Airways as its predecessor in interest) as of the respective dates of the appraisals. Appraisals that are more current or that are based on other assumptions and methodologies (or a physical inspection of the Aircraft) may result in valuations that are materially different from those contained in such appraisals of the Aircraft. See Description of the Aircraft and the Appraisals The Appraisals.

An appraisal is only an estimate of value. It does not necessarily indicate the price at which an aircraft may be purchased or sold in the market. In particular, the appraisals of the Aircraft are estimates of the values of the Aircraft assuming the Aircraft are in a certain condition, which may not be the case, and the appraisals of the Aircraft that had not been delivered to American prior to the date of such appraisals are estimates of values as of the future delivery dates. An appraisal should not be relied upon as a measure of realizable value. The proceeds realized upon the exercise of remedies with respect to any Aircraft, including a sale of such Aircraft, may be less than its appraised value. The value of an Aircraft if remedies are exercised under the applicable Indenture will depend on various

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factors, including market, economic and airline industry conditions; the supply of similar aircraft; the availability of buyers; the condition of the Aircraft; the time period in which the Aircraft is sought to be sold; and whether the Aircraft is sold separately or as part of a block.

Accordingly, we cannot assure you that the proceeds realized upon any exercise of remedies with respect to the Aircraft would be sufficient to satisfy in full payments due on the Equipment Notes relating to the Aircraft or the full amount of distributions expected on the Certificates.

If we fail to perform maintenance responsibilities, the value of the Aircraft may deteriorate.

To the extent described in the Indentures, we will be responsible for the maintenance, service, repair and overhaul of the Aircraft. If we fail to perform these responsibilities adequately, the value of the Aircraft may be reduced. In addition, the value of the Aircraft may deteriorate even if we fulfill our maintenance responsibilities. As a result, it is possible that upon a liquidation, there will be less proceeds than anticipated to repay the holders of Equipment Notes. See Description of the Equipment Notes Certain Provisions of the Indentures Maintenance and Operation.

Inadequate levels of insurance may result in insufficient proceeds to repay holders of related Equipment Notes.

To the extent described in the Indentures, we must maintain all-risk aircraft hull insurance on the Aircraft. If we fail to maintain adequate levels of insurance, the proceeds which could be obtained upon an Event of Loss of an Aircraft may be insufficient to repay the holders of the related Equipment Notes. See Description of the Equipment Notes Certain Provisions of the Indentures Insurance.

Repossession of Aircraft may be difficult, time-consuming and expensive.

There will be no general geographic restrictions on our ability to operate the Aircraft. Although we do not currently intend to do so, we are permitted to register the Aircraft in certain foreign jurisdictions, to lease the Aircraft and to enter into interchange, borrowing or pooling arrangements with respect to the Aircraft, in each case with unrelated third parties and subject to the restrictions in the Indentures and the Participation Agreements. It may be difficult, time-consuming and expensive for the Loan Trustee under an Indenture to exercise its repossession rights, particularly if the related Aircraft is located outside the United States, is registered in a foreign jurisdiction or is leased to or in the possession of a foreign or domestic operator. Additional difficulties may exist if such a lessee or other operator is the subject of a bankruptcy, insolvency or similar event. See Description of the Equipment Notes Certain Provisions of the Indentures Registration, Leasing and Possession.

In addition, some foreign jurisdictions may allow for other liens or other third-party rights to have priority over a Loan Trustee s security interest in an Aircraft to a greater extent than is permitted under United States law. As a result, the benefits of a Loan Trustee s security interest in an Aircraft may be less than they would be if the Aircraft were located or registered in the United States.

Upon repossession of an Aircraft, such Aircraft may need to be stored and insured. The costs of storage and insurance can be significant and the incurrence of such costs could reduce the proceeds available to repay the Certificateholders. In addition, at the time of foreclosing on the lien on an Aircraft under the related Indenture, the Airframe subject to such Indenture might not be equipped with the Engines subject to the same Indenture. If American fails to transfer title to engines not owned by American that are attached to a repossessed Airframe, it could be difficult, expensive and time-consuming to assemble an Aircraft consisting of an Airframe and Engines subject to the same Indenture.

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The Liquidity Providers, the Subordination Agent and the Trustees will receive certain payments before the Certificateholders do. In addition, the Class A Certificates rank generally junior to the Class AA Certificates and the Class B Certificates rank generally junior to the Class AA Certificates and the Class A Certificates.

Under the Intercreditor Agreement, each Liquidity Provider will receive payment of all amounts owed to it, including reimbursement of drawings made to pay interest on the applicable class of Certificates, before the holders of any class of Certificates receive any funds. In addition, the Subordination Agent and the Trustees will receive certain payments before the holders of any class of Certificates receive distributions. See Description of the Intercreditor Agreement Priority of Distributions.

The Class A Certificates rank generally junior to the Class AA Certificates. Moreover, as a result of the subordination provisions in the Intercreditor Agreement, in a case involving the liquidation of substantially all of the assets of American, the Class A Certificateholders may receive a smaller distribution in respect of their claims than holders of unsecured claims against American of the same amount.

The Class B Certificates rank generally junior to the Class AA Certificates and the Class A Certificates. Moreover, as a result of the subordination provisions in the Intercreditor Agreement, in a case involving the liquidation of substantially all of the assets of American, the Class B Certificateholders may receive a smaller distribution in respect of their claims than holders of unsecured claims against American of the same amount.

Payments of principal on the Certificates are subordinated to payments of interest on the Certificates, subject to certain limitations and certain other payments, including those described above. Consequently, a payment default under any Equipment Note or a Triggering Event may cause the distribution of interest on the Certificates or such other payments to be made under the Intercreditor Agreement from payments received with respect to principal on Equipment Notes issued under one or more related Indentures. If this occurs, the interest accruing on the remaining Equipment Notes may be less than the amount of interest expected to be distributed from time to time on the remaining Certificates. This is because the interest on the Certificates may be based on a Pool Balance that exceeds the outstanding principal balance of the remaining Equipment Notes. As a result of this possible interest shortfall, the holders of the Certificates may not receive the full amount expected after a payment default under any Equipment Note or a Triggering Event even if all Equipment Notes are eventually paid in full. For a more detailed discussion of the subordination provisions of the Intercreditor Agreement, see Description of the Intercreditor Agreement Priority of Distributions.

In addition, if American is in bankruptcy or other specified defaults have occurred, the subordination provisions applicable to the Certificates permit certain distributions to be made on Class A Certificates prior to making distributions in full on the Class AA Certificates, on Class B Certificates prior to making distributions in full on the Class AA Certificates and Class A Certificates and, if Additional Certificates are issued, on Additional Certificates prior to making distributions in full on the Class AA Certificates, Class A Certificates and Class B Certificates. See Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates.

Certain Certificateholders may not participate in controlling the exercise of remedies in a default scenario.

If an Indenture Event of Default is continuing under an Indenture, subject to certain conditions, the Loan Trustee under such Indenture will be directed by the Controlling Party in exercising remedies under such Indenture, including accelerating the applicable Equipment Notes or foreclosing the lien on the Aircraft with respect to which such Equipment Notes were issued. See Description of the Certificates Indenture Events of Default and Certain Rights Upon an Indenture Event of Default.

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The Controlling Party will be:

- if Final Distributions have not been paid in full to the holders of the Class AA Certificates, the Class AA Trustee;
- if Final Distributions have been paid in full to the holders of the Class AA Certificates, but not to the holders of the Class A Certificates, the Class A Trustee;
- if Final Distributions have been paid in full to the holders of the Class AA Certificates and the Class A Certificates, but not to the holders of the Class B Certificates, the Class B Trustee;
- if Final Distributions have been paid in full to the holders of the Class AA Certificates, the Class A Certificates and the Class B Certificates, but, if any Additional Certificates are outstanding, not to the holders of the most senior class of Additional Certificates, the trustee for the Additional Trust related to such most senior class of Additional Certificates; and
- under certain circumstances, and notwithstanding the foregoing, the Liquidity Provider with the greatest amount owed to it.

As a result of the foregoing, if the Trustee for a class of Certificates is not the Controlling Party with respect to an Indenture, the Certificateholders of that class will have no rights to participate in directing the exercise of remedies under such Indenture.

The proceeds from the disposition of any Aircraft or Equipment Notes may not be sufficient to pay all amounts distributable to the Certificateholders, and the exercise of remedies over Equipment Notes may result in shortfalls without further recourse.

During the continuation of any Indenture Event of Default under an Indenture, the Equipment Notes issued under such Indenture or the related Aircraft may be sold in the exercise of remedies with respect to that Indenture, subject to certain limitations. See Description of the Intercreditor Agreement Intercreditor Rights Limitation on Exercise of Remedies. The market for Aircraft or Equipment Notes during the continuation of any Indenture Event of Default may be very limited, and there can be no assurance as to whether they could be sold or the price at which they could be sold. Some Certificateholders will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against us (except in circumstances described in the second bullet point below), any Loan Trustee, any Liquidity Provider or any Trustee if the Controlling Party takes the following actions:

- it sells any Equipment Notes for less than their outstanding principal amount; or
- it sells any Aircraft for less than the outstanding principal amount of the related Equipment Notes.

The Equipment Notes will be cross-collateralized to the extent described under Description of the Equipment Notes Security and Description of the Equipment Notes Subordination and the Indentures will be cross-defaulted. Any default arising under an Indenture solely by reason of the cross-default in such Indenture may not be of a type required to be cured under Section 1110. In such circumstances, if the Equipment Notes issued under one or more Indentures are in default and the only default under the remaining Indentures is the cross-default, no remedies may be exercisable under such remaining Indentures. Any cash collateral held as a result of the cross-collateralization of the Equipment Notes also would not be entitled to the benefits of Section 1110.

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Any credit ratings assigned to the Certificates are not a recommendation to buy and may be lowered or withdrawn in the future.

Any credit rating assigned to the Certificates is not a recommendation to purchase, hold or sell the Certificates, because such rating does not address market price or suitability for a particular investor. A rating may change during any given period of time and may be lowered or withdrawn entirely by a rating agency if in its judgment circumstances in the future (including the downgrading of American or a Liquidity Provider) so warrant. Moreover, any change in a rating agency s assessment of the risks of aircraft-backed debt (and similar securities such as the Certificates) could adversely affect the credit rating issued by such rating agency with respect to the Certificates.

Any credit ratings assigned to the Certificates would be expected to be based primarily on the default risk of the Equipment Notes, the availability of the Liquidity Facilities for the benefit of the holders of the Class AA Certificates, Class A Certificates and Class B Certificates, the collateral value provided by the Aircraft relating to the Equipment Notes, the cross-collateralization provisions applicable to the Indentures and the subordination provisions applicable to the Certificates under the Intercreditor Agreement. Such credit ratings would be expected to address the likelihood of timely payment of interest (at the applicable Stated Interest Rate and without any premium) when due on the Certificates and the ultimate payment of principal distributable under the Certificates by the applicable Final Legal Distribution Date. Such credit ratings would not be expected to address the possibility of certain defaults, optional redemptions or other circumstances (such as an Event of Loss to an Aircraft), which could result in the payment of the outstanding principal amount of the Certificates prior to the final expected Regular Distribution Date.

The reduction, suspension or withdrawal of any credit ratings assigned to the Certificates would not, by itself, constitute an Indenture Event of Default.

The Certificates will not provide any protection against highly leveraged or extraordinary transactions, including acquisitions and other business combinations.

The Certificates, the Equipment Notes and the underlying agreements do not and will not contain any financial or other covenants or event risk provisions protecting the Certificateholders in the event of a highly leveraged or other extraordinary transaction, including an acquisition or other business combination, affecting us or our affiliates. We regularly assess and explore opportunities presented by various types of transactions, and we may conduct our business in a manner that could cause the market price or liquidity of the Certificates to decline, could have a material adverse effect on our financial condition or the credit rating of the Certificates or otherwise could restrict or impair our ability to pay amounts due under the Equipment Notes and/or the related agreements, including by entering into a highly leveraged or other extraordinary transaction.

The Equipment Notes will not be obligations of AAG.

The Equipment Notes are and will be the obligations of American and are not and will not be guaranteed by AAG. You should not expect AAG or any of its subsidiaries (other than American) to participate in making payments in respect of the Equipment Notes.

There are no restrictive covenants in the transaction documents relating to our ability to incur future indebtedness.

The Certificates, the Equipment Notes and the underlying agreements will not (i) require us to maintain any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity and therefore do not protect Certificateholders in the event that we experience significant adverse

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changes in our financial condition or results of operations, (ii) limit our ability to incur additional indebtedness, pay dividends or take other actions that may affect our financial condition or (iii) restrict our ability to pledge our assets. In light of the absence of such restrictions, we may conduct our business in a manner that could cause the market price or liquidity of the Certificates to decline, could have a material adverse effect on our financial condition or the credit rating of the Certificates or otherwise could restrict or impair our ability to pay amounts due under the Equipment Notes and/or the related agreements.

Because there is no current market for the Certificates, you may have a limited ability to resell Certificates.

The Certificates are a new issue of securities. Prior to this offering of the Certificates, there has been no trading market for the Certificates. Neither American nor any Trust intends to apply for listing of the Certificates on any securities exchange. The Underwriters may assist in resales of the Certificates, but they are not required to do so, and any market-making activity may be discontinued at any time without notice at the sole discretion of each Underwriter. A secondary market for the Certificates therefore may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of your Certificates. If an active trading market does not develop, the market price and liquidity of the Certificates may be adversely affected.

The liquidity of, and trading market for, the Certificates also may be adversely affected by general declines in the markets or by declines in the market for similar securities. Such declines may adversely affect such liquidity and trading markets independent of American s financial performance and prospects. See also The market for Certificates could be negatively affected by legislative and regulatory changes.

The market for Certificates could be negatively affected by legislative and regulatory changes.

The Certificates are sold to investors under an exemption to the Investment Company Act of 1940, as amended (the *Investment Company Act*), that permits the Trusts to issue the Certificates to investors without registering as an investment company; *provided* that the Certificates have an investment grade credit rating at the time of original sale. Recent events in the debt markets, including defaults on asset-backed securities that had an investment grade credit rating at the time of issuance, have prompted a number of broad based legislative and regulatory reviews, including a review of the regulations that permit the issuance of certain asset-backed securities based upon the credit ratings of such securities. In particular, the SEC is required under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the *Dodd Frank Act*) to adopt rule changes generally to remove any reference to credit ratings in its regulations. The SEC has previously requested comments on alternatives to the investment grade credit rating exemption under the Investment Company Act relied upon by the Trusts to sell the Certificates to investors generally, and on other conditions to using the rule. Adoption by the SEC of any such alternatives or additional conditions is likely to eliminate or significantly modify this exemption. Unless a different exemption becomes available, there is no other exemption currently that would allow the Trusts to sell the Certificates to investors generally. If the SEC adopts rule changes that eliminate the investment grade credit rating exemption, or if other legislative or regulatory changes are enacted that affect the ability of the Trusts to issue the Certificates to investors generally or affect the ability of such investors to continue to hold or purchase the Certificates, or to re-sell their Certificates to other investors generally, the secondary market (if any) for the Certificates could be negatively affected and, as a result, the market price of the Certificates could decrease.

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Payments under the Certificates to certain foreign entities that fail to meet specified requirements may be subject to withholding tax under FATCA.

The provisions of U.S. federal income tax law known as the Foreign Account Tax Compliance Act (*FATCA*) generally impose a 30% withholding tax on payments of U.S.-source interest and gross proceeds from the disposition of property that could produce U.S.-source interest to certain foreign entities that fail to meet specified requirements. Such withholding tax may apply without regard to whether such foreign entity receives such payments on its own behalf or on behalf of another party. We or another paying agent may apply FATCA withholding taxes to payments made under, and gross proceeds from dispositions of, the Equipment Notes (or any other assets held by the Trusts). Certificateholders will not be indemnified directly or indirectly for the amount of any withholding taxes imposed under FATCA. See Material U.S. Federal Income Tax Consequences.

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USE OF PROCEEDS

The proceeds from the sale of the Certificates will be used by the relevant Trust on the Issuance Date to acquire from American the related series of Equipment Notes under the related Indentures. The Equipment Notes will be full recourse obligations of American.

American will use the proceeds from the issuance of the Equipment Notes issued with respect to each Aircraft for general corporate purposes and to pay fees and expenses relating to this offering.

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DESCRIPTION OF THE CERTIFICATES

The following summary of particular material terms of the Certificates supplements (and, to the extent inconsistent therewith, replaces) the description of the general terms and provisions of pass through certificates set forth in the prospectus accompanying this prospectus supplement. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Basic Agreement, which was filed with the SEC as an exhibit to American s Registration Statement on Form S-3, File No. 333-194685-01, and to all of the provisions of the Certificates, the Trust Supplements, the Liquidity Facilities, the Note Purchase Agreement and the Intercreditor Agreement, copies of which will be filed as exhibits to a Current Report on Form 8-K to be filed by American with the SEC.

Except as otherwise indicated, the following summary relates to each of the Trusts and the Certificates issued by each Trust. The terms and conditions governing each of the Trusts will be generally analogous, except as otherwise indicated herein (including as described under Subordination below and elsewhere in this prospectus supplement), and except that the principal amount and scheduled principal repayments of the Equipment Notes held by each Trust and the interest rate and maturity date of the Equipment Notes held by each Trust will differ.

General

Each Certificate will represent a fractional undivided interest in one of three American Airlines 2016-1 Pass Through Trusts: the *Class AA Trust*, the *Class A Trust* and the *Class B Trust,* and, collectively, the *Trusts*. The Trusts will be formed pursuant to a pass through trust agreement between American and Wilmington Trust Company, as trustee, dated as of September 16, 2014 (the *Basic Agreement*), and three separate supplements thereto to be dated as of the Issuance Date (each, a *Trust Supplement* and, together with the Basic Agreement, collectively, the *Pass Through Trust Agreements*). The trustee under the Class AA Trust, the Class A Trust and the Class B Trust is referred to herein, respectively, as the *Class AA Trustee*, the *Class A Trustee* and the *Class B Trustee*, and collectively as the *Trustees*. The Certificates to be issued by the Class AA Trust, Class A Trust and Class B Trust are referred to herein, respectively, as the *Class AA Certificates,* the *Class A Certificates* and the *Class B Certificates.* The Class AA Trust will purchase all of the Series AA Equipment Notes, the Class A Trust will purchase all of the Series A Equipment Notes and the Class B Trust will purchase all of the Series B Equipment Notes. The holders of the Class AA Certificates, the Class A Certificates and the Class B Certificates are referred to herein, respectively, as the *Class AA Certificateholders,* the *Class A Certificateholders* and the *Class B Certificateholders,* and collectively as the *Certificateholders.* The sum of the initial principal balance of the Equipment Notes held by each Trust will equal the initial aggregate face amount of the Certificates issued by such Trust.

Each Certificate will represent a fractional undivided interest in the Trust created by the applicable Pass Through Trust Agreement. The property of each Trust (the *Trust Property*) will consist of:

- subject to the Intercreditor Agreement, the Equipment Notes acquired by such Trust, all monies at any time paid thereon and all monies due and to become due thereunder;

- the rights of such Trust to acquire the related series of Equipment Notes under the Note Purchase Agreement;

the rights of such Trust under the Intercreditor Agreement (including all rights to receive monies receivable in respect of such rights);

all monies receivable under the separate Liquidity Facility for such Trust; and

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funds from time to time deposited with the applicable Trustee in accounts relating to such Trust. (Trust Supplements, Section 1.01)

The Certificates represent fractional undivided interests in the respective Trusts only, and all payments and distributions thereon will be made only from the Trust Property of the related Trust. (Basic Agreement, Sections 2.01 and 3.09; Trust Supplements, Section 3.01) The Certificates do not represent indebtedness of the Trusts, and references in this prospectus supplement to interest accruing on the Certificates are included for purposes of computation only. (Basic Agreement, Section 3.09; Trust Supplements, Section 3.01) The Certificates do not represent an interest in or obligation of American, the Trustees, the Subordination Agent, any of the Loan Trustees or any affiliate of any thereof. Each Certificateholder by its acceptance of a Certificate agrees to look solely to the income and proceeds from the Trust Property of the related Trust for payments and distributions on such Certificate. (Basic Agreement, Section 3.09)

The Certificates of each Trust will be issued in fully registered form only and will be subject to the provisions described below under Book-Entry Registration; Delivery and Form. The Certificates will be issued only in minimum denominations of $2,000 (or such other denomination that is the lowest integral multiple of $1,000, that is, at the time of issuance, equal to at least 1,000 euros) and integral multiples of $1,000 in excess thereof, except that one Certificate of each class may be issued in a different denomination. (Trust Supplements, Section 4.01(a))

Payments and Distributions

The following description of distributions on the Certificates should be read in conjunction with the description of the Intercreditor Agreement because the Intercreditor Agreement may alter the following provisions in a default situation. See Subordination and Description of the Intercreditor Agreement.

Payments of principal, Make-Whole Amount (if any) and interest on the Equipment Notes or with respect to other Trust Property held in each Trust will be distributed by the Trustee to Certificateholders of such Trust on the date receipt of such payment is confirmed, except in the case of certain types of Special Payments.

January 15 and July 15 of each year are referred to herein as *Regular Distribution Dates* (each Regular Distribution Date and Special Distribution Date, a *Distribution Date*).

Interest

The Equipment Notes held in each Trust will accrue interest at the applicable rate per annum applicable to each class of Certificates to be issued by such Trust, payable on each Regular Distribution Date commencing on July 15, 2016, except as described under Description of the Equipment Notes Redemption.

The rate per annum applicable to each Class of Certificates is set forth on the cover page of this prospectus supplement; *provided* that the interest rate applicable to any new Class A Certificates or Class B Certificates issued in connection with the issuance of any series A equipment notes or series B equipment notes, as applicable, issued as described in Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates Refinancing or Reissuance of Certificates may differ. The interest rate applicable to each class of Certificates, as described in the immediately preceding sentence, is referred to as the *Stated Interest Rate* for such Trust. Interest payments will be distributed to Certificateholders of such Trust on each Regular Distribution Date until the final

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Distribution Date for such Trust, subject to the Intercreditor Agreement. Interest on the Equipment Notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

Distributions of interest on the Class AA Certificates, Class A Certificates and Class B Certificates will be each supported by a separate Liquidity Facility to be provided by the applicable Liquidity Provider for the benefit of the holders of such Certificates, each of which is expected to provide an aggregate amount sufficient to distribute interest on the Pool Balance thereof at the Stated Interest Rate for such Certificates on up to three successive semiannual Regular Distribution Dates (without regard to any future distributions of principal on such Certificates). The Liquidity Facility for any class of Certificates does not provide for drawings thereunder to pay for principal or Make-Whole Amount (if any) with respect to such Certificates, any interest with respect to such Certificates in excess of the Stated Interest Rate therefor, or, notwithstanding the subordination provisions of the Intercreditor Agreement, principal, interest, or Make-Whole Amount (if any) with respect to the Certificates of any other class. Therefore, only the holders of the Class AA Certificates, Class A Certificates and Class B Certificates will be entitled to receive and retain the proceeds of drawings under the applicable Liquidity Facility. See Description of the Liquidity Facilities.

Principal

Payments of principal on the issued and outstanding Series AA Equipment Notes, Series A Equipment Notes and Series B Equipment Notes are scheduled to be made in specified amounts on January 15 and July 15 in each year, commencing on July 15, 2016, and ending on January 15, 2028 in the case of the Series AA Equipment Notes and Series A Equipment Notes and January 15, 2024 in the case of the Series B Equipment Notes.

Distributions

Payments of interest on or principal of the Equipment Notes (including drawings made under a Liquidity Facility in respect of a shortfall of interest payable on any Certificate) scheduled to be made on a Regular Distribution Date are referred to herein as *Scheduled Payments.* See Description of the Equipment Notes Principal and Interest Payments. The *Final Legal Distribution Date* for the Class AA Certificates and Class A Certificates is July 15, 2029 and for the Class B Certificates is July 15, 2025.

Subject to the Intercreditor Agreement, on each Regular Distribution Date, the Trustee of each Trust will distribute to the Certificateholders of such Trust all Scheduled Payments received in respect of the Equipment Notes held on behalf of such Trust, the receipt of which is confirmed by such Trustee on such Regular Distribution Date. Subject to the Intercreditor Agreement, each Certificateholder of each Trust will be entitled to receive its proportionate share, based upon its fractional interest in such Trust, of any distribution in respect of Scheduled Payments of principal of or interest on the Equipment Notes held on behalf of such Trust. Each such distribution of Scheduled Payments will be made by the applicable Trustee to the Certificateholders of record of the relevant Trust on the record date applicable to such Scheduled Payment (generally, 15 days prior to each Regular Distribution Date), subject to certain exceptions. (Basic Agreement, Sections 1.01 and 4.02(a)) If a Scheduled Payment is not received by the applicable Trustee on a Regular Distribution Date but is received within five days thereafter, it will be distributed on the date received to such holders of record. If it is received after such five-day period, it will be treated as a Special Payment and distributed as described below. (Intercreditor Agreement, Section 1.01).

Any payment in respect of, or any proceeds of, any Equipment Note or the collateral under any Indenture (the *Collateral*) other than a Scheduled Payment (each, a *Special Payment*) will be distributed on, in the case of an early redemption or a purchase of any Equipment Note, the date of

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such early redemption or purchase (which will be a Business Day), and otherwise on the Business Day specified for distribution of such Special Payment pursuant to a notice delivered by each Trustee (as described below) as soon as practicable after the Trustee has received notice of such Special Payment, or has received the funds for such Special Payment (each, a *Special Distribution Date*). Any such distribution will be subject to the Intercreditor Agreement. (Basic Agreement, Sections 4.02(b) and (c); Trust Supplements, Section 7.01(d))

Each Trustee will mail a notice to the Certificateholders of the applicable Trust stating the scheduled Special Distribution Date, the related record date, the amount of the Special Payment and, in the case of a distribution under the applicable Pass Through Trust Agreement, the reason for the Special Payment. In the case of a redemption or purchase of the Equipment Notes held in the related Trust, such notice will be mailed not less than 15 days prior to the date such Special Payment is scheduled to be distributed, and in the case of any other Special Payment, such notice will be mailed as soon as practicable after the Trustee has confirmed that it has received funds for such Special Payment. (Basic Agreement, Section 4.02(c); Trust Supplements, Section 7.01(d)) Each distribution of a Special Payment, other than a Final Distribution, on a Special Distribution Date for any Trust will be made by the Trustee to the Certificateholders of record of such Trust on the record date applicable to such Special Payment. (Basic Agreement, Section 4.02(b)) See Indenture Events of Default and Certain Rights Upon an Indenture Event of Default and Description of the Equipment Notes Redemption.

Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more non-interest bearing accounts (the *Certificate Account*) for the deposit of payments representing Scheduled Payments received by such Trustee. (Basic Agreement, Section 4.01) Each Pass Through Trust Agreement requires that the Trustee establish and maintain, for the related Trust and for the benefit of the Certificateholders of such Trust, one or more accounts (the *Special Payments Account*) for the deposit of payments representing Special Payments received by such Trustee, which will be non-interest bearing except in certain limited circumstances where the Trustee may invest amounts in such account in certain Permitted Investments. (Basic Agreement, Section 4.01 and Section 4.04; Trust Supplements, Section 7.01(c)) Pursuant to the terms of each Pass Through Trust Agreement, the Trustee is required to deposit any Scheduled Payments relating to the applicable Trust received by it in the Certificate Account of such Trust and to deposit any Special Payments received by it in the Special Payments Account of such Trust. (Basic Agreement, Section 4.01; Trust Supplements, Section 7.01(c)) All amounts so deposited will be distributed by the Trustee on a Regular Distribution Date or a Special Distribution Date, as appropriate. (Basic Agreement, Section 4.02)

The Final Distribution for each Trust will be made only upon presentation and surrender of the Certificates for such Trust at the office or agency of the Trustee specified in the notice given by the Trustee of such Final Distribution. (Basic Agreement, Section 11.01) See Termination of the Trusts below. Distributions in respect of Certificates issued in global form will be made as described in Book-Entry Registration; Delivery and Form below.

If any Regular Distribution Date or Special Distribution Date is not a Business Day, distributions scheduled to be made on such Regular Distribution Date or Special Distribution Date will be made on the next succeeding Business Day and interest will not be added for such additional period. (Basic Agreement, Section 12.11; Trust Supplements, Sections 3.02(c) and 3.02(d))

Business Day means, with respect to Certificates of any class, any day (a) other than a Saturday, a Sunday or a day on which commercial banks are required or authorized to close in New York, New York; Fort Worth, Texas; Wilmington, Delaware; or, so long as any Certificate of such class is outstanding, the city and state in which the Trustee, the Subordination Agent or any related Loan

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Trustee maintains its corporate trust office or receives and disburses funds, and (b) solely with respect to drawings under any Liquidity Facility, which is also a Business Day as defined in such Liquidity Facility. (Intercreditor Agreement, Section 1.01)

Subordination

The Certificates are subject to subordination terms set forth in the Intercreditor Agreement. See Description of the Intercreditor Agreement Priority of Distributions.

Pool Factors

The *Pool Balance* of the Certificates issued by any Trust indicates, as of any date, the original aggregate face amount of the Certificates of such Trust less the aggregate amount of all distributions made as of such date in respect of the Certificates of such Trust, other than distributions made in respect of interest or Make-Whole Amount or reimbursement of any costs and expenses incurred in connection therewith. The Pool Balance of the Certificates issued by any Trust as of any date will be computed after giving effect to any distribution with respect to payment of principal, if any, on the Equipment Notes or payment with respect to other Trust Property held in such Trust and the distribution thereof to be made on such date. (Trust Supplements, Section 1.01; Intercreditor Agreement, Section 1.01)

The *Pool Factor* for each Trust as of any Distribution Date is the quotient (rounded to the seventh decimal place) computed by dividing (i) the Pool Balance of such Trust by (ii) the original aggregate face amount of the Certificates of such Trust. The Pool Factor for each Trust as of any Distribution Date will be computed after giving effect to any distribution with respect to payment of principal, if any, on the Equipment Notes or payments with respect to other Trust Property held in such Trust and the distribution thereof to be made on that date. (Trust Supplements, Section 1.01) The Pool Factor of each Trust will be 1.0000000 on the date of issuance of the related Certificates (the *Issuance Date*); thereafter, the Pool Factor for each Trust will decline as described herein to reflect reductions in the Pool Balance of such Trust. The amount of a Certificateholder s pro rata share of the Pool Balance of a Trust can be determined by multiplying the original denomination of the Certificateholder s Certificate of such Trust by the Pool Factor for such Trust as of the applicable Distribution Date. Notice of the Pool Factor and the Pool Balance for each Trust will be mailed to Certificateholders of such Trust on each Distribution Date. (Trust Supplements, Section 5.01(a))

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The following table sets forth the expected aggregate principal amortization schedule (the *Assumed Amortization Schedule*) for the Equipment Notes held in each Trust and resulting Pool Factors with respect to such Trust. The actual aggregate principal amortization schedule applicable to a Trust and the resulting Pool Factors with respect to such Trust may differ from the Assumed Amortization Schedule because the scheduled distribution of principal payments for any Trust may be affected if, among other things, any Equipment Notes held in such Trust are redeemed or purchased or if a default in payment on any Equipment Note occurs.

	Class AA		Class A		Class B	
Date	Scheduled Principal Payments	Expected Pool Factor	Scheduled Principal Payments	Expected Pool Factor	Scheduled Principal Payments	Expected Pool Factor
At Issuance	$ 0.00	1.0000000	$ 0.00	1.0000000	$ 0.00	1.0000000
July 15, 2016	1,431,857.00	0.9975498	797,282.00	0.9969595	729,221.00	0.9967983
January 15, 2017	13,347,655.00	0.9747088	5,968,712.00	0.9741971	12,190,874.00	0.9432727
July 15, 2017	13,508,153.00	0.9515932	6,010,535.00	0.9512752	12,394,136.00	0.8888547
January 15, 2018	13,711,319.00	0.9281300	6,077,449.00	0.9280981	10,983,165.00	0.8406317
July 15, 2018	13,881,156.00	0.9043761	6,226,493.00	0.9043526	10,570,322.00	0.7942214
January 15, 2019	13,880,651.00	0.8806230	6,226,691.00	0.8806064	10,431,377.00	0.7484212
July 15, 2019	13,880,147.00	0.8568709	6,226,855.00	0.8568595	9,299,020.00	0.7075926
January 15, 2020	13,879,603.00	0.8331196	6,227,054.00	0.8331119	10,193,116.00	0.6628385
July 15, 2020	13,879,033.00	0.8093694	6,227,289.00	0.8093634	10,052,441.00	0.6187020
January 15, 2021	13,878,416.00	0.7856202	6,227,479.00	0.7856141	10,635,085.00	0.5720073
July 15, 2021	13,877,788.00	0.7618721	6,227,729.00	0.7618639	10,547,306.00	0.5256981
January 15, 2022	13,877,105.00	0.7381251	6,227,999.00	0.7381127	4,411,931.00	0.5063269
July 15, 2022	13,876,397.00	0.7143794	6,228,233.00	0.7143606	4,330,781.00	0.4873121
January 15, 2023	13,875,636.00	0.6906349	6,228,543.00	0.6906073	5,543,732.00	0.4629716
July 15, 2023	13,874,848.00	0.6668918	6,228,837.00	0.6668528	7,783,413.00	0.4287976
January 15, 2024	13,873,995.00	0.6431502	6,229,151.00	0.6430972	97,662,080.00	0.0000000
July 15, 2024	13,873,080.00	0.6194101	6,229,508.00	0.6193402	0.00	0.0000000

January 15, 2025	13,872,147.00	0.5956716	6,229,864.00	0.5955819	0.00	0.0000000
July 15, 2025	13,871,132.00	0.5719349	6,230,271.00	0.5718220	0.00	0.0000000
January 15, 2026	13,870,034.00	0.5482000	6,224,593.00	0.5480838	0.00	0.0000000
July 15, 2026	13,868,885.00	0.5244671	6,219,473.00	0.5243651	0.00	0.0000000
January 15, 2027	13,857,407.00	0.5007539	6,220,035.00	0.5006442	0.00	0.0000000
July 15, 2027	14,319,436.00	0.4762500	5,686,519.00	0.4789580	0.00	0.0000000
January 15, 2028	278,308,120.00	0.0000000	125,591,406.00	0.0000000	0.00	0.0000000

If the Pool Factor and Pool Balance of a Trust differ from the Assumed Amortization Schedule for such Trust, notice thereof will be provided to the Certificateholders of such Trust as described hereafter. The Pool Factor and Pool Balance of each Trust will be recomputed if there has been an early redemption, purchase or default in the payment of principal or interest in respect of one or more of the Equipment Notes held in a Trust, as described in Indenture Events of Default and Certain Rights Upon an Indenture Event of Default, Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates and Description of the Equipment Notes Redemption. Promptly following the date of any such redemption, purchase or default, the Pool Factor, Pool Balance and expected principal payment schedule of each Trust will be recomputed after giving effect thereto and notice thereof will be mailed to the Certificateholders of such Trust. (Trust Supplements, Section 5.01(c)) See Reports to Certificateholders, and Certificate Buyout Right of Certificateholders.

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Reports to Certificateholders

On each Distribution Date, the applicable Trustee will include with each distribution by it of a Scheduled Payment or Special Payment to the Certificateholders of the related Trust a statement, giving effect to such distribution to be made on such Distribution Date, setting forth the following information (per $1,000 aggregate principal amount of Certificates as to items (2) and (3) below):

(1) the aggregate amount of funds distributed on such Distribution Date under the related Pass Through Trust Agreement, indicating the amount, if any, allocable to each source, including any portion thereof paid by the applicable Liquidity Provider;

(2) the amount of such distribution under the related Pass Through Trust Agreement allocable to principal and the amount allocable to Make-Whole Amount (if any);

(3) the amount of such distribution under the related Pass Through Trust Agreement allocable to interest, indicating any portion thereof paid by the applicable Liquidity Provider; and

(4) the Pool Balance and the Pool Factor for such Trust. (Trust Supplements, Section 5.01)

As long as the Certificates are registered in the name of The Depository Trust Company (*DTC*) or its nominee (including Cede & Co. (*Cede*)), on the record date prior to each Distribution Date, the applicable Trustee will request that DTC post on its Internet bulletin board a securities position listing setting forth the names of all DTC Participants reflected on DTC s books as holding interests in the applicable Certificates on such record date. On each Distribution Date, the applicable Trustee will mail to each such DTC Participant the statement described above and will make available additional copies as requested by such DTC Participant for forwarding to Certificate Owners. (Trust Supplements, Section 5.01(a))

In addition, after the end of each calendar year, the applicable Trustee will furnish to each person who at any time during the preceding calendar year was a Certificateholder of record a report containing the sum of the amounts determined pursuant to clauses (1), (2) and (3) above with respect to the applicable Trust for such calendar year or, if such person was a Certificateholder during only a portion of such calendar year, for the applicable portion of such calendar year, and such other items as are readily available to such Trustee and which a Certificateholder reasonably requests as necessary for the purpose of such Certificateholder s preparation of its U.S. federal income tax returns or foreign income tax returns. (Trust Supplements, Section 5.01(b)) Such report and such other items will be prepared on the basis of information supplied to the applicable Trustee by the DTC Participants and will be delivered by such Trustee to such DTC Participants to be available for forwarding by such DTC Participants to Certificate Owners. (Trust Supplements, Section 5.01(b))

At such time, if any, as Certificates are issued in the form of Definitive Certificates, the applicable Trustee will prepare and deliver the information described above to each Certificateholder of record of the applicable Trust as the name and period of record ownership of such Certificateholder appears on the records of the registrar of the applicable Certificates.

Indenture Events of Default and Certain Rights Upon an Indenture Event of Default

Since the Equipment Notes issued under an Indenture will be held in more than one Trust, a continuing Indenture Event of Default would affect the Equipment Notes held by each such Trust. See Description of the Equipment Notes Indenture Events of Default, Notice and Waiver for a list of Indenture Events of Default.

Upon the occurrence and during the continuation of an Indenture Event of Default under an Indenture, the Controlling Party may direct the Loan Trustee under such Indenture to accelerate the

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Equipment Notes issued thereunder and may direct the Loan Trustee under such Indenture in the exercise of remedies thereunder and may sell all (but not less than all) of such Equipment Notes or foreclose and sell the Collateral under such Indenture to any person, subject to certain limitations. See Description of the Intercreditor Agreement Intercreditor Rights Limitation on Exercise of Remedies. The proceeds of any such sale will be distributed pursuant to the provisions of the Intercreditor Agreement. Any such proceeds so distributed to any Trustee upon any such sale will be deposited in the applicable Special Payments Account and will be distributed to the Certificateholders of the applicable Trust on a Special Distribution Date. (Basic Agreement, Sections 4.01 and 4.02; Trust Supplements, Sections 7.01(c) and 7.01(d))

The market for Aircraft or Equipment Notes during the continuation of any Indenture Event of Default may be limited and there can be no assurance as to whether they could be sold or the price at which they could be sold. If any Equipment Notes are sold for less than their outstanding principal amount, or any Aircraft are sold for less than the outstanding principal amount of the related Equipment Notes, certain Certificateholders will receive a smaller amount of principal distributions than anticipated and will not have any claim for the shortfall against American (except in the case that Aircraft are sold for less than the outstanding principal amount of the related Equipment Notes), any Liquidity Provider or any Trustee. Neither the Trustee of the Trust holding such Equipment Notes nor the Certificateholders of such Trust, furthermore, could take action with respect to any remaining Equipment Notes held in such Trust as long as no Indenture Event of Default existed with respect thereto.

Any amount, other than Scheduled Payments received on a Regular Distribution Date or within five days thereafter, distributed to the Trustee of any Trust by the Subordination Agent on account of the Equipment Notes or other Trust Property held in such Trust following an Indenture Event of Default under any Indenture will be deposited in the Special Payments Account for such Trust and will be distributed to the Certificateholders of such Trust on a Special Distribution Date. (Basic Agreement, Section 4.02(b); Trust Supplements, Sections 1.01 and 7.01(c); Intercreditor Agreement, Sections 1.01 and 2.04)

Any funds representing payments received with respect to any defaulted Equipment Notes, or the proceeds from the sale of any Equipment Notes, held by the Trustee in the Special Payments Account for such Trust will, to the extent practicable, be invested and reinvested by such Trustee in certain Permitted Investments pending the distribution of such funds on a Special Distribution Date. (Basic Agreement, Section 4.04) *Permitted Investments* are defined as obligations of the United States or agencies or instrumentalities thereof the payment of which is backed by the full faith and credit of the United States and which mature in not more than 60 days after they are acquired or such lesser time as is required for the distribution of any Special Payments on a Special Distribution Date. (Basic Agreement, Section 1.01)

Each Pass Through Trust Agreement provides that the Trustee of the related Trust will, within 90 days after the occurrence of a default (as defined below) known to it, notify the Certificateholders of such Trust by mail of such default, unless such default has been cured or waived; *provided* that, (i) in the case of defaults not relating to the payment of money, such Trustee will not give notice until the earlier of the time at which such default becomes an Indenture Event of Default and the expiration of 60 days from the occurrence of such default, and (ii) except in the case of default in a payment of principal, Make-Whole Amount (if any), or interest on any of the Equipment Notes held in such Trust, the applicable Trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interests of such Certificateholders. (Basic Agreement, Section 7.02) For the purpose of the provision described in this paragraph only, the term default with respect to a Trust means an event that is, or after notice or lapse of time or both would become, an event of default with respect to such Trust or a Triggering Event under the Intercreditor Agreement,

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and the term event of default with respect to a Trust means an Indenture Event of Default under any Indenture pursuant to which Equipment Notes held by such Trust were issued.

Triggering Event means (i) the occurrence of an Indenture Event of Default under all of the Indentures resulting in a PTC Event of Default with respect to the most senior class of Certificates then outstanding, (ii) the acceleration of all of the outstanding Equipment Notes or (iii) certain bankruptcy or insolvency events involving American. (Intercreditor Agreement, Section 1.01)

Each Pass Through Trust Agreement contains a provision entitling the Trustee of the related Trust, subject to the duty of such Trustee during a default to act with the required standard of care, to be offered reasonable security or indemnity by the holders of the Certificates of such Trust before proceeding to exercise any right or power under such Pass Through Trust Agreement or the Intercreditor Agreement at the request of such Certificateholders. (Basic Agreement, Section 7.03(e))

Subject to certain qualifications set forth in each Pass Through Trust Agreement and to certain limitations set forth in the Intercreditor Agreement, the Certificateholders of each Trust holding Certificates evidencing fractional undivided interests aggregating not less than a majority in interest in such Trust will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to such Trust or pursuant to the terms of the Intercreditor Agreement or the applicable Liquidity Facility, or exercising any trust or power conferred on such Trustee under such Pass Through Trust Agreement, the Intercreditor Agreement, or such Liquidity Facility, including any right of such Trustee as Controlling Party under the Intercreditor Agreement or as a Noteholder. (Basic Agreement, Section 6.04) See Description of the Intercreditor Agreement Intercreditor Rights Controlling Party.

Subject to the Intercreditor Agreement, the holders of the Certificates of a Trust evidencing fractional undivided interests aggregating not less than a majority in interest of such Trust may on behalf of the holders of all of the Certificates of such Trust waive any past Indenture Event of Default or default under the related Pass Through Trust Agreement and its consequences or, if the Trustee of such Trust is the Controlling Party, may direct such Trustee to so instruct the applicable Loan Trustee; *provided, however*, that the consent of each holder of a Certificate of a Trust is required to waive (i) a default in the deposit of any Scheduled Payment or Special Payment or in the distribution thereof, (ii) a default in payment of the principal, Make-Whole Amount (if any) or interest with respect to any of the Equipment Notes held in such Trust or (iii) a default in respect of any covenant or provision of the related Pass Through Trust Agreement that cannot be modified or amended without the consent of each Certificateholder of such Trust affected thereby. (Basic Agreement, Section 6.05) Each Indenture will provide that, with certain exceptions, the holders of the majority in aggregate unpaid principal amount of the Equipment Notes issued thereunder may on behalf of all such holders waive any past default or Indenture Event of Default thereunder. Notwithstanding such provisions of the Indentures, pursuant to the Intercreditor Agreement only the Controlling Party will be entitled to waive any such past default or Indenture Event of Default. See Description of the Intercreditor Agreement Intercreditor Rights Controlling Party.

If the same institution acts as Trustee of multiple Trusts, such Trustee could be faced with a potential conflict of interest upon an Indenture Event of Default. In such event, each Trustee has indicated that it would resign as Trustee of one or all such Trusts, and a successor trustee would be appointed in accordance with the terms of the applicable Pass Through Trust Agreement. Wilmington Trust Company will be the initial Trustee under each Trust. (Basic Agreement, Sections 7.08 and 7.09)

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Certificate Buyout Right of Certificateholders

After the occurrence and during the continuation of a Certificate Buyout Event, with ten days prior written irrevocable notice to the relevant Trustees and each other Certificateholder of the same class:

- so long as no holder of Additional Certificates (if any) shall have elected to exercise its Additional Holder Buyout Right and given notice of such election, each Class B Certificateholder (other than American or any of its affiliates) will have the right (the *Class B Buyout Right*) regardless of the exercise of purchase rights by any Class A Certificateholder to purchase all, but not less than all, of the Class AA Certificates and Class A Certificates on the third Business Day next following the expiry of such ten-day notice period; *provided* that, with respect to such Certificate Buyout Event, such Class B Buyout Right shall terminate upon notification of an election to exercise an Additional Holder Buyout Right, but shall be revived if the exercise of such Additional Holder Buyout Right is not consummated on the purchase date proposed therefor; and

- so long as no Class B Certificateholder shall have elected to exercise its Class B Buyout Right and given notice of such election and no holder of Additional Certificates (if any) shall have elected to exercise its Additional Holder Buyout Right and given notice of such election, each Class A Certificateholder (other than American or any of its affiliates) will have the right (the *Class A Buyout Right*) to purchase all, but not less than all, of the Class AA Certificates on the third Business Day next following the expiry of such ten-day notice period; *provided* that, with respect to such Certificate Buyout Event, such Class A Buyout Right shall terminate upon notification of an election to exercise a Class B Buyout Right or an Additional Holder Buyout Right, but shall be revived if the exercise of such Class B Buyout Right or Additional Holder Buyout Right, as applicable, is not consummated on the purchase date proposed therefor. (Trust Supplements, Section 6.01)

If any class of Additional Certificates is issued, the holders of such Additional Certificates (other than American or any of its affiliates) will have the right (the *Additional Holder Buyout Right*) regardless of the exercise of purchase rights by any Class A Certificateholder, any Class B Certificateholder or any holder of a more senior class of Additional Certificates to purchase all but not less than all of the Class AA Certificates, Class A Certificates and Class B Certificates and, if applicable, any other class of Additional Certificates ranking senior in right of payment to any such class of Additional Certificates. If Reissued Certificates are issued, holders of such Reissued Certificates will have the same right (subject to the same terms and conditions) to purchase Certificates as the holders of the Certificates that such Reissued Certificates refinanced or otherwise replaced. See Possible Issuance of Additional Certificates and Refinancing and Reissuance of Certificates.

In each case, the purchase price will be equal to the Pool Balance of the relevant class or classes of Certificates plus accrued and unpaid interest thereon to the date of purchase, without any premium, but including any other amounts then due and payable to the Certificateholders of such class or classes under the related Pass Through Trust Agreement, the Intercreditor Agreement, any Equipment Note held as part of the related Trust Property or the related Indenture and Participation Agreement or on or in respect of such Certificates; *provided, however*, that if such purchase occurs after the record date under the related Pass Through Trust Agreement relating to any Distribution Date, such purchase price will be reduced by the amount to be distributed thereunder on such related Distribution Date (which deducted amounts will remain distributable to, and may be retained by, the Certificateholders of such class or classes as of such record date). Such purchase right may be exercised by any Certificateholder of the class or classes entitled to such right.

In each case, if prior to the end of the ten-day notice period, any other Certificateholder(s) of the same class notifies the purchasing Certificateholder that such other Certificateholder(s) want(s) to

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participate in such purchase, then such other Certificateholder(s) (other than American or any of its affiliates) may join with the purchasing Certificateholder to purchase the applicable senior Certificates pro rata based on the interest in the Trust with respect to such class held by each purchasing Certificateholder of such class. Upon consummation of such a purchase, no other Certificateholder of the same class as the purchasing Certificateholder will have the right to purchase the Certificates of the applicable class or classes during the continuance of such Certificate Buyout Event. If American or any of its affiliates is a Certificateholder, it will not have the purchase rights described above. (Trust Supplements, Section 6.01)

A *Certificate Buyout Event* means that an American Bankruptcy Event has occurred and is continuing and either of the following events has occurred: (A) (i) the 60-day period specified in Section 1110(a)(2)(A) of the Bankruptcy Code (the *60-Day Period*) has expired and (ii) American has not entered into one or more agreements under Section 1110(a)(2)(A) of the Bankruptcy Code to perform all of its obligations under all of the Indentures and has not cured defaults thereunder in accordance with Section 1110(a)(2)(B) of the Bankruptcy Code or, if it has entered into such agreements, has at any time thereafter failed to cure any default under any of the Indentures in accordance with Section 1110(a)(2)(B) of the Bankruptcy Code; or (B) if prior to the expiry of the 60-Day Period, American will have abandoned any Aircraft. (Intercreditor Agreement, Section 1.01)

PTC Event of Default

A *PTC Event of Default* with respect to each Pass Through Trust Agreement and the related class of Certificates means the failure to distribute within ten Business Days after the applicable Distribution Date either:

the outstanding Pool Balance of such class of Certificates on the Final Legal Distribution Date for such class; or

the interest scheduled for distribution on such class of Certificates on any Distribution Date (unless the Subordination Agent has made an Interest Drawing, or a withdrawal from the Cash Collateral Account for such class of Certificates, in an aggregate amount sufficient to pay such interest and has distributed such amount to the Trustee entitled thereto). (Intercreditor Agreement, Section 1.01)

Any failure to make expected principal distributions with respect to any class of Certificates on any Regular Distribution Date (other than the Final Legal Distribution Date) will not constitute a PTC Event of Default with respect to such Certificates.

A PTC Event of Default with respect to the most seniortimes;">26.71 $21.16 $0.20 $40.52 $26.16 $0.19

The following table sets out the trading information for Validus common shares and shares of Transatlantic common stock on July 12, 2011, the last full trading day before Validus' public announcement of delivery of the Validus merger offer to the Transatlantic board of directors, and August 19, 2011, the last practicable trading day prior to the filing of this prospectus/offer to exchange.

	Validus Common Share close	Transatlantic Common Stock close	Equivalent Validus Per Share Amount
July 12, 2011	$ 30.81	$ 49.02	$ 55.95
August 19, 2011	$ 25.57	$ 50.00	$ 47.80

Equivalent per share amounts are calculated by multiplying Validus per share amounts by the exchange offer ratio of 1.5564 and adding $8.00 in cash per share of Transatlantic common stock.

The value of the exchange offer consideration will change as the market prices of Validus common shares and shares of Transatlantic common stock fluctuate during the exchange offer period and thereafter, and may therefore be different from the prices set forth above at the expiration time of the exchange offer and at the time you receive the exchange offer consideration. Please see the section of this prospectus/offer to exchange titled "Risk Factors." Transatlantic stockholders are encouraged to obtain current market quotations for Validus common shares and shares of Transatlantic common stock prior to making any decision with respect to the exchange offer.

Please also see the section of this prospectus/offer to exchange titled "The Exchange Offer Effect of the Exchange Offer on the Market for Shares of Transatlantic Common Stock; Registration Under the Exchange Act; Margin Regulations" for a discussion of the possibility that shares of Transatlantic common stock will cease to be listed on the NYSE.

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RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges and ratio of earnings to fixed charges excluding Funds at Lloyd's costs, which we refer to as "FAL costs" are measures of Validus' ability to cover fixed costs with current period earnings. For purposes of computing the following ratios, earnings consist of net income before income tax expense plus fixed charges to the extent that such charges are included in the determination of earnings. Fixed charges consist of interest, amortization of debt issuance costs and credit facility fees and an imputed interest portion on operating leases. The following table is derived from unaudited results for the six months ended June 30, 2011 and audited results for the years ended December 31, 2010 and 2009. In addition, the table presents the pro forma combined ratio of earnings to fixed charges for the six months ended June 30, 2011 and year ended December 31, 2010.

	Pro Forma Combined Six Months Ended June 30, 2011[2]	Pro Forma Combined Year Ended December 31, 2010	Six Months Ended June 30, 2011[3]	Year Ended December 31, 2010	Year Ended December 31, 2009
Ratio of Earnings to Fixed Charges		6.68		8.18	20.93
Ratio of Earnings to Fixed Charges Excluding FAL Costs[1]		6.81		8.61	30.67

(1) FAL costs represent both fixed and variable costs paid for financing the Validus' operations at Lloyd's. The ratio of earnings to fixed charges excluding FAL costs demonstrates the degree to which the ratio changes if FAL costs are treated as variable rather than fixed costs.

(2) Earnings are inadequate to cover fixed charges. $200,970 represents the amount of coverage deficiency.

(3) Earnings are inadequate to cover fixed charges. $63,968 represents the amount of coverage deficiency.

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RISK FACTORS

In addition to the risk factors set forth below, you should read and consider other risk factors specific to each of the Validus and Transatlantic businesses that will also affect Validus after consummation of the exchange offer and the second-step merger, described in Part I, Item 1A of each company's annual report on Form 10-K for the year ended December 31, 2010 and other documents that have been filed with the SEC, all of which are incorporated by reference into this prospectus/offer to exchange. If any of the risks described below or in the reports incorporated by reference into this prospectus/offer to exchange actually occurs, the respective businesses, financial results, financial conditions, operating results or share prices of Validus or Transatlantic could be materially adversely affected.

Risk Factors Relating to the Exchange Offer and the Second-Step Merger

The value of the Validus common shares that the Transatlantic stockholders receive in the exchange offer will vary as a result of the fixed exchange ratio and possible fluctuations in the price of Validus common shares.

Upon consummation of the exchange offer, each share of Transatlantic common stock validly tendered into the exchange offer and accepted by Validus for exchange will be converted into the right to receive Validus common shares equal to the exchange ratio, $8.00 in cash (less applicable withholding taxes and without interest) and cash in lieu of fractional shares. Because the exchange ratio is fixed at 1.5564 Validus common shares for each share of Transatlantic common stock, the market value of the Validus common shares issued in exchange for shares of Transatlantic common stock in the exchange offer will depend upon the market price of a Validus common share at the date the exchange offer is consummated. If the price of Validus common shares declines, Transatlantic stockholders could receive less value for their shares of Transatlantic common stock upon the consummation of the exchange offer than the value calculated pursuant to the exchange ratio on the date the exchange offer was announced or as of the date of the filing of this prospectus/offer to exchange. Stock price changes may result from a variety of factors that are beyond the companies' control, including general market conditions, changes in business prospects, catastrophic events, both natural and man-made, and regulatory considerations. In addition, the ongoing business of Validus may be adversely affected by actions taken by Validus in connection with the exchange offer, including as a result of (1) the attention of management of Validus having been diverted to the exchange offer instead of being directed solely to Validus' own operations and pursuit of other opportunities that could have been beneficial to Validus and the combined entity and (2) payment by Validus of certain costs relating to the exchange offer, including certain legal, accounting and financial and capital markets advisory fees.

Because the exchange offer and the second-step merger will not be completed until certain conditions have been satisfied or, where relevant, waived (please see the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer"), a period of time, which may be significant, may pass between the commencement of the exchange offer and the time that Validus accepts shares of Transatlantic common stock for exchange. Therefore, at the time when you tender your shares of Transatlantic common stock pursuant to the exchange offer, you will not know the exact market value of the Validus common shares that will be issued if Validus accepts such shares of Transatlantic common stock for exchange. However, tendered shares of Transatlantic common stock may be withdrawn at any time prior to the expiration time of the exchange offer and at any time following 60 days from commencement of the exchange offer. Please see the sections of this prospectus/offer to exchange titled "Comparative Market Price and Dividend Information" for the historical high and low closing prices of Validus common shares and shares of Transatlantic common stock, as well as cash dividends per share of Validus common shares and shares of Transatlantic common stock respectively for each quarter of the period 2009 through 2011 and "The Exchange Offer Withdrawal Rights."

Furthermore, in connection with the exchange offer and the second-step merger, Validus estimates that it will need to issue approximately 97,249,766 Validus common shares. The increase in the number

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of Validus common shares may lead to sales of such Validus common shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Validus common shares.

Transatlantic stockholders are urged to obtain market quotations for Validus common shares and shares of Transatlantic common stock when they consider whether to tender their shares of Transatlantic common stock pursuant to the exchange offer. Please see the section of this prospectus/offer to exchange titled "Comparative Market Price and Dividend Information."

The exchange offer may adversely affect the liquidity and value of non-tendered shares of Transatlantic common stock.

In the event that not all shares of Transatlantic common stock are tendered in the exchange offer and we accept for exchange those shares of Transatlantic common stock tendered into the exchange offer, the number of stockholders and the number of shares of Transatlantic common stock held by individual holders will be greatly reduced. As a result, Validus' acceptance of shares of Transatlantic common stock for exchange in the exchange offer could adversely affect the liquidity and could also adversely affect the market value of the remaining shares of Transatlantic common stock held by the public. Additionally, subject to the rules of the NYSE, Validus may delist the shares of Transatlantic common stock on the NYSE. As a result of such delisting, each issued and outstanding share of Transatlantic common stock not tendered pursuant to the exchange offer may become illiquid and may be of reduced value. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Plans for Transatlantic."

Validus must obtain governmental, regulatory and insurance department approvals to consummate the exchange offer, which, if delayed or not granted, may jeopardize or delay the exchange offer, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the combination contemplated by the exchange offer and the second-step merger.

The exchange offer is conditioned on the receipt of all governmental and regulatory authorizations, consents, orders and approvals determined to be necessary or advisable by Validus, including without limitation, approval from the New York State Department of Insurance and the expiration or termination of the applicable waiting period under the HSR Act. If Validus does not receive these approvals, then Validus will not be obligated to accept shares of Transatlantic common stock for exchange in the exchange offer.

The governmental and regulatory agencies from which Validus will seek these approvals have broad discretion in administering the applicable governing regulations. As a condition to their approval of the transactions contemplated by this prospectus/offer to exchange, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company's business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the exchange offer or may reduce the anticipated benefits of the combination contemplated by the exchange offer. Further, no assurance can be given that the required consents and approvals will be obtained or that the required conditions to the exchange offer will be satisfied, and, if all required consents and approvals are obtained and the conditions to the consummation of the exchange offer are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. If Validus agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any consents or approvals required to consummate the exchange offer, these requirements, limitations, additional costs or restrictions could adversely affect Validus' ability to integrate the operations of Validus and Transatlantic or reduce the anticipated benefits of the combination contemplated by the exchange offer. This could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus common shares after the acquisition. In addition, a third party could attempt to intervene in any governmental or regulatory filings to be made by Validus or otherwise object to the

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granting to Validus of any such governmental or regulatory authorizations, consents, orders or approvals, which may cause a delay in obtaining, or the imposition of material requirements, limitations, costs, divestitures or restrictions on, or the failure to obtain, any such authorizations, consents, orders or approvals. Please see the section titled "The Exchange Offer Conditions of the Exchange Offer" for a discussion of the conditions to the exchange offer and the section titled "The Exchange Offer Certain Legal Matters; Regulatory Approvals" for a description of the regulatory approvals necessary in connection with the exchange offer and the second-step merger.

The exchange offer remains subject to other conditions that Validus cannot control.

The exchange offer is subject to other conditions, including tender without withdrawal of a sufficient number of shares of Transatlantic common stock to satisfy the minimum tender condition, the termination of the Allied World acquisition agreement, the approval by our shareholders of the issuance of Validus common shares to be issued as a portion of the exchange offer consideration in exchange for shares of Transatlantic common stock in the exchange offer and the second-step merger, no material adverse effect having occurred with respect to Transatlantic and its subsidiaries and Transatlantic and its subsidiaries continuing to operate in the ordinary course of business consistent with past practice. There are no assurances that all of the conditions to the exchange offer will be satisfied. In addition, the Transatlantic board of directors may seek to take actions that will delay, or frustrate, the satisfaction of one or more conditions. If the conditions to the exchange offer are not met, then Validus may allow the exchange offer to expire, or could amend or extend the exchange offer.

Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" for a discussion of the conditions to the exchange offer.

Even if the exchange offer is completed, full integration of Transatlantic's operations with Validus may be delayed if Validus does not hold at least 90% of the outstanding shares of Transatlantic common stock following consummation of the exchange offer.

The exchange offer is subject to the minimum tender condition, which provides that, prior to the expiration time of the exchange offer, Transatlantic stockholders shall have validly tendered and not withdrawn at least that number of shares of Transatlantic common stock that, when added to the shares of Transatlantic common stock then owned by Validus or any of its subsidiaries, shall constitute a majority of the then-outstanding number of shares of Transatlantic common stock on a fully-diluted basis. If Validus accepts shares of Transatlantic common stock for exchange and owns 90% or more of the outstanding shares of Transatlantic common stock after the exchange offer is completed, the second-step merger can be effected as a "short form" merger under Delaware law without the consent of any stockholder (other than Validus) and without the approval of the Transatlantic board of directors. If Validus does not acquire at least 90% of the outstanding shares of Transatlantic common stock in the exchange offer or otherwise, then both Transatlantic board approval and Transatlantic stockholder approval will be required to effect the second-step merger. While the requirements of a Transatlantic stockholder and Transatlantic board of director approval would not prevent the second-step merger from occurring, because Validus would hold sufficient shares of Transatlantic common stock to approve the second-step merger, it could delay the consummation of the second-step merger and could delay the realization of some or all of the anticipated benefits from integrating Transatlantic's operations with Validus, including, among others, achieving some or all of the synergies associated with the acquisition of Transatlantic by Validus.

The exchange offer is conditioned on termination of the Allied World acquisition agreement, which could under certain circumstances result in the payment of the Allied World termination fee.

If the Transatlantic stockholders vote against the proposed Allied World acquisition, Transatlantic may be bound to pay the Allied World termination fee, including in the circumstance where

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Transatlantic subsequently agrees to enter into an agreement with a third party in respect of another business combination.

You may be unable to assert a claim against Transatlantic's independent auditors under Section 11 of the Securities Act.

Section 11(a) of the Securities Act provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, any accountant or expert who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement. Although audit reports were issued on Transatlantic's historical financial statements and are included in Transatlantic's filings with the SEC, Transatlantic's independent auditors have not permitted the use of their reports in Validus' registration statement of which this prospectus/offer to exchange forms a part. Validus is requesting and has, as of the date hereof, not received the consent of such independent auditors. In reliance on Rule 437 under the Securities Act, the registration statement has been filed without including a written consent from Transatlantic's independent auditors with respect to Transatlantic's audited financial statements. Accordingly, you may not be able to assert a claim against Transatlantic's independent auditors under Section 11 of the Securities Act.

Risk Factors Relating to Transatlantic's Businesses

You should read and consider other risk factors specific to Transatlantic's businesses that will also affect Validus after the acquisition contemplated by this prospectus/offer to exchange, described in Part I, Item 1A of the Transatlantic 10-K and other documents that have been filed by Transatlantic with the SEC and which are incorporated by reference into this document.

Risk Factors Relating to Validus' Businesses

You should read and consider other risk factors specific to Validus' businesses that will also affect Validus after the acquisition contemplated by this prospectus/offer to exchange, described in Part I, Item 1A of the Validus 10-K and other documents that have been filed by Validus with the SEC and which are incorporated by reference into this prospectus/offer to exchange.

Risk Factors Relating to Validus Following the Exchange Offer

Validus may experience difficulties integrating Transatlantic's businesses, which could cause Validus to fail to realize the anticipated benefits of the acquisition.

If Validus' acquisition of Transatlantic is consummated, achieving the anticipated benefits of the acquisition will depend in part upon whether the two companies integrate their businesses in an effective and efficient manner. The companies may not be able to accomplish this integration process smoothly or successfully. The integration of certain operations following the acquisition will take time and will require the dedication of significant management resources, which may temporarily distract management's attention from the routine business of the combined entity.

Any delay or inability of management to successfully integrate the operations of the two companies could compromise the combined entity's potential to achieve the anticipated long-term strategic benefits of the acquisition and could have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus common shares after the acquisition.

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Validus has only conducted a review of Transatlantic's publicly available information and has not had access to Transatlantic's non-public information. Therefore, Validus may be subject to unknown liabilities of Transatlantic which may have a material adverse effect on Validus' profitability, financial condition and results of operations.

To date, Validus has only conducted a due diligence review of Transatlantic's publicly available information. The consummation of the exchange offer may constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, or result in the acceleration or other change of any right or obligation (including, without limitation, any payment obligation) under agreements of Transatlantic that are not publicly available. As a result, after the consummation of the exchange offer, Validus may be subject to unknown liabilities of Transatlantic, which may have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus common shares after the acquisition.

In addition, the exchange offer may also permit a counter-party to an agreement with Transatlantic to terminate that agreement because completion of the exchange offer or the second-step merger would cause a default or violate an anti-assignment, change of control or similar clause. If this happens, Validus may have to seek to replace that agreement with a new agreement. Validus cannot assure you that it will be able to replace a terminated agreement on comparable terms or at all. Depending on the importance of a terminated agreement to Transatlantic's business, failure to replace that agreement on similar terms or at all may increase the costs to Validus of operating Transatlantic's business or prevent Validus from operating part or all of Transatlantic's business.

In respect of all information relating to Transatlantic presented in, incorporated by reference into or omitted from, this prospectus/offer to exchange, Validus has relied upon publicly available information, including information publicly filed by Transatlantic with the SEC. Although Validus has no knowledge that would indicate that any statements contained herein regarding Transatlantic's condition, including its financial or operating condition (based upon such publicly filed reports and documents) are inaccurate, incomplete or untrue, Validus was not involved in the preparation of such information and statements. For example, Validus has made adjustments and assumptions in preparing the pro forma financial information presented in this prospectus/offer to exchange that have necessarily involved Validus' estimates with respect to Transatlantic's financial information. Any financial, operating or other information regarding Transatlantic that may be detrimental to Validus following Validus' acquisition of Transatlantic that has not been publicly disclosed by Transatlantic, or errors in Validus' estimates due to the lack of cooperation from Transatlantic, may have a material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus common shares after the acquisition.

The acquisition may result in one or more ratings organizations taking actions which may adversely affect the combined companies' business, financial condition and operating results, as well as the market price of Validus common shares.

Ratings with respect to claims paying ability and financial strength are important factors in maintaining customer confidence in Validus and its ability to market insurance and reinsurance products and compete with other insurance and reinsurance companies. Rating organizations regularly analyze the financial performance and condition of insurers and reinsurers and will likely reevaluate the ratings of Validus and its reinsurance subsidiaries following the consummation of the second-step merger, if applicable. Although none of Standard & Poor's, A.M. Best or Moody's took any formal action with respect to modifying Validus' ratings or Transatlantic's ratings following the announcement of the Validus merger offer or second-step merger, following the closing of the exchange offer, any ratings downgrades, or the potential for ratings downgrades, of Validus or its subsidiaries (including the newly acquired Transatlantic operating companies) could adversely affect Validus' ability to market and distribute products and services and successfully compete in the marketplace, which could have a

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material adverse effect on the business, financial condition and results of operations of the combined company and the market value of Validus common shares after the acquisition.

The occurrence of severe catastrophic events after the completion of the exchange offer and the second-step merger could cause Validus' financial results to be more volatile and may affect the financial results of Validus differently than if the exchange offer did not take place.

Because following the exchange offer Validus will, among other items, underwrite a large concentration of property catastrophe insurance and reinsurance and have large aggregate exposures to natural and man-made disasters, Validus expects that its loss experience generally will include infrequent events of great severity. Consequently, the occurrence of losses from catastrophic events is likely to cause substantial volatility in the Validus' financial results following the consummation of the exchange offer and second-step merger. In addition, because catastrophes will continue to be an inherent risk of the Validus' business following the consummation of the exchange offer, a major event or series of events can be expected to occur from time to time and to have a material adverse effect on the business, financial condition and results of operations of Validus and the market value of Validus common shares after the acquisition.

Future results of the combined company may differ materially from the Selected Unaudited Condensed Consolidated Pro Forma Financial Information of Validus and Transatlantic presented in this prospectus/offer to exchange.

The future results of Validus following the consummation of the exchange offer may be materially different from those shown in the Selected Unaudited Condensed Consolidated Pro Forma Financial Information presented in this prospectus/offer to exchange, which show only a combination of Validus' and Transatlantic's historical results after giving effect to the exchange offer. Validus has estimated that it will record approximately $32.375 million in transaction expenses, as described in the notes to the Selected Unaudited Condensed Consolidated Pro Forma Financial Information included in this prospectus/offer to exchange. In addition, the final amount of any charges relating to acquisition accounting adjustments that Validus may be required to record will not be known until following the consummation of exchange offer and second-step merger. These and other expenses and charges may be higher or lower than estimated.

The recent downgrade in the U.S. credit rating could materially adversely affect the business, financial condition and results of operations of Validus and Transatlantic and have an adverse effect on the exchange offer.

On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+. The current U.S. debt ceiling and budget deficit concerns have increased the possibility of other credit-rating downgrades and an economic slowdown. The impact of the downgrade is inherently unpredictable and could have a material adverse effect on the financial markets and economic conditions in the United States and throughout the world. In turn this could have a material adverse effect on the business, financial condition and results of operations of Validus and Transatlantic, including with respect to assets in their investment portfolios, as well as assets in trusts or other collateral arrangements posted by or to them. A decrease in the market value of investments held by Validus and Transatlantic could adversely affect the capital adequacy of such companies, which could require them to raise additional capital during a period of distress in financial markets, potentially at a higher cost. Additionally, rating agencies could impose higher capital requirements for Validus and Transatlantic to maintain their existing credit and financial strength ratings. Domestic and international equity markets have also recently experienced heightened volatility and turmoil, which may have an adverse effect on the market price of Validus common shares at the date the exchange offer is consummated. No prediction can be made as to the extent, severity and duration of the impact of the U.S. downgrade, a possible economic slowdown or of other recent events on the business, results of operations and financial condition of Validus and Transatlantic or on the exchange offer.

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THE COMPANIES

Validus

Validus is a Bermuda exempted company with its principal executive offices located at 29 Richmond Road, Pembroke, Bermuda HM 08. The telephone number of Validus is (441) 278-9000. Validus is a provider of reinsurance and insurance, conducting its operations worldwide through two wholly-owned subsidiaries, Validus Re and Talbot. Validus Re is a Bermuda-based reinsurer focused on short-tail lines of reinsurance. Talbot is the Bermuda parent of the specialty insurance group primarily operating within the Lloyd's insurance market through Syndicate 1183. At June 30, 2011, Validus had total shareholders' equity of approximately $3.5 billion and total assets of approximately $8.3 billion. Validus common shares are listed on the NYSE under the ticker symbol "VR" and, as of August 19, 2011, the last practicable date prior to the filing of this prospectus/offer to exchange, Validus had a market capitalization of approximately $2.5 billion. Validus has approximately 460 employees.

As of the date of the filing of this prospectus/offer to exchange with the SEC, Validus was the holder of 200 shares of Transatlantic common stock, or less than 1% of the amount outstanding.

Transatlantic

The following description of Transatlantic is taken from the Allied World/Transatlantic S-4. Please see the section of this prospectus/offer to exchange titled "Note on Transatlantic Information."

Transatlantic is a holding company incorporated in the State of Delaware. Transatlantic, through its wholly-owned subsidiaries, TRC, Trans Re Zurich Reinsurance Company Ltd., acquired by TRC in 1996, and Putnam (contributed by Transatlantic to TRC in 1995), offers reinsurance capacity for a full range of property and casualty products, directly and through brokers, to insurance and reinsurance companies, in both the domestic and international markets on both a treaty and facultative basis. One or both of TRC and Putnam is licensed, accredited, authorized or can serve as a reinsurer in 50 states and the District of Columbia in the United States and in Puerto Rico and Guam. Through its international locations, Transatlantic has operations worldwide, including Bermuda, Canada, seven locations in Europe, three locations in Central and South America, two locations in Asia (excluding Japan), and one location in each of Japan, Australia and Africa. TRC is licensed in Bermuda, Canada, Japan, the United Kingdom, the Dominican Republic, the Hong Kong Special Administrative Region, the People's Republic of China and Australia. Transatlantic was originally formed in 1986 under the name PREINCO Holdings, Inc. as a holding company for Putnam. Transatlantic's name was changed to Transatlantic Holdings, Inc. on April 18, 1990 following the acquisition on April 17, 1990 of all of the common stock of TRC in exchange for shares of common stock of Transatlantic.

Shares of Transatlantic common stock are listed on the NYSE under the symbol "TRH." Transatlantic's principal executive offices are located at 80 Pine Street, New York, New York 10005 and its telephone number is 212-365-2200.

Internet Address: Transatlantic's Internet address is *www.transre.com* and the investor relations section of its website is located at *http://ir1.transre.com*. Transatlantic makes available free of charge, through the investor relations section of its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

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THE ACQUISITION, BACKGROUND AND REASONS FOR THE EXCHANGE OFFER

The Acquisition

In order to consummate the acquisition of Transatlantic, Validus is simultaneously pursuing the following alternative transactions:

(1) the Validus merger offer; and

(2) the exchange offer.

The Validus merger offer and the exchange offer are alternative methods for Validus to acquire all of the issued and outstanding shares of Transatlantic common stock. Ultimately, only one of these transactions can be pursued to completion. Validus intends to seek to combine with Transatlantic by whichever method Validus determines is most likely to be completed.

On July 12, 2011, Validus publicly announced that it had delivered Validus merger offer to the Transatlantic board of directors to combine the businesses of Validus and Transatlantic through a merger transaction in which Validus would acquire all of the issued and outstanding shares of Transatlantic common stock. The proposal contemplates that Transatlantic stockholders would receive 1.5564 Validus common shares in the merger and $8.00 per share in cash pursuant to a one-time special dividend from Transatlantic immediately prior to closing of the merger for each share of Transatlantic common stock they own. Transatlantic announced on July 19, 2011 that the Transatlantic board of directors had determined that the Validus merger offer did not constitute a "superior proposal" under the terms of the Allied World acquisition agreement and reaffirmed its support of the proposed Allied World acquisition. However, Transatlantic also announced that the Transatlantic board of directors had determined that the Validus merger offer is reasonably likely to lead to a "superior proposal" and that the failure to enter into discussions regarding the Validus merger offer would result in a breach of the Transatlantic board of directors' fiduciary duties under applicable law.

Validus has filed a preliminary proxy statement in connection with the solicitation against the adoption of the Allied World acquisition agreement and a vote against other proposals brought before any Transatlantic special stockholder meeting as discussed in more detail in such preliminary proxy statement. If the Allied World acquisition agreement is not adopted by Transatlantic stockholders after a vote thereon, the Transatlantic board of directors will be able to terminate the Allied World acquisition agreement and enter into a merger agreement with Validus. If the Transatlantic board of directors were to enter into a merger agreement with Validus promptly following the termination of the Allied World acquisition agreement, Validus believes the merger contemplated by the Validus merger offer could be completed in the fourth quarter of 2011.

Validus commenced the exchange offer on July 25, 2011. In light of the uncertainty of entering into a consensual transaction with Transatlantic, Validus is making the exchange offer directly to Transatlantic stockholders on the terms and conditions set forth in this prospectus/offer to exchange as an alternative to the Validus merger offer. In the event that Validus accepts shares of Transatlantic common stock for exchange in the exchange offer, Validus intends to acquire any additional outstanding shares of Transatlantic common stock pursuant to the second-step merger. If Validus accepts shares of Transatlantic common stock for exchange and owns 90% or more of the outstanding shares of Transatlantic common stock after the exchange offer is completed, the second-step merger can be effected as a "short form" merger under Delaware law without the consent of any stockholder (other than Validus) and without the approval of the Transatlantic board of directors. If Validus does not acquire at least 90% of the outstanding shares of Transatlantic common stock in the exchange offer or otherwise, then both Transatlantic board approval and Transatlantic stockholder approval will be required to effect the second-step merger. In connection with consummation of the exchange offer or the second-step merger, subject to applicable law, Validus currently expects to replace Transatlantic's existing board of directors.

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While Validus continues to hope that it is possible to reach a consensual transaction with Transatlantic, Validus does not believe that it is in Transatlantic stockholders' best interests to give the Transatlantic board of directors a veto right over Validus pursuing its proposal for Transatlantic.

Based on Validus' and Transatlantic's respective capitalizations as of June 30, 2011, the exchange ratio of 1.5564, and assuming dissenters' rights are not properly exercised under Delaware law in connection with the second-step merger, Validus estimates that if all shares of Transatlantic common stock are exchanged pursuant to the exchange offer and/or the second-step merger, former Transatlantic stockholders would own, in the aggregate, approximately 48% of the aggregate Validus common shares and Validus non-voting common shares on a fully-diluted basis.

For more details relating to the structure of the exchange offer, please see the section of this prospectus/offer to exchange titled "The Exchange Offer."

Background of the Exchange Offer

Since Validus' formation in 2005, Validus has explored all available avenues for profitable growth, including evaluating opportunities for strategic acquisitions which fit Validus' criteria. In connection with such strategic evaluation, Validus has in the past had preliminary discussions with Transatlantic regarding a potential business combination transaction.

On June 3, 2011, Edward J. Noonan, the Chief Executive Officer and Chairman of the Board of Directors of Validus, spoke by telephone with Robert F. Orlich, President, Chief Executive Officer and a Director of Transatlantic. Mr. Noonan discussed with Mr. Orlich a potential business combination transaction between Validus and Transatlantic.

On June 7, 2011, Validus delivered a letter to Transatlantic reiterating its interest in exploring a business combination transaction with Transatlantic.

On June 12, 2011, Transatlantic and Allied World announced that they had entered into the Allied World acquisition agreement.

On July 7, 2011, Allied World filed the Allied World/Transatlantic S-4 with the SEC. The Allied World/Transatlantic S-4 purports to provide a summary of the events leading to Allied World and Transatlantic entering into the Allied World acquisition agreement.

In the afternoon of July 12, 2011, Mr. Noonan placed a telephone call to Mr. Orlich. Mr. Noonan spoke to Mr. Orlich and stated that Validus would be making a proposal to acquire Transatlantic in a merger pursuant to which Transatlantic stockholders would receive 1.5564 Validus common share in the merger and $8.00 per share in cash pursuant to a one-time special dividend from Transatlantic immediately prior to closing of the merger. Mr. Noonan also noted that while Validus preferred to work cooperatively with Transatlantic to complete a consensual transaction, it was also prepared to take the Validus merger offer directly to Transatlantic stockholders if necessary.

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Following this telephone call, in the afternoon of July 13, 2011, Validus delivered a proposal letter containing the Validus Transaction Proposal to the Transatlantic Board in care of Messrs. Press and Orlich and issued a press release announcing the Validus merger offer. The letter reads as follows:

July 12, 2011

Board of Directors of Transatlantic Holdings, Inc.
c/o Richard S. Press, Chairman
c/o Robert F. Orlich, President and Chief Executive Officer
80 Pine Street
New York, New York 10005

Re: ***Superior Proposal by Validus Holdings, Ltd. to Transatlantic Holdings, Inc.***

Dear Sirs:

On behalf of Validus, I am pleased to submit this proposal to combine the businesses of Validus and Transatlantic through a merger in which Validus would acquire all of the outstanding stock of Transatlantic. Pursuant to our proposal, Transatlantic stockholders would receive 1.5564 Validus voting common shares in the merger and $8.00 per share in cash pursuant to a one-time special dividend from Transatlantic immediately prior to closing of the merger for each share of Transatlantic common stock they own. This combination, which is highly compelling from both a strategic and financial perspective, would create superior value for our respective shareholders.

Based on our closing stock price on July 12, 2011, the proposed transaction provides Transatlantic stockholders with total consideration of $55.95 per share of Transatlantic common stock based on the Validus closing price on July 12, 2011, which represents a 27.1% premium to Transatlantic's closing price on June 10, 2011, the last trading day prior to the announcement of the proposed acquisition of Transatlantic by Allied World Assurance Company Holdings, AG. Our proposal also represents a 12.1% premium over the value of stock consideration to be paid to Transatlantic stockholders as part of the proposed acquisition of Transatlantic by Allied World based on the closing prices of Allied World and Validus shares on July 12, 2011. Additionally, our proposed transaction is structured to be tax-free to Transatlantic stockholders with respect to the Validus voting common shares they receive in the merger. The Allied World acquisition of Transatlantic is a fully-taxable transaction and does not include a cash component to pay taxes. Based on recent public statements by a number of significant Transatlantic stockholders, we believe that Transatlantic stockholders would welcome and support our proposed tax-free transaction, which provides higher value, both currently and in the long-term, to Transatlantic stockholders than Transatlantic's proposed acquisition by Allied World.

Our Board of Directors and senior management have great respect for Transatlantic and its business. As you know from our previous outreaches to you and past discussions, including our recent conversation on June 3rd and our letter dated June 7th, Validus has been interested in exploring a mutually beneficial business combination with Transatlantic for some time. We continue to believe in the compelling logic of a transaction between Transatlantic and Validus. Each of us has established superb reputations with our respective brokers and ceding companies in the markets we serve. The Flaspöhler 2010 Broker Report rated Transatlantic #3 and Validus #7 for "Best Overall" reinsurer and Validus #4 and Transatlantic #7 for "Best Overall Property Catastrophe." These parallel reputations for excellent service, creativity and underwriting consistency, when combined with the enhanced capital strength and worldwide scope of a combined Validus and Transatlantic, would afford us the opportunity to execute a transaction that would be mutually beneficial to our respective shareholders and customers, and more attractive than the proposed acquisition of Transatlantic by Allied World.

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We believe that our proposal clearly constitutes a "Superior Proposal" under the terms of the proposed Allied World merger agreement for the compelling reasons set forth below:

1. *Superior Value*. Our proposal of 1.5564 Validus voting common shares in the merger and $8.00 in cash pursuant to a pre-closing dividend for each share of Transatlantic common stock, which represents total consideration of $55.95 per share of Transatlantic common stock based on the Validus closing price on July 12, 2011, delivers a significantly higher value to Transatlantic stockholders than does the proposed acquisition of Transatlantic by Allied World. As noted above, as of such date, our proposal represents a 27.1% premium to Transatlantic's closing price on June 10, 2011, the last trading day prior to the announcement of the proposed acquisition of Transatlantic by Allied World, and a 12.1% premium over the value of stock consideration to be paid to Transatlantic stockholders in the proposed acquisition of Transatlantic by Allied World based on the closing prices of Allied World and Transatlantic shares on July 12, 2011. Our proposal also delivers greater certainty of value because it includes a meaningful pre-closing cash dividend payable to Transatlantic stockholders in contrast to the all-stock Allied World offer.

2. *Tax-Free Treatment*. In addition to the meaningful premium and cash consideration, the proposed transaction with Validus is structured to be tax-free to Transatlantic stockholders with respect to the Validus voting common shares they receive in the merger (unlike the fully-taxable proposed acquisition of Transatlantic by Allied World).

3. *Relative Ownership*. Upon consummation of the proposed transaction, Transatlantic stockholders would own approximately 48% of Validus' outstanding common shares on a fully-diluted basis.[9]

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(9) Fully diluted shares calculated using treasury stock method.

4. *Superior Currency*. Validus' voting common shares have superior performance and liquidity characteristics compared to Allied World's stock:

	Validus	Allied World
Total Shareholder Return Since Validus IPO[a]	+55%	+24%
Market Cap as of 6/10/11[b]	$ 3.0 billion	$ 2.2 billion
Average Daily Trading Volume (3 month)[c]	$ 27.6 million	$ 14.6 million
Average Daily Trading Volume (6 month)[d]	$ 22.4 million	$ 13.4 million
Price / As-Reported Diluted Book (Unaffected)[e]	0.97x	0.78x
Price / As-Reported Diluted Book (Current)[e]	0.98x	0.76x
Dividend Yield as of 6/10/11 (Unaffected)	3.3%[f]	2.6%[g]

(a) Including dividends. Based on the closing prices on June 10, 2011 and July 24, 2007. Source: SNL.

(b) "Market Cap as of 6/10/11" reflects Validus' and Allied World's unaffected market capitalization based on market prices of Validus and Allied World prior to the announcement of the proposed Allied World acquisition on June 12, 2011 (and as reported in the July 12, 2011 letter). As of August 19, 2011, Validus' market capitalization was $2.5 billion and Allied World's market capitalization was $1.9 billion.

(c) Three months prior to June 12, 2011, date of announcement of proposed Allied World acquisition of Transatlantic. Source: Bloomberg.

(d) Six months prior to June 12, 2011, date of announcement of proposed Allied World acquisition of Transatlantic. Source: Bloomberg.

(e) Based on March 31, 2011 GAAP diluted book value per share. Unaffected price / as-reported diluted book value measured prior to June 12, 2011 announcement of proposed Allied World acquisition of Transatlantic. Current is as of closing prices of Validus and Allied World stock on July 12, 2011.

(f)

Based on $0.25 per share quarterly dividend, as announced May 5, 2011.

(g) Based on $0.375 per share quarterly dividend, as disclosed in Allied World Form 8-K dated June 15, 2011.

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Moreover, Validus has maintained a premium valuation on a diluted book value per share multiple basis relative to its peers over the past two years, including Allied World. Our commitment to transparency and shareholder value creation has allowed us to build a long-term institutional shareholder base, even as our initial investors have reduced their ownership in Validus.

5. *Robust Long-Term Prospects*. We believe that a combined Validus and Transatlantic would be a superior company to Allied World following its acquisition of Transatlantic:

Strategic Fit:

The combination of Validus' strong positions in Bermuda and London and Transatlantic's operations in the United States, continental Europe and Asia would produce a rare example of a complementary business fit with minimal overlap.

This combination will produce a well-diversified company that will be a global leader in reinsurance.

This combination will solidify Validus' leadership in property catastrophe, with pro forma managed catastrophe premiums of over $1 billion,[10] while remaining within Validus' historical risk appetite. Validus has significant experience assimilating catastrophe portfolios, most recently its acquisition of IPC Holdings, Ltd. in 2009.

(10) Based on property catastrophe gross premiums written for Validus and net premiums written for Transatlantic in 2010. Pro forma for Validus ($572 million), Transatlantic ($431 million) and AlphaCat Re 2011 ($43 million).

Finally, we believe that there is a natural division of expertise among our key executives in line with our complementary businesses.

Size and Market Position: This combination would create a geographically diversified company with a top six reinsurance industry position on a pro forma basis,[11] and makes the combined company meaningfully larger than many of the companies considered to be in our mutual peer group. Our merged companies would have gross premiums written over the last twelve months of approximately $6.1 billion as of March 31, 2011.

(11) Ranked by 2009 net premiums written and excluding the Lloyd's market per Standard & Poor's Global Reinsurance Highlights 2010.

As the level of capital required to support risk will continue to rise globally, we believe that size will become an even more important competitive advantage in the reinsurance market. The recent renewals at June 1 and July 1, 2011 reinforced this belief as Validus was able to significantly outperform market rate levels which we believe was a result of our size, superior analytics and our ability to structure private transactions at better than market terms, while not increasing our overall risk levels.

Significant Structural Flexibility: Given jurisdiction, size and market position benefits, a combined Validus and Transatlantic would have significant structural flexibility, including its ability to optimally deploy capital globally in different jurisdictions, e.g., through targeted growth initiatives and/or capital management.

Global, Committed Leader in Reinsurance: Validus has a superior business plan for the combined company that will drive earnings by capturing the best priced segments of the reinsurance market. A combined Validus / Transatlantic would derive a majority of its premiums from short-tail lines and 17% of premiums written from property catastrophe (compared to 10% for Allied World / Transatlantic).[12] Validus believes this business mix allows for optimal cycle management as the attractive pricing in short tail reinsurance will allow the combined company to better position itself for the eventual upturn in long tail lines. Validus also intends to fortify Transatlantic's reserve position through a planned $500 million pre-tax reserve strengthening.

(12) Based on gross premiums written for Validus and net premiums written for Transatlantic in 2010.

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We have reviewed the Allied World merger agreement and would be prepared to enter into a merger agreement with Transatlantic that includes substantially similar non-price terms and conditions as the Allied World merger agreement. We are also open to discussing an increase to the size of Validus' Board of Directors to add representation from the Transatlantic Board of Directors. In order to facilitate your review of our proposal, we have delivered to you a draft merger agreement.

Additionally, we expect that the proposed transaction with Validus would be subject to customary closing conditions, including the receipt of domestic and foreign antitrust and insurance regulatory approvals and consents in the United States and other relevant jurisdictions. Based upon discussions with our advisors, we anticipate that all necessary approvals and consents can be completed in a timely manner and will involve no undue delay in comparison to Transatlantic's proposed acquisition by Allied World.

Validus expects that the pre-closing special dividend would be financed entirely by new indebtedness incurred by Transatlantic. As such, Validus has received a highly confident letter from J.P. Morgan Securities LLC in connection with the arrangement of the full amount of financing required for the Transatlantic pre-closing special dividend.

Validus has completed two large acquisitions since 2007, and has a proven track record of assimilating and enhancing the performance of businesses that it acquires to create additional value for shareholders. As such, we are confident that we will be able to successfully integrate Transatlantic's and Validus' businesses in a manner that will quickly maximize the benefits of the transaction for our respective shareholders.

Given the importance of our proposal to our respective shareholders, we feel it appropriate to make this letter public. We believe that our proposal presents a compelling opportunity for both our companies and our respective shareholders, and look forward to the Transatlantic Board of Directors' response by July 19, 2011. We are confident that, after the Transatlantic Board of Directors has considered our proposal, it will agree that our terms are considerably more attractive to Transatlantic stockholders than the proposed acquisition of Transatlantic by Allied World and that our proposal constitutes, or is reasonably likely to lead to, a "Superior Proposal" under the terms of Transatlantic's merger agreement with Allied World.

We understand that, after the Transatlantic Board of Directors has made this determination and provided the appropriate notice to Allied World under the merger agreement, it can authorize Transatlantic's management to enter into discussions with us and provide information to us. We are prepared to immediately enter into a mutually acceptable confidentiality agreement, and we would be pleased to provide Transatlantic with a proposed confidentiality agreement.

We understand that the terms of Transatlantic's merger agreement with Allied World do not currently permit Transatlantic to terminate the merger agreement in order to accept a "Superior Proposal," but rather Transatlantic has committed to bring the proposed acquisition of Transatlantic by Allied World to a stockholder vote. We are prepared to communicate the benefits of our proposal as compared to Allied World's proposed acquisition of Transatlantic directly to Transatlantic stockholders. In addition, while we would prefer to work cooperatively with the Transatlantic Board of Directors to complete a consensual transaction, we are prepared to take our proposal directly to Transatlantic stockholders if necessary.

We have already reviewed Transatlantic's publicly available information and would welcome the opportunity to review the due diligence information that Transatlantic previously provided to Allied World. We are also prepared to give Transatlantic and its representatives access to Validus'

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non-public information for purposes of the Transatlantic Board of Directors' due diligence review of us.

Our Board of Directors has unanimously approved the submission of this proposal. Of course, any definitive transaction between Validus and Transatlantic would be subject to the final approval of our Board of Directors, and the issuance of Validus voting common shares contemplated by our proposal will require the approval of our shareholders. We do not anticipate any difficulty in obtaining the required approvals and are prepared to move forward promptly at an appropriate time to seek these approvals.

This letter does not create or constitute any legally binding obligation by Validus regarding the proposed transaction, and, other than any confidentiality agreement to be entered into with Transatlantic, there will be no legally binding agreement between us regarding the proposed transaction unless and until a definitive merger agreement is executed by Transatlantic and Validus.

We believe that time is of the essence, and we, our financial advisors, Greenhill & Co., LLC and J.P. Morgan Securities LLC, and our legal advisor, Skadden, Arps, Slate Meagher & Flom LLP, are prepared to move forward expeditiously with our proposal to pursue this transaction. We believe that our proposal presents a compelling opportunity for both companies and our respective shareholders, and we look forward to receiving your response by July 19, 2011.

Sincerely,
/s/ Edward J. Noonan
Edward J. Noonan
Chairman and Chief Executive Officer
Enclosure

On the morning of July 13, 2011, Transatlantic issued a press release acknowledging receipt of the letter from Validus containing the Validus merger offer and a separate press release announcing the record date for the Transatlantic special stockholders meeting as of the close of business on July 22, 2011.

Also on the morning of July 13, 2011, Allied World issued a press release announcing the record date for its extraordinary general meeting of its shareholders relating to the proposed Allied World acquisition as of the close of business on July 22, 2011.

On the afternoon of July 17, 2011, Validus delivered supplemental materials relating to the superior economics and other benefits of the Validus merger offer to the board of directors of Transatlantic and, in the evening of July 17, 2011, Validus issued a press release describing the supplemental materials.

On July 18, 2011, Validus filed a Notification and Report Form with the FTC and Antitrust Department under the HSR Act, relating to the Validus merger offer and the exchange offer. On August 17, 2011 at 11:59 p.m. Eastern time, the applicable waiting period under the HSR Act for the acquisition by Validus of shares of Transatlantic common stock pursuant to the exchange offer expired and the related condition to the exchange offer was satisfied.

On July 19, 2011, Transatlantic issued a press release announcing that the Transatlantic board of directors determined that the Validus merger offer does not constitute a "superior proposal" under the terms of the Allied World acquisition agreement and reaffirmed its support of the proposed Allied World acquisition. However, Transatlantic also announced that the Transatlantic board of directors had determined that the Validus merger offer is reasonably likely to lead to a "superior proposal" and that

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the failure to enter into discussions with Validus regarding the Validus merger offer would result in a breach of the Transatlantic board of directors' fiduciary duties under applicable law.

On July 20, 2011, Validus filed a preliminary proxy statement with the SEC with respect to soliciting votes against adoption of the Allied World acquisition agreement at the Transatlantic special stockholder meeting and issued a press release responding to the Transatlantic board of directors' response to the Validus merger offer.

On the morning of July 23, 2011, following the expiration of a three business days' notice period under the Allied World acquisition agreement, Transatlantic delivered a form of confidentiality agreement that included standstill provisions that would have prevented Validus from pursuing its proposal for Transatlantic for Validus' execution prior to the commencement of discussions and exchange of confidential information.

On the evening of July 23, 2011, in-house and outside counsel from Transatlantic (Gibson, Dunn & Crutcher LLP) and Validus (Skadden, Arps, Slate, Meagher & Flom LLP) spoke via telephone to discuss the form of confidentiality agreement delivered by Transatlantic earlier that day. On this call, Transatlantic and Validus were unable to come to agreement regarding the removal of the restrictive standstill provisions. Later that same evening, Validus delivered a form of confidentiality agreement to Transatlantic that it would be prepared to execute.

On the morning of July 25, 2011, Validus sent a letter to the Transatlantic board of directors regarding Transatlantic's refusal to enter into a confidentiality agreement that would not foreclose Validus from pursuing its proposal for Transatlantic and informed the Transatlantic board that Validus was commencing the exchange offer that morning. The letter reads as follows:

> July 25, 2011
>
> Board of Directors of Transatlantic Holdings, Inc.
> c/o Richard S. Press, Chairman
> c/o Robert F. Orlich, President and Chief Executive Officer
> 80 Pine Street
> New York, New York 10005
>
> Dear Messrs. Press and Orlich:
>
> I am writing regarding your letter of July 23, 2011 and the draft confidentiality agreement you provided to us. We have commented on this draft, returned it to Transatlantic and are prepared to execute the confidentiality agreement we returned so that our two companies may commence discussions and exchange information. Our revision to the agreement removes the standstill provisions that you included which would contractually prohibit us from pursuing our Superior Proposal for Transatlantic without Transatlantic Board approval.
>
> In light of the statements in your press release of last Tuesday that the Transatlantic Board determined that the failure to enter into discussions with Validus would result in a breach of its fiduciary duties, I was surprised to learn that you are insisting that we agree to standstill provisions as a precondition to such discussions. Were we to agree to such restrictions, we would be foregoing our right to pursue our Superior Proposal for Transatlantic. In fact, we would be precluded from making any offer for Transatlantic without your express consent, as well as being precluded from encouraging Transatlantic's stockholders to vote against the proposed inferior Allied World acquisition of Transatlantic. We believe that Transatlantic preconditioning any discussions on our agreement to these restrictive provisions is inconsistent with the Transatlantic Board's fiduciary duties to its stockholders and is not required by your merger agreement with Allied World. Clearly

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this is not a condition that we can accept and your position causes us to question whether your overture of last week was genuine.

While we continue to hope that it is possible to reach a consensual transaction with Transatlantic, we do not believe that it is in your stockholders' best interests to give the Transatlantic Board a veto right over whether our Superior Proposal is made available to them. Accordingly, we are proceeding with our previously announced course to take our Superior Proposal directly to Transatlantic stockholders by commencing an Exchange Offer for all of the outstanding shares of common stock of Transatlantic for 1.5564 Validus voting common shares and $8.00 in cash per share of Transatlantic common stock and to continue to solicit Transatlantic stockholders to vote against the approval of your sale to Allied World. On behalf of your stockholders, we would encourage you not to take further action against their best interests by attempting to set roadblocks in our path.

We remain open to engaging in discussions with Transatlantic and exchanging information regarding Validus' Superior Proposal. However, such discussions cannot be constrained by preconditions that eliminate Validus' ability to pursue our Superior Proposal.

Sincerely,
/s/ Edward J. Noonan
Edward J. Noonan
Chairman and Chief Executive Officer

On July 25, 2011, Validus commenced the exchange offer and filed its Registration Statement on Form S-4, which included a prospectus/offer to exchange.

On July 25, 2011, prior to the open of the trading day, Validus issued a press release containing the foregoing letter and announcing the commencement of the exchange offer.

On the morning of July 28, 2011, Transatlantic filed a Schedule 14D-9 reporting that the Transatlantic board of directors had met on July 26, 2011 and reaffirmed its support of the proposed Allied World acquisition, and determined to recommend that Transatlantic stockholders reject the exchange offer and not tender their shares of Transatlantic common stock pursuant to the exchange offer.

Also on the morning of July 28, 2011, Transatlantic filed a Form 8-K with the SEC announcing that it had adopted the Transatlantic rights plan, which has a term of one year and a 10% beneficial ownership threshold.

Additionally, on the morning of July 28, 2011, Transatlantic announced that it had filed a complaint against Validus in the United States District Court for the District of Delaware, alleging that Validus violated the securities laws by making false and misleading statements to Transatlantic's stockholders in connection with the exchange offer and its opposition to the proposed Allied World acquisition. Validus believes that this suit is meritless. On August 10, 2011, Validus moved to dismiss this complaint for failure to state a claim.

On the afternoon of July 28, 2011, Validus issued a press release reiterating that the exchange offer is superior to the proposed Allied World acquisition and challenging misleading statements that had been made by Transatlantic earlier that day.

On August 1, 2011, Validus filed with the SEC an amendment to its preliminary proxy statement with respect to soliciting votes against adoption of the Allied World acquisition agreement at the Transatlantic special stockholder meeting.

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On August 2, 2011, Validus obtained amendments to its applicable credit facilities necessary for satisfying a condition to the exchange offer.

On August 3, 2011, Validus filed with the SEC an amendment to its Registration Statement on Form S-4, including an amended prospectus/offer to exchange.

Also on August 3, 2011, Validus filed with the SEC a preliminary proxy statement with respect to a special meeting of Validus shareholders at which Validus will seek the approval of the issuance of Validus voting common shares in connection with the exchange offer or other acquisition transaction involving Transatlantic.

On August 4, 2011, at Transatlantic's request, Mr. Noonan and Joseph E. (Jeff) Consolino, Validus' President and Chief Financial Officer, met with Mr. Orlich and Michael Sapnar, Transatlantic's Executive Vice President and Chief Operating Officer, to discuss the potential terms of a confidentiality agreement between Validus and Transatlantic.

On August 5, 2011, at Validus' request, representatives of Skadden, Arps and Gibson Dunn met to discuss the potential terms of a confidentiality agreement between Validus and Transatlantic.

On August 7, 2011, Transatlantic announced that it had received on August 5, 2011 a proposal from National Indemnity Company to acquire all of the outstanding shares of Transatlantic common stock for $52.00 per share.

On August 8, 2011, Transatlantic announced that the proposal from National Indemnity Company does not constitute a "superior proposal" under the terms of the Allied World acquisition agreement, but is reasonably likely to lead to a "superior proposal," and that the failure to enter into discussions regarding the proposal from National Indemnity Company would result in a breach of the Transatlantic board of directors' fiduciary duties under applicable law.

Also on August 10, 2011, Validus filed a complaint in the Court of Chancery of the State of Delaware against Transatlantic, the members of its board of directors, and Allied World. The complaint alleges that Transatlantic directors have breached and are breaching their fiduciary duties by refusing to recommend against the proposed Allied World acquisition, refusing to engage Validus in discussions about the Validus offer, and making false and misleading statements and omissions in connection with seeking stockholder approval of the Allied World acquisition. The complaint also alleges that Allied World has aided and abetted these breaches of fiduciary duty. On August 16, 2011, Validus filed a motion seeking (i) a preliminary injunction seeking a declaratory judgment regarding Transatlantic's interpretation of Section 5.5(e) of the Allied World acquisition agreement and whether the Transatlantic board of directors has breached its fiduciary duties by refusing to enter into discussions and exchange information with Validus and (ii) expedited discovery in connection with the preliminary injunction hearing.

Also on August 10, 2011, Validus sent a letter to the Transatlantic board of directors regarding the above referenced Delaware Chancery Court complaint and notifying the Transatlantic board of directors that Validus' outside legal counsel, Skadden, Arps, would be delivering to Transatlantic's outside legal counsel, Gibson Dunn, an executed one-way confidentiality agreement that would permit Transatlantic to receive and review non-public information regarding Validus, and which would not contain a standstill or prevent Transatlantic from disclosing such information as it may be legally required.

Additionally, on August 10, 2011, Skadden, Arps delivered to Gibson Dunn the above referenced executed one-way confidentiality agreement.

On August 12, 2011, Validus filed with the SEC an amendment to its Registration Statement on Form S-4, including an amended prospectus/offer to exchange.

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Also on August 12, 2011, Validus filed with the SEC an amendment to its preliminary proxy statement with respect to soliciting votes against adoption of the Allied World acquisition agreement at the Transatlantic special stockholder meeting.

On August 19, 2011, Validus filed with the SEC an amendment to its Registration Statement on Form S-4, including an amended prospectus/offer to exchange.

On August 19, 2011, Validus filed with the SEC an amendment to its preliminary proxy statement with respect to a special meeting of Validus shareholders at which Validus will seek the approval of the issuance of Validus voting common shares in connection with the exchange offer or other acquisition transaction involving Transatlantic.

Reasons for the Exchange Offer

While Validus continues to hope that it is possible to reach a consensual transaction with Transatlantic, Validus does not believe that it is in Transatlantic stockholders' best interests to give the Transatlantic board of directors a veto right over Validus pursuing its proposal for Transatlantic Transatlantic's stockholders. Accordingly, Validus commenced the exchange offer.

Validus believes that the acquisition of Transatlantic represents a compelling combination and excellent strategic fit that will create a unique, global leader in reinsurance that will

- deploy capital effectively to maximize underwriting profitability and achieve superior growth in book value per share,
- continue to aggressively manage capital, consistent with Validus' past practice, and
- be a recognized leader in multiple classes, emphasizing short-tail lines while being well-positioned for cycle management.

The Validus common shares to be issued and cash to be paid to Transatlantic stockholders in exchange for shares of Transatlantic common stock in the exchange offer will provide Transatlantic stockholders with a compelling opportunity to participate in the growth and opportunities of the combined company. Validus believes that the combination of Validus and Transatlantic offers a number of benefits to holders of shares of Transatlantic common stock, including the following:

The exchange offer provides a premium to Transatlantic stockholders compared to the proposed Allied World acquisition.

Based upon closing prices as of August 19, 2011, the last practicable date prior to the filing of this prospectus/offer to exchange, the exchange offer had a value of $47.80 per share of Transatlantic common stock, which represented 6.6% premium to the consideration to be received by Transatlantic stockholders in the proposed Allied World acquisition.

Information with respect to the range of closing prices for shares of Transatlantic common stock for certain dates and periods is set forth in the section of this prospectus/offer to exchange titled "Comparative Market Price and Dividend Information." Validus urges Transatlantic stockholders to obtain a current market quotation for shares of Transatlantic common stock and Validus common shares. Please also see the section of this prospectus/offer to exchange titled "Risk Factors" for a discussion, among other things, of the effect of fluctuations in the market price of Validus common shares.

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The Validus common shares to be issued to Transatlantic stockholders in exchange for shares of Transatlantic common stock pursuant to the exchange offer represent what we believe is a superior currency to Allied World's common shares.

Superior Currency

Validus common shares have superior performance and liquidity characteristics to Allied World's common shares:

	Validus	Allied World
Total Shareholder Return Since Validus IPO[a]	+55%	+24%
Market Cap as of 6/10/11[b]	$ 3.0 billion	$ 2.2 billion
Average Daily Trading Volume (3 month)[c]	$ 27.6 million	$ 14.6 million
Average Daily Trading Volume (6 month)[d]	$ 22.4 million	$ 13.4 million
Price / As-Reported Diluted Book (Unaffected)[e]	0.97x	0.78x
Price / As-Reported Diluted Book (as of 7/12/11)[e]	0.98x	0.76x
Dividend Yield as of 6/10/11 (Unaffected)	3.3%[f]	2.6%[g]

(a) Including dividends. Based on the closing prices on June 10, 2011 and July 24, 2007. Source: SNL.

(b) "Market Cap as of 6/10/11" reflects Validus' and Allied World's unaffected market capitalization based on market prices of Validus and Allied World prior to the announcement of the proposed Allied World acquisition on June 12, 2011. As of August 19, 2011, Validus' market capitalization was $2.5 billion and Allied World's market capitalization was $1.9 billion.

(c) Three months prior to June 12, 2011, date of announcement of proposed Allied World acquisition of Transatlantic. Source: Bloomberg.

(d) Six months prior to June 12, 2011, date of announcement of proposed Allied World acquisition of Transatlantic. Source: Bloomberg.

(e) Based on March 31, 2011 GAAP diluted book value per share. Unaffected price / as-reported diluted book value measured prior to June 12, 2011 announcement of proposed Allied World acquisition of Transatlantic. Current is as of closing prices of Validus and Allied World stock on July 12, 2011.

(f) Based on $0.25 per share quarterly dividend, as announced May 5, 2011.

(g) Based on $0.375 per share quarterly dividend, as disclosed in Allied World Form 8-K dated June 15, 2011.

Moreover, Validus has maintained a premium valuation on a diluted book value per share multiple basis relative to its peers over the past two years, including Allied World.[12] Our commitment to transparency and shareholder value creation has allowed Validus to build a long-term institutional shareholder base, even as Validus' initial investors have reduced their ownership in Validus.

(13) Comparison of Validus and selected peer median quarterly Price / Diluted Book Value Per Share based on share price on day immediately following release of relevant quarter's earnings. Selected peer group consists of Allied World, Transatlantic, XL Group plc, Everest Re Group, Ltd., Arch Capital Group Ltd., Axis Capital Holdings Limited, Alterra Capital Holdings Ltd., Aspen Insurance Holdings Limited, Endurance Specialty Holdings Ltd., Argo Group International Holdings, Ltd., PartnerRe Ltd., RenaissanceRe Holdings Ltd., Platinum Underwriters Holdings, Ltd., Montpelier Re Holdings Ltd., Greenlight Capital Re, Ltd. and Flagstone Reinsurance Holdings SA. Source: FactSet, company filings, SNL.

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We believe that a combined Validus and Transatlantic would be a superior company to Allied World following its acquisition of Transatlantic.

Strategic Fit

The combination of Validus' strong positions in Bermuda and London and Transatlantic's operations in the United States, continental Europe and Asia would produce a complementary business fit and a well-diversified company that will be a global leader in reinsurance. Validus intends that, following the acquisition of Transatlantic, Validus' and Transatlantic's respective brands will continue to be utilized in their respective markets in order to preserve each company's brand equity.[(14)]

This combination will solidify Validus' leadership in property catastrophe, with pro forma managed catastrophe premiums of over $1 billion,[(15)] while remaining within Validus' historical risk appetite. Validus has significant experience assimilating catastrophe portfolios, most recently its acquisition of IPC Holdings, Ltd., which we refer to as "IPC," in 2009.

(14) Allied World has also stated an intent to preserve the Transatlantic brand.

(15) Based on property catastrophe gross premiums written for Validus and net premiums written for Transatlantic in 2010. Pro forma for Validus ($572 million), Transatlantic ($431 million) and AlphaCat Re 2011 ($43 million).

Size and Market Position

This combination will create a geographically diversified company with a top six reinsurance industry position on a pro forma basis,[(16)] and will make the combined company meaningfully larger than many of the companies considered to be in the mutual peer group of Validus and Transatlantic. The combined company would have gross premiums written over the last twelve months of approximately $6.3 billion as of June 30, 2011, which is comparable in amount to the pro forma combination of Transatlantic and Allied World.

(16) Ranked by 2009 net premiums written and excluding the Lloyd's market per Standard & Poor's Global Reinsurance Highlights 2010.

As the level of capital required to support risk will continue to rise globally, we believe that size will become an even more important competitive advantage in the reinsurance market. The recent renewals at June 1 and July 1, 2011 reinforced this belief as Validus was able to significantly outperform market rate levels which Validus believes was a result of our size, superior analytics and Validus' ability to structure private transactions at better than market terms, while not increasing Validus' overall risk levels.

Significant Structural Flexibility

Given jurisdiction, size and market position benefits, we believe a combined Validus and Transatlantic would have significant structural flexibility, including its ability to optimally deploy capital globally in different jurisdictions, e.g., through targeted growth initiatives and/or capital management.

Global, Committed Leader in Reinsurance

Validus believes that its business plan for the combined company will drive earnings by capturing the best priced segments of the reinsurance market. A combined Validus / Transatlantic would derive a majority of its premiums from short-tail lines and 17% of premiums written from property catastrophe (compared to 10% for Allied World / Transatlantic).[17] Validus believes this business mix allows for optimal cycle management as the attractive pricing in short tail reinsurance will allow the combined company to better position itself for the eventual upturn in long tail lines. Validus also intends to fortify Transatlantic's reserve position through a planned $500 million pre-tax reserve strengthening.

(17) Based on gross premiums written for Validus and net premiums written for Transatlantic in 2010.

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Following a combination of Validus and Transatlantic, we believe the combined company would have significant capital availability that could be actively managed to the benefit of the combined company's shareholders.

Active capital management is a core element of Validus' strategy which Validus believes has contributed to its premium valuation.[18] From the inception of its repurchase program on November 11, 2009 through May 6, 2011, Validus repurchased 35 million Validus common shares for approximately $947.2 million (approximately 26.7% of all Validus common shares outstanding since the inception of the repurchase program).

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(18) Comparison of Validus and selected peer median quarterly Price / Diluted Book Value Per Share based on share price on day immediately following release of relevant quarter's earnings. Selected peer group consists of Allied World, Transatlantic, XL Group plc, Everest Re Group, Ltd., Arch Capital Group Ltd., Axis Capital Holdings Limited, Alterra Capital Holdings Ltd., Aspen Insurance Holdings Limited, Endurance Specialty Holdings Ltd., Argo Group International Holdings, Ltd., PartnerRe Ltd., RenaissanceRe Holdings Ltd., Platinum Underwriters Holdings, Ltd., Montpelier Re Holdings Ltd., Greenlight Capital Re, Ltd. and Flagstone Reinsurance Holdings SA. Source: FactSet, company filings, SNL.

The combination of Validus and Transatlantic would create a company with an estimated 1.1 billion of pre-synergy, pre-catastrophe earnings,[19] which could be available for expanded share repurchase activity.[20] Validus intends to manage its capital following the acquisition of Transatlantic in a manner consistent with its past practices in order to benefit the combined company's shareholders.

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(19) Based upon combined last twelve months pre-catastrophe accident year earnings as of June 30, 2011.

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(20) The timing, form and amount of the share repurchases under any program would depend on a variety of factors, including market conditions, Validus' capital position relative to internal and rating agency targets, legal and regulatory requirements, contractual compliance and other factors. The repurchase program may be modified, extended or terminated by Validus' board of directors at any time.

We believe that the combination of Validus and Transatlantic would yield significant synergies.

In addition to the aggregate earnings power of the combined company, following the acquisition of Transatlantic, Validus believes there will be significant opportunities to expand the combined company's earnings and return on equity through combination synergies. Once Validus and Transatlantic have combined, Validus believes potential synergies will arise from (1) the elimination of Transatlantic's public company costs, (2) the restructuring of the combined company's legal organization, including restructuring Transatlantic's non-U.S. subsidiaries, (3) the optimization of the combined company's catastrophe portfolio and harmonization of Validus' and Transatlantic's respective risk appetites, and (4) the maximization of after-tax returns on the combined company's investment portfolio. Please see the section of this prospectus/offer to exchange titled "Risk Factors Risk Factors Relating to the Exchange Offer and the Second-Step Merger."

Validus offers Transatlantic a highly experienced, first class management team.

As reflected in Schedule I to this prospectus/offer to exchange, Validus offers Transatlantic a highly experienced, first-class management team. Validus' management team has demonstrated the ability to execute growth strategies successfully, carefully manage risk and deliver enhanced shareholder value. Under the stewardship of its current management, Validus has completed the acquisitions of Talbot and IPC and established a meaningful presence in the property casualty, specialty, energy and aviation markets. The excellent performance of the leadership of the Validus management team is evidenced by the fact that Validus common shares traded at 0.98x and 1.02x, respectively, to Validus' as-reported diluted book value and diluted tangible book value based on the closing price of Validus common shares on July 12, 2011, the last trading day prior to the announcement of the Validus merger offer. Validus will seek to retain the Transatlantic management team for the benefit of the combined company.

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THE EXCHANGE OFFER

Overview

Validus is offering to exchange for each outstanding share of Transatlantic common stock that is validly tendered and not properly withdrawn prior to the expiration time of the exchange offer, 1.5564 Validus common shares and $8.00 in cash (less applicable withholding taxes and without interest), upon the terms and subject to the conditions contained in this prospectus/offer to exchange and the accompanying letter of transmittal. In addition, you will receive cash in lieu of any fractional Validus common share to which you may be entitled.

The term "expiration time of the exchange offer" means 5:00 p.m., Eastern time, on Friday, September 30, 2011, unless Validus extends the period of time for which the exchange offer is open, in which case the term "expiration time of the exchange offer" means the latest time and date on which the exchange offer, as so extended, expires.

The exchange offer is subject to conditions which are described in the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer." Validus expressly reserves the right, subject to the applicable rules and regulations of the SEC, to waive any condition of the exchange offer described herein in its discretion, except for the conditions described under the subheadings "Shareholder Approval Condition," "Registration Statement Condition," "NYSE Listing Condition," "Competition Condition," "New York Department of Insurance Condition," and "Regulatory Condition" in the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" below, each of which cannot be waived. Validus expressly reserves the right to make any changes to the terms and conditions of the exchange offer (subject to any obligation to extend the exchange offer pursuant to the applicable rules and regulations of the SEC).

If you are the record owner of your shares of Transatlantic common stock and you tender your shares of Transatlantic common stock in the exchange offer, you will not have to pay any brokerage fees or similar expenses. If you own your shares of Transatlantic common stock through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares of Transatlantic common stock on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

The purpose of the exchange offer is for Validus to acquire control of, and ultimately the entire equity interest in, Transatlantic. Validus has publicly expressed a desire to enter into a consensual business combination with Transatlantic and delivered the Validus merger offer to Transatlantic on July 12, 2011. Transatlantic announced on July 19, 2011 that the Transatlantic board of directors had determined that the Validus merger offer did not constitute a "superior proposal" under the terms of the Allied World acquisition agreement and reaffirmed its support of the proposed Allied World acquisition. Validus commenced the exchange offer on July 25, 2011. In light of the uncertainty of entering into a consensual transaction with Transatlantic, Validus is making the exchange offer directly to Transatlantic stockholders on the terms and conditions set forth in this prospectus/offer to exchange as an alternative to the Validus merger offer.

Validus intends, promptly following acceptance for exchange and exchange of shares of Transatlantic common stock in the exchange offer, to effect the second-step merger pursuant to which Validus will acquire all shares of Transatlantic common stock of those Transatlantic stockholders who choose not to tender their shares of Transatlantic common stock pursuant to the exchange offer in accordance with Delaware law. After the second-step merger, former remaining Transatlantic stockholders will no longer have any ownership interest in Transatlantic and will be shareholders of Validus and Validus will own all of the issued and outstanding shares of Transatlantic common stock.

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Please see the sections of this prospectus/offer to exchange titled "The Exchange Offer Purpose and Structure of the Exchange Offer"; "The Exchange Offer Second-Step Merger"; and "The Exchange Offer Plans for Transatlantic."

Subject to applicable law, Validus reserves the right to amend the exchange offer (including by amending the consideration to be offered in the exchange offer or second-step merger or the structure of the second-step merger), including upon entering into a merger agreement with Transatlantic (including a merger agreement that does not contemplate an exchange offer), in which event we would terminate the exchange offer and the shares of Transatlantic common stock would, upon consummation of such acquisition, be converted into the right to receive the merger consideration pursuant to the merger agreement. Please see the sections of this prospectus/offer to exchange titled "The Exchange Offer Plans for Transatlantic" and "The Exchange Offer Extension, Termination and Amendment."

Based on Validus' and Transatlantic's respective capitalizations as of June 30, 2011, the exchange ratio of 1.5564, and assuming dissenters' rights are not properly exercised under Delaware law in connection with the second-step merger, Validus estimates that if all shares of Transatlantic common stock are exchanged pursuant to the exchange offer and the second-step merger, former Transatlantic stockholders would own, in the aggregate, approximately 48% of the aggregate Validus common shares and Validus non-voting common shares on a fully-diluted basis. For a detailed discussion of the assumptions on which this estimate is based, please see the section of this prospectus/offer to exchange titled "The Exchange Offer Ownership of Validus After the Exchange Offer."

Expiration Time of the Exchange Offer

The exchange offer is scheduled to expire at 5:00 p.m., Eastern time, on Friday, September 30, 2011, which is the expiration time of the exchange offer, unless further extended by Validus. For more information, you should read the discussion below in the section of this prospectus/offer to exchange titled "The Exchange Offer Extension, Termination and Amendment."

Extension, Termination and Amendment

Subject to the applicable rules of the SEC and the terms and conditions of the exchange offer, Validus also expressly reserves the right (but will not be obligated) (1) to extend, for any reason, the period of time during which the exchange offer is open, (2) to delay acceptance for exchange of, or exchange of, shares of Transatlantic common stock in order to comply in whole or in part with applicable law (any such delay shall be effected in compliance with Rule 14e-1(c) under the Exchange Act, which requires Validus to pay the consideration offered or to return shares of Transatlantic common stock deposited by or on behalf of Transatlantic stockholders promptly after the termination or withdrawal of the exchange offer), (3) to terminate the exchange offer without accepting for exchange, or exchanging, any shares of Transatlantic common stock if any of the individually subheaded conditions referred to in the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" have not been satisfied immediately prior to the expiration time of the exchange offer or if any event specified in the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" under the subheading "Other Conditions" has occurred; (4) to amend or terminate the exchange offer without accepting for exchange or exchanging any shares of Transatlantic common stock if Validus or any of its affiliates enters into a definitive agreement or announces an agreement in principle with Transatlantic providing for a merger or other business combination or transaction with or involving Transatlantic or any of its subsidiaries, or the purchase or exchange of securities or assets of Transatlantic or any of its subsidiaries, or Validus and Transatlantic reach any other agreement or understanding, in either case, pursuant to which it is agreed or provided that the exchange offer will be terminated; and (5) to amend the exchange offer or to waive any conditions to the exchange offer at any time, in each case by giving oral or written notice

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of such delay, termination, waiver or amendment to the exchange agent and by making public announcement thereof.

The expiration time of the exchange offer may also be subject to multiple extensions and any decision to extend the exchange offer, and if so, for how long, will be made prior to the expiration time of the exchange offer.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, which, in the case of an extension, will be made no later than 9:00 a.m., Eastern time, on the next business day after the previously scheduled expiration time of the exchange offer. Subject to applicable law (including Rules 14d-4(d)(i), 14d-6(c) and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to Transatlantic stockholders in a manner reasonably designed to inform them of such changes), and without limiting the manner in which Validus may choose to make any public announcement, Validus will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release or other announcement.

Rule 14e-1(c) under the Exchange Act requires Validus to pay the consideration offered or return the shares of Transatlantic common stock tendered promptly after the termination or withdrawal of the exchange offer.

If Validus increases or decreases the percentage of shares of Transatlantic common stock being sought or the consideration offered in the exchange offer and the exchange offer is scheduled to expire at any time before the expiration of 10 business days from, and including, the date that notice of such increase or decrease is first published, sent or given in the manner specified below, the exchange offer will be extended until at least the expiration of 10 business days from, and including, the date of such notice. If Validus makes a material change in the terms of the exchange offer (other than a change in the consideration offered in the exchange offer or the percentage of securities sought) or in the information concerning the exchange offer, or waives a material condition of the exchange offer, Validus will extend the exchange offer, if required by applicable law, for a period sufficient to allow Transatlantic stockholders to consider the amended terms of the exchange offer. In a published release, the SEC has stated its view that an offer must remain open for a minimum period of time following a material change in the terms of such offer, and that the waiver of a condition such as the condition described in the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" under the subheading "Minimum Tender Condition" is a material change in the terms of an offer. The release states that an offer should remain open for a minimum of five business days from the date that the material change is first published, sent or given to Transatlantic stockholders, and that if material changes are made with respect to information that approaches the significance of the price to be paid in the exchange offer or the percentage of shares sought in the exchange offer, a minimum of 10 business days may be required to allow adequate dissemination and investor response.

As used in this prospectus/offer to exchange, a "business day" means any day, other than a Saturday, Sunday or a federal holiday, and shall consist of the time period from 12:01 a.m. through 12:00 midnight, Eastern time. If, prior to the expiration time of the exchange offer, Validus increases the consideration being paid for shares of Transatlantic common stock accepted for exchange pursuant to the exchange offer, such increased consideration will be received by all Transatlantic stockholders whose shares of Transatlantic common stock are exchanged pursuant to the exchange offer, whether or not such shares of Transatlantic common stock were tendered prior to the announcement of the increase of such consideration.

Pursuant to Rule 14d-11 under the Exchange Act, Validus may, subject to certain conditions, elect to provide a subsequent offering period of at least three business days following the expiration time of the exchange offer on the date of the expiration time of the exchange offer and acceptance for

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exchange of the shares of Transatlantic common stock tendered in the exchange offer. A subsequent offering period would be an additional period of time, following the first exchange of shares of Transatlantic common stock in the exchange offer, during which shareholders could tender shares of Transatlantic common stock not tendered in the exchange offer.

During a subsequent offering period, tendering Transatlantic stockholders would not have withdrawal rights and Validus would promptly exchange and pay for any shares of Transatlantic common stock tendered at the same price paid in the exchange offer. Rule 14d-11 under the Exchange Act provides that Validus may provide a subsequent offering period so long as, among other things, (1) the initial period of at least 20 business days of the exchange offer has expired, (2) Validus offers the same form and amount of consideration for shares of Transatlantic common stock in the subsequent offering period as in the initial offer, (3) Validus immediately accepts and promptly pays for all shares of Transatlantic common stock tendered prior to the expiration time of the exchange offer, (4) Validus announces the results of the exchange offer, including the approximate number and percentage of shares of Transatlantic common stock deposited in the exchange offer, no later than 9:00 a.m., Eastern time, on the next business day after the expiration time of the exchange offer and immediately begins the subsequent offering period and (5) Validus immediately accepts and promptly pays for shares of Transatlantic common stock as they are tendered during the subsequent offering period. If Validus elects to include a subsequent offering period, it will notify Transatlantic stockholders by making a public announcement on the next business day after the expiration time of the exchange offer consistent with the requirements of Rule 14d-11 under the Exchange Act.

Pursuant to Rule 14d-7(a)(2) under the Exchange Act, no withdrawal rights apply to shares of Transatlantic common stock tendered during a subsequent offering period and no withdrawal rights apply during a subsequent offering period with respect to shares of Transatlantic common stock tendered in the exchange offer and accepted for exchange. The same consideration will be received by Transatlantic stockholders tendering shares of Transatlantic common stock in the exchange offer or in a subsequent offering period, if one is included. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Withdrawal Rights."

On July 25, 2011 Validus delivered a request to Transatlantic pursuant to Rule 14d-5 under the Exchange Act for the use of Transatlantic's stockholder lists and security position listings for the purpose of disseminating the exchange offer materials to Transatlantic stockholders. Upon compliance by Transatlantic with this request, this prospectus/offer to exchange, the letter of transmittal and all other relevant materials will be mailed to record holders of shares of Transatlantic common stock and will be furnished to brokers, dealers, banks, trust companies and similar persons whose names, or the names of whose nominees, appear on Transatlantic's stockholders lists, or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares of Transatlantic common stock by Validus or, if Transatlantic so elects, the materials will be mailed by Transatlantic. On July 20, 2011, Validus delivered a request to Transatlantic pursuant to Section 220(b) of the DGCL for Transatlantic to provide to Validus, among other things, a list of Transatlantic stockholders and other books and records.

Acceptance for Exchange, and Exchange, of Shares of Transatlantic Common Stock; Delivery of Exchange Offer Consideration

Upon the terms and subject to the conditions of the exchange offer (including, if the exchange offer is extended or amended, the terms and conditions of any such extension or amendment), Validus will accept for exchange promptly after the expiration time of the exchange offer all shares of Transatlantic common stock validly tendered (and not withdrawn in accordance with the procedure set out in the section of this prospectus/offer to exchange titled "The Exchange Offer Withdrawal Rights") prior to the expiration time of the exchange offer. Validus shall exchange all shares of Transatlantic common stock validly tendered and not withdrawn promptly following the acceptance of

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shares of Transatlantic common stock for exchange pursuant to the exchange offer. Validus expressly reserves the right, in its discretion, but subject to the applicable rules of the SEC, to delay acceptance for and thereby delay exchange of shares of Transatlantic common stock in order to comply in whole or in part with applicable laws or if any of the conditions referred to in the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" have not been satisfied or if any event specified in the section of the prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer" under the subheading "Other Conditions" has occurred. If Validus decides to include a subsequent offering period, Validus will accept for exchange, and promptly exchange, all validly tendered shares of Transatlantic common stock as they are received during the subsequent offering period. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Withdrawal Rights."

In all cases (including during any subsequent offering period), Validus will exchange all shares of Transatlantic common stock tendered and accepted for exchange pursuant to the exchange offer only after timely receipt by the exchange agent of (1) the certificates evidencing such shares of Transatlantic common stock or timely confirmation, which we refer to as a "book-entry confirmation," of a book-entry transfer of such shares of Transatlantic common stock into the exchange agent's account at The Depository Trust Company pursuant to the procedures set forth in the section of this prospectus/offer to exchange titled "The Exchange Offer Procedure for Tendering," (2) the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined below) and (3) any other documents required under the letter of transmittal. This prospectus/offer to exchange refers to The Depository Trust Company as the "Book-Entry Transfer Facility." As used in this prospectus/offer to exchange, the term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the exchange agent and forming a part of the book-entry confirmation which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the shares of Transatlantic common stock that are the subject of such book-entry confirmation, that such participant has received and agrees to be bound by the letter of transmittal and that Validus may enforce such agreement against such participant.

For purposes of the exchange offer (including during any subsequent offering period), Validus will be deemed to have accepted for exchange, and thereby exchanged, shares of Transatlantic common stock validly tendered and not properly withdrawn as, if and when Validus gives oral or written notice to the exchange agent of Validus' acceptance for exchange of such shares of Transatlantic common stock pursuant to the exchange offer. Upon the terms and subject to the conditions of the exchange offer, exchange of shares of Transatlantic common stock accepted for exchange pursuant to the exchange offer will be made by deposit of the exchange offer consideration being exchanged therefor with the exchange agent, which will act as agent for tendering Transatlantic stockholders for the purpose of receiving the exchange offer consideration from Validus and transmitting such consideration to tendering Transatlantic stockholders whose shares of Transatlantic common stock have been accepted for exchange. **Under no circumstances will Validus pay interest on the exchange offer consideration for shares of Transatlantic common stock, regardless of any extension of the exchange offer or other delay in making such exchange or distributing the exchange offer consideration.**

If any tendered shares of Transatlantic common stock are not accepted for exchange for any reason pursuant to the terms and conditions of the exchange offer, or if certificates representing such shares of Transatlantic common stock are submitted evidencing more shares of Transatlantic common stock than are tendered, certificates evidencing unexchanged or untendered shares of Transatlantic common stock will be returned, without expense to the tendering Transatlantic stockholder (or, in the case of shares of Transatlantic common stock tendered by book-entry transfer into the exchange agent's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in the section of this

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prospectus/offer to exchange titled "The Exchange Offer Procedure for Tendering," such shares of Transatlantic common stock will be credited to an account maintained at such Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the exchange offer. Validus reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to exchange all or any portion of the shares of Transatlantic common stock tendered pursuant to the exchange offer, but any such transfer or assignment will not relieve Validus of its obligations under the exchange offer or prejudice the rights of tendering shareholders to exchange shares of Transatlantic common stock validly tendered and accepted for exchange pursuant to the exchange offer.

Cash In Lieu of Fractional Validus Common Shares

Validus will not issue certificates representing fractional Validus common shares pursuant to the exchange offer. Instead, each tendering Transatlantic stockholder who would otherwise be entitled to a fractional Validus common share will receive cash (rounded to the nearest whole cent) in an amount (without interest) equal to the product obtained by multiplying (1) the fractional share interest to which such stockholder would otherwise be entitled (after rounding such amount to the nearest 0.0001 share), by (2) the closing price of Validus common shares as reported on the NYSE on the last trading day prior to the expiration time of the exchange offer.

Procedure for Tendering

In order for a holder of shares of Transatlantic common stock to tender shares of Transatlantic common stock pursuant to the exchange offer, the exchange agent must receive, prior to the expiration time of the exchange offer, the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by such letter of transmittal, at one of its addresses set forth on the back cover of this prospectus/offer to exchange and either (1) the certificates evidencing tendered shares of Transatlantic common stock must be received by the exchange agent at such address or such shares of Transatlantic common stock must be tendered pursuant to the procedure for book-entry transfer described below and a book-entry confirmation must be received by the exchange agent (including an Agent's Message), in each case prior to the expiration time of the exchange offer or the expiration of the subsequent offering period, if one is provided, or (2) the tendering Transatlantic stockholder must comply with the guaranteed delivery procedures described below.

The method of delivery of share certificates and all other required documents, including delivery through the Book-Entry Transfer Facility, is at the option and risk of the tendering Transatlantic stockholder, and the delivery will be deemed made only when actually received by the exchange agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

Book-Entry Transfer. The exchange agent will establish accounts with respect to the shares of Transatlantic common stock at the Book-Entry Transfer Facility for purposes of the exchange offer within two business days after the date of this prospectus/offer to exchange. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make a book-entry delivery of shares of Transatlantic common stock by causing the Book-Entry Transfer Facility to transfer such shares of Transatlantic common stock into the exchange agent's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of shares of Transatlantic common stock may be effected through book-entry transfer at the Book-Entry Transfer Facility, an Agent's Message and any other required documents must, in any case, be received by the exchange agent at one of its addresses set forth on the back cover of this prospectus/offer to exchange prior to the expiration time of the exchange offer or the expiration of the

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subsequent offering period, if one is provided, or the tendering Transatlantic stockholder must comply with the guaranteed delivery procedures described below. **Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the exchange agent.**

Signature Guarantees. No signature guarantee is required on a letter of transmittal (1) if a letter of transmittal is signed by a registered holder of shares of Transatlantic common stock who has not completed either the box titled "Special Issuance Instructions" or the box titled "Special Delivery Instructions" the letter of transmittal or (2) if shares of Transatlantic common stock are tendered for the account of a financial institution that is a member of the Securities Transfer Agents Medallion Signature Program, or by any other "Eligible Guarantor Institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing being referred to as an "Eligible Institution"). In all other cases, all signatures on letters of transmittal must be guaranteed by an Eligible Institution. If a certificate evidencing shares of Transatlantic common stock is registered in the name of a person other than the signer of a letter of transmittal, or if the exchange offer consideration is to be delivered, or a share certificate not accepted for exchange or not tendered is to be returned, to a person other than the registered holder(s), then such certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the share certificate, with the signature(s) on such certificate or stock powers guaranteed by an Eligible Institution. See Instructions 1 and 5 of the letter of transmittal.

Guaranteed Delivery. If a Transatlantic stockholder desires to tender shares of Transatlantic common stock pursuant to the exchange offer and such Transatlantic stockholder's certificate(s) evidencing such shares of Transatlantic common stock are not immediately available, such Transatlantic stockholder cannot deliver such certificates and all other required documents to the exchange agent prior to the expiration time of the exchange offer, or such Transatlantic stockholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such shares of Transatlantic common stock may nevertheless be tendered, provided that all the following conditions are satisfied:

(1) such tender is made by or through an Eligible Institution;

(2) a properly completed and duly executed notice of guaranteed delivery, substantially in the form made available by Validus, is received prior to the expiration time of the exchange offer by the exchange agent as provided below; and

(3) the share certificates (or a book-entry confirmation) evidencing all tendered shares of Transatlantic common stock, in proper form for transfer, in each case together with the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the letter of transmittal are received by the exchange agent within three NYSE trading days after the date of execution of such notice of guaranteed delivery.

The notice of guaranteed delivery may be delivered by hand or mail or by facsimile transmission to the exchange agent and must include a guarantee by an Eligible Institution in the form set forth in such notice of guaranteed delivery. The procedures for guaranteed delivery above may not be used during any subsequent offering period.

In all cases (including during any subsequent offering period), exchanges of shares of Transatlantic common stock tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of the certificates evidencing such shares of Transatlantic common stock, or a book-entry confirmation of the delivery of such shares of Transatlantic common stock (except during any subsequent offering period), and the letter of transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the letter of transmittal.

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Determination of Validity. **Validus' interpretation of the terms and conditions of the exchange offer (including the letter of transmittal and the instructions thereto) will be final and binding to the fullest extent permitted by law. All questions as to the form of documents and the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of shares of Transatlantic common stock will be determined by Validus, in its discretion, which determination shall be final and binding to the fullest extent permitted by law.** Validus reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance of or exchange for which may, in the opinion of its counsel, be unlawful. Validus also reserves the absolute right to waive any condition of the exchange offer to the extent permitted by applicable law or any defect or irregularity in the tender of any shares of Transatlantic common stock of any particular Transatlantic stockholder, whether or not similar defects or irregularities are waived in the case of other Transatlantic stockholders. No tender of shares of Transatlantic common stock will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of Validus or any of its affiliates or assigns, the dealer manager, the exchange agent, the information agent or any other person will be under any duty to give any notification of any defect or irregularity in tenders or to waive any such defect or irregularity or incur any liability for failure to give any such notification or waiver.

A tender of shares of Transatlantic common stock pursuant to any of the procedures described above will constitute the tendering Transatlantic stockholder's acceptance of the terms and conditions of the exchange offer, as well as the tendering Transatlantic stockholder's representation and warranty to Validus that (1) such Transatlantic stockholder owns the tendered shares of Transatlantic common stock (and any and all other shares of Transatlantic common stock or other securities issued or issuable in respect of such shares of Transatlantic common stock), (2) such Transatlantic stockholder has the full power and authority to tender, sell, assign and transfer the tendered shares of Transatlantic common stock (and any and all other shares of Transatlantic common stock or other securities issued or issuable in respect of such shares of Transatlantic common stock) and (3) when the same are accepted for exchange, Validus will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claims.

The acceptance for exchange by Validus of shares of Transatlantic common stock pursuant to any of the procedures described above will constitute a binding agreement between the tendering Transatlantic stockholder and Validus upon the terms and subject to the conditions of the exchange offer, including with respect to the release and discharge from certain claims as described in the letter of transmittal.

Appointment as Proxy; Other Agreements. By executing the letter of transmittal, or through delivery of an Agent's Message, as set forth above, a tendering Transatlantic stockholder irrevocably appoints designees of Validus as such Transatlantic stockholder 's agents, attorneys-in-fact and proxies, each with full power of substitution, in the manner set forth in such letter of transmittal, to the full extent of such Transatlantic stockholder's rights with respect to the shares of Transatlantic common stock tendered by such Transatlantic stockholder and accepted for exchange by Validus (and with respect to any and all other shares of Transatlantic common stock or other securities issued or issuable in respect of such shares of Transatlantic common stock on or after the date of this prospectus/offer to exchange). All such powers of attorney and proxies shall be considered irrevocable and coupled with an interest in the tendered shares of Transatlantic common stock (and such other shares of Transatlantic common stock and securities). Such appointment will be effective when, and only to the extent that, Validus accepts such shares of Transatlantic common stock for exchange. Upon appointment, all prior powers of attorney and proxies given by such Transatlantic stockholder with respect to such shares of Transatlantic common stock (and such other shares of Transatlantic common stock and securities) will be revoked, without further action, and no subsequent powers of attorney or proxies may be given nor any subsequent written consent executed by such Transatlantic stockholder (and, if given or executed,

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will not be deemed to be effective) with respect thereto. The designees of Validus will, with respect to the shares of Transatlantic common stock (and such other shares of Transatlantic common stock and securities) for which the appointment is effective, be empowered to exercise all voting, consent and other rights of such Transatlantic stockholder as they in their discretion may deem proper at any annual or special meeting of Transatlantic stockholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Validus reserves the right to require that, in order for shares of Transatlantic common stock to be deemed validly tendered, immediately upon Validus' acceptance of shares of Transatlantic common stock for exchange, Validus must be able to exercise full voting, consent and other rights with respect to such shares of Transatlantic common stock (and such other shares of Transatlantic common stock and securities).

The foregoing proxies will become effective only upon acceptance for exchange of shares of Transatlantic common stock tendered pursuant to the exchange offer. Tendering your shares of Transatlantic common stock in connection with the exchange offer will not result in the grant of a proxy pursuant to the proxy solicitations being concurrently undertaken by Validus that are described in this prospectus/offer to exchange.

Backup Withholding. Under the "backup withholding" provisions of U.S. federal income tax law, the exchange agent may be required to withhold (currently at a rate of 28%) on any cash payments pursuant to the exchange offer or the second-step merger. In order to prevent backup withholding with respect to payments to certain Transatlantic stockholders for shares of Transatlantic common stock sold pursuant to the exchange offer or exchanged pursuant to the second-step merger, each such Transatlantic stockholder must timely provide the exchange agent with such Transatlantic stockholder's correct taxpayer identification number, which we refer to as "TIN," and certify that such shareholder is not subject to backup withholding by completing the Form W-9 in the letter of transmittal, or otherwise establish an exemption. Certain Transatlantic stockholders (including, among others, all corporations and certain non-U.S. individuals and entities) are not subject to backup withholding. If a Transatlantic stockholder does not provide timely its correct TIN or fails to provide the certifications described above, the Internal Revenue Service may impose a penalty on the shareholder and payment of cash to the Transatlantic stockholder pursuant to the exchange offer or the second-step merger may be subject to backup withholding. All Transatlantic stockholders surrendering shares of Transatlantic common stock pursuant to the exchange offer or the second-step merger that are U.S. persons for U.S. federal income tax purposes should complete and sign the Form W-9 included in the letter of transmittal to provide the information necessary to avoid backup withholding. Non-U.S. Transatlantic stockholders should complete and sign an applicable Form W-8 (a copy of which may be obtained from the exchange agent) in order to avoid backup withholding.

Withdrawal Rights

Tenders of shares of Transatlantic common stock made pursuant to the exchange offer are irrevocable except that such shares of Transatlantic common stock may be withdrawn at any time prior to the expiration time of the exchange offer and, if Validus has not accepted your shares of Transatlantic common stock for exchange by the expiration time of the exchange offer, at any time following 60 days from commencement of the exchange offer. If Validus elects to extend the exchange offer, is delayed in its acceptance for exchange of shares of Transatlantic common stock or is unable to accept shares of Transatlantic common stock for exchange pursuant to the exchange offer for any reason, then, without prejudice to Validus' rights under the exchange offer, the exchange agent may, on behalf of Validus, retain tendered shares of Transatlantic common stock, and such shares of Transatlantic common stock may not be withdrawn except to the extent that tendering Transatlantic stockholders are entitled to withdrawal rights as described in this section. Any such delay will be by an extension of the exchange offer to the extent required by law. If Validus decides to include a subsequent offering period, shares of Transatlantic common stock tendered during the subsequent

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offering period may not be withdrawn. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Extension, Termination and Amendment."

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be received by the exchange agent at one of its addresses set forth on the back cover page of this prospectus/offer to exchange. Any such notice of withdrawal must specify the name of the person who tendered the shares of Transatlantic common stock to be withdrawn, the number of shares of Transatlantic common stock to be withdrawn and the name of the registered holder of such shares of Transatlantic common stock, if different from that of the person who tendered such shares of Transatlantic common stock. If certificates evidencing shares of Transatlantic common stock to be withdrawn have been delivered or otherwise identified to the exchange agent, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the exchange agent and, unless such shares of Transatlantic common stock have been tendered by or for the account of an Eligible Institution, the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution. If shares of Transatlantic common stock have been tendered pursuant to the procedure for book-entry transfer as set forth in the section of this prospectus/offer to exchange titled "The Exchange Offer Procedure for Tendering," any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn shares of Transatlantic common stock.

Withdrawals of shares of Transatlantic common stock may not be rescinded. Any shares of Transatlantic common stock properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the exchange offer. However, withdrawn shares of Transatlantic common stock may be re-tendered at any time prior to the expiration time of the exchange offer (or during the subsequent offering period, if one is provided) by following one of the procedures described in the section of this prospectus/offer to exchange titled "The Exchange Offer Procedure for Tendering" (except shares of Transatlantic common stock may not be re-tendered using the procedures for guaranteed delivery during any subsequent offering period).

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Validus, in its discretion, whose determination will be final and binding to the fullest extent permitted by law. None of Validus or any of their respective affiliates or assigns, the dealer manager, the exchange agent, the information agent or any other person will be under any duty to give any notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification.

Announcement of Results of the Exchange Offer

Validus will announce the final results of the exchange offer, including whether all of the conditions to the exchange offer have been fulfilled or waived and whether Validus will accept the tendered shares of Transatlantic common stock for exchange after the expiration time of the exchange offer. The announcement will be made by a press release.

Ownership of Validus After the Exchange Offer

Based on Validus' and Transatlantic's respective capitalizations as of June 30, 2011, the exchange ratio of 1.5564, and assuming dissenters' rights are not properly exercised under Delaware law in connection with the second-step merger, Validus estimates that if all shares of Transatlantic common stock are exchanged pursuant to the exchange offer and the second-step merger, former Transatlantic stockholders would own, in the aggregate, approximately 48% of the aggregate Validus common shares and Validus non-voting common shares on a fully-diluted basis using the treasury stock method for Transatlantic and the as-if-converted method for Validus, assuming that:

- Validus exchanges, pursuant to the exchange offer and/or the second-step merger, all of the outstanding shares of Transatlantic common stock, the number of which is assumed to be 62,483,787, the total number of shares of Transatlantic common stock reported as of June 30, 2011;

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Validus exchanges, pursuant to the exchange offer or the second-step merger, the shares of Transatlantic common stock issuable upon the exercise or vesting of outstanding options and restricted share units, of which there were reported to be 3,700,000 as of August 5, 2011; and

112,563,933 Validus common shares were outstanding on a fully-diluted basis, including 98,763,928 Validus common shares, 7,862,262 Validus common shares underlying outstanding warrants, 2,266,801 Validus common shares underlying unexercised options, 3,670,942 restricted Validus common shares respectively, as of June 30, 2011.

Certain Material U.S. Federal Income Tax Consequences

The following is a summary of certain material U.S. federal income tax consequences to U.S. holders (as defined below) of shares of Transatlantic common stock of (1) the exchange offer and second-step merger and (2) the ownership and disposition of the Validus common shares received pursuant to the exchange offer and second-step merger. This summary is based on provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the "Code," Treasury regulations promulgated thereunder, administrative rulings and judicial decisions, each as in effect as of the date of this prospectus/offer to exchange, all of which are subject to change at any time, possibly with retroactive effect, and to differing interpretations. Any such change could alter the tax consequences described herein. No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service, which we refer to as the "IRS," has been requested, or is expected to be obtained, regarding the U.S. federal income tax consequences described herein. This summary is not binding on the IRS or any court, and there can be no assurance that the IRS will not take a contrary position or that any contrary position taken by the IRS will not be sustained by a court. This summary assumes that a U.S. holder holds shares of Transatlantic common stock and Validus common shares received pursuant to the exchange offer and second-step merger as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment).

For purposes of this summary, the term "U.S. holder" means a beneficial owner of Validus common shares or shares of Transatlantic common stock that is, for U.S. federal income tax purposes:

a citizen or individual resident of the United States;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created in, or organized under the laws of, the United States or any State or political subdivision thereof;

a trust, (A) the administration of which is subject to the primary supervision of a United States court and which has one or more U.S. persons, within the meaning of Section 7701(a)(30) of the Code, who have the authority to control all substantial decisions of the trust, or (B) that otherwise has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person; or

an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If an entity treated as a partnership for U.S. federal income tax purposes holds Transatlantic common stock or Validus common shares received pursuant to the exchange offer and second step-merger, the U.S. federal income tax treatment of such partnership and each partner generally will depend on the status and the activities of the partnership and the partner. Partnerships that hold shares of Transatlantic common stock or Validus common shares, and partners in such partnerships, should consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences applicable to them with respect to the exchange offer and second-step merger and the ownership and disposition of Validus common shares received pursuant to the exchange offer and second-step merger.

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This summary does not address all of the U.S. federal income tax consequences that may be applicable to a particular holder of shares of Transatlantic common stock. In addition, this summary does not address the U.S. federal income tax consequences to holders that do not hold shares of Transatlantic common stock or Validus common shares received pursuant to the exchange offer or the second-step merger as capital assets within the meaning of Section 1221 of the Code, nor does it address the U.S. federal income tax consequences that may be relevant to particular holders in light of their individual circumstances or to holders that are subject to special rules, including:

- brokers or dealers in securities or currencies;
- banks and other financial institutions;
- individual retirement accounts and other tax-deferred accounts;
- regulated investment companies, real estate investment trusts, partnerships (or any entity treated as a partnership for U.S. federal income tax purposes) and other pass-through entities;
- mutual funds;
- insurance companies;
- cooperatives;
- tax-exempt entities;
- corporations that accumulate earnings to avoid U.S. federal income tax;
- traders in securities that elect to use a mark to market method of accounting;
- holders whose functional currency is not the U.S. dollar;
- holders who hold or will hold Validus common shares or shares of Transatlantic common stock as part of a hedge, appreciated financial position, straddle, conversion transaction, constructive sale or other risk reduction strategy;
- holders who acquired shares of Transatlantic common stock pursuant to the exercise of an employee stock option or right or otherwise as compensation;
- holders who are subject to the alternative minimum tax provisions of the Code;
- U.S. expatriates;

except as provided herein, holders who own or have owned, directly, indirectly, or constructively, 5% or more of the shares of Transatlantic common stock or will own 5% or more of the Validus common shares after the exchange offer and second-step merger; and

holders of shares of Transatlantic common stock who exercise dissenters' rights or demand appraisal to receive a cash payment equal to the "fair value" of their shares of Transatlantic common stock.

This summary does not address the tax consequences of the exchange offer and second-step merger under state, local or non-U.S. tax laws, or federal tax laws other than those pertaining to income tax.

This summary is provided for general information purposes only and is not intended to be, and should not be construed as, legal or tax advice to any holder of Transatlantic common stock. Holders of Transatlantic common stock should consult their own tax advisors to determine the particular tax consequences to them of the exchange offer and second-step merger, and of the ownership and disposition of Validus common shares (including the application and effect of any state, local or non-U.S. and other tax laws).

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The Exchange Offer and Second-Step Merger

Certain Material U.S. Federal Income Tax Consequences of the Exchange Offer and Second-Step Merger. The exchange offer and second-step merger will be a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. holder of shares of Transatlantic common stock generally will recognize gain or loss equal to the difference, if any, between (i) the sum of the cash and fair market value of the Validus common shares received by such U.S. holder in the exchange offer and second-step merger (including cash received in lieu of fractional shares) and (ii) such U.S. holder's adjusted tax basis in the shares of Transatlantic common stock surrendered in exchange therefor. For this purpose, U.S. holders of shares of Transatlantic common stock must calculate gain or loss separately for each identified block of shares of Transatlantic common stock exchanged (that is, shares of Transatlantic common stock acquired at the same cost in a single transaction).

Any gain or loss recognized in the exchange offer and second-step merger generally will be treated as capital gain or loss. Any such capital gain or loss will be long-term capital gain or loss if the U.S. holder has held the shares of Transatlantic common stock for more than one year as of the date of the exchange offer or second-step merger (as the case may be). Long-term capital gains recognized by U.S. holders that are not corporations generally are eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses by individuals and corporations is subject to limitations under the Code.

For U.S. federal income tax purposes, a U.S. holder's aggregate tax basis in the Validus common shares received pursuant to the exchange offer and second-step merger will be equal to the fair market value of the Validus common shares received by such U.S. holder on the date shares of Transatlantic common stock are exchanged pursuant to the exchange offer or second-step merger (as the case may be), and a U.S. holder's holding period with respect to such Validus common shares will begin on the day following the date its shares of Transatlantic common stock are exchanged pursuant to the exchange offer or second-step merger (as the case may be).

Backup Withholding and Information Reporting. Cash payments received by a non-corporate U.S. holder of shares of Transatlantic common stock may, under certain circumstances, be subject to backup withholding (currently imposed at a rate of 28%), unless the U.S. holder timely provides proof of an applicable exemption or furnishes its TIN and otherwise complies with all applicable requirements of the backup withholding rules. Each U.S. holder of shares of Transatlantic common stock should complete and sign the IRS Form W-9 that will be included as part of the letter of transmittal and return it to the exchange agent, in order to provide the information and certification necessary to avoid backup withholding, unless an exemption applies and is established in a manner satisfactory to the exchange agent. Cash and Validus common shares received also generally will be subject to information reporting.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowable as a refund or a credit against the U.S. federal income tax liability of a U.S. holder of shares of Transatlantic common stock, provided the required information is timely furnished to the IRS.

Holders of shares of Transatlantic common stock are urged to consult their tax advisors concerning the United States federal, state, local and non-U.S. tax consequences of the exchange offer and second-step merger to them.

Owning and Disposing of Validus Common Shares

Distributions. Unless Validus is treated as a passive foreign investment company, which we refer to as a "PFIC," (as discussed below) or as a controlled foreign corporation, which we refer to as a "CFC," (as discussed below), the gross amount of any distributions paid to a U.S. holder with respect

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to Validus common shares received in the exchange offer and second-step merger will be included in the gross income of such U.S. holder, as a dividend, to the extent attributable to current or accumulated earnings and profits, as determined under U.S. federal income tax principles. A distribution in excess of Validus' current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. holder's adjusted basis in the Validus common shares received in the exchange offer and second-step merger and as capital gain to the extent it exceeds the U.S. holder's basis. Subject to applicable limitations, dividends paid to a non-corporate U.S. holder with respect to Validus common shares received in the exchange offer and second-step merger in taxable years beginning before January 1, 2013 that constitute "qualified dividend income" may be eligible for preferential tax rates if the U.S. holder held such Validus common shares for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date and meets certain other requirements. Dividends distributed by Validus with respect to Validus common shares generally will be "qualified dividend income" if, in the year such dividends are received, the Validus common shares are readily tradable on an established securities market in the United States. The Validus common shares issued pursuant to the exchange offer and second-step merger are expected to be listed on the NYSE and should therefore be treated as readily tradable on an established securities market in the United States. However, if Validus is a PFIC under the rules discussed below, distributions treated as dividends will be taxable at the higher ordinary income tax rates. Except as discussed below with respect to backup withholding, distributions paid with respect to Validus common shares received in the exchange offer and second-step merger will not be subject to U.S. withholding tax. Dividends paid to a corporate U.S. holder will not be eligible for the dividends-received-deduction generally allowed to U.S. corporations in respect of dividends received from U.S. corporations. U.S. holders should consult their own tax advisors regarding the amount of distributions from Validus after the exchange offer and second-step merger that are treated as dividends for U.S. federal income tax purposes.

Controlled Foreign Corporation Rules. If a non-U.S. corporation is a CFC for an uninterrupted period of 30 days or more during a taxable year, each "10% U.S. Shareholder" (defined below) of such corporation who owns shares in the CFC directly, or indirectly through non-U.S. entities, on the last day in such year on which such corporation is a CFC must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. "Subpart F income" generally includes passive investment income and insurance income. Validus anticipates that substantially all of its (and its subsidiaries') income is subpart F income. A non-U.S. corporation is considered a CFC if "10% U.S. Shareholders" own (directly, indirectly through non-U.S. entities or constructively pursuant to the application of certain constructive ownership rules) more than 50% of (i) the total combined voting power of all classes of voting stock of such non-U.S. corporation, or (ii) the total value of all stock of such corporation. A 10% U.S. Shareholder is a U.S. person who owns, directly, indirectly through non-U.S. entities, or constructively at least 10% of the total combined voting power of all classes of stock entitled to vote of the non-U.S. corporation. For purposes of taking into account insurance income, a CFC also includes a non-U.S. corporation in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned (directly, indirectly through non-U.S. entities or constructively pursuant to the application of certain constructive ownership rules) by 10% U.S. Shareholders, on any day during the taxable year of such corporation, if the gross amount of premiums or other consideration for the reinsurance or the issuing of insurance or annuity contracts that insure, or are deemed to insure, U.S. risks exceeds 75% of the gross amount of all premiums or other consideration in respect of all risks.

Under the bye-laws of Validus that limit voting power, no U.S. person who owns Validus common shares directly or indirectly through one or more non-U.S. entities should be treated as owning (directly, indirectly through non-U.S. entities, or constructively) 10% or more of the total voting power of all classes of shares of Validus or any of its non-U.S. subsidiaries. As a result of this restriction,

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Validus believes that none of its shareholders should be treated as a 10% U.S. Shareholder of a CFC for purposes of these rules. There can be no assurance, however, that the CFC rules will not apply to U.S. holders of Validus, including as a result of their indirect ownership of the stock of Validus' subsidiaries. Accordingly, U.S. holders who might, directly, indirectly, or constructively acquire 10% or more of the Validus common shares or shares of any of its subsidiaries should consult their own tax advisors regarding the possible application of the CFC rules.

Related Person Insurance Income Rules. The CFC rules also apply to certain insurance companies that earn related person insurance income, which we refer to as "RPII." Under the RPII rules, any U.S. person who owns any Validus common shares (and hence indirectly owns shares of any non-U.S. insurance company subsidiaries of the combined company) on the last day of any such insurance subsidiary's taxable year may be required to include in its income for U.S. federal income tax purposes its pro rata share of such insurance subsidiary's RPII for the taxable year if the insurance subsidiary is a CFC for purposes of the RPII rules. A non-U.S. insurance company will be treated as a CFC for RPII purposes if U.S. persons own, directly, indirectly or constructively, 25% or more of the shares of such non-U.S. insurance company for an uninterrupted period of at least 30 days during the taxable year. In general, RPII means premium and related investment income of a non-U.S. insurance company from the direct or indirect insurance or reinsurance of any direct or indirect U.S. shareholder of such non-U.S. insurance company or of any person related to such shareholder. For this purpose, an insured is "related" to a U.S. shareholder of the non-U.S. insurance company if the U.S. shareholder controls the insured, the insured controls the U.S. shareholder, or they are under common control. U.S. persons who, directly or indirectly, own shares of a non-U.S. insurance company must include RPII in income only if such company's RPII equals or exceeds 20% of its gross insurance income in any taxable year and at least 20% of the stock of such non-U.S. insurance company (measured by either voting power or value) is owned, directly or indirectly (under complex attribution rules), by (1) persons (including non-U.S. persons) who are insured, directly or indirectly, under policies of insurance or reinsurance written by such non-U.S. insurance company or (2) persons related to any such insured person. The amount of income included is determined as if the RPII were distributed proportionately to such U.S. persons on the last day of the taxable year of the non-U.S. insurance company, regardless of whether such income is actually distributed. A U.S. person's pro rata share of a non-U.S. insurance company's RPII for any taxable year, however, will not exceed its proportionate share of that company's earnings and profits for the year (as determined for U.S. federal income tax purposes).

Validus does not anticipate that any of its subsidiaries will have RPII that equals or exceeds 20% of such subsidiary's gross insurance income. Because some of the factors that determine the extent of RPII in any period may be beyond Validus' control, there can be no assurance that RPII of any of its insurance subsidiaries will not equal or exceed 20% of its gross insurance income in any taxable year. In addition, it may be difficult for Validus to determine whether it is 20% or more owned (by either voting power or value), directly or indirectly (under complex attribution rules), by insured or reinsured persons or persons related to insured or reinsured persons.

If the RPII rules were to apply to any of Validus' insurance subsidiaries:

- a U.S. person's tax basis in its common shares of the combined company would be increased by the amount of any RPII that the shareholder includes in income;
- the shareholder could exclude from income the amount of any distribution by the combined company to the extent of the RPII included in income for the year in which the distribution was paid or for any prior year (which excluded amount would be applied to reduce the U.S. person's tax basis in the common shares of the combined company); and
- each U.S. person who is a direct or indirect shareholder of the combined company on the last day of its taxable year would be required to attach a Form 5471 to such person's income tax or information return.

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The amounts of the RPII inclusions may be subject to adjustment based upon subsequent IRS examination. Failure to file Form 5471 may result in penalties. In addition, U.S. holders who at any time own 10% or more of the Validus common shares may have an independent obligation to file certain information returns.

There is a lack of guidance interpreting the RPII provisions. Treasury regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form or what changes or clarifications might ultimately be made to the proposed regulations. Additionally, we cannot predict whether any changes to the proposed regulations, or any interpretation or application of the RPII rules by the IRS, the courts or otherwise might have retroactive effect. Accordingly, the application of the RPII provisions to the combined company and its subsidiaries is uncertain. In addition, there can be no assurance that the IRS will not challenge any determinations by the combined company or any of its subsidiaries as to the amount, if any, of RPII that should be includible in income or that the amounts of the RPII inclusions will not be subject to adjustment based upon subsequent IRS examination.

Foreign Tax Credit. It is anticipated that at least 50% (determined by voting power or value) of the total outstanding Validus common shares may be owned by U.S. persons. Provided that Validus is so owned, dividends paid by Validus will be treated, for purposes of determining the foreign tax credit limitation, as partly U.S.-source and partly non-U.S.-source, in proportion to the source of Validus' earnings and profits for the year in which the dividend is paid. Any amounts required to be included in income of U.S. holders under the CFC rules or the RPII rules, and any amounts treated as dividends under Section 1248 of the Code (as discussed below), would also be partly non-U.S.-source and partly U.S.-source. Because the calculation of a taxpayer's foreign tax credit limitation is complex and is dependent on the particular taxpayer's circumstances, U.S. holders should consult their own tax advisors with respect to these matters.

Sale or Other Taxable Disposition of Validus Common Shares. Subject to the discussion below relating to the potential application of Section 1248 of the Code or the PFIC rules, any gain or loss realized by a U.S. holder on the sale or other taxable disposition of Validus common shares received in the exchange offer and second-step merger generally will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference, if any, between the amount realized upon such sale or other taxable disposition and such U.S. holder's tax basis in its Validus common shares. Such gain or loss will be long-term capital gain or loss if the holding period for such Validus common shares exceeds one year on the date of such sale or other taxable disposition. Certain non-corporate U.S. holders, including individuals, currently are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses by individuals and corporations is subject to limitations under the Code. Any gain or loss generally will be treated as U.S. source gain or loss for foreign tax credit limitation purposes, and any gain generally will constitute "passive income" for these purposes.

Section 1248 of the Code provides that if a U.S. person sells or exchanges stock in a non-U.S. corporation and such person owned directly, indirectly through certain non-U.S. entities or constructively, 10% or more of the voting power of the corporation at any time during the five-year period ending on the date of disposition when the corporation was a CFC, any gain from the sale or exchange of the shares generally will be treated as a dividend to the extent of the CFC's earnings and profits (determined under U.S. federal income tax principles) during the period that the shareholder held the shares and while the corporation was a CFC (with certain adjustments). A 10% U.S. Shareholder may in certain circumstances be required to report a disposition of shares of a CFC by attaching IRS Form 5471 to the U.S. federal income tax or information return that it would normally file for the taxable year in which the disposition occurs.

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Section 953(c)(7) of the Code generally provides that Section 1248 of the Code also will apply to the sale or exchange of shares in a non-U.S. corporation if the non-U.S. corporation would be taxed as an insurance company if it were a domestic corporation and is 25% or more owned by U.S. persons, regardless of whether the shareholder is a 10% U.S. Shareholder or whether RPII constitutes 20% or more of the corporation's gross insurance income. Existing Treasury regulations do not address whether Section 1248 of the Code and the requirement to file Form 5471 apply if the non-U.S. corporation is not a CFC but the non-U.S. corporation has a subsidiary that is a CFC and that would be taxed as an insurance company if it were a domestic corporation (although, as discussed above, shareholders of 10% or more of the Validus common shares may have an independent obligation to file Form 5471). Validus believes that Section 1248 of the Code will not apply to dispositions of Validus common shares because (1) Validus should not have any U.S. shareholders that own directly, indirectly or constructively, 10% or more of the voting power of its shares, and (2) Validus is not directly engaged in the insurance business and, under proposed Treasury regulations, Sections 953(c)(7) and 1248 of the Code appear to be applicable only in the case of shares of corporations that are directly engaged in the insurance business. There can be no assurance, however, that the IRS will interpret the proposed Treasury regulations in this manner or that the proposed Treasury regulations will not be amended or promulgated in final form so as to provide that Section 1248 of the Code and the requirement to file Form 5471 will apply to dispositions of Validus' common shares.

Passive Foreign Investment Company Considerations. Certain adverse U.S. federal income tax rules generally apply to a U.S. person that owns or disposes of stock in a non-U.S. corporation that is treated as a PFIC. In general, a foreign corporation will be a PFIC for U.S. federal income tax purposes if, after applying relevant look through rules (as discussed below):

75% or more of its income constitutes "passive income;" or

50% or more of its assets produce, or are held for the production of, passive income.

If Validus were to be characterized as a PFIC, a U.S. holder of Validus common shares would be subject to a penalty tax resulting from sale at a gain of these shares, or resulting from receipt of an "excess distribution" with respect to these shares, unless such shareholder elected to be taxed annually on these shares regardless of whether dividends were distributed or shares were sold (U.S. holders should consult their own tax advisors with respect to their ability to make any such election and the tax consequences of making any such election). In general, a shareholder receives an "excess distribution" if the amount of the distribution is more than 125% of the average distribution with respect to the stock during the three preceding taxable years (or shorter period during which the taxpayer held the stock). In general, the penalty tax is equivalent to an interest charge on taxes that are deemed due during the period the shareholder owned the shares, computed by assuming that the excess distribution or gain (in the case of a sale) with respect to the shares was taxed in equal portions at the highest applicable tax rate throughout the shareholder's period of ownership. The interest charge is equal to the applicable rate imposed on underpayments of U.S. federal income tax for such period. In addition to the penalty tax, if Validus were determined to be a PFIC, any gain on the disposition of Validus common shares would be treated as ordinary income (and hence would not be entitled to the preferential rate for long-term capital gains recognized by individuals and other noncorporate taxpayers). Furthermore, any dividends paid by Validus would not constitute qualified dividends (and hence would not be entitled to the preferential rate for qualified dividends received by individuals and other noncorporate taxpayers) if Validus were treated as a PFIC in the year in which such dividend is paid or in the prior taxable year.

For the above purposes, "passive income" is defined to include income of the kind which would be foreign personal holding company income under Section 954(c) of the Code, and generally includes interest, dividends, annuities and other investment income. The PFIC statutory provisions, however, contain an express exception for income "derived in the active conduct of an insurance business by a corporation which is predominantly engaged in an insurance business." This exception is intended to

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ensure that income derived by a bona fide insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business. Validus believes that each of its insurance company subsidiaries is predominantly engaged in an insurance business and does not have financial reserves in excess of the reasonable needs of its insurance business. The PFIC statutory provisions contain a look-through rule stating that, for purposes of determining whether a non-U.S. corporation is a PFIC, such non-U.S. corporation shall be treated as if it "received directly its proportionate share of the income" and as if it "held its proportionate share of the assets" of any other corporation in which it owns at least 25% by value of the stock. No explicit guidance is provided by the statutory language as to whether assets and income of an insurance subsidiary should be treated as assets and income of an insurance business for purposes of determining whether Validus qualifies for the insurance exception. Furthermore, there is no explicit guidance as to what constitutes the active conduct of an insurance business or when a corporation is predominantly engaged in an insurance business. Although certain of Validus' insurance subsidiaries do not have their own employees or subsidiaries with employees, Validus believes that these insurance subsidiaries nonetheless actively conduct an insurance business and are predominantly engaged in an insurance business.

Based on the above analysis, Validus does not believe that it will be treated as a PFIC for the current taxable year and does not expect to become a PFIC in the foreseeable future. However, the determination of whether Validus is a PFIC is made annually, and is based on the activities, income and assets of Validus and its subsidiaries, all of which are subject to change. Accordingly, no assurance can be given that Validus will not be treated as a PFIC for the current taxable year or become a PFIC in the future. U.S. holders of Validus common shares should consult their own tax advisors with respect to how the PFIC rules could affect the sale or other taxable disposition of Validus common shares received pursuant to the exchange offer and second-step merger or the receipt of any distributions with respect to such Validus common shares.

Backup Withholding and Information Reporting. In general, information reporting will apply to distributions made with respect to, and proceeds received on the disposition of, Validus common shares that are paid to a U.S. holder within the United States (and, in certain cases, outside of the United States), unless the U.S. holder establishes that it is an exempt recipient, such as a corporation. Backup withholding (currently imposed at a rate of 28%) may apply to such payment if the U.S. holder fails to timely provide a TIN or certification of exempt status on IRS Form W-9 (or substitute IRS Form W-9) or otherwise fails to comply with applicable requirements. Amounts withheld under the backup withholding rules are not an additional tax. A U.S. holder subject to the backup withholding rules may be allowed a credit of the amount withheld against such U.S. holder's U.S. federal income tax liability and, if backup withholding tax results in an overpayment of U.S. federal income tax, such U.S. holder may be entitled to a refund, provided that the requisite information is correctly furnished to the IRS in a timely manner. U.S. holders should consult their own tax advisors as to the information reporting and backup withholding tax rules.

In addition, certain U.S. holders who are individuals are required to report to the IRS information relating to certain interests owned by such U.S. holders in stock or securities issued by a non-U.S. person (such as an interest in Validus common shares), subject to certain exceptions (including, for example, an exception for stock or securities held in accounts maintained by certain financial institutions). U.S. holders should consult their own tax advisors regarding the effect, if any, of this information reporting requirement on their acquisition, ownership and disposition of the Validus common shares received pursuant to the exchange offer and second-step merger.

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THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES APPLICABLE TO U.S. HOLDERS RELATING TO THE EXCHANGE OFFER AND SECOND-STEP MERGER AND THE OWNERSHIP AND DISPOSITION OF VALIDUS COMMON SHARES RECEIVED PURSUANT TO THE EXCHANGE OFFER AND SECOND-STEP MERGER. U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES APPLICABLE TO THEM IN THEIR PARTICULAR CIRCUMSTANCES.

Purpose and Structure of the Exchange Offer

The exchange offer is intended to allow Validus to acquire all of the issued and outstanding shares of Transatlantic common stock. We intend to, promptly after completion of the exchange offer, to consummate the second-step merger of Transatlantic with a wholly-owned subsidiary of Validus pursuant to the DGCL. The purpose of the second-step merger is for Validus to acquire all outstanding shares of Transatlantic common stock that are not acquired in the exchange offer. In this second-step merger, each remaining share of Transatlantic common stock (other than shares held in treasury by Transatlantic and other than shares held by Transatlantic stockholders who properly exercise applicable dissenters' rights under Delaware law) will be cancelled and converted into the right to receive the same number of Validus common shares and the same amount of cash (without interest) as are received by Transatlantic stockholders pursuant to the exchange offer. After this second-step merger, Validus will own all of the issued and outstanding shares of Transatlantic common stock. Please see the sections of this prospectus/offer to exchange titled "The Exchange Offer Purpose and Structure of the Exchange Offer"; "The Exchange Offer Second-Step Merger"; and "The Exchange Offer Plans for Transatlantic."

Subject to applicable law, Validus reserves the right to amend the exchange offer (including by amending the number of shares of Transatlantic common stock to be exchanged or the exchange offer consideration to be offered in the second-step merger or the structure of the second-step merger), including upon entering into merger agreement with Transatlantic not involving an exchange offer, in which event we would terminate the exchange offer and the shares of Transatlantic common stock would, upon consummation of such acquisition, be converted into the right to receive the consideration in the related merger agreement.

Second-Step Merger

Under the DGCL, if Validus acquires, pursuant to the exchange offer or otherwise, at least 90% of the shares of Transatlantic common stock, Validus will be able to effect the second-step merger as a "short form" merger without approval of the Transatlantic board of directors or a vote of the remaining Transatlantic stockholders. In such event, Validus intends to take all necessary and appropriate action to cause the second-step merger to become effective as promptly as reasonably practicable after such acquisition, without a meeting of Transatlantic stockholders.

If Validus does not acquire at least 90% of the outstanding shares of Transatlantic common stock pursuant to the exchange offer or otherwise and a vote of Transatlantic stockholders is required under the DGCL, a significantly longer period of time would be required to effect the second-step merger and Transatlantic stockholders would be provided proxy solicitation materials at the appropriate time. In such event, the second-step merger would require the approval of the Transatlantic board of directors and the holders of a majority of the outstanding shares of Transatlantic common stock. However, Validus would, subject to approval of the Transatlantic board of directors, have sufficient voting power to approve the second-step merger without the affirmative vote of any other Transatlantic stockholder.

The exact timing and details of the second-step merger or any other merger or other business combination involving Transatlantic will necessarily depend upon a variety of factors, including the number of shares of Transatlantic common stock Validus acquires pursuant to the exchange offer.

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Although Validus currently intends to propose the second-step merger generally on the terms described herein, it is possible that, as a result of substantial delays in its ability to effect such a transaction, actions Validus may take in response to the exchange offer, information Validus obtains hereafter, changes in general economic or market conditions or in the business of Transatlantic or other currently unforeseen factors, such a transaction may not be so proposed, may be delayed or abandoned or may be proposed on different terms. Validus reserves the right not to propose the second-step merger or any other merger or other business combination with Transatlantic or to propose such a transaction on terms other than those described above.

Appraisal/Dissenters' Rights

Transatlantic stockholders do not have appraisal rights in connection with the exchange offer. However, upon consummation of the second-step merger, Transatlantic stockholders who have not tendered their shares of Transatlantic common stock in the exchange offer and who, if a stockholder vote is required, vote against approval of the second-step merger will have rights under Delaware law to dissent from the second-step merger and demand appraisal of their shares of Transatlantic common stock. Stockholders at the time of a "short form" merger under Delaware law would also be entitled to exercise dissenters' rights pursuant to such a "short form" merger. Stockholders who perfect dissenters' rights by complying with the procedures set forth in Section 262 of the DGCL will be entitled to receive a cash payment equal to the "fair value" of their shares of Transatlantic common stock, as determined by a Delaware court. Because appraisal rights are not available in connection with the exchange offer, no demand for appraisal under Section 262 of the DGCL may be made at this time. Any such judicial determination of the fair value of the shares of Transatlantic common stock could be based upon considerations other than or in addition to the consideration paid in the exchange offer and the market value of the shares of Transatlantic common stock. Holders of shares of Transatlantic common stock should recognize that the value so determined could be higher or lower than, or the same as, the consideration per share paid pursuant to the exchange offer or the consideration paid in such a merger. Moreover, we may argue in an appraisal proceeding that, for purposes of such a proceeding, the fair value of the shares of Transatlantic common stock is less than the consideration paid in the exchange offer.

FAILURE TO FOLLOW THE STEPS REQUIRED BY SECTION 262 OF THE DGCL FOR PERFECTING APPRAISAL RIGHTS MAY RESULT IN THE LOSS OF SUCH RIGHTS. BECAUSE OF THE COMPLEXITY OF DELAWARE LAW RELATING TO APPRAISAL RIGHTS, WE ENCOURAGE YOU TO SEEK THE ADVICE OF YOUR OWN LEGAL COUNSEL. THE FOREGOING DISCUSSION IS NOT A COMPLETE STATEMENT OF THE DGCL AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE DGCL. IN PARTICULAR, THE DESCRIPTION OF SECTION 262 ABOVE IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH SECTION.

Plans for Transatlantic

The exchange offer is the first step in our plan to acquire all of the outstanding shares of Transatlantic common stock. Validus intends, promptly following acceptance for exchange and exchange of shares of Transatlantic common stock in the exchange offer, to effect the second-step merger pursuant to which Validus will acquire all shares of Transatlantic common stock of those Transatlantic stockholders who choose not to tender their shares of Transatlantic common stock pursuant to the exchange offer in accordance with the DGCL. The purpose of the second-step merger is for Validus to acquire all outstanding shares of Transatlantic common stock that are not acquired in the exchange offer. After the second-step merger, former remaining Transatlantic stockholders will no longer have any ownership interest in Transatlantic and will be shareholders of Validus and Validus will own all of the issued and outstanding shares of Transatlantic common stock. Please see the sections of this

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prospectus/offer to exchange titled "The Exchange Offer Purpose and Structure of the Exchange Offer"; "The Exchange Offer Second-Step Merger."

Validus has also taken other steps to acquire all of the issued and outstanding shares of Transatlantic common stock.

Validus has filed a preliminary proxy statement in connection with the solicitation against the adoption of the Allied World acquisition agreement and vote against other proposals brought before any Transatlantic special stockholder meeting as discussed in more detail in such preliminary proxy statement. If the Allied World acquisition agreement is not adopted by Transatlantic stockholders after a vote thereon, the Transatlantic board of directors will be able to terminate the Allied World acquisition agreement and enter into a merger agreement with Validus. If the Transatlantic board of directors were to enter into a merger agreement with Validus promptly following the termination of the Allied World acquisition agreement, Validus believes the merger contemplated by the Validus merger offer could be completed in the fourth quarter of 2011.

Validus commenced the exchange offer on July 25, 2011. In light of the uncertainty of entering into a consensual transaction with Transatlantic, Validus is making the exchange offer directly to Transatlantic stockholders on the terms and conditions set forth in this prospectus/offer to exchange as an alternative to the Validus merger offer. In the event that Validus accepts shares of Transatlantic common stock for exchange in the exchange offer, Validus intends to acquire any additional outstanding shares of Transatlantic common stock pursuant to the second-step merger. If Validus accepts shares of Transatlantic common stock for exchange and owns 90% or more of the outstanding shares of Transatlantic common stock after the exchange offer is completed, the second-step merger can be effected as a "short form" merger under Delaware law without the consent of any stockholder (other than Validus) and without the approval of the Transatlantic board of directors. However, if Validus does not acquire at least 90% of the outstanding shares of Transatlantic common stock in the exchange offer or otherwise, then both Transatlantic board approval and Transatlantic stockholder approval will be required to effect the second-step merger. In connection with consummation of the exchange offer or the second-step merger, and subject to applicable law, Validus currently expects to replace Transatlantic's existing board of directors.

While Validus continues to hope that it is possible to reach a consensual transaction with Transatlantic, Validus does not believe that it is in Transatlantic stockholders' best interests to give the Transatlantic board of directors a veto right over whether the exchange offer is made available to Transatlantic's stockholders.

The Validus merger offer and the exchange offer are alternative methods for Validus to acquire all of the issued and outstanding shares of Transatlantic common stock. Ultimately, only one of these transactions can be pursued to completion. Validus intends to seek to combine with Transatlantic by whichever method Validus determines is most likely to be completed.

If, and to the extent that Validus (and/or any of Validus' subsidiaries) acquires control of Transatlantic or otherwise obtains access to the books and records of Transatlantic, Validus intends to conduct a detailed review of Transatlantic's business, operations, capitalization and management and consider and determine what, if any, changes would be desirable in light of the circumstances which then exist. Validus intends to eliminate Transatlantic's public company infrastructure and restructure the combined company's legal entity organization, including restructuring Transatlantic's non-U.S. subsidiaries. In addition, it is expected that, initially following the second-step merger, the business and operations of Transatlantic will, except as set forth in this prospectus/offer to exchange, be continued substantially as they are currently being conducted, but Validus expressly reserves the right to make any changes that it deems necessary, appropriate or convenient to optimize potential in conjunction with Validus' businesses and Validus' review or in light of future developments. Such changes could include, among other things, changes in Transatlantic's business, corporate and legal structure, assets, properties,

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marketing strategies, capitalization, management, personnel or dividend policy and changes to Transatlantic's restated certificate of incorporation and its amended and restated by-laws.

Except as indicated in this prospectus/offer to exchange or as announced in the Validus merger offer, neither Validus nor any of Validus' subsidiaries has any current plans or proposals that relate to or would result in (1) any extraordinary transaction, such as a merger, reorganization or liquidation of Transatlantic or any of its subsidiaries, (2) any purchase, sale or transfer of a material amount of assets of Transatlantic or any of its subsidiaries, (3) any material change in the present dividend rate or policy, or indebtedness or capitalization of Transatlantic or any of its subsidiaries, (4) any change in the current board of directors or management of Transatlantic or any change to any material term of the employment contract of any executive officer of Transatlantic, (5) any other material change in Transatlantic's corporate structure or business, (6) any class of equity security of Transatlantic being delisted from a national stock exchange or ceasing to be authorized to be quoted in an automated quotation system operated by a national securities association or (7) any class of equity securities of Transatlantic becoming eligible for termination of registration under Section 12(g)(4) of the Exchange Act.

Effect of the Exchange Offer on the Market for Shares of Transatlantic Common Stock; NYSE Listing; Registration Under the Securities Exchange Act of 1934; Margin Regulations

Effect of the Exchange Offer on the Market for the Shares of Transatlantic Common Stock

In the event that not all shares of Transatlantic common stock are tendered in the exchange offer and we accept for exchange those shares of Transatlantic common stock tendered into the exchange offer, the number of Transatlantic stockholders and the number of shares of Transatlantic common stock held by individual holders will be greatly reduced. As a result, Validus' acceptance of shares of Transatlantic common stock for exchange in the exchange offer could adversely affect the liquidity and could also adversely affect the market value of the remaining shares of Transatlantic common stock held by the public. The extent of the public market for shares of Transatlantic common stock and the availability of quotations reported in the over-the-counter market depends upon the number of Transatlantic stockholders holding shares of Transatlantic common stock, the aggregate market value of the shares of Transatlantic common stock remaining at such time, the interest of maintaining a market in the shares of Transatlantic common stock on the part of any securities firms and other factors. According to Transatlantic 10-Q, as of June 30, 2011, there were 62,483,787, shares of Transatlantic common stock outstanding. According to the Transatlantic 10-K, there were 30,000 holders of shares of Transatlantic common stock as of January 31, 2011 (including those held in nominee name).

NYSE Listing

Shares of Transatlantic common stock are listed on the NYSE. Depending upon the number of shares of Transatlantic common stock exchanged pursuant to the exchange offer and the number of Transatlantic stockholders remaining thereafter, shares of Transatlantic common stock may no longer meet the requirements of the NYSE for continued listing and may be delisted from the NYSE. According to the NYSE's published guidelines, the NYSE would consider delisting shares of Transatlantic common stock if, among other things, (1) the number of total Transatlantic stockholders should fall below 400, (2) the number of total Transatlantic stockholders should fall below 1,200 and the average monthly trading volume for shares of Transatlantic common stock is less than 100,000 for the most recent 12 months or (3) the number of publicly held shares of Transatlantic common stock (exclusive of holdings of officers and directors of Transatlantic and their immediate families and other concentrated holdings of 10% or more) should fall below 600,000.

If, as a result of the exchange of shares of Transatlantic common stock pursuant to the exchange offer or otherwise, shares of Transatlantic common stock no longer meet the requirements of the NYSE for continued listing and the listing of shares of Transatlantic common stock is discontinued, the

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market for shares of Transatlantic common stock could be adversely affected. If the NYSE were to delist shares of Transatlantic common stock, it is possible that shares of Transatlantic common stock would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of Transatlantic stockholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in shares of Transatlantic common stock on the part of securities firms, the possible termination of registration under the Exchange Act as described below, and other factors. Validus cannot predict whether the reduction in the number of shares of Transatlantic common stock that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of shares of Transatlantic common stock or whether it would cause future market prices to be greater or less than the consideration being offered in the exchange offer. If shares of Transatlantic common stock are not delisted prior to the second-step merger, then shares of Transatlantic common stock will cease to be listed on the NYSE upon consummation of the second-step merger.

Registration Under the Securities Exchange Act of 1934

Shares of Transatlantic common stock are currently registered under the Exchange Act. This registration may be terminated upon application by Transatlantic to the SEC if shares of Transatlantic common stock are not listed on a "national securities exchange" and there are fewer than 300 record holders. Termination of registration would substantially reduce the information required to be furnished by Transatlantic to holders of shares of Transatlantic common stock and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders' meetings and the requirements of Exchange Act Rule 13e-3 with respect to "going private" transactions, no longer applicable to Transatlantic. In addition, "affiliates" of Transatlantic and persons holding "restricted securities" of Transatlantic may be deprived of the ability to dispose of these securities pursuant to Rule 144 under the Securities Act. If registration of shares of Transatlantic common stock is not terminated prior to the second-step merger, then the registration of shares of Transatlantic common stock under the Exchange Act will be terminated upon consummation of the second-step merger.

Margin Regulations

Shares of Transatlantic common stock are currently "margin securities," as such term is defined under the rules of the Board of Governors of the Federal Reserve System, which we refer to as the "Federal Reserve Board," which has the effect, among other things, of allowing brokers to extend credit on the collateral of such securities. Depending upon factors similar to those described above regarding listing and market quotations, following the exchange offer it is possible that shares of Transatlantic common stock would no longer constitute "margin securities" for purposes of the margin regulations of the Federal Reserve Board, in which event shares of Transatlantic common stock would no longer be used as collateral for loans made by brokers. In addition, if registration of shares of Transatlantic common stock under the Exchange Act were terminated, shares of Transatlantic common stock would no longer constitute "margin securities."

Conditions of the Exchange Offer

Notwithstanding any other provision of the exchange offer, and in addition to (and not in limitation of) Validus' right to extend and amend and supplement the exchange offer at any time, in its discretion, Validus shall not be required to accept for exchange any shares of Transatlantic common stock tendered pursuant to the exchange offer, shall not be required to make any exchange for shares of Transatlantic common stock accepted for exchange, and may extend, terminate or amend or

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supplement the exchange offer, if immediately prior to the expiration time of the exchange offer, in the judgment of Validus, any one or more of the following conditions shall not have been satisfied:

Minimum Tender Condition

Transatlantic stockholders shall have validly tendered and not withdrawn prior to the expiration time of the exchange offer at least that number of shares of Transatlantic common stock that, when added to the shares of Transatlantic common stock then owned by Validus or any of its subsidiaries, shall constitute a majority of the then-outstanding number of shares of Transatlantic common stock on a fully-diluted basis.

Allied World Transaction Condition

The Allied World acquisition agreement shall have been validly terminated, and Validus shall reasonably believe that Transatlantic has no liability, and Allied World shall not have asserted any claim of liability or breach against Transatlantic in connection with the Allied World acquisition agreement, other than with respect to the possible payment of the Allied World termination fee.

Registration Statement Condition

The registration statement of which this prospectus/offer to exchange and the accompanying letter of transmittal is a part shall have become effective under the Securities Act, no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC and Validus shall have received all necessary state securities law or "blue sky" authorizations.

Section 203 Condition

The Transatlantic board of directors shall have approved the acquisition of shares of Transatlantic common stock pursuant to the exchange offer and second-step merger under Section 203 of the DGCL, or Validus shall be satisfied that Section 203 of the DGCL does not apply to or otherwise restrict such acquisition.

Rights Agreement Condition

The Transatlantic board of directors shall have redeemed the rights issued pursuant to the Transatlantic rights plan, or the rights shall have been redeemed or otherwise rendered inapplicable to the exchange offer and the second-step merger.

Shareholder Approval Condition

The shareholders of Validus shall have approved the issuance of the Validus common shares pursuant to the exchange offer and the second-step merger as required under the rules of the NYSE.

NYSE Listing Condition

The Validus common shares to be issued to Transatlantic stockholders as a portion of the exchange offer consideration in exchange for shares of Transatlantic common stock in the exchange offer and the second-step merger shall have been authorized for listing on the NYSE, subject to official notice of issuance.

Pending Litigation Condition

There shall be no pending litigation, suit, claim, action, proceeding, hearing or investigation by or before any foreign, supranational, national, state, provincial, municipal or local government, governmental, regulatory or administrative authority, agency, instrumentality or commission or any court, tribunal or judicial or arbitral body (each of which we refer to as a "governmental authority"),

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and Validus shall not have disclosed the receipt of written notice from any person stating that such person intends to commence any litigation, suit, claim, action, proceeding or investigation against Validus: (1) challenging or seeking to, or which, in the judgment of Validus is reasonably expected to, make illegal, delay or otherwise, directly or indirectly, restrain or prohibit or in which there are allegations of any violation of law, rule or regulation relating to, the making of or terms of the exchange offer or the provisions of this prospectus/offer to exchange and the accompanying letter of transmittal or, the acceptance for exchange and exchange of any or all of the shares of Transatlantic common stock by Validus or any other affiliate of Validus or the second-step merger; or (2) seeking to, or which in the judgment of Validus is reasonably expected to, prohibit or limit the full rights of ownership of shares of Transatlantic common stock by Validus or any of its affiliates, including, without limitation, the right to vote any shares of Transatlantic common stock acquired by Validus pursuant to the exchange offer or otherwise on all matters properly presented to Transatlantic stockholders.

No Material Adverse Change Condition

Since December 31, 2010, there shall not have been any change, state of facts, circumstance or event that has had, or would reasonably be expected to have, a material adverse effect on the financial condition, properties, assets, liabilities, obligations (whether accrued, absolute, contingent or otherwise), businesses or results of operations of Transatlantic and its subsidiaries, taken as a whole, excluding any such change, state of facts, circumstance or event to the extent caused by or resulting from: (1) changes in economic, market, business, regulatory or political conditions generally in the United States or any other jurisdiction in which Transatlantic and its subsidiaries operates or United States or global financial markets; (2) changes, circumstances or events generally affecting the property and casualty insurance and reinsurance industry in the geographic areas in which Transatlantic and its subsidiaries operate; (3) changes, circumstances or events resulting in liabilities under property and casualty insurance and reinsurance agreements to which Transatlantic or any of its subsidiaries is a party, including any effects resulting from any earthquake, hurricane, tornado, windstorm, terrorist act, act of war or other natural or man-made disaster; (4) the commencement, occurrence or continuation of any war or armed hostilities; (5) changes in any applicable law, statute, ordinance, common law, arbitration award, or any rule, regulation, judgment, order, writ, injunction, decree, agency requirement or published interpretation of any governmental authority; (6) changes in generally accepted accounting principles or in statutory accounting principles (or local equivalents in the applicable jurisdiction) prescribed by the applicable insurance regulatory authority, including accounting and financial reporting pronouncements by the SEC, the National Association of Insurance Commissioners and the Financial Accounting Standards Board; (7) any change or announcement of a potential change in Transatlantic's or any of its subsidiaries' credit or claims paying rating or A.M. Best rating or the ratings of any of Transatlantic's or its subsidiaries' businesses or securities; (8) suspension in trading or a change in the trading prices or volume of shares of Transatlantic common stock; or (9) the failure to meet any revenue, earnings or other projections, forecasts or predictions for any period ending after the date of this prospectus/offer to exchange, except that (A) in the case of the foregoing clauses (7), (8) and (9), such exceptions shall not prevent or otherwise affect a determination that any changes, state of facts, circumstances or events underlying a failure described in any such clause has resulted in, or contributed to, a material adverse effect on Transatlantic and its subsidiaries taken as a whole and (B) in the case of the foregoing clauses (1), (2), (3) and (4), to the extent those changes, state of facts, circumstances or events have a materially disproportionate effect on Transatlantic and its subsidiaries taken as a whole relative to other similarly situated persons in the property and casualty insurance and reinsurance industry in similar geographic areas to those in which Transatlantic and its subsidiaries operate. We refer to any such material adverse change, state of facts, circumstance or event described above as a "material adverse effect."

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Conduct of Business Condition

Each of Transatlantic and its subsidiaries shall have carried on their respective businesses in the ordinary course consistent with past practice at all times on or after the date of this prospectus/offer to exchange and prior to the expiration time of the exchange offer.

Credit Facilities Condition

All amendments or waivers under Validus' and its subsidiaries' credit facilities necessary to consummate the exchange offer, the second-step merger and the other transactions contemplated by this prospectus/offer to exchange shall have been obtained and be in full force and effect. Validus has obtained amendments to its applicable credit facilities, satisfying this condition. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Source and Amount of Funds."

New York State Department of Insurance Condition

The New York State Insurance Department shall have approved Validus' application for acquisition of control of Transatlantic Reinsurance Company and Putnam Reinsurance Company, New York domiciled insurance companies and wholly-owned subsidiaries of Transatlantic, pursuant to Section 1506 of the New York Insurance Code and such approval shall be in full force and effect.

Competition Condition

Any applicable waiting period under the HSR Act, and, if applicable, any agreement with the FTC or the Antitrust Division not to accept shares of Transatlantic common stock for exchange in the exchange offer, shall have expired or shall have been terminated prior to the expiration time of the exchange offer. On August 17, 2011 at 11:59 p.m. Eastern time, the applicable waiting period under the HSR Act for the acquisition by Validus of shares of Transatlantic common stock pursuant to the exchange offer expired, satisfying this condition.

Other Regulatory Approvals Condition

Any clearance, approval, permit, authorization, waiver, determination, favorable review or consent of any governmental authority, other than in connection with the New York State Department of Insurance Condition and the Competition Condition, shall have been obtained and such approvals shall be in full force and effect, or any applicable waiting periods for such clearances or approvals shall have expired.

Other Conditions

Additionally, Validus shall not be required to accept for exchange any shares of Transatlantic common stock tendered pursuant to the exchange offer, shall not be required to make any exchange for shares of Transatlantic common stock accepted for exchange, and may extend, terminate or amend the exchange offer, if at any time on or after the date of this prospectus/offer to exchange and prior to the expiration time of the exchange offer any of the following events or facts shall have occurred:

(a) there shall be in effect any order or injunction or any action taken, or any law or statute enacted, entered, enforced or deemed applicable to the exchange offer, the second-step merger or the other transactions contemplated by this prospectus/offer to exchange by any governmental authority which imposes any term, condition, obligation or restriction upon Validus, Transatlantic or any of their respective subsidiaries that would, individually or the aggregate, reasonably be expected to (1) have a material adverse effect (assuming all references to Transatlantic in the definition of "material adverse effect" were instead references to Validus) on Validus and its subsidiaries (assuming the consummation of the acquisition of shares of Transatlantic common stock in the exchange offer and the second-step

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merger) on a consolidated basis after the consummation of the exchange offer and the second-step merger or (2) directly or indirectly (i) delay or otherwise restrain, impede or prohibit the exchange offer or the second-step merger or (ii) prohibit or limit the full rights of ownership of shares of Transatlantic common stock by Validus or any of its affiliates, including, without limitation, the right to vote any shares of Transatlantic common stock acquired by Validus pursuant to the exchange offer or otherwise on all matters properly presented to Transatlantic stockholders;

(b) Transatlantic or any of its subsidiaries has (1) permitted the issuance or sale of any shares of any class of share capital or other securities of any subsidiary of Transatlantic (other than shares of Transatlantic common stock issued pursuant to, and in accordance with, the terms in effect on the date of this prospectus/offer to exchange of employee stock options, stock units or other similar awards outstanding prior to the date of this prospectus/offer to exchange), (2) declared, paid or proposed to declare or pay any dividend or other distribution (other than any quarterly cash dividends paid in the ordinary course of business consistent with past practice to holders of shares of Transatlantic common stock), or (3) amended, or authorized or proposed any amendment to, its restated certificate of incorporation or amended and restated by-laws (or other similar constituent documents) or Validus becomes aware that Transatlantic or any of its subsidiaries shall have amended, or authorized or proposed any amendment to, its restated certificate of incorporation or amended and restated by-laws (or other similar constituent documents) in a manner that, in the reasonable judgment of Validus, is reasonably likely to, directly or indirectly, (i) delay or otherwise restrain, impede or prohibit the exchange offer or the second-step merger or (ii) prohibit or limit the full rights of ownership of shares of Transatlantic common stock by Validus or any of its affiliates, including, without limitation, the right to vote any shares of Transatlantic common stock acquired by Validus pursuant to the exchange offer or otherwise on all matters properly presented to Transatlantic stockholders;

(c) Validus or any of its affiliates enters into a definitive agreement or announces an agreement in principle with Transatlantic providing for a merger or other business combination or transaction with or involving Transatlantic or any of its subsidiaries, or the purchase or exchange of securities or assets of Transatlantic or any of its subsidiaries, or Validus and Transatlantic reach any other agreement or understanding, in either case, pursuant to which it is agreed or provided that the exchange offer will be terminated;

(d) Transatlantic or any of its subsidiaries shall have (1) granted to any person proposing a merger or other business combination with or involving Transatlantic or any of its subsidiaries or the purchase or exchange of securities or assets of Transatlantic or any of its subsidiaries any type of option, warrant or right which, in Validus' judgment, constitutes a "lock-up" device (including, without limitation, a right to acquire or receive any shares of Transatlantic common stock or other securities, assets or businesses of Transatlantic or any of its subsidiaries), (2) paid or agreed to pay any cash or other consideration to any party in connection with or in any way related to any such business combination, purchase or exchange (other than to Allied World, an amount not to exceed the Allied World termination fee), or (3) amended the Allied World acquisition agreement in any respect that alters Transatlantic's rights or obligations upon termination of the Allied World acquisition agreement (other than a reduction of the Allied World termination fee); or

(e) Transatlantic stockholders shall have adopted the proposed Allied World acquisition agreement or there shall have been a business combination consummated between Transatlantic and Allied World;

which in the reasonable judgment of Validus in any such case, and regardless of the circumstances giving rise to any such condition (other than any event or circumstance giving rise to the triggering of a condition within the control of Validus), makes it inadvisable to proceed with the exchange offer and/or with acceptance for exchange, or exchange, of shares of Transatlantic common stock.

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The foregoing conditions are for the sole benefit of Validus and may be asserted by Validus regardless of the circumstances giving rise to any such condition (other than any event or circumstance giving rise to the triggering of a condition within the control of Validus) or, other than the conditions described under the subheadings "Registration Statement Condition," "Shareholder Approval Condition," "NYSE Listing Condition," "Competition Condition," and "New York State Insurance Department Condition" above, which we refer to collectively as the "unwaivable conditions," may be waived by Validus in whole or in part at any time and from time to time prior to the expiration time of the exchange offer in its discretion. To the extent Validus waives a condition set forth in this section with respect to one tender, Validus will waive that condition with respect to all other tenders. We expressly reserve the right to waive any of the conditions to the exchange offer, other than the unwaivable conditions, and to make any change in the terms of or conditions to the exchange offer. The waiver of any right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances. Any determination by Validus concerning any condition or event described in this prospectus/offer to exchange and the accompanying letter of transmittal shall be final and binding on all parties to the fullest extent permitted by applicable law.

Dividends and Distributions

If, on or after the date of this prospectus/offer to exchange, Transatlantic:

- splits, combines or otherwise changes the shares of Transatlantic common stock or its capitalization;
- acquires or otherwise causes a reduction in the number of outstanding shares of Transatlantic common stock; or
- issues or sells any additional shares of Transatlantic common stock (other than shares of Transatlantic common stock issued pursuant to, and in accordance with, the terms in effect on the date of this prospectus/offer to exchange of employee stock options, stock units or other similar awards outstanding prior to the date of this prospectus/offer to exchange), shares of any other class or series of capital stock of Transatlantic (including preferred stock) or any options, warrants, convertible securities or other rights of any kind to acquire any of the foregoing, or any other ownership interest (including, without limitation, any phantom interest), of Transatlantic:

then, without prejudice to Validus' rights under the section of this prospectus/offer to exchange titled "Conditions of the Exchange Offer," Validus may make such adjustments to the exchange offer consideration and other terms of the exchange offer and the second-step merger (including the number and type of securities to be exchanged) as it deems appropriate to reflect such split, combination or other change.

If, on or after the date of this prospectus/offer to exchange, Transatlantic declares, sets aside, makes or pays any dividend on the shares of Transatlantic common stock (other than any quarterly cash dividend paid in the ordinary course of business consistent with past practice) or makes any other distribution (including the issuance of additional share capital pursuant to a share dividend or share split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to shares of Transatlantic common stock that is payable or distributable to stockholders of record on a date prior to the transfer to the name of Validus or its nominee or transferee on Transatlantic's stock transfer records of the shares of Transatlantic common stock exchanged pursuant to the exchange offer, then, without prejudice to Validus' rights under "The Exchange

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Offer Extension, Termination and Amendment" and "The Exchange Offer Conditions of the Exchange Offer":

- the aggregate consideration per share of Transatlantic common stock payable by Validus pursuant to the exchange offer will be reduced to the extent any such dividend or distribution is payable in cash; and

- the whole of any such non-cash dividend, distribution or issuance to be received by the tendering stockholders will (1) be received and held by the tendering Transatlantic stockholders for the account of Validus and will be required to be promptly remitted and transferred by each tendering Transatlantic stockholder to the exchange agent for the account of Validus, accompanied by appropriate documentation of transfer or (2) at the direction of Validus, be exercised for the benefit of Validus, in which case the proceeds of such exercise will promptly be remitted to Validus.

Pending such remittance and subject to applicable law, Validus will be entitled to all the rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire exchange offer consideration or deduct from the exchange offer consideration the amount or value thereof, as determined by Validus in its discretion.

Source and Amount of Funds

Validus estimates that the aggregate consideration to be paid to Transatlantic stockholders in connection with the exchange offer and second-step merger will consist of approximately $500 million in cash (less applicable withholding taxes and without interest) and that number of Validus common shares determined in accordance with the exchange ratio. In addition, Transatlantic stockholders will receive cash in lieu of any fractional Validus common shares to which they may be entitled.

Amount of Cash Required

Validus estimates that the total amount of cash required to complete the transactions contemplated by the exchange offer and the second-step merger will be approximately $647,375,000, which estimated total amount includes:

- payment of the cash portion of the exchange offer consideration required to acquire all of the shares of Transatlantic common stock pursuant to the exchange offer and the second-step merger (including the cash payments due in lieu of the issuance of fractional Validus common shares);

- any cash that may be required to be paid in respect of dissenters' or appraisal rights; and

- payment of any fees, expenses and other related amounts incurred in connection with the exchange offer and second-step merger.

We expect to have sufficient funds to complete the transactions contemplated by the exchange offer and the second-step merger and to pay fees, expenses and other related amounts through a combination of (1) Validus' and Transatlantic's cash on hand and (2) borrowings under the proposed commitment described below.

The estimated amount of cash required is based on Validus' due diligence review of Transatlantic's publicly available information to date and is subject to change. For a further discussion of the risks relating to Validus' limited due diligence review, see the section of this prospectus/offer to exchange titled "Risk Factors Risk Factors Relating to the Exchange Offer and the Second-Step Merger."

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Commitments

We have obtained commitments from J.P. Morgan Securities LLC, as lead arranger, and JPMorgan Chase Bank, N.A. to provide, subject to certain conditions, senior bank financing consisting of up to $200 million under a proposed new unsecured credit facility, which we refer to as the "Bridge Facility," for financing a portion of the cash component of the consideration to be paid to Transatlantic stockholders in connection with the exchange offer. The documentation governing the credit facility contemplated by these commitments has not been finalized, and accordingly, the actual terms may differ from the summary below. Validus plans to fund the remaining cash component of the consideration to be paid to Transatlantic stockholders in connection with the exchange offer through the borrowing of up to $300 million under its existing $340 million Three-Year Unsecured Letter of Credit Facility Agreement, dated as of March 12, 2010, which we refer to as the "Existing Three-Year L/C Facility," among Validus, Validus Re, the subsidiary account parties from time to time party thereto, the lenders from time to time party thereto, Deutsche Bank Securities Inc., as syndication agent, and JPMorgan Chase Bank, N.A., as administrative agent.

On August 2, 2011, we entered into the First Amendment to the Existing Three-Year L/C Facility, which we refer to as the "Three-Year Amendment," among Validus, Validus Re, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, which contains certain amendments to the Existing Three-Year L/C Facility that we determined were necessary to reflect and permit the exchange offer, the second-step merger and the other transactions contemplated by this prospectus/offer to exchange, and such Three-Year Amendment is in full force and effect. Validus does not currently have any alternative arrangements or alternative plans with respect to financing the cash consideration in the offer and the second-step merger, nor does Validus have any plans or arrangements to refinance or repay the Existing Three-Year L/C Facility or the Bridge Facility.

Also on August 2, 2011, we entered into the Fourth Amendment to the $500 million Five-Year Secured Letter of Credit Facility Agreement, dated as of March 12, 2007, which we refer to as the "Five-Year Facility," among Validus, Validus Re, the other designated subsidiary account parties from time to time party thereto, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent and issuing agent, and Deutsche Bank AG New York Branch, as syndication agent, which amends the Five-Year Facility to reflect and permit the exchange offer, the second-step merger and the other transactions contemplated by this prospectus/offer to exchange, and which includes specific amendments to certain of the affirmative covenants, negative covenants and events of defaults contained therein.

Interest; Letter of Credit Fees; Unused Commitment Fees

Existing Three-Year L/C Facility

Each loan made under the Existing Three-Year L/C Facility bears interest at an Adjusted LIBOR Rate or Alternate Base Rate plus the applicable margin described in the chart below. Interest periods on Adjusted LIBOR Rate-based loans may be one, two, three or six months (or, if available to each lender affected, nine or twelve months), at Validus' option. In the case of Adjusted LIBOR Rate-based loans, interest accrues on the basis of a 360-day year, and is payable on the last day of each relevant interest period and, for any interest period longer than 3 months, on each successive date 3 months after the first day of such interest period. Interest accrues on Alternate Base Rate-based loans on the basis of a 365/366-day year (or 360-day year if based on the Federal Funds Rate or the Adjusted LIBOR Rate) and is payable quarterly in arrears. Unused loan commitments are subject to an unused

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commitment fee and letters of credit issued under the Existing Three-Year L/C Facility are subject to a letter of credit fee, in each case, as described in the chart below.

Category	Index Ratings	Commitment Fee Rate	Eurodollar Spread	ABR Spread	Letter of Credit Fee
Category 1	A-/A3 or better	0.30%	2.25%	1.25%	2.25%
Category 2	BBB+/Baa1	0.40%	2.50%	1.50%	2.50%
Category 3	BBB/Baa2	0.50%	3.00%	2.00%	3.00%
Category 4	BBB-/Baa3	0.60%	3.50%	2.50%	3.50%
Category 5	BB+/Ba1 or lower	0.70%	4.00%	3.00%	4.00%

Bridge Facility

Each loan made under the Bridge Facility will bear interest at an Adjusted LIBOR Rate or Alternate Base Rate (as contemplated by the commitment letter relating to the Bridge Facilities) plus, in each case, the applicable margin described in the chart below. Interest periods on Adjusted LIBOR Rate-based loans may be one, two, three or six months, at Validus' option. In the case of Adjusted LIBOR Rate-based loans, interest will accrue on the basis of a 360-day year, and will be payable on the last day of each relevant interest period and, for any interest period longer than 3 months, on each successive date 3 months after the first day of such interest period. Interest will accrue on Alternate Base Rate-based loans on the basis of a 365/366-day year (or 360-day year if based on the Federal Funds Rate or the Adjusted LIBOR Rate) and shall be payable quarterly in arrears. Unused loan commitments will be subject to an unused commitment fee, as described in the chart below.

Category	Index Ratings	Commitment Fee Rate	Eurodollar Spread	ABR Spread
Category 1	A-/A3 or better	0.125%	1.125%	0.125%
Category 2	BBB+/Baa1	0.150%	1.375%	0.375%
Category 3	BBB/Baa2	0.200%	1.625%	0.625%
Category 4	BBB-/Baa3	0.250%	1.875%	0.875%
Category 5	BB+/Ba1 or lower	0.325%	2.250%	1.250%

The Eurodollar Spreads and ABR Spreads set forth in the chart above will increase by an additional 0.25% on the date that is 90 days following the closing date of the Bridge Facility and every 90 days thereafter.

Additionally, Validus shall pay a duration fee for the ratable benefit of the lenders under the Bridge Facility on the dates set forth below, equal to the Applicable Duration Fee Percentage of the aggregate principal amount of loans outstanding as of such date:

Days after the closing date of the Bridge Facility	90 days	180 days	270 days
Applicable Duration Fee Percentage	0.50%	0.75%	1.00%

Conditions to Borrowing

Existing Three-Year L/C Facility

Borrowing under the Existing Three-Year L/C Facility is subject to certain conditions. Set forth below is a description of the conditions precedent to borrowing under the Existing Three-Year L/C Facility:

the absence of any default or event of default under the Existing Three-Year L/C Facility;

accuracy of representations and warranties under the Existing Three-Year L/C Facility (subject to materiality thresholds and customary carve-outs); and

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receipt by the administrative agent of a customary borrowing request from Validus.

Bridge Facility

Borrowing under the Bridge Facility will be subject to certain conditions. Set forth below is a description of the conditions precedent to borrowing under the Bridge Facility:

the negotiation, delivery and execution of definitive documentation with respect to the Bridge Facility consistent with the Existing Three-Year L/C Facility, and containing only those conditions to borrowing expressly set forth in the commitment letter relating to the Bridge Facility;

the exchange offer shall have been consummated substantially concurrently with the initial funding of the Bridge Facility, in accordance with the terms of the definitive documents relating to the exchange offer;

since December 31, 2010, there not having been any Combined Material Adverse Effect (as defined in the commitment letter relating to the Bridge Facility), other than any events, developments or occurrences (but not any future updates, developments or other changes in or to any such events, developments or occurrences) that have been disclosed prior to July 24, 2011 in any public filing on Form 10-K, Form 10-Q or Form 8-K of Validus or Transatlantic, as applicable;

as of the closing date of the Bridge Facility, no default or event of default shall have occurred and be continuing, or shall occur as a result of the consummation of the exchange offer, the second-step merger and the financings thereof, under (x) the Existing Three-Year L/C Facility, the Five-Year Facility or, in each case any refinancing or replacement thereof or (y) any other credit agreement of Validus, Transatlantic or any of their respective subsidiaries, or any refinancing or replacement thereof (other than, in the case of this clause (y), any such agreements, refinancing or replacements with an aggregate outstanding principal amount (for all such agreements, refinancing and replacements) not in excess of $150,000,000);

accuracy of representations and warranties under the Bridge Facility (subject to materiality thresholds) (excluding any representation or warranty relating to Transatlantic or any of its subsidiaries or any of their respective businesses);

no default or event of default shall have occurred and be continuing at the time of, or after giving effect to the making of, the loans under the Bridge Facility;

the lenders shall have received (1) audited consolidated financial statements of Validus for the three most recent fiscal years ended at least 90 days prior to the closing date of the Bridge Facility and (2) unaudited consolidated financial statements of Validus for each interim quarterly period ended after the latest fiscal year referred to in clause (1) above and at least 45 days prior to the closing date of the Bridge Facility, and unaudited consolidated financial statements for the same period of the prior fiscal year;

the lenders shall have received a pro forma consolidated balance sheet of Validus as at the end of the most recent fiscal year ended at least 90 days prior to the closing date of the Bridge Facility and a pro forma statement of operations for each of (1) the most recent fiscal year of Validus ended at least 90 days prior to the closing date of the Bridge Facility and (2) the most recent interim period of Validus ending at least 45 days prior to the closing date of the Bridge Facility, in each case adjusted to give effect to the consummation of the exchange offer, the second-step merger and the financings contemplated thereby as if such transactions had occurred on such date or on the first day of such period, as applicable. To the extent practicable, such pro forma financial statements shall be prepared in accordance with Regulation S-X, but it is

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acknowledged that to the extent Validus is limited as to information relating to Transatlantic and its subsidiaries, such preparation may not be practicable;

payment of all fees and expenses then due with respect to the Bridge Facility to the extent invoiced at least one business day prior to the closing date of the Bridge Facility;

the lead arranger shall have received such legal opinions, certificates (including a solvency certificate from the chief financial officer of Validus certifying the solvency of Validus and its subsidiaries on a consolidated basis, after giving effect to the exchange offer and the borrowings under the Bridge Facility), documents and other instruments and information (including PATRIOT Act documentation and information), in each case, as are customary for transactions of this type as it may reasonably request; and

receipt by the administrative agent of a customary borrowing request from Validus.

Maturity

Existing Three-Year L/C Facility

The Existing Three-Year L/C Facility will mature on March 12, 2013.

Bridge Facility

Validus expects that the contemplated Bridge Facility will mature on the earlier of (i) one year after the closing date of the Bridge Facility and (ii) March 12, 2013.

Prepayments and Repayments

The loans made under the Bridge Facility and the Existing Three-Year L/C Facility may be voluntarily repaid without premium or penalty, subject to Validus' payment of breakage costs in connection with any Adjusted LIBOR Rate-based loans.

Subject to certain exceptions and thresholds, (a) the loans made under the Bridge Facility will be mandatorily prepaid and, (b) after the execution of the commitment letter relating to the Bridge Facility, but prior to the closing date of the Bridge Facility, the commitments of the lenders under the Bridge Facility will be reduced, in each case, on a pro rata basis with (i) 100% of the net cash proceeds of any issuance of equity by Validus (other than any issuance of equity pursuant to the exchange offer) and (ii) 100% of the net cash proceeds of any incurrence of indebtedness for borrowed money by Validus or any of its subsidiaries.

Guarantee

Existing Three-Year L/C Facility

Pursuant to the Three-Year Amendment, all obligations of Validus and its subsidiaries under the Existing Three-Year L/C Facility will, from and after the consummation of the second-step merger, be unconditionally guaranteed, which we refer to as the "Guarantee," by Transatlantic so long as the provision of such Guarantee at such time is not prohibited by any material contract of Transatlantic or applicable law or regulation and would not result in material adverse tax consequences as reasonably determined by Validus and the administrative agent. In the event that (and solely for so long as) the Guarantee is not provided, the Existing Three-Year L/C Facility will include the following additional covenants: (i) a minimum level of capital and surplus at Validus Re equal to at least $2,451,837,960, (ii) the delivery of quarterly financial information with respect to Validus Re, including balance sheets and the related statements of income, changes in shareholders' equity and cash flows and (iii) a limitation on direct or indirect investments by Validus and its subsidiaries (other than Transatlantic and its subsidiaries) in Transatlantic and its subsidiaries (other than the acquisition of common stock

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pursuant to this exchange offer and second-step merger), which investments shall not exceed the greater of (x) $100,000,000 and (y) 1.50% of consolidated net worth of Validus and its subsidiaries.

Bridge Facility

All obligations of Validus and its subsidiaries under the Bridge Facility will, from and after the consummation of the second-step merger, be unconditionally guaranteed, which we refer to as the "Guarantee," by Transatlantic so long as the provision of such Guarantee at such time is not prohibited by any material contract of Transatlantic or applicable law or regulation and would not result in material adverse tax consequences as reasonably determined by Validus and the administrative agent. In the event that (and solely for so long as) the Guarantee is not provided, the Bridge Facility will include additional covenants to be mutually agreed and which may include the following: (i) a minimum level of capital surplus at Validus Re, (ii) a minimum consolidated net worth financial covenant with respect to Talbot Holdings Ltd., (iii) a limitation on direct or indirect investments by Validus and its subsidiaries (other than Transatlantic and its subsidiaries) in Transatlantic and its subsidiaries (other than the acquisition of common stock pursuant to this exchange offer and second-step merger) and (iv) a limitation on dividends, distributions and other restricted payments by Validus, in each case, on terms and subject to exceptions (and, with respect to clauses (i) and (ii) above, at levels) to be mutually agreed.

Representations and Warranties; Covenants; Events of Default.

Existing Three-Year L/C Facility

The Existing Three-Year L/C Facility contains covenants that include, among other things (i) the requirement that Validus initially maintain a minimum level of consolidated net worth of at least $2,925,590,000 plus, immediately following the last day of each fiscal quarter (commencing with the fiscal quarter ended December 31, 2009), an amount equal to 50% of Validus' consolidated net income (if positive) for such quarter plus 50% of the aggregate increases in the consolidated shareholders' equity of Validus during such fiscal quarter by reason of the issuance and sale of common equity interests of Validus, including upon any conversion of debt securities of Validus into such equity interests, (ii) the requirement that Validus maintain at all times a consolidated total debt to consolidated total capitalization ratio not greater than 0.35:1.00, and (iii) the requirement that Validus Re and any other material insurance subsidiaries maintain a financial strength rating by A.M. Best of not less than "B++".

In addition, the Existing Three-Year L/C Facility contains customary negative covenants applicable to Validus and its subsidiaries, including limitations on the ability to pay dividends and other payments in respect of equity interests at any time that Validus is otherwise in default with respect to certain provisions under the Existing Three-Year L/C Facility, limitations on the ability to incur liens, make investments, sell assets, merge or consolidate with others, enter into transactions with affiliates, and limitations on the ability of our subsidiaries to incur indebtedness. The Existing Three-Year L/C Facility also contains customary affirmative covenants, representations and warranties and events of default for credit facilities of this type.

In addition to the covenants described in the section of this prospectus/offer to exchange titled "Guarantee Existing Three-Year L/C Facility," the Three-Year Amendment amends certain of the representations and warranties, covenants and events of default contained in the Existing Three-Year L/C Facility that we determined are necessary to reflect and permit the exchange offer, the second-step merger and the other transactions contemplated by this prospectus/offer to exchange.

Bridge Facility

The terms of the Bridge Facility shall be substantially similar to the Existing Three-Year L/C Facility, as modified to reflect and permit the exchange offer, the second-step merger and the other transactions contemplated by this prospectus/offer to exchange.

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Certain Legal Matters; Regulatory Approvals

U.S. Antitrust Clearance

Under the HSR Act and the rules that have been promulgated thereunder, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. The exchange of shares of Transatlantic common stock pursuant to the exchange offer is subject to such requirements.

Pursuant to the requirements of the HSR Act, Validus filed a Notification and Report Form and requested early termination of the HSR Act waiting period with respect to the exchange offer and the second-step merger with the Antitrust Division and the FTC on July 18, 2011. On August 17, 2011 at 11:59 p.m. Eastern time, the applicable waiting period under the HSR Act for the acquisition by Validus of shares of Transatlantic common stock pursuant to the exchange offer expired and the related condition to the exchange offer was satisfied.

Subject to certain circumstances described in the section of this prospectus/offer to exchange titled "The Exchange Offer Extension, Termination and Amendment," any extension of the waiting period will not give rise to any withdrawal rights not otherwise provided for by applicable law. Please see the section of this prospectus/offer to exchange titled "Withdrawal Rights."

U.S. Insurance Regulatory

The insurance laws and regulations of all 50 U.S. states and the District of Columbia generally require that, prior to the acquisition of an insurance company, either through the acquisition of or merger with the insurance company or a holding company of that insurance company, the acquiring company must obtain approval from the insurance commissioner of the insurance company's state of domicile or, in certain jurisdictions, where such insurance company is commercially domiciled.

Transatlantic owns Transatlantic Reinsurance Company and Putnam Reinsurance Company, each of which are insurance companies domiciled in New York. Accordingly, before it can acquire indirect control of each of Transatlantic Reinsurance Company and Putnam Reinsurance Company through its acquisition of Transatlantic, Validus will be required to obtain approval for acquisition of control under Section 1506 of the New York Insurance Code. Validus does not believe based on publicly available information that Transatlantic Reinsurance Company or Putnam Reinsurance Company is commercially domiciled in any U.S. State.

Other Regulatory Approvals

The exchange offer and the second-step merger will also be subject to review by antitrust, insurance and other authorities in jurisdictions outside the U.S. Validus has filed and is in the process of filing as soon as practicable all applications and notifications determined by Validus to be necessary or advisable under the laws of the respective jurisdictions for the consummation of the exchange offer and the second-step merger.

No assurance can be given that the required consents and approvals of the applicable governmental authorities to complete the exchange offer and second-step merger will be obtained, and, if all required consents and approvals are obtained, no assurance can be given as to the terms, conditions and timing of the consents and approvals. If Validus agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any consents or approvals required to consummate the exchange offer, these requirements, limitations, additional costs or restrictions could adversely affect Validus' ability to integrate the operations of Validus and Transatlantic or reduce the anticipated benefits of the combination contemplated by the exchange offer and second-step merger.

Please see the sections of this prospectus/offer to exchange titled "Risk Factors" and "The Exchange Offer Conditions of the Exchange Offer."

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Section 203 of the DGCL

The exchange offer is subject to the condition that the Transatlantic board of directors shall have approved the acquisition of shares of Transatlantic stock pursuant to the exchange offer and the second-step merger or any other business combination satisfactory to Validus between Transatlantic and Validus (and/or any of Validus' subsidiaries) pursuant to the requirements of Section 203 of the DGCL, or Validus shall be satisfied that Section 203 does not apply to or otherwise restrict the exchange offer, the second-step merger or any such business combination. This condition will be satisfied if (1) prior to the acceptance for exchange of shares of Transatlantic common stock pursuant to the exchange offer, the Transatlantic board of directors (x) shall have approved the acquisition of shares of Transatlantic common stock pursuant to the exchange offer and the second-step merger or (y) shall have approved each of Validus and its subsidiaries as an "interested stockholder" or (2) there are validly tendered and not withdrawn prior to the expiration date a number of shares of Transatlantic common stock that, together with the shares of Transatlantic common stock then owned by Validus, would represent at least 85% of the shares of Transatlantic common stock outstanding on the date hereof (excluding for the purposed of determining voting stock outstanding, shares of Transatlantic common stock owned by certain employee stock plans and directors who are also officers of Transatlantic).

Section 203, in general, prevents an "interested stockholder" (generally, a stockholder and an affiliate or associate thereof owning 15% or more of a corporation's outstanding voting stock) from engaging in a "business combination" (as defined in Section 203) (defined to include a merger or consolidation and certain other transactions) with a Delaware corporation for a period of three years following the time such stockholder became an interested stockholder unless (1) prior to such time the corporation's board of directors approved either the business combination or the transaction which resulted in such stockholder becoming an interested stockholder, (2) upon consummation of the transaction which resulted in such stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation's voting stock outstanding at the time the transaction commenced (excluding shares of stock owned by certain employee stock plans and persons who are directors and also officers of the corporation) or (3) at or subsequent to such time, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of stockholders (and not by written consent) by the affirmative vote of at least $66^{2}/_{3}$% of the outstanding voting stock of the corporation (excluding for such purposes voting stock owned by the interested stockholder). Unless at least one of the conditions described above is satisfied, Section 203 of the DGCL would apply to the second-step merger and any other business combination involving Validus or any of its subsidiaries, on the one hand, and Transatlantic, on the other hand. Consequently, Section 203 could significantly delay Validus' ability to acquire the entire equity interest in Transatlantic.

Other State Takeover Statutes

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. To the extent that these state takeover statutes (other than Section 203 of the DGCL) purport to apply to the exchange offer or the second-step merger, Validus believes that there are reasonable bases for contesting such laws. In *Edgar v. MITE Corp.*, the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in *CTS Corp. v. Dynamics Corp. of America*, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations

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that had a substantial number of stockholders in the state and were incorporated there. Subsequently, in *TLX Acquisition Corp. v. Telex Corp.*, a Federal district court in Oklahoma ruled that the Oklahoma statutes were unconstitutional insofar as they apply to corporations incorporated outside Oklahoma because they would subject those corporations to inconsistent regulations. Similarly, in *Tyson Foods, Inc. v. McReynolds*, a federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December 1988, a federal district court in Florida held, in *Grand Metropolitan P.L.C. v. Butterworth*, that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida.

Transatlantic, directly or through its subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. Validus does not know whether any of these laws will, by their terms, apply to the exchange offer or the second-step merger and has not complied with any such laws. Should any person seek to apply any state takeover law, Validus will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the exchange offer or the second-step merger, and an appropriate court does not determine that it is inapplicable or invalid as applied to the exchange offer, Validus might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Validus might be unable to accept for exchange any shares of Transatlantic common stock tendered pursuant to the exchange offer, or be delayed in continuing or consummating the exchange offer and the second-step merger. In such case, Validus may not be obligated to accept for exchange any shares of Transatlantic common stock tendered. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer."

Going Private Transaction

The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the second-step merger or another business combination following the exchange of shares of Transatlantic common stock pursuant to the exchange offer in which Validus seeks to acquire the remaining share of Transatlantic common stock not held by it. Validus believes that Rule 13e-3 should not be applicable to the second-step merger; however, the SEC may take a different view under the circumstances. Rule 13e-3 requires, among other things, that certain financial information concerning Transatlantic and certain information relating to the fairness of the proposed transaction and the consideration offered to minority shareholders in such transaction be filed with the SEC and disclosed to shareholders prior to consummation of the transaction.

Pending Litigation

On July 28, 2011, Transatlantic announced that it had filed a complaint against Validus in the United States District Court for the District of Delaware, alleging that Validus violated the securities laws by making false and misleading statements to Transatlantic's stockholders in connection with the exchange offer and its opposition to the proposed Allied World acquisition. Validus believes that this suit is meritless. On August 10, 2011, Validus moved to dismiss this complaint for failure to state a claim. As of the date of this prospectus/offer to exchange, no hearing date has been set on Validus' motion.

On August 10, 2011, Validus filed a complaint in the Court of Chancery of the State of Delaware against Transatlantic, the members of its board of directors, and Allied World. The complaint alleges that Transatlantic directors have breached and are breaching their fiduciary duties by refusing to recommend against the proposed Allied World acquisition, refusing to engage Validus in discussions

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about the Validus offer, and making false and misleading statements and omissions in connection with seeking stockholder approval of the Allied World acquisition. The complaint also alleges that Allied World has aided and abetted these breaches of fiduciary duty.

The complaint seeks injunctive relief against these breaches of fiduciary duty, and a declaratory judgment that the terms of the merger agreement between Transatlantic and Allied World do not preclude the Transatlantic board of directors from determining in good faith that a confidentiality agreement entered into with Validus (or any other third party) is substantially similar to Transatlantic's confidentiality agreement with Allied World, even if such third party confidentiality agreement does not contain a standstill, and does not require Validus to enter into a standstill before Transatlantic is permitted to enter into discussions and exchange information with Validus.

On August 16, 2011, Validus filed a motion seeking (i) a preliminary injunction seeking a declaratory judgment regarding Transatlantic's interpretation of Section 5.5(e) of the Allied World acquisition agreement and whether the Transatlantic board of directors has breached its fiduciary duties by refusing to enter into discussions and exchange information with Validus and (ii) expedited discovery in connection with the preliminary injunction hearing.

Other

Based upon our examination of publicly available information concerning Transatlantic, it appears that Transatlantic and its subsidiaries conduct business in a number of jurisdictions outside of the United States. In connection with the acquisition of shares of Transatlantic common stock pursuant to the exchange offer, the laws of certain of these jurisdictions outside of the United States may require the filing of information with, or the obtaining of the approval of, governmental authorities therein. After commencement of the exchange offer, we will seek further information regarding the applicability of any such laws and currently intend to take such action as they may require, but no assurance can be given that such approvals will be obtained. If any action is taken before completion of the exchange offer by any such governmental authority, we may not be obligated to accept for payment or pay for any tendered shares of Transatlantic common stock. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Conditions of the Exchange Offer."

Certain Relationships With Transatlantic and Interests of Validus in the Exchange Offer

Except as otherwise described in this prospectus/offer to exchange, there have been no contacts, negotiations or transactions since January 1, 2009, between us or, after due inquiry and to the best of our knowledge and belief, any of the persons listed on Schedule I to this prospectus/offer to exchange, and Transatlantic or its affiliates, on the other hand, concerning an amalgamation, consolidation or acquisition, an exchange offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets. In the ordinary course of business, Validus and Transatlantic enter into, from time to time, various insurance and reinsurance arrangements.

As of the date of the exchange offer, Validus owns 200 shares of Transatlantic common stock, representing less than one percent of the outstanding shares of Transatlantic common stock. These shares were purchased by Validus in a privately negotiated transaction and such purchase is described on Schedule II to this prospectus/offer to exchange. With the exception of the foregoing, Validus has not effected any transaction in securities of Transatlantic in the past 60 days.

The name, citizenship, business address, business telephone number, principal occupation or employment, and five-year employment history for each of the directors and executive officers of Validus and certain other information is set forth in Schedule I to this prospectus/offer to exchange. Except as described in this prospectus/offer to exchange and in Schedule I hereto, none of Validus or, after due inquiry and to the best of our knowledge and belief, any of the persons listed on Schedule I to this prospectus/offer to exchange, has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to any judicial or administrative proceeding (except for matters that were dismissed without sanction or settlement) that

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resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws. Except as set forth in this prospectus/offer to exchange and set forth in Schedule II to this prospectus/offer to exchange, after due inquiry and to the best of our knowledge and belief, none of the persons listed on Schedule I hereto, nor any of their respective associates or majority owned subsidiaries, beneficially owns or has the right to acquire any securities of Transatlantic or has effected any transaction in securities of Transatlantic during the past 60 days.

Validus does not believe that the exchange offer and the second-step merger will result in a change in control under any of Validus' stock option plans or any employment agreement between Validus and any of its employees. As a result, no options or other equity grants held by such persons will vest as a result of the exchange offer and the second-step merger.

Fees and Expenses

Validus has engaged Greenhill & Co., LLC, which we refer to as "Greenhill," as a financial advisor with respect to the transaction. In connection with Greenhill's services as a financial advisor to Validus in connection with the transaction, Validus has agreed to pay Greenhill an aggregate fee of $20.0 million, $4.25 million of which has already been paid and $15.75 million (less the fee for Greenhill's service as dealer manager in connection with the exchange offer described below) of which is contingent upon the consummation of a transaction with Transatlantic or entry into a definitive agreement that subsequently results in a transaction with Transatlantic. In addition, Validus will reimburse Greenhill for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify Greenhill and its affiliates in connection with Greenhill's service as a financial advisor against certain liabilities in connection with their engagement.

Validus has also engaged Greenhill to act as dealer manager in connection with the exchange offer. Greenhill may contact beneficial owners of shares of Transatlantic common stock in its capacity as dealer manager regarding the exchange offer and may request brokers, dealers, commercial banks, trust companies and other nominees to forward this prospectus/offer to exchange and related materials to beneficial owners of shares of Transatlantic common stock. Validus has agreed to pay Greenhill a fee of $50,000 for its service as dealer manager in connection with the exchange offer (with such amount offset against the contingent portion of the fee payable to Greenhill in its capacity as a financial advisor to Validus as described above). In addition, Validus will reimburse Greenhill for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify Greenhill and its affiliates in connection with Greenhill's service as dealer manager against certain liabilities in connection with their engagement.

Validus has also engaged J.P. Morgan Securities LLC, which we refer to as "J.P. Morgan," as a financial advisor with respect to the transaction. In connection with J.P. Morgan's services as a financial advisor to Validus in connection with the transaction, Validus agreed to pay J.P. Morgan an aggregate fee of $4.0 million, $1.0 million of which has already been paid and $3.0 million of which is contingent upon the consummation of a transaction with Transatlantic or entry into a definitive agreement that subsequently results in a transaction with Transatlantic. In addition, Validus will reimburse J.P. Morgan for its reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel. Validus has also agreed to indemnify J.P. Morgan and its affiliates in connection with J.P. Morgan's service as financial advisor against certain liabilities in connection with their engagement.

Validus has also engaged J.P. Morgan to provide financing for the exchange offer and Validus has agreed to pay J.P. Morgan customary fees in respect thereof. As part of this engagement, Validus has agreed that J.P. Morgan will have the right to act as, among other roles, lead manager and lead left bookrunner in connection with any public or Rule 144A offering, exclusive placement agent in connection with an private placement and lead left book runner in connection with any credit facility,

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in each case, in connection with the refinancing in full of the Bridge Facility occurring at any time prior to July 12, 2013.

Validus has retained Innisfree M&A Incorporated, which we refer to as "Innisfree," as information agent in connection with the exchange offer. The information agent may contact holders of shares of Transatlantic common stock by mail, telephone, facsimile, telegraph, the internet, e-mail, newspapers and other publications of general distribution and in person and may request brokers, dealers, commercial banks, trust companies and other nominees to forward materials relating to the exchange offer to beneficial owners of shares of Transatlantic common stock. Validus will pay the information agent up to $600,000 for these services and the solicitation and advisory services described below, in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Validus agreed to indemnify the information agent against certain liabilities and expenses in connection with the exchange offer.

Validus has also retained Innisfree for solicitation and advisory services in connection certain solicitations described in this prospectus/offer to exchange, for which Innisfree will receive a customary fee. Validus has also agreed to reimburse Innisfree for out-of-pocket expenses and to indemnify Innisfree against certain liabilities and expenses, including reasonable legal fees and related charges.

In addition, Validus has retained BNY Mellon Shareowner Services as the exchange agent in connection with the exchange offer. Validus will pay the exchange agent reasonable and customary compensation for its services in connection with the exchange offer, will reimburse the exchange agent for its reasonable out-of-pocket expenses and will indemnify the exchange agent against certain liabilities and expenses.

Except as set forth above, Validus will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of shares pursuant to the exchange offer. Validus will reimburse brokers, dealers, commercial banks and trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding offering materials to their customers.

Accounting Treatment

Validus will account for the acquisition of shares of Transatlantic common stock under the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, "Business Combinations," which we refer to as ASC 805," under which the total consideration paid in the exchange offer will be allocated among acquired assets and assumed liabilities based on the fair values of the assets acquired and liabilities assumed. In the event there is an excess of the total consideration paid in the exchange offer over the fair values, the excess will be accounted for as goodwill. Intangible assets with definite lives will be amortized over their estimated useful lives. Goodwill resulting from the exchange offer will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that the management of Validus determines that the value of goodwill has become impaired, an accounting charge will be taken in the fiscal quarter in which such determination is made. In the event there is an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid in the exchange offer, the excess will be accounted for as a gain to be recognized through the income statement at the close of the transaction, in accordance with ASC 805. Validus anticipates the acquisition will result in an excess of the fair values of the acquired assets and liabilities assumed over the total consideration paid.

Memorandum of Association and Bye-law Provisions

Various provisions contained in Validus' Memorandum of Association, as amended, and Amended and Restated Bye-laws could delay or discourage some transactions involving an actual or potential change in control of Validus or its management and may limit the ability of Validus shareholders to

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remove current management or approve transactions that Validus shareholders may deem to be in their best interests. These provisions:

- authorize Validus' board of directors to establish one or more series of undesignated preferred shares, the terms of which can be determined by the board of directors at the time of issuance;
- divide the board of directors into three classes, each class serving a three-year term;
- allow Validus' directors, and not its shareholders, to fill vacancies on its board of directors resulting from enlargement of the board;
- deny shareholders the right to vote at any annual or special meeting if that shareholder has not paid all the calls on the Validus common shares held;
- provide that shareholders may only remove a director for cause and requires the shareholders to give that director advanced written notice and an opportunity to be heard at the meeting as well as a supermajority vote ($66^2/_3\%$) of the outstanding shares; and
- reduce the voting power of a shareholder or group of related shareholders who would otherwise represent more than 9.09% of the aggregate voting power of Validus common shares to represent 9.09% of the aggregate voting power of Validus common shares.

Shareholders' Equity; Share Premium Account

Under Bermuda law, the excess of any consideration paid on issue of shares over the aggregate par value of such shares must (except in certain limited circumstances) be credited to a share premium account. Share premium may be distributed in certain limited circumstances, for example to pay up unissued shares which may be distributed to shareholders in proportion to their holdings, but is otherwise subject to limitation and cannot be paid to shareholders as a dividend.

A Bermuda company may also create a contributed surplus account and may credit to such account any cash and other property paid or transferred to the company as sole beneficial owner (other than in connection with the issuance of shares). Unlike share premium arising upon the issuance of shares, the amount standing to the credit of a company's contributed surplus account may be distributed to shareholders subject to the solvency of the company.

As of June 30, 2011, Validus had paid in nominal share capital of approximately $17.3 million, a share premium account of approximately $1.88 billion. Validus does not currently have a contributed surplus account.

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COMPARISON OF SHAREHOLDERS' AND STOCKHOLDERS' RIGHTS

The following is a summary of the material differences between the current rights of Validus shareholders and the current rights of Transatlantic stockholders. The rights of the Transatlantic stockholders who become Validus shareholders pursuant to the exchange offer and second-step merger will be governed by the memorandum of association and the amended and restated bye-laws of Validus, which will remain subject to amendment in accordance with their terms. This summary is not intended to be complete and is qualified by reference to Validus' memorandum of association and its amended and restated bye-laws, and Transatlantic's restated certificate of incorporation and its amended and restated by-laws, as well as the laws of Bermuda or the state of Delaware. Validus' memorandum of association and amended and restated bye-laws are incorporated by reference (as Exhibit 3.1 to Validus' Registration Statement on Form S-1 filed on January 16, 2007 and Exhibit 3.2 to Validus' Registration Statement on Form S-1 (Amendment No. 4) filed on July 5, 2007, respectively). Each of Transatlantic's restated certificate of incorporation, Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock and amended and restated by-laws is incorporated by reference (as Exhibit 3.1 to Transatlantic's Current Report on Form 8-K, filed on September 9, 2009, Exhibit 3.1 to Transatlantic's Current Report on Form 8-K, filed on July 28, 2011, and Exhibit 3.2 to Transatlantic's Current Report on Form 8-K, filed on July 28, 2011, respectively).

The following information relating to Transatlantic is taken from the Allied World/Transatlantic S-4 or other publicly available information filed by Transatlantic with the SEC. Please see the section of this prospectus/offer to exchange titled "Note on Transatlantic Information." Shareholders of Validus and stockholders of Transatlantic may request copies of these documents as provided in the section of this prospectus/offer to exchange titled "Where You Can Find More Information."

Share Capital and Authorized and Outstanding Capital Stock

As of June 30, 2011, Validus had an authorized share capital of 571,428,571 authorized common shares, par value of $0.175 per share. As of June 30, 2011, Validus' issued and outstanding share capital consisted of 87,076,269 common shares, par value $0.175 per share and 11,687,659 non-voting common shares, par value $0.175 per share. Validus common shares trade on the NYSE.

As of June 30, 2011, Transatlantic had 200,000,000 authorized shares of common stock, par value of $1.00 per share, and 10,000,000 shares of preferred stock, par value of $1.00 per share. As of June 30, 2011, Transatlantic had issued and outstanding 62,483,787 shares of common stock and no shares of preferred stock. Shares of Transatlantic common stock trade on the NYSE. On July 26, 2011, the Transatlantic board of directors declared a dividend of one preferred stock purchase right for each share of Transatlantic common stock. The dividend is payable on August 8, 2011 to Transatlantic stockholders of record as of the close of business on August 8, 2011.

Assuming the acquisition of shares of Transatlantic common stock contemplated by the exchange offer were completed on June 30, 2011, as of such date, Validus would have had (i) an authorized share capital of 571,428,571 authorized common shares, par value $0.175 per share, and (ii) issued and outstanding share capital of 184,326,035 common shares, par value $0.175 per share and 11,687,659 non-voting common shares, par value $0.175 per share.

Organizational Documents

Validus	Transatlantic
The rights of Validus shareholders are currently governed by its memorandum of association and bye-laws and by Bermuda law. There is also a shareholder agreement dated December 7, 2005. These rights are described in more detail below.	The rights of Transatlantic stockholders are currently governed by its restated certificate of incorporation and amended and restated by-laws and by Delaware law. These rights are described in more detail below.

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Limitation on Voting Rights

Validus	Transatlantic
If the number of Controlled Shares of any shareholder or group of related shareholders would constitute more than 9.09% of the aggregate voting power of all Validus common shares entitled to vote on a matter, the votes conferred by such Controlled Shares will be reduced, such that the vote conferred by such shares represent 9.09% of the aggregate voting power of all common shares entitled to vote on such matter. A "Controlled Share" of any person refers to all (i) Validus voting common shares and Validus non-voting common shares, (ii) securities convertible into or exchangeable into Validus voting common shares or Validus non-voting common shares, and (iii) options, warrants or other rights to acquire Validus voting common shares or Validus non-voting common shares that a person is deemed to own directly, indirectly or constructively within the meaning of (x) Section 958 of the Code or (y) Section 13(d)(3) of the Exchange Act.	There are voting rights limitations generally applicable to shares of Transatlantic common stock.

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Ownership Limitation

Validus	Transatlantic
Validus is authorized to request information from any holder of shares and has the right to repurchase shares (other than shares that have been sold pursuant to an effective registration statement under the Securities Act) if the board of directors determines that such repurchase is required in order to avoid or ameliorate adverse legal, tax or regulatory consequences or if such holder has undergone a Change of Control. Similar restrictions apply to Validus' ability to redeem shares. "Change of Control" in the Validus bye-laws means the occurrence of one or more of the following events: (i) a majority of the board of directors (or equivalent governing body) of a shareholder shall consist of persons who were not (a) a member of the board of directors (or equivalent governing body) of such shareholder on the December 7, 2005 or (b) nominated for election or elected to the board of directors (or equivalent governing body) of such shareholder, with the affirmative vote of a majority of persons who were members of such board of directors (or equivalent governing body) at the time of such nomination or election or (ii) the acquisition by any person or group of the power, directly or indirectly, to vote or direct the voting of securities having more than 50% of the ordinary voting power for the election of the directors of a shareholder (other than certain permitted transferees, persons, groups or their Affiliates who had such power when such shareholder first became a shareholder or acquisitions approved in advance by a majority of the members of the board of directors (or equivalent governing body) of such shareholder or upon the death or disability of a natural person).	There are no ownership limitations generally applicable to shares of Transatlantic common stock.

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Dividends and Distributions

Validus	Transatlantic
Under the Validus bye-laws, the board of Validus has the power to declare dividends and to determine whether such dividends are to be paid in cash or wholly or partly in specie and to fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest against Validus.	Under the Transatlantic by-laws, subject to the express terms of any outstanding series of preferred stock, the Transatlantic board of directors may, out of funds legally available therefor at any regular or special meeting, declare dividends upon the capital stock of Transatlantic as and when they deem expedient.

Preferred Shares

Validus	Transatlantic
Subject to the Validus bye-laws, to the shareholders' agreement and to any resolution of the members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the board may issue any unissued shares of Validus on such terms and conditions as it may determine and any shares or class of shares (including the issue or grant of options, warrants and other rights, renounceable or otherwise in respect of shares) may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the board may by resolution prescribe.	Under the Transatlantic restated certificate of incorporation, Transatlantic has 10,000,000 authorized shares of "blank check" preferred stock, par value $1.00. As such, the Transatlantic board of directors may determine the preferences, limitations, and relative rights of this preferred stock by adopting resolutions fixing the same. Such a determination may include, without limitation, provisions with respect to voting rights (including rights with respect to any transaction of a specified nature), redemption, convertibility, distribution and preference on dissolution or otherwise. On July 27, 2011, the Transatlantic board of directors adopted the Transatlantic rights plan and declared a dividend of one right for each share of Transatlantic common stock. The dividend is payable on August 8, 2011 to Transatlantic stockholders of record as of the close of business on August 8, 2011. As of and after the "distribution date" (as defined in the Transatlantic rights plan) rights will separate from the shares of Transatlantic common stock and each right will become exercisable to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $1.00 per share, of Transatlantic at a purchase price of $225. Transatlantic has designated 1,000,000 shares of preferred stock as Series A Junior Participating Preferred Stock.

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Preemptive Rights

Validus	Transatlantic
The Validus bye-laws are silent with respect to preemptive rights for shareholders.	Under the Transatlantic restated certificate of incorporation, the holders of common stock and preferred stock are not entitled to preemptive or other similar subscription rights to purchase any of Transatlantic's securities.

Right to Call Special General Meeting / Special Meeting

Validus	Transatlantic
The Validus bye-laws provide that special general meetings of the shareholders may be called only by Validus' (i) chairman of the board, (ii) any two directors who are directors at the time the bye-laws first become effective on July 24, 2007, or (iii) a majority of the board. Bermuda law also requires the board to call a special general meeting upon the requisition of shareholders holding not less than one-tenth of the paid-up share capital of Validus as at the date of the deposit.	Under the Transatlantic by-laws, a special meeting of stockholders for any purpose or purposes may be called by (i) the Transatlantic board of directors, the chairman of the board of directors, the lead director (as appointed under the Transatlantic by-laws), the president or a committee of the Transatlantic board of directors given such power or (ii) the secretary of Transatlantic, upon the request in writing of stockholders holding of record at least 25% of the voting power of the outstanding shares of capital stock of Transatlantic entitled to vote at such meeting. The Transatlantic board of directors may postpone, reschedule or cancel any special meeting of stockholders previously called or scheduled by the Chairman of the Transatlantic board of directors, the lead director (if the Transatlantic board of directors shall have appointed a lead director), the Transatlantic board of directors or a duly authorized committee of the Transatlantic board of directors, or the President.

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Notice of Shareholder and Stockholder Proposals and Nomination of Candidates for Election to the Board by Shareholders and Stockholders

Validus	Transatlantic
Under Bermuda law, shareholders may, at their own expense (unless the company otherwise resolves), as set forth below, require a company to give notice of any resolution that shareholders can properly propose at the next annual general meeting and/or to circulate a statement (of not more than 1000 words) in respect of any matter referred to in a proposed resolution or any business to be conducted at that general meeting. The number of shareholders necessary for such a request is either the number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the request a right to vote at the meeting to which the request relates, or not less than 100 shareholders. Each such written request is referred to in this section as a "Shareholder Notice."	Under the Transatlantic by-laws, for nominations of directors and other proposals properly brought before an annual meeting of stockholders by a stockholder, timely notice must be given. In general, to be considered timely, a stockholder's notice must be received by Transatlantic's secretary at the principal office of Transatlantic not later than the close of business on the 90th day nor earlier than the close of business on the 60th day prior to the first anniversary of the preceding year's annual meeting or in the case of the special meeting, not later than the close of the 10th business day following the day on which notice of the special meeting was mailed or public announcement thereof was made, whichever occurs first.
The Validus bye-laws are silent on matters relating to notice of shareholder proposals and nominations of candidates.	

Shareholder and Stockholder Action by Written Consent

Validus	Transatlantic
Under the Validus bye-laws, a resolution may only be passed by written consent to be signed by all of the shareholders who at the date of the resolution would be entitled to attend a shareholder meeting and vote on the resolution.	Action by written consent by stockholders is not prohibited by Transatlantic's restated certificate of incorporation or by-laws.

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Size of Board of Directors

Validus	Transatlantic
The Validus bye-laws provide that the board shall consist of not less than nine and not more than 12 directors. The exact number of directors is determined by a resolution adopted by the affirmative vote of at least a two- thirds majority of the board then in office. If no such resolution is in effect, the board will consist of 11 directors. Any increase in the size of the board pursuant to this provision may be filled by the directors appointing additional directors.	The Transatlantic by-laws provide that the number of directors will not be less than three nor more than twelve, which number may be fixed from time to time by the Transatlantic board of directors. Under the Transatlantic restated certificate of incorporation, only the Transatlantic board of directors may change the size of the Transatlantic board of directors. The size of Transatlantic board is currently fixed at seven directors and there are currently seven directors serving on the Transatlantic board of directors.

Classification of Board of Directors

Validus	Transatlantic
The Validus bye-laws divide the directors into three classes of directors, each class to have as nearly the same number of directors as possible. The initial terms of the class 1, class 2 and class 3 directors expire in one-year, two-years and three-years, respectively, following the adoption of the bye-laws on July 24, 2007. Following their initial terms, all three classes shall be elected to three-year terms.	The Transatlantic board of directors is not divided into classes. Each director is elected at the annual meeting of stockholders, to hold office until the next annual meeting and until his or her respective successor is duly elected and qualified or until his or her prior death, resignation or removal.

Election of Directors

Validus	Transatlantic
According to the Validus bye-laws, at any election of directors, nominees shall be elected by a plurality of the votes cast.	Under the Transatlantic by-laws, each director shall be elected by the vote of the majority of the votes cast with respect to the nominee at any meeting at which directors are to be elected at which a quorum is present; provided, however, that the directors shall be elected by a plurality of votes cast on an election that is contested. An election is deemed to be contested if as of a date that is 14 days in advance of the filing date of Transatlantic's proxy statement for the relevant meeting with the SEC, the number of nominees exceeds the number of directors to be elected. For purposes of the foregoing, a majority of votes cast means that the number of shares voted "for" a nominee must exceed the votes cast "against" such nominee.

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Removal of Directors

Validus	Transatlantic
Under the Validus bye-laws, the shareholders may, at any annual meeting or special general meeting called for that purpose, remove a director only for Cause by the affirmative vote of at least sixty-six and two-thirds percent of the votes cast, provided that the notice of the meeting is served on the director or directors concerned not less than 14 days before such meeting and at such meeting such director shall be entitled to be heard on the motion for such director's removal.	Under the Transatlantic restated certificate of incorporation, a director may be removed from office with or without cause, and only by the affirmative vote of the holders of a majority of the voting power of all of the outstanding capital stock of Transatlantic entitled to vote in respect thereof.
"Cause" in the Validus bye-laws means willful misconduct, fraud, gross negligence, embezzlement or a conviction of, or a plea of "guilty" or "no contest" to, a felony or other crime involving moral turpitude.	

Vacancies on the Board of Directors

Validus	Transatlantic
Under the Validus bye-laws, the office of director shall be vacated if the director (1) is removed from office pursuant to the bye-laws or is prohibited from being a director by law, (2) is or becomes bankrupt or makes any arrangement or composition with his creditors generally, (3) is or becomes of unsound mind or an order for his detention is made, or dies, or (4) resigns his office. The board of directors has the power to appoint any person to be a director to fill a vacancy and a director so appointed shall hold office until such director's office is otherwise vacated and shall serve within the same class of directors as the predecessor.	Under the Transatlantic by-laws, any vacancy occurring in the board by reason of death, resignation, or removal shall be filled only by the affirmative vote of a majority of the remaining directors entitled to vote, even if the remaining directors may constitute less than a quorum of the board of directors. A director elected to fill a vacancy shall serve for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors may be filled by election at a regular meeting or a special meeting of the board of directors called for that purpose, or at an annual meeting or a special meeting of stockholders called for that purpose.
Under the Validus bye-laws, the board of directors may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by the bye-laws as the quorum necessary for the transaction of business at meetings of the board of directors, the continuing directors or director may act for the purpose of (1) summoning a general meeting or (2) preserving the assets of the company.	

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Duties of Directors and Director Liability

Validus

The Companies Act provides that the business of a company is to be managed and conducted by the board of directors. Under Bermuda law, at common law, members of a board of directors owe fiduciary and other duties to the company to act in good faith in their dealings with or on behalf of the company and exercise their powers and fulfill the duties of their office honestly. This duty has the following essential elements:

a duty to act in good faith in the best interests of the company;

a duty not to make a personal profit from opportunities that arise from the office of director;

a duty to avoid conflicts of interest; and

a duty to exercise powers for the purpose for which such powers were intended.

The Companies Act imposes a duty on directors and officers of a Bermuda company:

to act honestly and in good faith with a view to the best interests of the company;

to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and

to disclose material conflicts of interest to the board of the company at the first opportunity.

In addition, the Companies Act imposes various duties on directors and officers of a company with respect to certain matters of management and administration of the company.

The Companies Act provides that in any proceedings for negligence, default, breach of duty or breach of trust against any officer, if it appears to a court that such officer is or may be liable in respect of the negligence, default, breach of duty or breach of trust, but that he or she has acted honestly and reasonably, and that, having regard to all the circumstances of the case, including those connected with his or her appointment, he or she ought fairly to be excused for the negligence, default, breach of duty or breach of trust, that court may relieve him, either wholly or partly, from any liability on such terms as the court may think fit. This provision has been interpreted to apply only to actions brought by or on behalf of the company against such officers.

The Companies Act also provides that a company may agree in its bye-laws or by contract or some other arrangement to exempt or indemnify its directors from any loss arising or liability attaching to him or her by virtue of any rule of law in respect of any negligence, default, breach of duty or trust in relation to the company or any subsidiary thereof, except for any liability in respect of any fraud or dishonesty, which would otherwise attach to such director. Please see the subheading "Indemnification of Officers, Directors and Employees" in this section.

Transatlantic

Under Delaware law, the business and affairs of a corporation are managed by or under the direction of its board of directors. In exercising their powers, directors are charged with a fiduciary duty of care to protect the interests of the corporation and a fiduciary duty of loyalty to act in the best interests of its shareholders. The duty of care requires that directors act in an informed and deliberate manner, and inform themselves, prior to making a business decision, of all relevant material information reasonably available to them. The duty of care also requires that directors exercise care in overseeing and investigating the conduct of corporate employees. The duty of loyalty may be summarized as the duty to act in good faith, not out of self-interest, and in a manner that the director reasonably believes to be in the best interests of the shareholders.

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Under the "business judgment rule," courts generally do not second guess the business judgment of directors and officers. A party challenging the propriety of a decision of a board of directors bears the burden of rebutting the presumption afforded to directors by the business judgment rule. If the presumption is not rebutted, the business judgment rule attaches to protect the directors from liability for their decisions. Where, however, the presumption is rebutted, the directors bear the burden of demonstrating the fairness of the relevant transaction. However, when the board of directors takes defensive action in response to a threat to corporate control and approves a transaction resulting in a sale of control of the corporation, Delaware courts subject directors' conduct to enhanced scrutiny.

Under the DGCL, a Delaware corporation must indemnify its present or former directors and officers against expenses (including attorneys' fees) actually and reasonably incurred to the extent that the officer or director has been successful on the merits or otherwise in defense of any action, suit or proceeding brought against him or her by reason of the fact that he or she is or was a director or officer of the corporation. The DGCL permits the adoption of a provision in the certificate of incorporation limiting or eliminating the monetary liability of a director to the corporation or its stockholders by reason of a director's breach of the fiduciary duty of care.

However, the law does not permit any limitation of the liability of a director for: breaching the duty of loyalty to the corporation or its stockholders; failing to act in good faith; obtaining an improper personal benefit from the corporation; or paying a dividend or approving a stock repurchase that was illegal under Delaware law.

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Indemnification of Officers, Directors and Employees

Validus	Transatlantic
The Validus bye-laws indemnify its directors, officers and (in the discretion of the board) employees and agents and their heirs, executors and administrators who were or are threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative (including, without limitation, an action by or in the right of the company), by reason of his acting in such capacity or his acting in any other capacity for, or on behalf of, the company, against any liability or expense actually and reasonably incurred by such person in respect thereof. In addition, the company shall, in the case of directors and officers, and may, in other cases, advance the expenses of defending any such act, suit or proceeding in accordance with and to the full extent now or hereafter permitted by law.	Under the Transatlantic by-laws, Transatlantic shall indemnify, to the full extent of the law, any person made or threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was a director or officer of Transatlantic or serves or served at the request of Transatlantic as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such a proceeding, if he or she acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of Transatlantic, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.
Under the Validus bye-laws, each shareholder agrees to waive any claim or right of action, other than those involving willful negligence, willful default, fraud or dishonesty, against the company or any of its officers or directors on account of any action taken by such director or officer, or the failure of such director or officer to take any action in the performance of his or her duties with or for the company.	Such rights shall be contract rights and shall include the right to be paid by Transatlantic expenses incurred in defending any action, suit or proceeding in advance of its final disposition, provided that such person shall repay all amounts advanced if it is ultimately determined that such person is not entitled to indemnification under the Transatlantic by-laws.
Validus has purchased and maintains directors' and officers' liability policies for such purposes.	
Under the Validus bye-laws, no specific provision is made for the indemnification of directors and officers of the company in relation to the affairs of the company's subsidiaries, although (as noted above) such indemnification is not prohibited by Bermuda law.	

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Interested Directors / Corporate Opportunities

Validus	Transatlantic
The Validus bye-laws provide that, a director who is directly or indirectly interested in a contract or proposed contract or arrangement with the company or any of its subsidiaries shall declare the nature of such interest to the board, whether or not such declaration is required by law. Unless disqualified by the chairman of the relevant board meeting, a director may vote in respect of any contract or proposed contract or arrangement in which such director is interested and may be counted in the quorum for such meeting.	Subject to the requirements set forth in "Duties of Directors and Director Liability," Transatlantic directors are not prohibited from undertaking transactions with Transatlantic or any of its subsidiaries.

Voting Rights and Quorum Requirements

Validus	Transatlantic
Any individual who is a Validus shareholder and who is present at a meeting may vote in person as may any corporate shareholder that is represented by a duly authorized representative at a meeting of shareholders. The Validus bye-laws also permit attendance at general meetings by proxy. Subject to the "Limitations on Voting Rights" described above, each holder of voting common shares is entitled to one vote per voting common share held.	Under the Transatlantic restated certificate of incorporation, each holder of common stock shall be entitled to one vote for each share of common stock standing in his or her name on the stock transfer books of Transatlantic. Except as otherwise provided in the rights, powers or preferences in any class or series of preferred stock of Transatlantic, all voting rights of Transatlantic shall be vested in the common stock. Any individual who is a Transatlantic stockholder and who is present at a meeting may vote in person as may any corporate stockholder that is represented by a duly authorized representative at a meeting of stockholders. The Transatlantic by-laws also permit attendance at general meetings by proxy. Subject to the "Limitations on Voting Rights" described above, each holder of voting common shares is entitled to one vote per voting common share held.

Approval of Certain Transactions

Validus

The Companies Act is silent on whether a company's shareholders are required to approve a sale, lease or exchange of all or substantially all of a company's property and assets. Bermuda law does require, however, that shareholders approve certain forms of mergers and reconstructions.

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Takeovers: Bermuda law provides that where an offer is made for shares of a company and within four months of the offer the holders of not less than 90% of the shares which are the subject of the offer accept the offer, the offeror may, by notice, require the non-tendering shareholders to transfer their shares on the terms of the offer dissenting shareholders may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholders to show that the Court should exercise its discretion to enjoin the required transfer, which the Court will be unlikely to do unless there is evidence of fraud, bad faith or collusion between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

Amalgamations: Pursuant to Bermuda law, the amalgamation of a Bermuda company with another company or corporation (other than certain affiliated companies) requires the amalgamation agreement to be approved by the company's board of directors and by its shareholders. Unless the company's bye-laws provide otherwise, the approval of 75% of the shareholders voting at such meeting is required to approve the amalgamation agreement, and the quorum for such meeting must be two or more persons holding or representing more than one-third of the issued shares of the company. The required vote of shareholders may be reduced by a company's bye-laws. For purposes of approval of an amalgamation, all shares, whether or not otherwise entitled to vote, carry the right to vote. A separate vote of a class of shares is required if the rights of such class would be altered by virtue of the amalgamation. Any shareholder who does not vote in favor of the amalgamation and who is not satisfied that he or she has been offered fair value for his or her shares may, within one month of receiving the company's notice of shareholder meeting to consider the amalgamation, apply to the Court to appraise the fair value of his or her shares. No appeal will lie from an appraisal by the Court. The costs of any application to the Court shall be in the discretion of the Court.

Transatlantic

Under Delaware law, with certain exceptions, a merger, consolidation or sale of all or substantially all the assets of a corporation must be approved by the board of directors and a majority of the outstanding shares entitled to vote thereon. Additionally, Delaware law provides that a parent corporation, by resolution of its board of directors and without any shareholder vote, may merge with any subsidiary of which it owns at least 90% of each class of capital stock.

Discontinuance or Change of Jurisdiction of Incorporation

Validus	Transatlantic
The Validus bye-laws permit the Validus board, subject to approval by a majority of shareholders, to exercise all the powers of the company to discontinue the company.	Under the Transatlantic by-laws and Delaware law, the affirmative vote of the holders of a majority of the outstanding shares of Transatlantic stock is required for a proposal to dissolve Transatlantic.

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Amalgamation, Merger or Other Business Combination

Validus	Transatlantic
The Validus bye-laws do not currently make specific provision for a different majority vote or a different quorum than that which has been set out in the Companies Act.	Under the Transatlantic by-laws, the affirmative vote of the holders of a majority of the outstanding shares of Transatlantic stock is all that is required for certain transactions that by applicable law must be submitted to shareholders for their approval, such as, a merger, the sale of substantially all of Transatlantic's assets, or a proposal to dissolve Transatlantic.

Business Combination Statutes

Validus	Transatlantic
A Bermuda company may not enter into certain business transactions with its significant shareholders or affiliates without obtaining prior approval from its board of directors and, in certain instances, its shareholders. Examples of such business transactions include amalgamation, mergers, asset sales and other transactions in which a significant shareholder or affiliate receives or could receive a financial benefit that is greater than that received or to be received by other shareholders.	The DGCL prohibits a Delaware corporation from engaging in a "business combination" with an "interested stockholder" owning 15% or more of the corporation's voting stock for three years following the time that the "interested stockholder" becomes such, subject to certain exceptions. Transatlantic has not opted out of Section 203 in the Transatlantic charter and is therefore governed by the terms of this provision of the DGCL.

Appraisal Rights/Dissenters' Rights

Validus

Under Bermuda law, a dissenting shareholder of an amalgamating company that does not believe it has been offered fair value for its shares may apply to the Court to appraise the fair value of its shares. Where the Court has appraised any such shares and the amalgamation has been consummated prior to the appraisal then, within one month of the Court appraising the value of the shares, if the amount (if any) paid to the dissenting shareholder for his or her shares is less than that appraised by the Court, the amalgamated company shall pay to such shareholder the difference between the amount paid to such shareholder and the value appraised by the Court. Bermuda law provides for dissenters' rights in an amalgamation between non-affiliated companies and affiliated companies where one company is not a Bermuda company.

Transatlantic

Under Delaware law, in certain situations, appraisal rights may be available in connection with a merger or a consolidation. Appraisal rights are not available under Delaware law to stockholders of the surviving corporation when a corporation is to be the surviving corporation and no vote of its stockholders is required to approve the merger in accordance with Section 251(f) of the DGCL. In addition, no appraisal rights are available under Delaware law to holders of shares of any class of or series of stock which is either listed on a national securities exchange; or held of record by more than 2,000 stockholders.

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Notwithstanding the above, appraisal rights shall be available to those stockholders who are required by the terms of the agreement of merger or consolidation to accept for that stock anything other than:

shares of stock of the corporation surviving or resulting from the merger or consolidation, or depository receipts in respect thereof;

shares of stock of another corporation, or depository receipts in respect thereof, which, as of the effective date of the merger or consolidation, are listed on a national securities exchange or held of record by more than 2,000 stockholders;

cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs; or

any combination of the items listed above.

Shareholder's and Derivative Suits

Validus	Transatlantic
The Validus bye-laws provide that shareholders waive any claim or right of action that they might have, whether individually or by or in the right of the company, against any of its directors or officers for any act or failure to act in the performance of such director's or officer's duties, except in respect of any fraud or dishonesty which may attach to such director or officer.	Class actions and derivative actions generally are available to shareholders under Delaware law for, among other things, breach of fiduciary duty, corporate waste and actions not taken in accordance with applicable law. In such actions, the court generally has discretion to permit the winning party to recover attorneys' fees incurred in connection with such action.

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Amendment of Memorandum of Association and Certificate of Incorporation

Validus	Transatlantic
Bermuda law provides that the memorandum of association of a company may be amended by a resolution passed at a general meeting of shareholders of which due notice has been given. An amendment to the memorandum of association that alters a company's business objects may require approval of the Bermuda Minister of Finance, who may grant or withhold approval at his or her discretion. Under Bermuda law, the holders of an aggregate of not less than 20% in par value of a company's issued share capital or of any class of shares have the right to apply to the Bermuda courts for an annulment of any amendment of the memorandum of association adopted by shareholders at any general meeting, other than an amendment that alters or reduces a company's share capital as provided in the Companies Act. Where such an application is made, the amendment becomes effective only to the extent that it is confirmed by the Bermuda court. An application for an annulment of an amendment of the memorandum of association must be made within 21 days after the date on which the resolution altering a company's memorandum of association is passed and may be made on behalf of persons entitled to make the application by one or more of their designees as such holders may appoint in writing for such purpose. No application may be made by the shareholders voting in favor of the amendment.	Under the Transatlantic restated certificate of incorporation, Transatlantic has reserved the right to amend the Transatlantic restated certificate of incorporation. However, the DGCL provides that any amendment to the certificate of incorporation of a Delaware corporation shall be approved by the Transatlantic board of directors, by an affirmative vote of a majority of the outstanding stock entitled to vote thereon, and a majority of the outstanding stock of each class entitled to vote thereon as a class.

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Amendment of Bye-laws and By-laws

Validus	Transatlantic
Consistent with Bermuda law, the Validus bye-laws may only be amended by a resolution adopted by the board of directors and by resolution of the shareholders.	Under the Transatlantic restated certificate of incorporation, the Transatlantic board of directors may amend the Transatlantic by-laws without the approval of the stockholders of Transatlantic in any manner that is not inconsistent with the DGCL or the Transatlantic restated certificate of incorporation. In addition, under the Transatlantic by-laws, either of the board of directors, by majority vote, or the stockholders, by the affirmative vote of holders of record of at least a majority of the combined voting power of all of the outstanding capital stock entitled to vote thereon, may amend or repeal the by-laws of Transatlantic.

Inspection of Books and Records; Shareholder Lists

Validus

Under Bermuda law, members of the general public have the right to inspect a company's public documents available at the office of the Registrar of Companies in Bermuda, which will include a company's memorandum of association (including its objects and powers) and certain alterations to its memorandum of association, including any increase or reduction of the company's authorized capital.

Registered shareholders have the additional right to inspect the bye-laws, minutes of general meetings and audited financial statements of a company, which must be presented to the annual general meeting of shareholders. A company's register of members is also open to inspection by shareholders, and to members of the public, without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than 30 days in a year). A company is required to maintain a share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside Bermuda. A company is required to keep at its registered office a register of its directors and officers which is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

Transatlantic

Delaware law permits any stockholder to inspect or obtain copies of a corporation's stockholder list and its other books and records for any purpose reasonably related to such person's interest as a shareholder.

Required Purchase and Sale of Shares

Validus

An acquiring party is generally able to acquire compulsorily the common shares of minority holders in the following ways:

By a procedure under the Companies Act known as a "scheme of arrangement." A scheme of arrangement could be effected by obtaining the agreement of the company and of holders of

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common shares, representing in the aggregate a majority in number and at least 75% in value of the common shareholders (excluding shares owned by the acquirer) present and voting at a court-ordered meeting held to consider the scheme of arrangement. The scheme of arrangement must then be sanctioned by the Court. If a scheme of arrangement receives all necessary agreements and sanctions, upon the filing of the Court order with the Registrar of Companies in Bermuda, all holders of common shares could be compelled to sell their shares under the terms of the scheme of arrangement;

If the acquiring party is a company it may compulsorily acquire all the shares of the target company by acquiring, pursuant to a tender offer, 90% in value of the shares or class of shares not already owned by, or by a nominee for, the acquiring party (the offeror), or any of its subsidiaries. If an offeror has, within four months after the making of an offer for all the shares or class of shares not owned by, or by a nominee for, the offeror, or any of its subsidiaries, obtained the approval of the holders of at least 90% in value of all the shares to which the offer relates, the offeror may, at any time within two months beginning with the date on which the approval was obtained, require by notice any nontendering shareholder to transfer its shares on the same terms as the original offer. In those circumstances, nontendering shareholders could be compelled to sell their shares unless the Court (on application made within a one-month period from the date of the offeror's notice of its intention to acquire such shares) orders otherwise; or

Where one or more parties holds not less than 95% of the shares or a class of shares of a company, such holder(s) may, pursuant to a notice given to the remaining shareholders or class of shareholders, acquire the shares of such remaining shareholders or class of shareholders. When this notice is given, the acquiring party is entitled and bound to acquire the shares of the remaining shareholders on the terms set out in the notice, unless a remaining shareholder, within one month of receiving such notice, applies to the Court for an appraisal of the value of their shares. This provision only applies where the acquiring party offers the same terms to all holders of shares whose shares are being acquired.

Transatlantic

Delaware law provides that a parent corporation, by resolution of its board of directors and without any stockholder vote, may merge with any subsidiary of which it owns at least 90% of each class of capital stock.

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UNAUDITED CONDENSED CONSOLIDATED PRO FORMA FINANCIAL INFORMATION

The following unaudited condensed consolidated pro forma financial information is intended to provide you with information about how the acquisition of Transatlantic might have affected the historical financial statements of Validus if it had been consummated at an earlier time. The unaudited condensed consolidated pro forma information has been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic's books and records. Therefore, limited pro forma adjustments, such as recording fair value of assets and liabilities and adjustments for consistency of accounting policy, are reflected in these unaudited condensed consolidated pro forma financial statements. The following unaudited condensed consolidated pro forma financial information does not necessarily reflect the financial position or results of operations that would have actually resulted had the acquisition occurred as of the dates indicated, nor should they be taken as necessarily indicative of the future financial position or results of operations of Validus. For a summary of the proposed business combination contemplated by the exchange offer and the second-step merger, see the section of this prospectus/offer to exchange titled "The Exchange Offer Overview."

The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Validus 10-Q, the Validus 10-K, the Transatlantic 10-Q and the Transatlantic 10-K, each as filed with the SEC. The unaudited condensed consolidated pro forma financial information gives effect to the proposed acquisition as if it had occurred at June 30, 2011 for the purposes of the unaudited consolidated pro forma balance sheet and at January 1, 2010 for the purposes of the unaudited condensed consolidated pro forma statements of operations for the year ended December 31, 2010 and the six months ended June 30, 2011.

This pro forma information is subject to risks and uncertainties, including those discussed in the section of this prospectus/offer to exchange titled "Risk Factors."

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The following table presents unaudited condensed consolidated pro forma balance sheet data at June 30, 2011 (expressed in thousands of U.S. dollars, except share and per share data) giving effect to the proposed acquisition of shares of Transatlantic common stock as if it had occurred at June 30, 2011:

	Historical Validus Holdings, Ltd.	Historical Transatlantic Holdings, Inc.	Pro Forma Purchase adjustments	Notes	Pro Forma Consolidated
Assets					
Fixed maturities, at fair value	$ 4,603,534	$ 12,436,986	$ (107,000)	3(b), 3(i), 4	$ 16,933,520
Short-term investments, at fair value	725,258	210,307			935,565
Other investments, at fair value	18,746	863,380			882,126
Cash and cash equivalents	815,921	341,673			1,157,594
Total investments and cash	6,163,459	13,852,346	(107,000)		19,908,805
Premiums receivable	1,046,775	785,550	(2,527)	3(e)	1,829,798
Deferred acquisition costs	176,724	276,045			452,769
Prepaid reinsurance premiums	177,729	61,990	(2,922)	3(e)	236,797
Securities lending collateral	21,409				21,409
Loss reserves recoverable	439,805	956,097	(8,782)	3(e)	1,387,120
Paid losses recoverable	30,854		(1,763)	3(e)	29,091
Accrued investment income	21,320	152,323			173,643
Current taxes recoverable	3,503		128,822	3(h)	132,325
Intangible assets	116,813				116,813
Goodwill	20,393				20,393
Other assets	41,004	622,002	29,235	3(b), 3(h), 3(i)	692,241
Total assets	$ 8,259,788	$ 16,706,353	$ 35,063		$ 25,001,204
Liabilities					
Reserve for losses and loss expense	$ 2,620,360	$ 9,950,709	$ 491,218	3(e), 3(h)	$ 13,062,287
Unearned premiums	1,192,772	1,349,101	(2,922)	3(e)	2,538,951
Reinsurance balances payable	181,013		(4,290)	3(e)	176,723
Deferred taxation	22,122				22,122
Securities lending payable	22,133				22,133
Net payable for investments purchased	49,479				49,479
Accounts payable and accrued expenses	91,969	166,826			258,795
Senior notes payable and credit facility payable	246,928	1,005,785	500,000	3(g)	1,752,713
Debentures payable	289,800				289,800
Total liabilities	4,716,576	12,472,421	984,006		18,173,003
Shareholders' equity					
Ordinary shares	23,414	67,847	(50,828)	3(a), 3(d)	40,433
Treasury shares	(6,131)	(244,722)	244,722	3(d)	(6,131)
Additional paid-in capital	1,880,748	322,925	1,996,968	3(a), 3(d)	4,200,641
Accumulated other comprehensive gain (loss)	(4,519)	234,984	(234,984)	3(d)	(4,519)
Retained earnings	1,514,805	3,852,898	(2,904,821)	3(b), 3(d), 3(f) 3(g), 3(h), 3(i)	2,462,882
Total shareholders' equity available to Company	3,408,317	4,233,932	(948,943)		6,693,306
Non controlling interest	134,895				134,895
Total shareholders' equity	3,543,212	4,233,932	(948,943)		6,828,201
Total liabilities and shareholders' equity	$ 8,259,788	$ 16,706,353	$ 35,063		$ 25,001,204
Common shares outstanding	98,763,928	62,483,787	97,249,766		196,013,694

Common shares and common share equivalents outstanding		112,563,933		66,312,398	103,364,256			215,928,189
Book value per share	$	34.51	$	67.76	7	$		34.15
Diluted book value per share	$	31.91	$	65.77	7	$		32.44
Diluted tangible book value per share	$	30.69	$	65.77	7	$		31.80

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The following table sets forth unaudited condensed consolidated pro forma results of operations for the year ended December 31, 2010 (expressed in thousands of U.S. dollars, except share and per share data) giving effect to the proposed acquisition of shares of Transatlantic common stock as if it had occurred at January 1, 2010:

	Historical Validus Holdings, Ltd.	Historical Transatlantic Holdings, Inc.	Pro Forma Purchase adjustments	Notes	Pro Forma Consolidated
Revenues					
Gross premiums written	$ 1,990,566	$ 4,132,931	$ (5,121)	3(e)	$ 6,118,376
Reinsurance premiums ceded	(229,482)	(251,238)	5,121	3(e)	(475,599)
Net premiums written	1,761,084	3,881,693			5,642,777
Change in unearned premiums	39	(23,073)			(23,034)
Net premiums earned	1,761,123	3,858,620			5,619,743
Net investment income	134,103	473,547	(5,996)	3(b)	601,654
Net realized gains on investments	32,498	38,073			70,571
Net unrealized gains (losses) on investments	45,952		(63,509)	3(i)	(17,557)
Other-than-temporary impairments charged to earnings		(7,972)	7,972	3(i)	
Loss on early extinguishment of debt		(115)			(115)
Other income	5,219				5,219
Foreign exchange gains	1,351				1,351
Total revenues	1,980,246	4,362,153	(61,533)		6,280,866
Expenses					
Losses and loss expense	987,586	2,681,774		5	3,669,360
Policy acquisition costs	292,899	929,922			1,222,821
General and administrative expenses	209,290	209,397	(35,300)	3(j)	383,387
Share compensation expense	28,911		35,300	3(j)	64,211
Finance expenses	55,870	68,272	16,250	3(g)	140,392
Total expenses	1,574,556	3,889,365	16,250		5,480,171
Income before taxes	405,690	472,788	(77,783)		800,695
Income tax expense (benefit)	(3,126)	(70,587)	21,277	3(b) 3(i)	(52,436)
Income after taxes	$ 402,564	$ 402,201	$ (56,506)		$ 748,259
Preferred dividend and warrant dividend	6,991				6,991
Net income available to common shareholders	$ 395,573	$ 402,201	$ (56,506)		$ 741,268
Earnings per share					
Weighted average number of common shares and common share equivalents outstanding					
Basic	116,018,364	64,092,000	97,236,888		213,255,252
Diluted	120,630,945	64,930,000	98,541,151		219,172,096
Basic earnings per share	$ 3.41	$ 6.28		6	$ 3.48
Diluted earnings per share	$ 3.34	$ 6.19		6	$ 3.41

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The following table sets forth unaudited condensed consolidated pro forma results of operations for the six months ended June 30, 2011 (expressed in thousands of U.S. dollars, except share and per share data) giving effect to the proposed acquisition of shares of Transatlantic common stock as if it had occurred at January 1, 2010:

	Historical Validus Holdings, Ltd.	Historical Transatlantic Holdings, Inc.	Pro Forma Purchase Adjustments	Notes	Pro Forma Consolidated
Revenues					
Gross premiums written	$ 1,455,283	$ 2,157,464	$ (9,052)	3(e)	$ 3,603,695
Reinsurance premiums ceded	(242,166)	(116,992)	9,052	3(e)	(350,106)
Net premiums written	1,213,117	2,040,472			3,253,589
Change in unearned premiums	(357,944)	(128,714)			(486,658)
Net premiums earned	855,173	1,911,758			2,766,931
Net investment income	56,469	226,348	(2,748)	3(b)	280,069
Net realized gains on investments	17,931	57,785			75,716
Other-than-temporary impairments charged to earnings		(3,139)	3,139	3(i)	
Net unrealized gains on investments	5,698		90,257	3(i)	95,955
Loss on early extinguishment of debt		(1,179)			(1,179)
Other income	2,201				2,201
Foreign exchange losses	(2,458)				(2,458)
Total revenues	935,014	2,191,573	90,648		3,217,235
Expenses					
Losses and loss expenses	683,505	1,850,178		5	2,533,683
Policy acquisition costs	155,526	437,782			593,308
General and administrative expenses	109,318	96,051	(24,150)	3(b), 3(j)	181,219
Share compensation expenses	19,677		17,650	3(j)	37,327
Finance expenses	30,362	33,587	8,125	3(g)	72,074
Total expenses	998,388	2,417,598	1,625		3,417,611
Net (loss) income before taxes	(63,374)	(226,025)	89,023		(200,376)
Tax benefit (expense)	1,488	116,755	(34,110)	3(b), 3(i)	84,133

Net (loss) income		(61,886)		(109,270)		54,913		(116,243)
Net income attributable to noncontrolling interest		(594)						(594)
Net loss attributable to Validus	$	(62,480)	$	(109,270)	$	54,913	$	(116,837)
Earnings per share								
Weighted average number of common shares and common share equivalents outstanding								
Basic		98,165,132		62,430,000		97,249,766		195,414,898
Diluted		98,165,132		62,430,000		97,249,766		195,414,898
Basic loss per share	$	(0.68)	$	(1.75)		6	$	(0.62)
Diluted loss per share	$	(0.68)	$	(1.75)		6	$	(0.62)

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Validus Holdings, Ltd.
Notes to Unaudited Condensed Consolidated Pro Forma Financial Statements (unaudited)
(Expressed in thousands of U.S. dollars, except share and per share data)

1. Basis of Presentation

The unaudited condensed consolidated pro forma financial information gives effect to the proposed acquisition as if it had occurred at June 30, 2011 for the purposes of the unaudited condensed consolidated pro forma balance sheet and at January 1, 2010 for the purposes of the unaudited condensed consolidated pro forma statements of operations for the year ended December 31, 2010 and six months ended June 30, 2011. The unaudited condensed consolidated pro forma financial information has been prepared by Validus' management and is based on Validus' historical consolidated financial statements and Transatlantic's historical consolidated financial statements. Certain amounts from Transatlantic's historical consolidated financial statements have been reclassified to conform to the Validus presentation. The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic's books and records or discussion with the Transatlantic management team. Therefore, certain pro forma adjustments, such as recording fair value of assets and liabilities and adjustments for consistency of accounting policy, are not reflected in these unaudited condensed consolidated pro forma financial statements. Additional reclassifications of Transatlantic data to conform to the Validus presentation may also be required.

This unaudited condensed consolidated pro forma financial information is prepared in conformity with United States Generally Acceptable Accounting Principles ("US GAAP"). The unaudited condensed consolidated pro forma balance sheet as of June 30, 2011 and the unaudited condensed consolidated pro forma statements of operations for the year ended December 31, 2010 and the six month period ended June 30, 2011 have been prepared using the following information:

(a) Audited historical consolidated financial statements of Validus as of December 31, 2010 and for the year ended December 31, 2010;

(b) Audited historical consolidated financial statements of Transatlantic as of December 31, 2010 and for the year ended December 31, 2010;

(c) Unaudited historical consolidated financial statements of Validus as of June 30, 2011 and for the six months ended June 30, 2011;

(d) Unaudited historical consolidated financial statements of Transatlantic as of June 30, 2011 and for the six months ended June 30, 2011; and

(e) Such other known supplementary information as considered necessary to reflect the acquisition in the unaudited condensed consolidated pro forma financial information.

The pro forma adjustments reflecting the consummation of the exchange offer and the second-step merger under the acquisition method of accounting are based on certain estimates and assumptions. The unaudited condensed consolidated pro forma adjustments may be revised as additional information becomes available. The actual adjustments upon consummation of the exchange offer and the second-step merger and the allocation of the final purchase price will depend on a number of factors, including additional financial information available at such time, changes in values and changes in Transatlantic's operating results between the date of preparation of this unaudited condensed consolidated pro forma financial information and the effective date of the exchange offer and the second-step merger. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments and it is possible the differences may be material. Validus' management believes that its assumptions provide a reasonable basis for presenting all of the significant effects of the transactions

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contemplated based on information available to Validus at the time and that the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the unaudited condensed consolidated pro forma financial information.

The unaudited condensed consolidated pro forma financial information does not include any financial benefits, revenue enhancements or operating expense efficiencies arising from the exchange offer and the second-step merger.

Estimated costs of the transaction as well as the benefit of the negative goodwill have been reflected in the unaudited condensed consolidated pro forma balance sheet, but have not been included on the pro forma income statement due to their non-recurring nature.

The unaudited condensed consolidated pro forma financial information is not intended to reflect the results of operations or the financial position that would have resulted had the exchange offer and the second-step merger been effected on the dates indicated and if the companies had been managed as one entity. The unaudited condensed consolidated pro forma financial information should be read in conjunction with the Validus 10-Q, the Validus 10-K, the Transatlantic 10-Q and the Transatlantic 10-K, as filed with the SEC. Please see the section of this prospectus/offer to exchange titled "Where You Can Find More Information."

2. Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU 2011-04"). The objective of ASU 2011-04 is to provide common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the amendments do not result in a change in the application of the requirements in Topic 820 "Fair Value Measurements." ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011. Validus is currently evaluating the impact of this guidance, however it is not expected to have a material impact on Validus' consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" ("ASU 2011-05"). The objective of ASU 2011-05 is to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011. Validus is currently evaluating the impact of this guidance, however it is not expected to have a material impact on Validus' consolidated financial statements.

3. Purchase Adjustments

Validus is offering to exchange for each outstanding share of Transatlantic common stock that is validly tendered and not properly withdrawn prior to the expiration time of the exchange offer, 1.5564 Validus common shares and $8.00 in cash (less applicable withholding taxes and without interest), upon the terms and subject to the conditions contained in this prospectus/offer to exchange and the accompanying revised letter of transmittal. Validus intends, promptly following acceptance for exchange and exchange of shares of Transatlantic common stock in the exchange offer, to effect the second-step merger pursuant to which Validus will acquire all shares of Transatlantic common stock of those Transatlantic stockholders who choose not to tender their shares of Transatlantic common stock pursuant to the exchange offer in accordance with the DGCL. Please see the section of this prospectus/offer to exchange titled "The Exchange Offer Purpose and Structure of the Exchange Offer."

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In connection with the exchange offer, transaction costs currently estimated at $55,035 will be incurred and expensed. In addition, upon termination of the Allied World acquisition agreement, the Allied World termination fee will be incurred and expensed. The Allied World termination fee is not tax deductible.

As discussed above, these pro forma purchase adjustments are based on certain estimates and assumptions made as of the date of the unaudited condensed consolidated pro forma financial information. The actual adjustments will depend on a number of factors, including the review of Transatlantic's books and records, and changes in the estimated fair value of net balance sheet assets and operating results of Transatlantic between June 30, 2011 and the date of the consummation of the exchange offer and second-step merger. Validus expects to make such adjustments at such time. These adjustments are likely to be different from the adjustments made to prepare the unaudited condensed consolidated pro forma financial information and such differences may be material.

The share prices for both Validus and Transatlantic used in determining the preliminary estimated purchase price are based on the closing share prices on August 10, 2011. The preliminary total purchase price is calculated as follows:

Calculation of Total Purchase Price

Transatlantic shares of common stock outstanding as of June 30, 2011		62,483,787
Exchange ratio		1.5564
Total Validus common shares to be issued		97,249,766
Validus closing share price on August 10, 2011	$	24.03
Total value of Validus common shares to be issued	$	2,336,912
Total cash consideration paid	$	500,000
Total Purchase Price	$	2,836,912

The allocation of the purchase price is as follows:

Allocation of Purchase Price

Transatlantic stockholders' equity	$	4,233,932
Allied termination fee		(115,000)
Mark held-to-maturity investments to market, net of tax		39,592
Less reserve increase, after tax		(325,000)
Transatlantic stockholders' equity, adjusted (B)	$	3,833,524
Total purchase price(A)	$	2,836,912
Negative goodwill (A-B)	$	996,612

(a) In connection with the exchange offer, 97,249,766 Validus common shares are expected to be issued for all Transatlantic shares of common stock, shares of common stock issued pursuant to option exercises, and shares of common stock issued following vesting of restricted shares, restricted share units and performance share units resulting in additional share capital of $17,019 and additional paid-in capital of $2,319,893.

(b) It is expected that total transaction costs currently estimated at $55,035, the Allied World termination fee of $115,000, and expenses related to bank debt of $4,375 will be incurred by the consolidated entity. Based on an expected investment return of 2.29% for Validus and 3.70% for Transatlantic per annum, pre-tax investment income of $5,996 would have been foregone during the year end December 31, 2010 had these payments of $174,410 been made.

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Approximately $6,500 of the estimated $55,035 total transaction costs have been incurred and expensed by Transatlantic in the six months ended June 30, 2011. These expenses have been eliminated from the unaudited condensed consolidated pro forma results of operations for the six months ended June 30, 2011. In addition, an adjustment of $163,535 was made to retained earnings and $4,375 to other assets as deferred financing fees as at June 30, 2011 to reflect the remaining transaction costs, the Allied World termination fee, and the debt refinancing costs. Based on an expected investment return of 1.90% for Validus and 3.60% for Transatlantic per annum, pre tax investment income of $2,748 would have been foregone during the six months ended June 30, 2011 had these remaining payments of $167,910 been made.

(c)

Employees of Transatlantic hold 2,024,855 options to purchase Transatlantic shares of common stock. The weighted average exercise price of these options is $63.00. It is expected that no net shares would be issued upon exercise of these options.

On June 30, 2011, the Compensation Committee of the Transatlantic board of directors approved the form of retention agreements that will be offered to certain executives of Transatlantic, including Steven S. Skalicky, Paul A. Bonny, and Javier E. Vijil, each a named executive officer of Transatlantic. Each of the retention agreements has a term beginning on the date of execution and ending on the earlier of December 31, 2013 or a mutually agreed upon termination date by the executive and Transatlantic. The retention agreements provide for a grant of restricted stock unit awards or phantom stock awards immediately prior to the proposed Allied World acquisition (or at a date chosen by the Transatlantic board of directors in its discretion, if the closing of the proposed Allied World acquisition does not occur), pursuant to Transatlantic's 2009 Long Term Equity Incentive Plan (but only in the case of the RSUs), consisting of that number of shares of Transatlantic common stock equal in value to $1,500,000 for each of Messrs. Skalicky and Vijil and $2,000,000 for Mr. Bonny.

Validus has estimated that these grants will result in approximately 100,000 Transatlantic share units being issued, or 155,640 Validus share units after adjusting for the exchange ratio of 1.5564. This share issuance has been included in the calculation of pro forma diluted book value per share at June 30, 2011.

(d)

Elimination of Transatlantic ordinary shares of common stock of $67,847, treasury shares of $244,722, additional paid-in capital of $322,925, accumulated other comprehensive income of $234,984 and retained earnings of $3,852,898.

(e)

A related party balance of $9,052 for the six months ended June 30, 2011 and $5,121 for the year ended December 31, 2010 representing reinsurance ceded to Transatlantic by Validus was eliminated from gross premiums written and reinsurance ceded. Corresponding prepaid reinsurance premiums and unearned premiums of $2,922 and premiums receivable and reinsurance balances payable of $2,527 have been eliminated from the pro forma balance sheet. Loss reserves recoverable and reserves for losses and loss expenses of $8,782 and paid losses recoverable and reinsurance balances payable of $1,763 have also been eliminated from the pro forma balance sheet.

(f)

The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic books and records. Therefore, with the exception of note 3(g) below, the carrying value of assets and liabilities in Transatlantic's financial statements are considered to be a proxy for fair value of those assets and liabilities, with the difference between the net assets and the total purchase price considered to be negative goodwill. In addition, limited pro forma adjustments, such as recording fair value of assets and liabilities and adjustments for consistency of accounting policy, are reflected in these unaudited condensed consolidated pro forma financial statements. Pursuant to Accounting Standards Codification Topic 805, "Business Combinations"

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("ASC 805"), a bargain purchase is defined as a business combination in which the total fair value of the identifiable net assets acquired on the date of acquisition exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer. Negative goodwill of $996,612 has been recorded as a credit to retained earnings as upon completion of the acquisition of Transatlantic shares of common stock negative goodwill will be treated as a gain in the consolidated statement of operations.

(g)

Validus is offering to exchange for each outstanding share of Transatlantic common stock that is validly tendered and not properly withdrawn prior to the expiration time of the exchange offer, 1.5564 Validus common shares and $8.00 in cash (less applicable withholding taxes and without interest). This cash consideration is expected to total $500,000, and will be funded through borrowings under the existing Validus credit facilities and a new facility. Based on an expected interest rate of 3.23% per annum, additional finance expenses of $16,250 would have been incurred during the year end December 31, 2010 had this credit facility been in place. Based on an expected interest rate of 3.25% per annum, additional finance expenses of $8,125 would have been incurred during the six months ended June 30, 2011 had this credit facility been in place. The effect of a change in the expected interest rate of one-eighth percent in preparation of these unaudited condensed consolidated pro forma financial statements would result in a change to finance expenses of $625 for the year ended December 31, 2010 and $313 for the six months ended June 30, 2011.

(h)

The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic books and records. However, it is expected that an additional reserve of $500,000 will be required to recognize potential reserve deficiencies on 2001 year and prior business. This adjustment to loss reserves will also result in a current and deferred tax benefit of $175,000, of which $46,178 is deferred and $128,822 is current. The net charge to the balance sheet of $325,000 has been recorded as a debit to retained earnings.

(i)

Transatlantic classifies its fixed maturities as either held to maturity or available for sale, with held to maturity securities carried at amortized cost if Transatlantic has the positive intent and ability to hold each of these securities to maturity. Validus' investments in fixed maturities are classified as trading and carried at fair value, with related net unrealized gains or losses included in earnings. It is expected that Transatlantic's securities will be reclassified as trading upon completion of this transaction. At June 30, 2011, securities with an amortized cost of $1,187,591 and fair market value $1,248,501 were classified as held to maturity. Reclassification of these as trading would result in an adjustment of $60,910 to investments, a credit of $21,318 to other assets for deferred taxes, and a credit of $39,592 to retained earnings at June 30, 2011.

In addition, Transatlantic reports unrealized gains and losses from fixed maturities available for sale, equities available for sale and other invested assets, as a separate component of AOCI, net of deferred income taxes, in stockholders' equity. Reclassification of these securities as trading would result in these unrealized gains and losses being reported as components of the income statement. Additional unrealized losses on investments of $55,537 with a corresponding tax benefit of $19,438 would have been reported on the income statement during the year ended December 31, 2010 had this reclassification been in place. Additional unrealized gains on investments of $93,396 with a corresponding tax expense of $32,689 would have been reported on the income statement during the six months ended June 30, 2011 had this reclassification been in place.

In addition, other-than-temporary impairments charged to earnings of $7,972 and $3,139 in the year ended December 31, 2010 and six months ended June 30, 2011 would have been reallocated to unrealized gains and losses following a reclassification of the securities as trading.

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(j)

The unaudited condensed consolidated pro forma financial statements have been prepared using Transatlantic's publicly available financial statements and disclosures, without the benefit of inspection of Transatlantic books and records. Transatlantic does not separately list share compensation expense on its income statement, however disclosure of the amount recorded for the year ended December 31, 2010 was recorded in its notes to the financial statements. This amount of $35,300 was therefore reclassified as share compensation expense on the income statement. Similar disclosure was not given for the six months ended June 30, 2011, but an estimate of $17,650 was calculated based on the amount recorded for the year ended December 31, 2010, and was reclassified as share compensation expense on the income statement.

(k)

The share prices of both Validus and Transatlantic used in preparing these unaudited condensed consolidated pro forma financial statements are based on the closing share prices on August 10, 2011, and were $24.03 and $49.32, respectively. As of August 19, 2011, the closing share prices were $25.57 and $50.00, respectively. The effect of using the August 19, 2011 closing share prices in preparation of these unaudited condensed consolidated pro forma financial statements would have resulted in an entry to additional paid in capital of $149,765 reflecting additional purchase price and an offsetting entry to retained earnings of $149,765 reflecting reduced negative goodwill. Using August 19, 2011 share prices would have had no effect on calculation of book value per share, diluted book value per share, basic earnings per share and diluted earnings per share.

4. Adjustments to Cash and Cash Equivalents

The acquisition of shares of Transatlantic common stock will result in the payment of cash and cash equivalents by Transatlantic of $142,035 and by Validus of $32,375.

The unaudited condensed consolidated pro forma statements of operations reflect the impact of these reductions in cash and cash equivalents. Actual transaction costs may vary from such estimates which are based on the best information available at the time the unaudited condensed consolidated pro forma financial information was prepared.

For purposes of presentation in the unaudited condensed consolidated pro forma financial information, the sources and uses of funds of the acquisition are as follows:

	Sources of Funds
Transatlantic cash and cash equivalents	$ 142,035
Validus cash and cash equivalents	32,375
Validus credit facility	500,000
Total	$ 674,410

	Uses of Funds
Cash consideration	$ 500,000
Validus transaction costs	28,000
Transatlantic transaction costs	27,035
Refinancing costs for existing Validus debt	4,375
Allied World termination fee	115,000
Total	$ 674,410

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5. Selected Ratios

Selected ratios of Validus, Transatlantic and pro forma combined are as follows:

	Year Ended December 31, 2010			Six Months Ended June 30, 2011		
	Validus	Transatlantic	Pro forma combined	Validus	Transatlantic	Pro forma combined
Losses and loss expense ratios	56.1%	69.5%	65.2%	79.9%	96.8%	91.6%
Policy acquisition costs ratios	16.6	24.1	21.8	18.2	22.9	21.4
General and administrative cost ratios	13.5	5.4	8.0	15.1	5.0	7.9
Combined ratio	86.2%	99.0%	95.0%	113.2%	124.7%	120.9%

(a) Factors affecting the losses and loss expense ratio for the year ended December 31, 2010:

Validus' losses and loss expense ratio, which is defined as losses and loss expenses divided by net premiums earned, for the year ended December 31, 2010 was 56.1%. The amount of recorded reserves represents management's best estimate of expected losses and loss expenses on premiums earned. Favorable loss reserve development on prior years totaled $156.6 million. Of this $70.6 million related to the Validus Re segment and $86.0 million related to the Talbot segment. This favorable loss reserve development benefited Validus' loss ratio by 8.9 percentage points for the year ended December 31, 2010. For the year ended December 31, 2010, Validus incurred $536.2 million of notable losses, excluding reserve for potential development on 2010 notable loss events, which represented 30.4 percentage points of the loss ratio. Net of $21.1 million in reinstatement premiums, the effect of these events on net income was $515.1 million. Validus' loss ratio, excluding prior year development and notable loss events for the year ended December 31, 2010 was 34.9%.

The data in the following paragraph is taken from "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Transatlantic 10-K. The data has been reproduced here as it was originally presented.

> 2010 includes pre-tax net catastrophe costs of $202.4 million, principally relating to the earthquake in Chile, the earthquake in New Zealand, storms and flooding in Australia and the Deepwater Horizon explosion. Net catastrophe costs in the aggregate added (decreased) 5.2%, (0.1)%, 8.2% and 17.4% to the 2010 combined ratios for consolidated, Domestic, International-Europe and International-Other, respectively. (See Note 10 for the amounts of net catastrophe costs by segment and the amounts of consolidated gross and ceded catastrophe losses incurred and reinstatement premiums. See discussion in Catastrophe Exposure of the magnitude of TRH's catastrophe exposures.) While TRH believes that it has taken appropriate steps to manage its exposure to possible future catastrophe losses, the occurrence of one or more natural or man-made catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses could have a material adverse effect on TRH's results of operations, liquidity or financial condition. Current techniques and models may not accurately predict the probability of catastrophic events in the future and the extent of the resulting losses. Moreover, one or more catastrophe losses could weaken TRH's retrocessionnaires and result in an inability of TRH to collect reinsurance recoverables. In addition, in 2010, TRH decreased its estimates of the ultimate amounts of net losses occurring in 2009 and prior years by $57.0 million. This net favorable development was comprised of net favorable development of $216.9 million for losses occurring in 2002 to 2009, partially offset by net adverse development of $159.9 million relating to losses occurring in 2001 and prior.

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Transatlantic's loss ratio, excluding prior year development and notable loss events for the year ended December 31, 2010 was 65.6%.

(b) Factors affecting the losses and loss expense ratio for the six months ended June 30, 2011:

Validus' losses and loss expense ratio, which is defined as losses and loss expenses divided by net premiums earned, for the six months ended June 30, 2011 was 79.9%. For the six months ended June 30, 2011, favorable loss reserve development on prior years totaled $52.2 million and benefited Validus' loss ratio by 6.1 percentage points. During the six months ended June 30, 2011, Validus recorded losses of $43.8 million for the Cat 46 tornado, $31.5 million for the Cat 48 tornado, $15.0 million for the Jupiter 1 platform failure, $169.0 million for the Tohoku earthquake, $52.4 million for the Gryphon Alpha mooring failure, $62.0 million for the Christchurch earthquake, $31.0 million for the Brisbane floods and $19.5 million for the CNRL Horizon explosion. For the six months ended June 30, 2011, Validus incurred $424.4 million of notable losses, which represented 49.6 percentage points of the loss ratio. Validus' loss ratio, excluding prior year development and notable loss events for the six months ended June 30, 2011 was 36.4%

The data in the following paragraph is taken from "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the Transatlantic 10-Q. The data has been reproduced here as it was originally presented.

The second quarter of 2011 included pre-tax net catastrophe costs of $66.4 million, consisting principally of $61 million resulting from revised estimates of costs related to the February 2011 earthquake in New Zealand and $34 million related to severe second quarter 2011 tornado activity in the U.S., partially offset by a ($23) million reduction in estimated costs related to the March 2011 Tohoku earthquake and resulting tsunami in Japan. The first six months of 2011 included pre-tax net catastrophe costs of $611.8 million, $342 million of which is related to the March 2011 Tohoku earthquake and resulting tsunami in Japan, $182 million of which is related to the February 2011 earthquake in New Zealand and $55 million of which is related to first quarter 2011 flooding in Australia and Cyclone Yasi. Net catastrophe costs in the second quarter and first six months of 2011 include $2 million and $6 million, respectively, of estimated net favorable loss reserve development related to catastrophe events occurring in prior years.

Transatlantic's loss ratio, excluding prior year development and notable loss events for the six months ended June 30, 2011 was 66.2%

6. Earnings per Common Share

(a) Pro forma earnings per common share for the year ended December 31, 2010 and the six months ended June 30, 2011 have been calculated based on the estimated weighted average number of common shares outstanding on a pro forma basis, as described in 6(b) below. The historical weighted average number of common shares outstanding of Validus was 116,018,364 and 120,630,945 basic and diluted, respectively, for the year ended December 31, 2010 and 98,165,132 and 98,165,132 basic and diluted, respectively, for the six months ended June 30, 2011.

(b) The pro forma weighted average number of common shares outstanding for the year ended December 31, 2010 and six months ended June 30, 2011, after giving effect to the exchange of shares as if the exchange offer had been issued and outstanding for the whole year, is 213,255,252 and 219,172,096, basic and diluted, and 195,414,898 and 195,414,898, basic and diluted, respectively.

(c) In the basic earnings per share calculation, dividends and distributions declared on warrants are deducted from net income. In calculating diluted earnings per share, we consider the application of the treasury stock method and the two-class method and whichever is more dilutive is included into the calculation of diluted earnings per share.

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The following table sets forth the computation of basic and diluted earnings per share for the six months ended June 30, 2011:

	Historical Validus Holdings	Pro Forma Consolidated
Net loss available to common shareholders	$ (66,430)	$ (120,787)
Weighted average shares basic ordinary shares outstanding	98,165,132	195,414,898
Share equivalents		
Warrants		
Restricted Shares		
Options		
Weighted average shares diluted	98,165,132	195,414,898
Basic loss per share	$ (0.68)	$ (0.62)
Diluted loss per share	$ (0.68)	$ (0.62)

The following table sets forth the computation of basic and diluted earnings per share for the year ended December 31, 2010:

	Historical Validus Holdings	Pro Forma Consolidated
Net Income	$ 402,564	$ 748,259
Net income available to common shareholders	$ 395,573	$ 741,268
Weighted average shares basic ordinary shares outstanding	116,018,364	213,255,252
Share equivalents		
Warrants	2,657,258	2,657,258
Restricted Shares	1,067,042	2,371,305
Options	888,281	888,281
Weighted average shares diluted	120,630,945	219,172,096
Basic earnings per share	$ 3.41	$ 3.48
Diluted earnings per share	$ 3.34	$ 3.41

7. Book Value per Share

Validus calculates diluted book value per share using the "as-if-converted" method, where all proceeds received upon exercise of warrants and stock options would be retained by Validus and the resulting common shares from exercise remain outstanding. In its public records, Transatlantic calculates only book value per share and not diluted book value per share. Accordingly, for the purposes of the Pro Forma Condensed Consolidated Financial Statements and notes thereto, Transatlantic's diluted book value per share has been calculated based on the "as-if-converted" method to be consistent with Validus' calculation.

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The following table sets forth the computation of book value and diluted book value per share adjusted for the exchange offer as of June 30, 2011:

	Historical Validus Holdings	Pro Forma Consolidated
Book value per common share calculation		
Total shareholders' equity	$ 3,408,317	$ 6,693,306
Shares	98,763,928	196,013,694
Book value per common share	$ 34.51	$ 34.15
Diluted book value per common share calculation		
Total shareholders' equity	$ 3,408,317	$ 6,693,306
Proceeds of assumed exercise of outstanding warrants	$ 137,992	$ 137,992
Proceeds of assumed exercise of outstanding stock options	$ 45,604	$ 173,170
Unvested restricted shares		
	$ 3,591,913	$ 7,004,468
Shares	98,763,928	196,013,694
Warrants	7,862,262	7,862,262
Options	2,266,801	5,418,285
Unvested restricted shares	3,670,942	6,633,948
	112,563,933	215,928,189
Diluted book value per common share	$ 31.91	$ 32.44

8. Capitalization

The following table sets forth the computation of debt to total capitalization and debt (excluding debentures payable) to total capitalization at June 30, 2011, adjusted for the exchange offer and second-step merger:

	Historical Validus Holdings	Pro Forma Consolidated
Total debt		
Borrowings drawn under credit facility	$	$ 500,000
Senior notes payable	246,928	1,252,713
Debentures payable	289,800	289,800
Total debt	$ 536,728	$ 2,042,513
Total capitalization		
Total shareholders' equity	$ 3,408,317	$ 6,693,306
Borrowings drawn under credit facility		500,000
Senior notes payable	246,928	1,252,713
Debentures payable	289,800	289,800
Total capitalization	$ 3,945,045	$ 8,735,819
Total debt to total capitalization	13.6%	23.4%
Debt (excluding debentures payable) to total capitalization	6.3%	20.1%

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FORWARD-LOOKING STATEMENTS

This prospectus/offer to exchange and the accompanying letter of transmittal may include forward-looking statements, both with respect to Validus and Validus' industry, that reflect Validus' current views with respect to future events and financial performance. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," "may," "would," and similar statements of a future or forward-looking nature are often used to identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond Validus' control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. Validus believes that these factors include, but are not limited to, the following: 1) uncertainty as to whether the conditions of the exchange offer will be met or whether the exchange offer and second-step merger will be consummated; 2) uncertainty as to the actual premium that will be realized by Transatlantic stockholders in connection with exchange offer and the second-step merger; 3) failure to realize the anticipated benefits (including combination synergies) of the exchange offer and the second-step merger, including as a result of delay in completing the transaction or integrating the businesses of Validus and Transatlantic; 4) uncertainty as to the long-term value of Validus common shares; 5) unpredictability and severity of catastrophic events; 6) rating agency actions; 7) adequacy of Validus' or Transatlantic's risk management and loss limitation methods; 8) cyclicality of demand and pricing in the insurance and reinsurance markets; 9) Validus' ability to implement its business strategy during "soft" as well as "hard" markets; 10) adequacy of Validus' or Transatlantic's loss reserves; 11) continued availability of capital and financing; 12) retention of key personnel; 13) competition in the insurance and reinsurance markets; 14) potential loss of business from one or more major reinsurance or insurance brokers; 15) the credit risk Validus and Transatlantic assume through their dealings with insurance and reinsurance brokers; 16) Validus' or Transatlantic's ability to implement, successfully and on a timely basis, complex infrastructure, distribution capabilities, systems, procedures and internal controls, and to develop accurate actuarial data to support the business and regulatory and reporting requirements; 17) general economic and market conditions (including inflation, volatility in the credit and capital markets, interest rates and foreign currency exchange rates); 18) the integration of businesses Validus may acquire or new business ventures Validus may start; 19) the legal, regulatory and tax regimes under which Validus and Transatlantic operate; 20) the effect on Validus' or Transatlantic's investment portfolios of changing financial market conditions, including inflation, interest rates, liquidity, the recent downgrade of U.S. securities by Standard & Poor's and the possible effect on the value of securities in Validus' and Transatlantic's investment portfolios, as well as other factors; 21) acts of terrorism or outbreak of war or hostilities; 22) availability of reinsurance and retrocessional coverage; and 23) the outcome of transaction related litigation, as well as management's response to any of the aforementioned factors.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein and elsewhere, including the Risk Factors included in the Validus 10-Q, the Validus 10-K, the Transatlantic 10-Q and the Transatlantic 10-K, each as filed with the SEC. Any forward-looking statements made in this prospectus/offer to exchange and the accompanying letter of transmittal are qualified in their entirety by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Validus will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Validus or Validus' business, operations or financial condition. Except to the extent required by applicable law, Validus undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

No rating agency (A.M. Best, Moody's, or Standard & Poor's) has specifically approved or disapproved or otherwise taken definitive action on the Validus merger offer or the exchange offer.

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LEGAL MATTERS

Appleby (Bermuda) Limited has provided an opinion regarding the validity of the Validus common shares to be issued pursuant to the exchange offer, with respect to matters of Bermuda law.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus/offer to exchange by reference to Validus' Annual Report on Form 10-K for the year ended December 31, 2010 have been so incorporated in reliance on the report of PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Transatlantic appearing in the Transatlantic 10-K (including schedules appearing therein), and Transatlantic's management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2010 included therein are incorporated herein by reference and have been audited by an independent registered public accounting firm. Pursuant to Rule 436 under the Securities Act, Validus requires the consent of Transatlantic's independent auditors to incorporate by reference their audit report to the Transatlantic 10-K in this prospectus/offer to exchange and, because such consent has not been received, such audit report is not incorporated herein by reference. Validus has requested and has, as of the date of this prospectus/offer to exchange, not received such consent from Transatlantic's independent auditors. We have requested dispensation pursuant to Rule 437 under the Securities Act from this requirement. If Validus receives this consent, Validus will promptly file it as an exhibit to Validus' registration statement of which this prospectus/offer to exchange forms a part. Because Validus has not been able to obtain Transatlantic's auditors' consent, you may not be able to assert a claim against Transatlantic's independent auditors under Section 11 of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Transatlantic's independent auditors or any omissions to state a material fact required to be stated therein.

SOLICITATION OF PROXIES

As discussed in this prospectus/offer to exchange, Validus has filed a preliminary proxy statement in connection with the solicitation of proxies from Transatlantic stockholders to vote against the adoption of the Allied World acquisition agreement and vote against other proposals brought before the Transatlantic special stockholder meeting as discussed in more detail in such preliminary proxy statement. If the Allied World acquisition agreement is not adopted by Transatlantic stockholders after a vote thereon, the Transatlantic board of directors will be able to terminate the Allied World acquisition agreement and enter into a merger agreement with Validus. In such case, Validus believes the merger contemplated by the Validus merger offer could be completed in the fourth quarter of 2011, which is consistent with the publicly announced timing of the proposed Allied World acquisition (subject to the satisfaction or waiver of the conditions to the exchange offer).

Transatlantic stockholders may obtain a free copy of the proxy statement described above and other documents that Validus files with the SEC at its website at http://www.sec.gov. In addition, the proxy statement may be obtained free of charge from Validus by contacting the information agent as directed on the back cover of this prospectus/offer to exchange.

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ADDITIONAL NOTE REGARDING THE EXCHANGE OFFER

The exchange offer is being made solely by this prospectus/offer to exchange and the accompanying letter of transmittal and is being made to holders of shares of Transatlantic common stock. Validus is not aware of any jurisdiction where the making of the exchange offer or the tender of shares of Transatlantic common stock in connection therewith would not be in compliance with the laws of such jurisdiction. If Validus becomes aware of any jurisdiction in which the making of the exchange offer or the tender of shares of Transatlantic common stock in connection therewith would not be in compliance with applicable law, Validus will make a good faith effort to comply with any such law. If, after such good faith effort, Validus cannot comply with any such law, the exchange offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of shares of Transatlantic common stock in such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the exchange offer to be made by a licensed broker or dealer, the exchange offer shall be deemed to be made on behalf of Validus by the dealer manager or by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Unless otherwise specifically noted herein, all references to "dollars" and "$" shall refer to U.S. dollars.

WHERE YOU CAN FIND MORE INFORMATION

Validus and Transatlantic file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any of this information filed with the SEC at the SEC's public reference room:

Public Reference Room
100 F Street NE
Room 1580
Washington, D.C. 20549

For information regarding the operation of the Public Reference Room, you may call the SEC at 1-800-SEC-0330. These filings made with the SEC are also available to the public through the website maintained by the SEC at *http://www.sec.gov* or from commercial document retrieval services.

Validus has filed a registration statement on Form S-4 to register with the SEC the offering and sale of Validus common shares to be issued in the exchange offer and the second-step merger. This prospectus/offer to exchange is a part of that registration statement. We may also file additional amendments to the registration statement. In addition, Validus filed with the SEC a Tender Offer Statement on Schedule TO under the Exchange Act, together with exhibits, to furnish certain information about the exchange offer, and we may also file amendments to the Schedule TO. You may obtain copies of the Form S-4 and Schedule TO (and any amendments to those documents) by contacting the information agent as directed on the back cover of this prospectus/offer to exchange.

Some of the documents previously filed with the SEC may have been sent to you, but you can also obtain any of them through Validus, the SEC or the SEC's website as described above. Documents filed with the SEC are available from Validus without charge, excluding all exhibits, except that, if Validus has specifically incorporated by reference an exhibit in this prospectus/offer to exchange, the exhibit will also be provided without charge.

You may obtain documents filed with the SEC by requesting them in writing or by telephone from Validus at the following addresses:

Validus Holdings, Ltd.
29 Richmond Road, Pembroke
Bermuda HM 08
(441) 278-9000
Attention: Jon Levenson

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If you would like to request documents, in order to ensure timely delivery, you must do so at least five business days before the expiration time of the exchange offer. This means you must request this information no later than September 23, 2011. Validus will mail properly requested documents to requesting stockholders by first class mail, or another equally prompt means, within one business day after receipt of such request.

You can also get more information by visiting Validus' website at *http://www.validusholdings.com* and Transatlantic's website at *http://www.transre.com*.

Materials from these websites and other websites mentioned in this prospectus/offer to exchange and the accompanying letter of transmittal are not incorporated by reference in this prospectus/offer to exchange. If you are viewing this prospectus/offer to exchange in electronic format, each of the URLs mentioned in this prospectus/offer to exchange is an active textual reference only.

The SEC allows Validus to incorporate information into this prospectus/offer to exchange "by reference," which means that Validus can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus/offer to exchange, except for any information superseded by information contained directly in this prospectus/offer to exchange. This prospectus/offer to exchange incorporates by reference the documents set forth below that Validus and Transatlantic have previously filed with the SEC. These documents contain important information about Validus and Transatlantic and their financial condition, business and results.

Validus Filings (Commission File No. 001-33606):	**Period**
Annual Report on Form 10-K	For fiscal year ended December 31, 2010
Quarterly Reports on Form 10-Q	For the three months ended March 31, 2011 and the six months ended June 30, 2011
Current Reports on Form 8-K	Filed on February 25, 2011, February 28, 2011, March 17, 2011, April 5, 2011, May 5, 2011, May 5, 2011, May 9, 2011, May 10, 2011, May 23, 2011, June 1, 2011, June 23, 2011, July 13, 2011, August 3, 2011, August 8, 2011, and August 8, 2011 (other than any portion of any documents not deemed to be filed)
The description of Validus common shares contained in its registration statement on Form S-3, including any amendment or report filed for the purpose of updating the description.	Filed on August 7, 2008
Proxy Statement on Schedule 14A	Filed on March 23, 2011

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Transatlantic Filings (Commission File No. 000-27662):	**Period**
Annual Report on Form 10-K (except for the reports of Transatlantic's independent public accountants contained therein which are not incorporated herein by reference because the consent of Transatlantic's independent public accountants has not yet been obtained)	For fiscal year ended December 31, 2010
Quarterly Reports on Form 10-Q	For the three months ended March 31, 2011 and the six months ended June 30, 2011
Current Reports on Form 8-K	Filed on March 11, 2011, March 29, 2011, April 5, 2011, April 26, 2011, May 20, 2011, June 1, 2011, June 13, 2011, June 13, 2011, June 15, 2011, July 6, 2011, July 7, 2011, July 13, 2011, July 13, 2011, July 20, 2010, July 25, 2011, July 27, 2011, July 28, 2011, July 29, 2011, August 8, 2011, August 9, 2011, August 12, 2011, and August 19, 2011 (other than any portions of any documents not deemed to be filed)

Validus also hereby incorporates by reference any additional documents that it or Transatlantic may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this prospectus/offer to exchange to the termination of the exchange offering. Nothing in this prospectus shall be deemed to incorporate information furnished but not filed with the SEC.

Validus shareholders and Transatlantic stockholders may obtain any of these documents without charge upon written or oral request to the information agent at Innisfree M&A Inc., 501 Madison Avenue, 20th Floor, New York, New York 10022, banks and brokerage firms please call (212) 750-5833, all others call toll-free at (877) 717-3929, or from the SEC at the SEC's website at *http://www.sec.gov*.

IF YOU WOULD LIKE TO REQUEST DOCUMENTS FROM VALIDUS, PLEASE CONTACT THE INFORMATION AGENT NO LATER THAN SEPTEMBER 23, 2011, OR FIVE BUSINESS DAYS BEFORE THE EXPIRATION TIME OF THE EXCHANGE OFFER, WHICHEVER IS LATER, TO RECEIVE THEM BEFORE THE EXPIRATION TIME OF THE EXCHANGE OFFER. If you request any incorporated documents, the information agent will mail them to you by first-class mail, or other equally prompt means, within one business day of receipt of your request.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS/OFFER TO EXCHANGE IN MAKING YOUR DECISION WHETHER TO TENDER YOUR SHARES OF TRANSATLANTIC COMMON STOCK INTO THE EXCHANGE OFFER. VALIDUS HAS NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT DIFFERS FROM THAT CONTAINED IN THIS PROSPECTUS/OFFER TO EXCHANGE. THIS PROSPECTUS/OFFER TO EXCHANGE IS DATED AUGUST 19, 2011. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROSPECTUS/OFFER TO EXCHANGE IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND NEITHER THE MAILING OF THIS PROSPECTUS/OFFER TO EXCHANGE TO STOCKHOLDERS NOR THE ISSUANCE OF VALIDUS COMMON SHARES IN THE EXCHANGE OFFER SHALL CREATE ANY IMPLICATION TO THE CONTRARY.

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NOTE ON TRANSATLANTIC INFORMATION

All information concerning Transatlantic, its business, management and operations presented or incorporated by reference in this prospectus/offer to exchange is taken from publicly available information. This information may be examined and copies may be obtained at the places and in the manner set forth in the section of this prospectus/offer to exchange titled "Where You Can Find More Information." Validus is not affiliated with Transatlantic, and Transatlantic has not permitted Validus to have access to their books and records. Therefore, non-public information concerning Transatlantic was not available to Validus for the purpose of preparing this prospectus/offer to exchange. Although Validus has no knowledge that would indicate that statements relating to Transatlantic contained or incorporated by reference in this prospectus/offer to exchange are inaccurate or incomplete, Validus was not involved in the preparation of those statements and cannot verify them.

Pursuant to Rule 409 under the Securities Act and Rule 12b-21 under the Exchange Act, Validus has requested that Transatlantic provide Validus with information required for complete disclosure regarding the businesses, operations, financial condition and management of Transatlantic. Validus will amend or supplement this prospectus/offer to exchange to provide any and all information Validus receives from Transatlantic, if Validus receives the information before the expiration time of the exchange offer and Validus considers it to be material, reliable and appropriate.

An auditor's report was issued on Transatlantic's financial statements and included in Transatlantic's filings with the SEC. Pursuant to Rule 436 under the Securities Act, Validus requires the consent of Transatlantic's independent auditors to incorporate by reference their audit report to the Transatlantic 10-K into this prospectus/offer to exchange. Validus has requested and has, as of the date of this prospectus/offer to exchange, not received such consent from Transatlantic's independent auditors. The SEC has granted to Validus dispensation pursuant to Rule 437 under the Securities Act from this requirement. If Validus receives the consent of Transatlantic's independent auditors, Validus will promptly file it as an exhibit to Validus' registration statement of which this prospectus/offer to exchange forms a part. Because Validus has not been able to obtain Transatlantic's independent auditors' consent, you may not be able to assert a claim against Transatlantic's independent auditors under Section 11 of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Transatlantic's independent auditors or any omissions to state a material fact required to be stated therein.

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SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF VALIDUS

The name, current principal occupation or employment and material occupations, positions, offices or employment for the past five years, of each director and executive officer of Validus are set forth below. References in this Schedule I to "Validus" mean Validus Holdings, Ltd. Unless otherwise indicated below, the current business address of each director and executive officer is c/o Validus Holdings, Ltd., 29 Richmond Road, Pembroke, Bermuda HM 08, Bermuda. Unless otherwise indicated below, the current business telephone of each director and executive officer is (441) 278-9000. Where no date is shown, the individual has occupied the position indicated for the past five years. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Validus. Except as described in this Schedule I, none of the directors and executive officers of Validus listed below has, during the past five years, (1) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (2) been a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws. Other than Mr. Nessi, who is a citizen of France, Mr. Dill, who is a citizen of Bermuda, and Mr. Carpenter and Ms. Ross, who is each a citizen of the United Kingdom, each of the directors and executive officers of Validus is a citizen of the United States of America.

DIRECTORS

Name and Current Business Address	Present Principal Occupation or Employment, Material Positions Held During the Past Five Years and Business Address Thereof
Edward J. Noonan	Mr. Noonan has been Chairman of the Board and the Chief Executive Officer of Validus since its formation. He has 30 years of experience in the insurance and reinsurance industry, serving most recently as the acting chief executive officer of United America Indemnity Ltd. from February 2005 through October 2005 and as a member of the board of directors from December 2003 to May 2007. Mr. Noonan served as president and chief executive officer of American Re-Insurance Company from 1997 to 2002, having joined American Re in 1983. Mr. Noonan also served as chairman of Inter-Ocean Reinsurance Holdings of Hamilton, Bermuda from 1997 to 2002. Mr. Noonan is also a director of Central Mutual Insurance Company and All American Insurance Company, both of which are property and casualty companies based in Ohio.
Michael E.A. Carpenter	Mr. Carpenter has been a Director of Validus since August, 2011. Mr. Carpenter joined the Talbot Group in June of 2001 as the Chief Executive Officer. Following the sale of Talbot to the Company on July 2, 2007, Mr. Carpenter was appointed as Chairman of Talbot and continues to serve in that position.
Matthew J. Grayson	Mr. Grayson, has been a Director of Validus since its formation. Since January of 2011, Mr. Grayson has served as a principal of Welder Energy, an oil and gas asset management firm based in San Antonio, Texas. From 2006 through 2010, Mr. Grayson served as a senior principal of Aquiline. Mr. Grayson has 27 years experience in the financial services industry. In 1998, following a career in investment banking, corporate finance and capital markets, Mr. Grayson co-founded Venturion Capital, a private equity firm

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Name and Current Business Address	Present Principal Occupation or Employment, Material Positions Held During the Past Five Years and Business Address Thereof
	that specialized in global financial services companies. In 2005, Venturion Capital's professionals joined with Jeffrey W. Greenberg, along with others, to form Aquiline. Mr. Grayson serves on the board of Structured Credit Holdings Plc.
Jeffrey W. Greenberg	Mr. Greenberg has been a Director of Validus since its formation. He also serves as the managing principal of Aquiline, which he founded in 2005. Mr. Greenberg served as chairman and chief executive officer of Marsh & McLennan Companies, Inc. from 2000 to 2004. From 1996 to 2004, Mr. Greenberg was the chairman of MMC Capital, the manager of the Trident Funds. He previously served as a director of Ace, Inc. Previously, he served as a senior executive of AIG, where he was employed from 1978 to 1995. Mr. Greenberg is also Chairman of Group Ark Insurance Holdings Ltd., a Bermuda-based underwriter of insurance and reinsurance risks in the Lloyd's market.
John J. Hendrickson	Mr. Hendrickson has been a director of Validus since its formation. Mr. Hendrickson is the Founder and Managing Partner of SFRi LLC, an independent investment and advisory firm (formed in 2004) specializing in the insurance industry. From 1995 to 2004, Mr. Hendrickson held various positions with Swiss Re, including as Member of the Executive Board, Head of Capital Partners (Swiss Re's Merchant Banking Division), and Co-Founding Partner of Securitas Capital. From 1985 to 1995, Mr. Hendrickson was with Smith Barney, the U.S. investment banking firm, where he focused on serving the capital and strategic needs of (re)insurance clients and private equity investors active in the insurance sector. Mr. Hendrickson has served as a director for several insurance and financial services companies, and, in addition to the Company, currently serves on the board of Tawa PLC, Conning Holdings Corp and American European Insurance Group.
Sander M. Levy	Mr. Levy has been a Director of Validus since its formation. He also serves as a Managing Director of Vestar Capital Partners, a private equity investment firm based in New York which manages over $7.0 billion of equity capital, and was a founding partner of Vestar Capital Partners at its inception in 1988. Mr. Levy is currently a member of the board of directors of Symetra Financial Corporation, Wilton Re Holdings Limited, Duff & Phelps, LLC and Triton Container International Limited.
Jean-Marie Nessi	Mr. Nessi has been a Director of Validus since its formation. He has also served as a director of Matmut Enterprises since 2007. Mr. Nessi also has served as the head of Aon Global Risk Consulting at Aon France since October 2007. Mr. Nessi served as Chairman and CEO of NessPa Holding from January 2006 to September 2007 and as the head of the property and casualty business unit for PartnerRe Global, a subsidiary of PartnerRe SA, from February 2003 to February 2006. He was appointed Chairman of PartnerRe SA in June of 2003. Prior to PartnerRe, Mr. Nessi led

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Name and Current Business Address	Present Principal Occupation or Employment, Material Positions Held During the Past Five Years and Business Address Thereof
	AXA Corporate Solutions, the successor company to AXA Ré and AXA Global Risk.
Mandakini Puri	Ms. Puri has been a Director of Validus since its formation. She joined BlackRock in May 2011 and is Managing Director and co-head of BlackRock's Global Private Equity Group. She also served as a consultant to Bank of America/Merrill Lynch Global Private Equity until December 2010. From 1994 through 2009, Ms. Puri served as a senior vice president with Bank of America/Merrill Lynch Global Private Equity, where she was the Chief Investment Officer. Ms. Puri had been part of Merrill Lynch's private equity business since 1994, prior to which she was a Director in the High Yield Finance & Restructuring Group at Merrill. Ms. Puri joined Merrill Lynch in 1986. Ms. Puri was a member of the board of directors of PSi Technologies Holdings, Inc. until December 2010.
Alok Singh	Mr. Singh has been a Director of Validus since its formation. He also serves as a Managing Director of New Mountain Capital, a private equity investment firm based in New York which manages over $7 billion of equity capital. Prior to joining New Mountain Capital in 2002, Mr. Singh served as a Partner and Managing Director of Bankers Trust from 1978 to 2001. In 2001 he established the Corporate Financial Advisory Group for the Americas for Barclays Capital, and led the group until 2002. Mr. Singh is non-executive chairman of Overland Solutions, Inc. and RedPrairie, lead director of Deltek, Inc., Camber Corporation, Ikaria Holdings, Inc. and Stroz Friedberg LLC and a director of Avantor Performance Materials and EverBank Financial Corp.
Christopher E. Watson	Mr. Watson has been a Director of Validus since its formation. He also serves as a senior principal of Aquiline, which he joined in 2006. Mr. Watson has more than 35 years of experience in the financial services industry. From 1987 to 2004, Mr. Watson served in a variety of executive roles within the property & casualty insurance businesses of Citigroup and its predecessor entities. From 1995 to 2004, Mr. Watson was president and chief executive officer of Gulf Insurance Group, one of the largest surplus lines insurance companies in the world. Mr. Watson served as a senior executive of AIG from 1974 to 1987. Mr. Watson is also a director of Group Ark Insurance Holdings Ltd., a Bermuda-based underwriter of insurance and reinsurance risks in the Lloyd's market.

EXECUTIVE OFFICERS

Name and Current Business Address	Present Principal Occupation or Employment, Material Positions Held During the Past Five Years and Business Address Thereof
Edward J. Noonan	Mr. Noonan has been Chairman of the Board and the Chief Executive Officer of Validus since its formation. He has 30 years of experience in the insurance and reinsurance industry, serving most recently as the acting chief executive officer of United America

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Name and Current Business Address	Present Principal Occupation or Employment, Material Positions Held During the Past Five Years and Business Address Thereof
	Indemnity Ltd. from February 2005 through October 2005 and as a member of the board of directors from December 2003 to May 2007. Mr. Noonan served as president and chief executive officer of American Re-Insurance Company from 1997 to 2002, having joined American Re in 1983. Mr. Noonan also served as chairman of Inter-Ocean Reinsurance Holdings of Hamilton, Bermuda from 1997 to 2002. Mr. Noonan is also a director of Central Mutual Insurance Company and All American Insurance Company, both of which are property and casualty companies based in Ohio.
Joseph E. (Jeff) Consolino	Mr. Consolino has been President of Validus since November 15, 2010 and Chief Financial Officer of Validus since March 2006. Prior to joining the Validus, Mr. Consolino served as a managing director in Merrill Lynch's investment banking division. He serves as a Director of National Interstate Corporation, a property and casualty company based in Ohio and of AmWINS Group, Inc., a wholesale insurance broker based in North Carolina.
C. Jerome Dill	Mr. Dill's principal occupation is executive vice president and general counsel of Validus. Prior to joining Validus, Mr. Dill was a partner with the law firm of Appleby Hunter Bailhache, which he joined in 1986.
Stuart W. Mercer	Mr. Mercer's principal occupation is executive vice president and chief risk officer of Validus. Mr. Mercer has over 18 years of experience in the financial industry focusing on structured derivatives, energy finance and reinsurance. Previously, Mr. Mercer was a senior advisor to DTE Energy Trading.
Julian G. Ross	Ms. Ross's principal occupation is Executive Vice President & Chief Risk Officer of Validus. Previously, Mr. Ross held a number of senior positions within the Risk and Actuarial functions of Talbot. Most recently, Mr. Ross was Talbot's Chief Risk Officer following twelve years as Talbot's Chief Actuary, from 1997 to 2009. Mr. Ross is a Fellow of the Institute of Actuaries and has over 20 years of actuarial and risk management experience
Conan M. Ward	Mr. Ward's principal occupation is executive vice president of Validus and chief executive officer of Validus Re, on of the primary operating subsidiaries of Validus. Mr. Ward served as Executive Vice President and Chief Underwriting Officer of the Company from January 2006 until July of 2009. Mr. Ward has over 16 years of insurance industry experience. Mr. Ward was executive vice president of the Global Reinsurance division of Axis Capital Holdings, Ltd. from November 2001 until November 2005, where he oversaw the division's worldwide property catastrophe, property per risk, property pro rata portfolios. He is one of the founders of Axis Specialty, Ltd and was a member of the Operating Board and Senior Management Committee of Axis Capital. From July 2000 to November 2001, Mr. Ward was a senior vice president at Guy Carpenter & Co.

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SCHEDULE II

STOCK TRANSACTIONS IN THE PAST 60 DAYS

Other than the acquisition by Validus of 200 shares of Transatlantic common stock from Joseph E. (Jeff) Consolino, Validus' President & Chief Financial Officer on July 11, 2011 in a privately negotiated transaction at a price of $55.66 per share in exchange for an issuance to Mr. Consolino of 363 Validus common shares (at an issuance price of $30.62 per share), none of Validus or, after due inquiry and to the best of our knowledge and belief, any of the persons identified on Schedule I (or any of their respective associates or majority-owned subsidiaries) has engaged in any transaction involving shares of Transatlantic common stock in the past 60 days.

Manually signed facsimile copies of the letter of transmittal will be accepted. The letter of transmittal and certificates for shares of Transatlantic common stock and any other required documents should be sent to the exchange agent at one of the addresses set forth below:

The exchange agent for the exchange offer is:

By Mail:

BNY Mellon Shareowner Services
Attn: Corporate Actions., 27th Floor
P.O. Box 3301
South Hackensack, New Jersey 07606

By Overnight Courier or By Hand:

BNY Mellon Shareowner Services
Attn: Corporate Actions, 27th Floor
480 Washington Boulevard
Jersey City, New Jersey 07310

By Facsimile:

(For Eligible Institutions Only)

(201) 680-4626

Confirm Facsimile Transmission:

(201) 680-4860

Any questions or requests for assistance may be directed to the information agent or the dealer manager at their respective addresses or telephone numbers set forth below. Additional copies of this prospectus/offer to exchange, the letter of transmittal and the notice of guaranteed delivery may be obtained from the information agent at its address and telephone numbers set forth below. Holders of shares of Transatlantic common stock may also contact their broker, dealer, commercial bank or trust company or other nominee for assistance concerning the exchange offer.

The information agent for the exchange offer is:

501 Madison Avenue, 20th Floor
New York, New York 10022

Banks and Brokerage Firms, Please Call: (212) 750-5833

All Others Call Toll-Free: at (877) 717-3929

The dealer manager for the exchange offer is:

Greenhill & Co., LLC

300 Park Avenue

New York, New York 10022

Call Toll-Free: (888) 504-7336

Until the expiration time of the exchange offer, or any subsequent offering period, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus/offer to exchange.